

Gunsynd plc

Annual Report and Accounts 2018

Company Number: 05656604

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COMPANY INFORMATION

DIRECTORS	Hamish Harris Donald Strang George Garnett	(Executive Chairman) (Executive Director) (Non-Executive Director)
REGISTERED OFFICE	78 Pall Mall, St James's London SW1Y 5ES	
COMPANY WEBSITE	www.gunsynd.com	
COMPANY REGISTRATION NUMBER	05656604 (England and Wales)	
NOMINATED ADVISER AND JOINT BROKER	Cairn Financial Advisers LLP Cheyne House, Crown Court 62-63 Cheapside London EC2V 6AX	
JOINT BROKER	Peterhouse Corporate Finance 3rd floor, New Liverpool House 15 Eldon Street London EC2M 7LD	
AUDITOR	Chapman Davis LLP Chartered Accountants and Registered Auditor 2 Chapel Court London SE1 1HH	
SOLICITOR	Hill Dickinson LLP The Broadgate Tower 20 Primrose Street London EC2A 2EW	
BANKERS	Barclays Bank plc 1 Churchill Place London E14 5HP	
REGISTRAR	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA	

CHAIRMAN'S REPORT (INCORPORATING THE STRATEGIC REVIEW)

I am pleased to present the annual report and financial statements for the year ended 31 July 2018.

Review of Investments

Horse Hill Developments Limited ("HHDL")

The Company currently owns a 2% direct interest in Horse Hill Developments Limited ("HHDL"). HHDL is a special purpose company that owns a 65% participating interest and operatorship of Licence PEDL137 and the adjacent Licence PEDL246 in the UK Weald Basin. This holding, subject to HHDL shareholders' approval, has an agreement to be sold to UK Oil & Gas Investments Plc ("UKOG") for a total consideration receivable by the Company of £600,000, made up of £50,000 in cash and the balance of £550,000 by way of the issue of 31,171,898 shares in UKOG.

Sunshine Minerals Limited ("Sunshine")

Gunsynd holds a 10% equity stake in Sunshine Minerals Limited ("Sunshine"), and a loan note convertible into a further 10% shareholding. Sunshine is a nickel and bauxite exploration company focussing on the Solomon Islands. On 19 September 2018 it was announced that Metminco Ltd ("Metminco") proposed to acquire 100% of the existing share capital in Sunshine through the issue of shares on a staged basis (and subject to certain conditions).

The consideration for Metminco's Acquisition of Sunshine is as follows:

- (a) A non-refundable deposit of A\$50,000 to be paid within 10 days.
- (b) A\$1,500,000 less the Deposit and any agreed debts in Sunshine which will be satisfied through the issue of up to 250,000,000 fully paid ordinary shares in the capital of Metminco (Metminco Shares) at a deemed issue price of A\$0.006 each (Upfront Consideration Shares);
- (c) A further 250,000,000 Metminco Shares upon announcement to the ASX by Metminco of an initial JORC compliant resource estimate at Jejevo Nickel Project of at least 125,000 tonnes of contained nickel metal at a cut-off grade of not less than 0.7% nickel, which must be based upon exploration information delivered to Metminco by Sunshine and exploration work undertaken by Metminco in the amount of not greater than A\$500,000 (Stage 1 Deferred Consideration Shares); and
- (d) The issue of 500,000,000 Metminco Shares upon the receipt of a mining license over the Jejevo Nickel Project located in the Santa Isabel Province, Solomon Islands (Stage 2 Deferred Consideration Shares).

United Oil and Gas Limited ("UOG")

UOG is an independent oil & gas start-up established in 2015 by a former Tullow Oil team. Its strategy is to acquire assets where the management team's experience can drive near-term activity and unlock previously untapped value. Two deals have been completed since August 2016, providing UOG with a material stake in two licences: PL090 onshore UK, and Podere Gallina onshore Italy. UOG is listed on the main market of the London Stock Exchange by way of a standard listing. Since its listing date, UOG has made a number of investments and its share price has increased considerably. Gunsynd has sold down a portion of its holding at a healthy profit.

Brazil Tungsten Holdings Limited ("BTHL")

After an unfortunate accident earlier in the year operations recommenced in May. BTHL has achieved production of 12 tonnes per month ("tpm") in both June and July 2018. BTHL has now paid down \$400,000 of debt and has \$350,000 remaining. It is also in the process of seeking alternative improved off-take arrangements, and pre-payments which will allow BTHL to finance its exploration programme earlier than previously planned. BTHL is still progressing its Tarantula licence application.

CHAIRMAN'S REPORT (INCORPORATING THE STRATEGIC REVIEW)

Human Brands Inc. ("Human Brands")

Gunsynd has, to date, invested £289,000 by way of convertible loan notes in Human Brands, a private US company that produces, distributes, and markets premium spirits, wine, and beer in the USA and Asia. One of its flagship products is Copa Imperial Tequila, a premium tequila. 2018 has been a year of much progress for Human Brands with increased distribution in the USA from its tie up with Miolo Wine and in Asia with Milestone Beverages as well as marketing rights for a bar at the Florida Panthers stadium in Miami. The company also expects to launch its own premium tequila Copa Imperial and its Japanese Whisky by the end of the year. Human Brands is currently in preparation for an IPO which is targeted to be completed by H2 2019.

Oyster Oil and Gas Limited ("Oyster")

Oyster is an international energy group focused on oil and gas exploration and production activities in underexplored hydrocarbon basins. Oyster currently operates 4 blocks in the Republic of Djibouti (100% interest); 3 blocks are located onshore and 1 block offshore, also the sole interest holder in 1 onshore block in the Republic of Madagascar.

The Oyster IPO as previously detailed is as yet to make the progress we envisaged by this date. To say we are displeased with the efforts of management in this endeavour would be a gross understatement. Our hands were tied to a large extent in supporting the IPO due to a lack of disapplication of pre-emption rights within Gunsynd. Unfortunately this has had a very negative impact on the value of our holding. We do however believe in the Madagascar asset and are hopeful that value can be extracted from it via an IPO or more likely by a trade sale.

Alba Mineral Resources ("Alba") and Zenith Energy ("Zenith")

Gunsynd maintains very small residual holdings in both these companies. Neither are considered to be long term holdings.

Fastbase Inc ("Fastbase")

We have been informed by Fastbase that they still intend to target an IPO this year but we have no further guidance regarding the IPO details that were indicated in our RNS of the 24th of May 2018. It must be stressed that Gunsynd has not invested in Fastbase in any form.

All of our investments are minority investments. Certain of these investments seek to IPO. Whilst we may offer advice to management of investee companies in this regard they can and sometimes do ignore such advice. Similarly, private companies don't have the disclosure requirements of public companies and are under no obligation to keep us constantly updated. This seems to be lost on many. Whilst it can be frustrating not least for us, the regulatory hurdles to IPO are substantial and time consuming. There are also market conditions to consider. Together these can severely impact the potential of any IPO. Management may also feel they can achieve a far higher valuation by waiting for an improvement in market timing. All these things can and do impact expectations of timings of any IPO. Decisions are ultimately made by investee companies not by us.

CHAIRMAN'S REPORT (INCORPORATING THE STRATEGIC REVIEW)

Finance Review

The Company made a loss for the year of £939,000 (2017: profit of £492,000) after taxation. This loss originated from realised gains on disposals of its listed investments of £41,000 (2017: gain £408,000) along with market value revaluation losses of £535,000 (2017: gain 417,000). The Company had net assets of £2,423,000 (2017: £3,266,000) including cash balances of £337,000 (2017: £372,000) at 31 July 2018.

During the period, the Company did not raise any equity capital, but managed its cashflow through the existing balances and listed investment sales.

Outlook

Despite the maelstrom of economic uncertainty and difficult markets the board remains optimistic with regard to the future. The board have successfully managed to convert two illiquid holdings in to liquidity traded stock lately. We intend to continue this policy in the next six months.

The Board would also like to take this opportunity to thank shareholders for their continued support.

Hamish Harris
Chairman

21 September 2018

DIRECTORS' REPORT

The directors present their annual report on the Company and its audited financial statements for the year ended 31 July 2018.

Principal activity

As at 31 July 2018 the principal activity of the Company is that of investing by seeking to acquire companies and/or projects within the natural resources sector which the Board considers, in its opinion, have potential for growth. The Company will consider opportunities in all relevant sectors as they arise if the Board considers there is an opportunity to generate potential value for Shareholders. The geographical focus will primarily be in Europe, however, investments may also be considered in other regions to the extent that the Board considers that valuable opportunities exist and potential value can be achieved.

Results and dividends

The income statement is set out on page 13 and has been prepared in Sterling, the functional and reporting currency of the Company.

The Company's net loss after taxation attributable to equity holders of Gunsynd plc for the year was £939,000 (2017: profit £492,000).

No dividends have been paid or proposed.

Review of the business and future developments

A full review of the Company's performance, financial position and future prospects is given in the Chairman's Report (Incorporating the Strategic Review).

Directors and their interests

The Directors who served during the year were:

H Harris

D Strang

G Garnett – appointed 16 January 2018

D Ormerod - appointed 30 March 2017 and resigned 16 January 2018

The interests of the serving Directors at 31 July 2018 or at date of resignation, in the ordinary share capital of the Company (all beneficially held) were as follows

	31 July 2018		31 July 2017	
	No. shares	No. of options	No.	No. of options
Hamish Harris	48,725,490	150,000,000	48,725,490	10,000,000
Donald Strang	57,058,823	150,000,000	57,058,823	10,000,000
George Garnett	-	30,000,000	-	-
David Ormerod	-	-	-	-

Directors' remuneration

The remuneration of the Executive Directors paid during the year was fixed on the recommendation of the Remuneration Committee. The remuneration of the Non-executive Director paid during the year was fixed on the recommendation of the Executive Directors. This has been achieved acknowledging the need to maximise the effectiveness of the Company's limited resources during the year.

Fees paid to each Director for the year ended 31 July 2018 are set out in note 6 to the financial statements.

DIRECTORS' REPORT - CONTINUED

Substantial shareholdings

Other than as summarised below, the Directors have not been advised of any individual interest, or group or interests held by persons acting together, which at 31 July 2018 exceeded 3% of the Company's issued share capital.

	Number of ordinary shares held	% of issued share capital
Interactive Investor Services Nominees Ltd	706,315,028	14.46%
Hargreaves Lansdown (Nominees) Ltd	467,344,413	9.57%
Interactive Investor Services Nominees Ltd	354,887,303	7.27%
Hargreaves Lansdown (Nominees) Ltd	294,781,532	6.04%
JIM Nominees Limited	239,027,426	4.90%
Wealth Nominees Ltd	236,435,254	4.84%
Barclays Direct Investing Nominees Ltd	208,135,095	4.26%
HSDL Nominees Limited	194,151,855	3.98%
Hargreaves Lansdown (Nominees) Ltd	174,488,256	3.57%
HSDL Nominees Limited	166,301,605	3.41%

Employees

The Company has only one direct employee.

Creditor payment policy

The policy of the Company is to:

- (a) Agree the terms of payment with suppliers when settling the terms of each transaction;
- (b) Ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) Pay in accordance with its contractual and other legal obligations provided suppliers comply with the terms and conditions of supply.

Directors' liability

As permitted by the Companies Act 2006, the Company has purchased insurance cover for the Directors against liabilities in relation to the Company.

Charitable donations

During the period, the Company made no charitable donations (2017 - £Nil).

Financial reporting

The Board has ultimate responsibility for the preparation of the annual audited accounts. A detailed review of the performance of the Company is contained in the Chairman's report (incorporating Strategic Review). Presenting the Chairman's report (incorporating Strategic Review) and Director's Report, the Board seeks to present a balanced and understandable assessment of the Company's position, performance and prospects.

Internal control

A key objective of the Directors is to safeguard the value of the business and assets of the Company. This requires the development of relevant policies and appropriate internal controls to ensure proper management of the Company's resources and the identification and mitigation of risks which might serve to undermine them. The Directors are responsible for the Company's system of internal control and for reviewing its effectiveness. It should, however, be recognised that such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

DIRECTORS' REPORT - CONTINUED

Events after the reporting period

Events after the reporting period are set out in note 22 to the financial statements.

Auditor

The Directors will place a resolution before the Annual General Meeting to re-appoint Chapman Davis LLP as auditor for the coming year.

Risk management

The directors have in place a process of regularly reviewing risks to the business and monitoring associated controls, actions and contingency plans.

The Company's financial risk management policies are set out in Note 18.

Website publication

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance

Audit and Remuneration Committees have been established and comprise Hamish Harris (Chairman) and George Garnett (audit) and Hamish Harris (Chairman) and George Garnett (remuneration).

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

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

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the profit for the year ended 31 July 2018. This basis assumes that the company will have sufficient funding to enable it to continue to operate for the foreseeable future and the Directors have taken steps to ensure that they believe that the going concern basis of preparation remains appropriate.

The Company made a loss for the year of £939,000 (2017: profit £492,000) after taxation. The Company had net assets of £2,423,000 (2017: £3,266,000) and cash balances of £335,000 (2017: £372,000) at 31 July 2018. The Directors have prepared financial forecasts which cover a period of at least 12 months from date that these financial statements are approved to 30 September 2019. These forecasts show that the Company expects to have sufficient financial resources to continue to operate as a going concern.

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. As a junior investment exploration company, the Directors are aware that the Company must go to the marketplace to raise cash to meet its investment plans, and/or consider liquidation of its investments and/or assets as is deemed appropriate. The Company has previously constantly demonstrated its ability to raise further cash by way of completing placings during the prior years, and are confident of further equity fund raising should the company require such cash injection. The Company also raised, conditional upon completion, £600,000 in cash and shares after the year end by the sale of its 2% interest in HHDL. Therefore they are confident that existing cash balances, along with the any new funding would be adequate to ensure that costs can be covered.

Consequently, the Directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future and that it remains appropriate for the financial statements to be prepared on a going concern basis.

DIRECTORS' REPORT - CONTINUED

Statement of directors' responsibilities

Company law requires the directors to keep reliable accounting records which correctly explain the transactions of the Company, enable the financial position of the Company to be determined with reasonable accuracy at any time and allow financial statements to be prepared. The shareholders have resolved, in accordance with the Companies Act 2006 and the Articles of Association, that the directors prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

On this basis the directors have elected to prepare the financial statements for the Company in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

International Accounting Standard 1 requires that accounts present fairly for each financial period the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of accounts'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 2006. They have a 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Website publication

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware.

Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board of Directors

Hamish Harris

Director

21 September 2018

INFORMATION ON THE BOARD OF DIRECTORS

Hamish Harris, Executive Chairman

Hamish holds a Bachelor of Commerce and has held positions within market risk management at a number of financial institutions including Nomura Group, Deutsche Bank AG and BZW plc in Singapore, Hong Kong and London. Hamish is also a Director on a number of AIM listed companies. Hamish is a member of both the Audit and Remuneration committees.

Donald Strang – Executive Director

Donald is a member of the Australian Institute of Chartered Accountants and has been in business over 20 years, holding senior financial and management positions in both publicly listed and private enterprises in Australia, Europe and Africa. He has considerable corporate and international expertise and over the past decade has focussed on mining and exploration activities. He is currently the Finance Director of Cadence Minerals plc and a Director of Doriemus plc, Primorus Investments plc, and Solo Oil plc.

George Garnett – Non-Executive Director

George is an experienced corporate executive, specialising in Equity Capital Markets, having completed numerous successful capital raisings for ASX listed small to medium sized companies. His role predominately encompasses identification, origination and execution of IPO's and secondary capital raisings for ASX listed companies in a number of sectors with the objective of generating value for all stakeholders. George is a member of both the Audit and Remuneration committees.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUNSYND PLC

OPINION

We have audited the financial statements of Gunsynd Plc (the 'Company') for the year ended 31 July 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 July 2018 and of the Company's losses 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUNSYND PLC - CONTINUED

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 £2.1m as at 31 July 2018, of which unlisted investments represented £1.7m 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 held by the investee Companies
- A lack of flow of information in regards to the investee companies exploration activities and/or production
- Discontinuation of, or a plan to discontinue, exploration activities in the areas 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 and our results found the carrying value for AFS assets to be acceptable.

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 £55,000, based on a 2% percentage consideration of the total assets.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUNSYND PLC - CONTINUED

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.

Keith Fulton

(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).

21 September 2018

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2018

		2018	2017
	Note	£000	£000
Continuing operations			
Income			
Unrealised (loss)/profit on available for sale assets		(535)	417
Realised Profit on available for sale assets		41	408
		(494)	825
Administrative expenses			
Salaries and other staff costs	6	(163)	(91)
Other costs	8	(198)	(261)
Share based payment charge	19	(100)	-
Total administrative expenses		(461)	(352)
Other income	7	-	18
Finance income		16	1
(Loss)/profit before tax		(939)	492
Taxation	9	-	-
(Loss)/profit for the period attributable to equity shareholders of the Company		(939)	492
Other comprehensive (expenditure)/income for the period net of tax			
		-	-
Total comprehensive (expenditure)/income for the period		(939)	492
(Loss)/earnings per ordinary share			
Basic (pence)	10	(0.019)	0.018
Diluted (pence)		(0.019)	0.017

The notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2018

		2018	2017
	Note	£000	£000
ASSETS			
Non-current assets			
Available-for-sale investments	11	2,098	2,585
Total non-current assets		2,098	2,585
Current assets			
Trade and other receivables	12	296	486
Cash and cash equivalents	17	337	372
Total current assets		633	858
Total assets		2,731	3,443
Current liabilities			
Trade and other payables	13	(308)	(177)
Total current liabilities		(308)	(177)
Total liabilities		(308)	(177)
Net assets		2,423	3,266
Equity attributable to equity holders of the company			
Ordinary share capital	14	489	489
Deferred share capital	14	1,729	1,729
Share premium reserve	14	10,536	10,540
Share based payments reserve		234	174
Retained earnings		(10,565)	(9,666)
Total equity		2,423	3,266

The financial statements were approved and authorised for issue by the Board of Directors on 21 September 2018 and were signed on its behalf by:

Hamish Harris
Chairman

Donald Strang
Director

Company number: 05656604

The notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2018

	Share capital £000	Deferred Share capital £ 000	Share premium reserve £000	Share-based payments reserve £000	Retained earnings £000	Total £000
At 31 July 2016	123	1,729	9,439	174	(10,158)	1,307
Profit for the year	-	-	-	-	492	492
Total comprehensive income for the period	-	-	-	-	492	492
<i>Transactions with owners:</i>						
Issue of share capital	366	-	1,185	-	-	1,551
Share issue costs	-	-	(84)	-	-	(84)
At 31 July 2017	489	1,729	10,540	174	(9,666)	3,266
Loss for the year	-	-	-	-	(939)	(939)
Total comprehensive income for the period	-	-	-	-	(939)	(939)
<i>Transactions with owners:</i>						
Issue of share capital	-	-	-	-	-	-
Share issue costs	-	-	(4)	-	-	(4)
Share options issued	-	-	-	100	-	100
Share options cancelled	-	-	-	(40)	40	-
At 31 July 2018	489	1,729	10,536	234	(10,565)	2,423

Details of the nature of each component of equity are set out in Notes 15

The notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2018

		2018	2017
	Note	£000	£000
Cash flow from operating activities			
(Loss)/profit after tax		(939)	492
Tax on losses		-	-
Other income		-	(15)
Finance income net of finance costs		(11)	(1)
Unrealised Revaluation of AFS assets		535	(417)
(Profit) on sale of AFS Asset		(41)	(408)
Share based payment		100	-
Changes in working capital:			
Decrease in trade and other receivables		190	6
Increase in trade and other payables		141	15
Cash outflow from operations		(25)	(328)
Taxation received		-	-
Net cash outflow from operating activities		(25)	(328)
Cash flow from investing activities			
Payments for investments in AFS assets	11	(365)	(1,873)
Disposal proceeds from sale of AFS Asset	11	358	1,137
Finance income		11	1
Net cash inflow/(outflow) from investing activities		4	(735)
Cash flows from financing activities			
Proceeds on issuing of ordinary shares	14	-	1,161
Cost of issue of ordinary shares		(14)	(84)
Net cash inflow from financing activities		(14)	1,077
Net (decrease)/increase in cash and cash equivalents	17	(35)	14
Cash and cash equivalents at the beginning of the year		372	358
Cash and cash equivalents at the end of the year	17	337	372

The notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Presentation of the financial statements

Description of business & Investing Policy

Gunsynd plc is public limited company domiciled in the United Kingdom. The Company's registered office is 2 Chapel Court, London SE1 1HH.

The Company's Investing Policy is to invest in and/or acquire companies and/or projects within the natural resources sector which the Board considers, in its opinion, has potential for growth. The Company will consider opportunities in all sectors as they arise if the Board considers there is an opportunity to generate potential value for Shareholders. The geographical focus will primarily be in Europe, however, investments may also be considered in other regions to the extent that the Board considers that valuable opportunities exist and potential value can be achieved.

Where appropriate, the Board may seek to invest in businesses where it may influence the business at a board level, add their expertise to the management of the business, and utilise their industry relationships and access to finance.

The Company's interests in an investment and/or acquisition may range from a minority position to full ownership and may comprise one investment or multiple investments. The investments may be in either quoted or unquoted companies; be made by direct acquisitions or farm-ins; and may be in companies, partnerships, earn-in joint ventures, debt or other loan structures, joint ventures or direct or indirect interests in assets or projects. The Board may focus on investments where intrinsic value may be achieved from the restructuring of investments or merger of complementary businesses.

The Board expects that investments will typically be held for the medium to long term, although short term disposal of assets cannot be ruled out if there is an opportunity to generate a return for Shareholders. The Board will place no minimum or maximum limit on the length of time that any investment may be held. The Company may be both an active and a passive investor depending on the nature of the individual investment. There is no limit on the number of projects into which the Company may invest, and the Company's financial resources may be invested in a number of propositions or in just one investment, which may be deemed to be a reverse takeover under the AIM Rules. The Board intends to mitigate risk by appropriate due diligence and transaction analysis. Any transaction constituting a reverse takeover under the AIM Rules will also require Shareholder approval. The Board considers that, as investments are made and new investment opportunities arise, further funding of the Company may also be required.

Where the Company builds a portfolio of related assets, it is possible that there may be cross holdings between such assets. The Company does not currently intend to fund any investments with debt or other borrowings but may do so if appropriate. Investments in early stage assets are expected to be mainly in the form of equity, with debt potentially being raised later to fund the development of such assets. Investments in later stage assets are more likely to include an element of debt to equity gearing. The Board may also 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, for example, delays in collecting accounts receivable, unexpected changes in the economic environment and operational problems.

Investments may be made in all types of assets and there will be no investment restrictions on the type of investment that the Company might make or the type of opportunity that may be considered. The Company may consider possible opportunities anywhere in the world.

The Board will conduct initial due diligence appraisals of potential business or projects and, where they believe further investigation is warranted, intend to appoint appropriately qualified persons to assist. The Board believes its expertise will enable it to determine quickly which opportunities could be viable and so progress quickly to formal due diligence. The Company will not have a separate investment manager.

Compliance with applicable law and IFRS

The financial statements have been prepared in accordance with the Companies Act 2006 and International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and related interpretations, as adopted by the European Union.

Composition of the financial statements

The Company financial statements are drawn up in Sterling, the functional currency of Gunsynd plc and in accordance with IFRS accounting presentation. The level of rounding for financial information is the nearest thousand pounds.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 Presentation of the financial statements continued

Accounting convention

The financial statements have been prepared using the historical cost convention, as modified by the revaluation of certain items, as stated in the accounting policies.

Basis of preparation – Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the loss for the year ended 31 July 2018. This basis assumes that the company will have sufficient funding to enable it to continue to operate for the foreseeable future and the Directors have taken steps to ensure that they believe that the going concern basis of preparation remains appropriate.

The Company made a loss for the year of £939,000 (2017: profit £492,000) after taxation. The Company had net assets of £2,423,000 (2017: £3,266,000) and cash balances of £335,000 (2017: £372,000) at 31 July 2018. The Directors have prepared financial forecasts which cover a period of at least 12 months from date that these financial statements are approved to 30 September 2018. These forecasts show that the Company expects to have sufficient financial resources to continue to operate as a going concern.

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. As a junior investment exploration company, the Directors are aware that the Company must go to the marketplace to raise cash to meet its investment plans, and/or consider liquidation of its investments and/or assets as is deemed appropriate. The Company has previously constantly demonstrated its ability to raise further cash by way of completing placings during the prior years, and are confident of further equity fund raising should the company require such cash injection. The Company also raised, conditional upon completion, £600,000 in cash and shares after the year end by the sale of its 2% interest in HHDL. Therefore they are confident that existing cash balances, along with the any new funding would be adequate to ensure that costs can be covered.

Consequently, the Directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future and that it remains appropriate for the financial statements to be prepared on a going concern basis.

Financial period

These financial statements cover the financial year from 1 August 2017 to 31 July 2018, with comparative figures for the financial year from 1 August 2016 to 31 July 2017.

Accounting principles and policies

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The financial statements have been prepared in accordance with the Company's accounting policies approved by the Board and signed on their behalf by Hamish Harris and Donald Strang, and described in Note 2, 'Accounting principles and policies'. Information on the application of these accounting policies, including areas of estimation and judgement is given in Note 3, 'Key accounting judgements and estimates'. Where appropriate, comparative figures are reclassified to ensure a consistent presentation with current year information.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Accounting principles and policies

Revenue

Revenue is recognised when persuasive evidence of an arrangement exists, delivery of products has occurred or services have been rendered, prices are fixed or determinable and there is a probability that economic benefits will flow to the Company.

Other/Royalty income is recognised on an accruals basis in accordance with the economic substance of the agreement and is reported as part of revenue. Other revenues are recorded as earned or as the services are performed. As part of the disposal of assets agreement in March 2014, the Company retained a right to receive contingent consideration in the form of royalties arising on any revenues generated by those assets during the 3 year period ending 18 March 2017 or from the sale or licence of the SYN1113 asset at any time, this agreement was settled in full during the year ended 31 July 2017 for £18,000 as detailed in Note 7.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors. Further details are set out in Note 5.

Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Financial instruments

Available-for-sale investments

Non-derivative financial assets comprising the Company's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in a separate component of equity (available-for-sale reserve). Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the statement of comprehensive income. On sale, the amount held in the available-for-sale reserve associated with that asset is removed from equity and recognised in the statement of comprehensive income.

Trade and other receivables

Trade and other receivables are accounted for at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account the age of the debt, historical experience and general economic conditions. If a trade debt is determined to be uncollectable, it is written off, firstly against any provisions already held and then to the statement of comprehensive income. Subsequent recoveries of amounts previously provided for are credited to the statement of comprehensive income.

Trade and other payables

Trade and other payables are held at amortised cost which equates to nominal value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 Accounting principles and policies continued

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and liquid investments generally with maturities of 3 months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in values.

Financial investments

Listed investments are valued at closing bid price on 31 July. For measurement purposes, financial investments are designated at fair value through statement of comprehensive income. Gains and losses on the realisation of financial investments are recognised in the statement of comprehensive income for the period and taken to retained earnings. The difference between the market value of financial instruments and book value to the Company is shown as a gain or loss in the income statement for the period.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on disallowed expenses, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Impairment of non-current assets

The carrying values of all non-currents assets are reviewed for impairment when there is an indication that the assets might be impaired. Any provision for impairment is charged to the statement of comprehensive income in the year concerned.

Impairment losses on other non-current assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 Key accounting judgements and estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at 31 July 2018 are set out below:

Fair value of contingent consideration

The consideration for the sale of intellectual property assets to Venn Life Science Holdings plc in March 2014 included an element of contingent consideration that is based on a future royalty stream from commercialisation of those assets by Venn. An estimate of the fair value of the contingent consideration has not been included in these financial statements. However the actual amounts of royalties receivable in future years is dependent upon a number of factors, all of which are outside the Company's control. These include Venn's ability to be able to generate commercial revenues from the intellectual property assets, the demand for those products and other economic factors, and as such, the Company has taken a prudent basis and not accounted for any potential future royalties. This was fully settled during the year ended 31 July 2017 for £18,000 as detailed in Note 7.

Share Based Payments

The Company made awards of 330 million options over its unissued share capital to the directors during the year to 31 July 2018. (2017: £nil share options issued)

The fair value of share based payments is calculated by reference to Black Scholes model. Inputs into the model are based on management's best estimates of appropriate volatility, dividend yields, discount rate and share price. During the year, the Company incurred £100,000 share based payment charge (2017: £nil charge).

4 New accounting requirements

At the date of authorisation of these financial statements, the following IFRSs, IASs and Interpretations were in issue but not yet effective. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments (effective date 1 January 2018);
- IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018);
- IFRS 16 Leases (effective date 1 January 2019);
- IFRS 17 Insurance Contracts (effective date 1 January 2021).

5 Segmental analysis

Segmental analysis is not applicable as there is only one operating segment of the continuing business – investment activities. The performance measure of investment activities is considered by the Board to be profitability and is disclosed on the face of the statement of comprehensive Income. The Board will continually review the segmental analysis of the business on an ongoing basis and at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6 Information regarding Directors and employees

	2018 £000	2017 £000
Included within continuing operations		
Fees and salaries	159	87
Social security costs	4	4
Share based payment expense	100	-
	263	91

	2018 Number	2017 Number
Average number of persons employed by the Company (including Directors) during the year		
Directors	3	3
Administrative staff	1	1
Total	4	4

The compensation of the Directors, in aggregate, was as follows:	2018 £000	2017 £000
Wages and salaries	147	75
Social security costs	3	2
Share based payment expense	100	-
	250	77

Full details of the remuneration of individual directors, including the highest paid director, are set out below:

	Fees & salary £000	Share Based Payments £000	Total 2018 £000	Total 2017 £000
Directors				
Mr H Harris	66	46	112	26
Mr D Strang	66	46	112	26
Mr C Gordon (resigned 16 June 2017)	-	-	-	19
Mr D Ormerod (resigned 16 January 2018)	5	-	5	4
Mr G Garnett (appointed 16 January 2018)	10	8	18	-
	147	100	247	75

Directors fees totalling £102,000 have been accrued and remain unpaid at 31 July 2018. (2017: £5,000)

7 Other income

	2018 £000	2017 £000
Royalty settlement	-	18
Total other income	-	18

On 26 February 2014, the Company announced that it was, subject to shareholder approval, disposing of certain intellectual property assets to Venn Life Sciences plc (the "Disposal"). As part of the terms of the Disposal, the Company was entitled to receive additional potential consideration based on future net sales made by Venn. Subsequently, on 20 February 2015, the Purchaser sold the intellectual property assets the subject of the Disposal to Innovenn, which is a subsidiary of Integumen plc ("Integumen"), which was admitted to trading on AIM on 5 April 2017. Integumen at that date agreed to pay £3,000 and has also issued 300,000 new ordinary shares in Integumen to the Company at a price of 5 pence per new ordinary share, in full and final settlement of any rights to additional consideration.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8 (Loss)/profit for the year

The following items have been included in operating (loss)/profit:

	2018	2017
	£000	£000
Fees payable to the company's auditors, Chapman Davis LLP in relation to the Company:		
<i>Audit and assurance services:</i>		
- Audit of parent Company financial statements	10	10
- Other services	-	-
Total auditor's fees	10	10
Analysis of other costs:		
Legal and professional fees	15	10
Foreign exchange (gains)	-	(23)
Other general overheads	183	274
	198	261

9 Taxation

	2018	2017
	£000	£000
Taxation charge based on losses for the year		
UK Corporation tax	-	-
Deferred taxation	-	-
Total tax expense	-	-
Factors affecting the tax charge for the year:		
(Loss)/profit on ordinary activities before taxation	(939)	492
Loss on ordinary activities at the average UK standard rate of 19% (2017: 19/20%)	(178)	97
Effect of non-deductible expenses	21	-
Future income tax benefit not brought to account	157	(82)
Other deductions for tax purposes including prior year losses	-	(15)
Current tax charge	-	-

As set out in Note 2, the Company has not recognised a deferred tax asset in the financial statements as there is no certainty that taxable profits will be available against which these assets could be utilised.

Factors affecting the tax charge in future years

Changes to tax legislation could impact on the Company's effective tax rate. The UK Government has in recent years proposed some significant changes to the UK taxation system. The UK Government announced a phased reduction in the main rate of corporation tax to 17% and the deferred tax balances reflect that reduction in the UK tax rate, as is appropriate to the Company's circumstances.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10 (Loss)/earnings per share

(Loss)/profit attributable to ordinary shareholders	2017	2017
The calculation of loss per share is based on the loss after taxation divided by the weighted average number of shares in issue during the period:		
(Loss)/profit from operations (£000)	(939)	492
Total (£000)	(939)	492
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share (millions)	4,882.9	2,783.3
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share (millions)	5,225.6	2,815.9
Basic (loss)/earnings per share (expressed in pence)	(0.019)	0.018
Diluted (loss)/earnings per share (expressed in pence)	(0.019)	0.017

As the inclusions of the potential Ordinary Shares would result in a decrease in the loss per share they are considered to be anti-dilutive and as such not included.

11 Available-for-sale investments

	£000
Fair Value at 31 July 2016	1,009
Additions	1,888
Market value Revaluations	408
Gains on disposals	417
Disposal	(1,137)
Impairment provision	-
Fair Value at 31 July 2017	2,585
Additions	365
Market value Revaluations	(535)
Gains on disposals	41
Disposal	(358)
Impairment provision	-
Fair Value at 31 July 2018	2,098
The available for sale investments splits are as below:	
Non-current assets - listed	382
Non-current assets - unlisted	965
Non-current assets – unlisted convertible loans	751
	2,098

The Directors carried out an impairment review as at 31 July 2018 (31 July 2017 :£nil), and determined no further impairment was required in regards to its unlisted investments, as a result of the progress made by the companies and detailed within the strategic review.

Available-for-sale investments comprise investments in listed and unlisted Companies, of which 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. The listed investments have been valued at bid price, as quoted on their respective Stock Exchanges, at 31 July 2018. The market value of the listed investments at 19 September 2018 was £308,000.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12 Trade and other receivables

	2018 £000	2017 £000
Trade receivables	-	-
Other receivables	190	472
Prepayments	106	14
	296	486

13 Trade and other payables

	2018 £000	2017 £000
Amounts due within one year		
Trade payables	36	65
Other creditors	93	-
Accruals and deferred income	179	112
	308	177

14 Share capital and share premium account

	Number of shares	Ordinary share capital £000	Deferred share capital £000	Share premium £000
Share capital issued and fully paid				
At 31 July 2016	1,224,675,828	123	1,729	9,439
<i>All share issues for cash via Placings;</i>				
Issue of new ordinary shares on 12 October 2016	545,454,545	55	-	245
Issue of new ordinary shares on 11 January 2017	1,752,500,000	175	-	525
Issue of new ordinary shares on 16 January 2017	141,176,471	14	-	46
Issue of new ordinary shares on 16 January 2017	94,117,646	9	-	31
Issue of new ordinary shares on 21 July 2017	1,125,000,000	113	-	338
Less: costs of share placing	-	-	-	(84)
At 31 July 2017	4,882,924,490	489	1,729	10,540
Less: costs of share placing	-	-	-	(4)
There were no shares issued during the year				
At 31 July 2018	4,882,924,490	489	1,729	10,536

15 Movements in equity

Share capital represents the nominal value of the amount subscribed for shares. Share premium represents the amount subscribed for shares in excess of their nominal value less costs of subscription. Ordinary shares carry the rights to one vote per share at general meetings of the Company and the rights to share in any distributions of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up.

The share-based payment reserve represents amounts arising from the requirement to expense the fair value of share-based remuneration in accordance with IFRS 2 'Share-based Payments'.

Retained earnings are the cumulative net losses recognised in the income statement and other comprehensive income.

Movements on these reserves are set out in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16 Related party transactions

The Company had the following transactions with related parties:

Name of related party	Relationship	Nature of transaction	Transactions with related party		Amounts owed from related party	
			At 31 July	At 31 July	At 31 July	At 31 July
			2018	2017	2018	2017
			£000	£000	£000	£000
Horse Hill Developments Ltd ("HHDL")	Investee Company	Cash call Loan to HHDL	108	-	190	82

Terms and conditions of transactions with related parties

Outstanding balances that relate to trading balances are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Company only has the outstanding amounts due from HHDL as at 31 July 2018. The loan outstanding is included within trade and other receivables, Note 12. The loan to HHDL 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.

Compensation of key management personnel of the Company

The Company considers the directors to be its key management personnel. Full details of the remuneration of the directors are shown in Note 6.

17 Reconciliation of net cash flow to movement in net funds

	2018	2017
	£000	£000
Net funds at beginning of the year	372	358
(Decrease)/increase in cash	(35)	14
Net funds at end of the year	337	372

Analysis of changes in net funds

	At 31		At 31
	July	Cash	July
	2017	Flow	2018
	£000	£000	£000
Cash and cash equivalents	372	(35)	337
Net funds	372	(35)	337

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18 Financial instruments and related disclosures

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The Company reports in Sterling. Internal and external funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Company does not use derivative financial instruments such as forward currency contracts, interest rate and currency swaps or similar instruments. The Company does not issue or use financial instruments of a speculative nature.

Capital management

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders.

The capital structure of the Company consists of total shareholders' equity as set out in the 'Statement of changes in equity'. All working capital requirements are financed from existing cash resources.

Capital is managed on a day to day basis to ensure that all entities in the Company are able to operate as a going concern. Operating cash flow is primarily used to cover the overhead costs associated with operating as an AIM and NEX-listed company.

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The directors consider that there is no significant liquidity risk faced by the Company. The Company maintains sufficient balances in cash to pay accounts payable and accrued expenses.

The Board receives forward looking cash flow projections at periodic intervals during the year as well as information regarding cash balances. At the balance sheet date the Company had cash balances of £337,000 and the financial forecasts indicated that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to establish overdraft or other borrowing facilities.

Interest rate risk

As the Company has no borrowings, it only has limited interest rate risk. The impact is on income and operating cash flow and arises from changes in market interest rates. Cash resources are held in current, floating rate accounts.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18 Financial instruments and related disclosures continued

Market risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future of the economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its available-for-sale investment portfolio in the face of market movements, which was a maximum of £2,098,000 (2017: £2,585,000).

The investments in equity of quoted companies that the Company holds are less frequently traded than shares in more widely traded securities. Consequently, the valuations of these investments can be more volatile.

Market price risk sensitivity

The table below shows the impact on the return and net assets of the Company if there were to be a 20% movement in overall share prices of the available-for-sale investments held at 31 July 2018.

	2018	2017
	Other comprehensive income and Net assets	Other comprehensive income and Net assets
	£000	£000
Decrease if overall share price falls by 20%, with all other variables held constant	(76.3)	(427.0)
Decrease in other comprehensive earnings and net asset value per Ordinary share (in pence)	(0.0015p)	(0.015p)
Increase if overall share price rises by 20%, with all other variables held constant	76.3	427.0
Increase in other comprehensive earnings and net asset value per Ordinary share (in pence)	0.0015p	0.015p

The impact of a change of 20% has been selected as this is considered reasonable given the current level of volatility observed, and assumes a market value is attainable for the Company's unlisted investments.

Currency risk

The directors consider that there is no significant currency risk faced by the Company. The only current foreign currency transactions the Company enters into are denominated in US\$ in relation to transactions with or relating to its investment in Human Brands Inc., and no balances at 31 July 2018 are denominated in foreign currencies.

Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's maximum exposure to credit risk is:

	2018	2017
	£000	£000
Cash at bank	337	372
Other receivables	296	486
	633	858

The Company's cash balances are held in accounts with Barclays Bank plc, and with its Investment Broker accounts.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18 Financial instruments and related disclosures continued

Fair value of financial assets and liabilities

Financial assets and liabilities are carried in the Statement of Financial Position at either their fair value (available-for-sale investments) or at a reasonable approximation of the fair value (trade and other receivables, trade and other payables and cash at bank).

The fair values are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Trade and other receivables in scope of IAS 39

The following table sets out financial assets within Trade and other receivables which fall within the scope of IAS39. These assets are non-interest earning.

	2018	2017
	£000	£000
Trade and other receivables (Note 12)	296	486

There are no financial assets which are past due and for which no provision for bad or doubtful debts has been made.

Trade and other payables in scope of IAS39

The following table sets out financial liabilities within Trade and other payables which fall within the scope of IAS39. These financial liabilities are predominantly non-interest bearing. Other liabilities include tax and social security payables and provisions which do not constitute contractual obligations to deliver cash or other financial assets, which are outside the scope of IAS39.

	2018	2017
	£000	£000
Total trade and other payables (Note 13)	308	177

19 Share schemes

The Company has a share option scheme for all employees (including Directors). Options are exercisable at a price agreed at the date of grant. The vesting period is usually between zero and five years. The exercise of options is dependent upon eligible employees meeting performance criteria. The options are settled in equity once exercised.

If the options remain unexercised after their expiry date, the options expire. Options lapse if the employee leaves the Company before the options vest.

Options issued, cancelled, & outstanding for the year ended 31 July 2018

	Number	Weighted average exercise price
At 31 July 2016	32,650,840	0.60p
Options granted	-	-
At 31 July 2017	32,650,840	0.60p
Options granted	330,000,000	0.05p
Options cancelled	(20,000,000)	0.22p
At 31 July 2018	342,650,840	0.11p
Range of exercise prices		0.05p – 8.65p
Weighted average remaining contractual life		3.89 years

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19 Share schemes continued

Options outstanding & exercisable at 31 July 2018

Date of grant	Number	Exercise price (p)	Expiry date
6 August 2008	1,031,990	8.65p	06/08/2018
1 December 2010	1,618,850	5.25p	30/11/2020
1 April 2015	10,000,000	0.22p	01/04/2020
7 August 2017	300,000,000	0.05p	30/06/2022
12 February 2018	30,000,000	0.05p	11/02/2023
Total	342,650,840		

A modified Black-Scholes model has been used to determine the fair value of the share options on the date of grant. The fair value is expensed to the income statement on a straight-line basis over the vesting period, which is determined annually. The model assesses a number of factors in calculating the fair value. These include the market price on the date of grant, the exercise price of the share options, the expected share price volatility of the Company's share price, the expected life of the options, the risk-free rate of interest and the expected level of dividends in future periods.

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
7 August 2017	1.4%	91.4%	4.9 years	£0.00045
12 February 2018	1.4%	84.9%	5 years	£0.00041

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 is the term of the options.

Charges to the statement of comprehensive income

	2018 £000	2017 £000
Share based payment charges	100	-

Warrants in issue

As at 31 July 2018 and at 31 July 2017, no warrants remained outstanding, no warrants expired during the year. (2017: nil). No warrants were issued during the year (2017: nil).

20 Commitments and contingencies

The directors have confirmed that there were no contingent liabilities or capital commitments which should be disclosed at 31 July 2018.

21 Ultimate controlling party

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22 Events after the end of the reporting period

On 20 August 2018 the Company made an announcement regarding the conditional disposal of its 2% interest in Horse Hill Developments Limited ("HHDL") to UK Oil and Gas plc ("UKOG"). Subsequently, on 30 August 2018, the Company announced that, as a result of an agreement by UKOG regarding its acquisition of an additional 15% of HHDL from Solo Oil plc ("Solo Transaction") stating that, to ensure parity with the acquisition of 2% of HHDL announced on 20 August 2018, UKOG had agreed with the Company to issue it with a further 2,600,469 new ordinary shares in UKOG in order that both the Solo Transaction and the Company's transaction will be completed at £300,000 per 1% of HHDL. The Company is therefore pleased to announce that it has been advised that it will receive increased sale consideration of £50,000 by way of the additional 2,600,469 UKOG shares. As a result of this increase the total consideration receivable by the Company is £600,000, made up of £50,000 in cash and the balance of £550,000 by way of 31,171,898 UKOG shares. This is conditional on the written consent of each of the members of HHDL to the sale of shares as set out in HHDL's articles of association.

On 19 September 2018, the Company announced an update regarding its investee company, Sunshine Minerals ("Sunshine"). The Company had been informed by the management of Sunshine that Metminco Limited (AIM: MNC, ASX: MNC) has entered into a binding term sheet with Sunshine to conditionally acquire 100% of the shares in Sunshine as set out below (the "Transaction"):

- a) a non-refundable deposit of A\$50,000 to be paid within 10 days, which is to be used to pay part of the surface access fees payable for the Jejevo Project;
- b) A\$1,500,000 less the deposit and any agreed Sunshine debt through the issue of 250,000,000 Metminco shares at a deemed issue price of A\$0.006 each;
- c) A further 250,000,000 Metminco shares upon announcement to the ASX by Metminco of an initial JORC compliant resource estimate at Jejevo Nickel Project of at least 125,000 tonnes of contained nickel metal at a cut-off grade of not less than 0.7% nickel, which must be based upon exploration information delivered to Metminco by Sunshine and exploration work undertaken by Metminco in the amount of not greater than A\$500,000; and
- d) the issue of 500,000,000 Metminco Shares upon the receipt by Sunshine of a mining licence over its Jejevo Nickel Project.

The Transaction is conditional, *inter alia*, on completion of due diligence on Sunshine to the satisfaction of Metminco, the completion of a minimum of A\$3m equity capital raising by Metminco and receipt of various waivers and regulatory approvals.

Currently, the Company holds 10% of the issued share capital of Sunshine and a £200,000 convertible loan note which converts into a further 10% of Sunshine's issued share capital. As part of the Transaction, the Company has agreed to convert its convertible loan note. This will result in the Company owning 4,200,000 shares in Sunshine out of a total of 21,230,000 shares representing approximately 19.8% of the issued share capital.

Metminco is raising A\$3,000,000 in conjunction with the Transaction and the Company has agreed to subscribe for A\$50,000 of shares. Metminco has also stated its intention to apply for the cancellation of the admission of its shares to trading on AIM.