REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

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Dear Shareholder

2017 proved to be another busy year for the Company. The majority of the existing portfolio performed either in line with, or above our expectations.

In January 2017 the Company acquired a 13.4% stake in SigmaRoc plc ("SigmaRoc"), an AIM quoted company that owns Ronez, the major supplier to the Channel Islands of aggregates, ready-mixed concrete, asphalt and precast concrete products. Alongside the transaction, the Company also acquired £2.5m of Convertible Loan Notes in SigmaRoc, which pay an annual rate of interest of 6%. The £10m Convertible Loan Note issue was listed on the International Stock Exchange in late December 2017. SigmaRoc has completed a number of impressive acquisitions during 2017, and the Board are confident that this investment will prove to be a profitable one.

The Company also increased its stake in FB Limited (Oatlands Village), an indication of the Company's confidence in the Oatlands' Management team and their vision for the site. In addition, MitonOptimal International Limited drew down the remaining commitment of loan notes from the Company which now total £3m (at a blended rate of 5.5% per annum), this will enable it to fund its ongoing acquisition strategy.

As previously reported, the Board made the decision to dispose of the Company's stake in Jersey Water in early 2017, following a period of significant capital growth. In addition, the Company also completed the disposal of ASG Group Limited ("ASG") in March 2018. ASG proved to be a solid investment over the Company's ownership period, and the sales price negotiated resulted in the Company realising a significant capital profit of £1.3m.

I am pleased to report an increase in the net asset value (NAV) of the Company. At 31 December NAV per share was £1.3786, an increase of 9% from the previous year end (£1.2620) and a 20% increase since 31 December 2015 (£1.1089). The 2017 uplift reflects the quality of the underlying assets in the portfolio, which have, in the main, delivered strong performances during the year. The portfolio continues to provide a regular income stream to the Company, which increased 5% over the previous year. In line with the prior year, the Company has paid dividends totalling 5.50p per share during 2017, reflecting the ongoing strong performance of the Company in recent years.

The Company has also taken the opportunity to update its Articles of Incorporation and resolutions to adopt these will be proposed at the forthcoming AGM.

Your Board continue to work alongside our Investment Manager and the management teams of the investee entities in order to achieve our objective of attaining long term capital growth and we continue actively to seek new investment opportunities to further strengthen and diversify the portfolio and increase shareholder value.

David Lowe
Chairman
18 April 2018

Net Asset Value per share as at 31 December 2017 was 137.86p (126.20p on 31 December 2016)

Current Share Price is 135p - 140p

Performance overview:

Ravenscroft Limited (the "Manager") is pleased to report a very encouraging update for Bailiwick Investments Limited (the "Company") for the year ended 31 December 2017.

In early 2017, the Company completed its investment in SigmaRoc Plc ("SigmaRoc"), taking a 13.4% equity stake in the business together with 20% of the issued Convertible Loan Notes. As part of this transaction, SigmaRoc purchased 100% of Ronez Limited ("Ronez"), the Channel Islands' based aggregates and concrete business. The Ronez operations supply the Channel Islands with aggregates, ready-mixed concrete, asphalt and precast concrete products.

The Company has increased its investment in FB Limited, the company which owns Oatlands Village ("Oatlands"), in order to assist the funding of the planned redevelopment. Planning permission has been granted for an impressive scheme that will add significant value to the site. With the assistance of the Manager, Chris Coles and Gareth Griffin, who are both investors in Oatlands alongside the Company, continue to work diligently to realise their commercial vision for the site.

Post year end, the Company completed the sale of ASG Group Limited at a considerable profit on the initial cost price.

The NAV increased by 9.2% during the year from 126.20p to 137.86p. This growth was driven primarily by a number of investments having outperformed their targeted profitability and, as a result, their value increased.

The Manager is confident that this performance can carry on into 2018 and continues to work on a number of new opportunities to further enhance the future value of the Company.

The Board last declared a dividend of 3p per share, which was paid on 29th December 2017, taking the total dividends for 2017 to 5.50p.

The Company's shares are currently trading between 126p and 130p, with a total of 1,912,354 shares having been traded on the secondary market during 2017.

Portfolio Review

Jacksons CI Limited – The Octane PCC Limited, Octane Cell ("Jacksons")

Despite another challenging year for the retail car industry in the islands, Jacksons has again produced a solid set of figures. The recent acquisition in the Isle of Wight continues to prove successful and further growth is anticipated there. The development in the Isle of Man is close to completion and initial trading figures show great promise; we expect this investment to add significant value to the business.

ASG Group Limited ("ASG")

ASG experienced another profitable year as it continued to provide aircraft owners and operators with a one stop shop for all aviation needs. Owing to its impressive reputation and results, and the barriers to entry for competitors, the Board was approached in late 2017 with an offer to purchase ASG. The Board considered it was the right time to realise the investment. On 23 March 2018, ASG, including its wholly owned property holding companies and its 25% stake in each of the operating companies, was sold to Pula Aviation Limited, which is ultimately owned by Stephen and Margaret Lansdown. Mr Lansdown is the chairman of and a significant shareholder in Ravenscroft Limited, the Company's Investment Manager. The transaction was conducted on an arm's length basis. The Board obtained independent valuations of the assets and concluded that the terms of the sale were at least as favourable to the Company as would be any comparable arrangement effected on normal commercial terms. The Manager does not stand to benefit directly from the sale of ASG. ASG proved to be a solid investment over the period of ownership, providing the Company with a 14% per annum return on the original investment.

Sandpiper Topco Limited ("Sandpiper")

Sandpiper continues to be the largest investment in the portfolio, and it performed exceptionally well during the year. Sandpiper provides the Company with a solid income stream and offers continued capital growth prospects. In addition to new franchise openings in Gibraltar and the Channel Islands, future profitability has been underpinned by the acquisition of the Costcutter store portfolio in Jersey and iQ in Guernsey and Jersey, the latter being the only Apple authorised premium retailer and official Apple service provider in the Channel Islands.

Sandpiper announced in early 2018 that it had reached a new franchise and wholesale supply agreement with the UK supermarket chain Morrisons. The new partnership is expected to create around 100 new jobs and will see most of Sandpiper's mini-supermarkets being rebranded to 'Morrisons Daily' stores. The stores will be supplied with Morrisons own-brand products, alongside other popular branded products. This is a fantastic deal that we believe will further add to the investment's value.

Prospero Holdings Limited ("Prospero")

Prospero is an offshore facilities maintenance provider with operations in the Isle of Man, Jersey and Guernsey. Early in 2017, Prospero, with assistance from the Manager, acquired the Strand Group, an Isle of Man based cleaning and facilities management company. Prospero experienced a challenging year and the results achieved were lower than budgeted. These results, together with cash flow issues, resulted in the Manager taking a prudent view on the valuation and writing it down by £770,960 to £676,000.

Guernsey Recycling (1996) Limited ("GRG")

GRG had a very successful 2017, increasing profitability from the previous year, which allied to overall business performance resulted in an uplift in the valuation of the investment. Both of the acquisitions completed by GRG in 2016, being Guernsey-based Galaxy Computer Brokers and Jersey-based Abbey & Reclamait, have proven to be solid, profitable investments. In addition, the high profile contract won by GRG in the Cayman Islands has, as expected, delivered additional profit. The trading in the core Guernsey business remains strong, with increased profitability over the prior year. The Manager is pleased with the results and confident that, driven by the strength of the management team, GRG will be able to capitalise on its successes in Guernsey, Jersey and the Cayman Islands and continue to deliver sustained growth in the years to come.

Acorn Group Holdings Limited ("Acorn")

The Acorn valuation has been left unaltered from last year. Following discussions between the shareholders and directors of Acorn, the decision was taken in early 2018 to close Acorn Finance Limited to new business and focus on collecting out or externally refinancing the existing loan book. Agreement has also been reached with Acorn's bankers on how best to achieve the collect out, with the existing management leading the process. We are cautiously optimistic that the Company will fully recover the cost of the investment plus accrued interest.

F B Limited ("Oatlands")

As mentioned earlier in this report, Chris Coles and Gareth Griffin, with the assistance of the Manager, continue to work creatively and diligently to create the Oatlands vision as originally outlined. The planning permission received for the site and the completion of the buildings, which is expected in late summer, should add significant future value to the investment.

MitonOptimal International Limited ("MOIL")

2017 was another solid year in MOIL's growth and transition towards a full service discretionary fund management company on a global scale. Funds under management at year end were up approximately 40% from the prior year, primarily reflecting MOIL's acquisitions in the UK (Minerva Fund Managers in Bath and Central Investment Planning in the Midlands). The core business saw continued growth during the year, and further asset inflows are anticipated in the coming year.

The International Stock Exchange Group Limited ("TISE")

The 2017 figures reflected a 28% increase in revenue and a 70% increase in profit for the financial period; a fantastic result. The balance sheet also showed net assets increasing to £6.8m. During 2017, TISE opened an office in the Isle of Man and approved its first Isle of Man based member of the exchange. In September 2017, TISE announced that it had received a takeover approach; however, agreement could not be reached and the talks terminated in November. Nonetheless, this approach underlines the future prospects of the business. TISE declared and paid dividends of 9.5p per share during the year.

SigmaRoc Plc ("SigmaRoc")

SigmaRoc had a busy year, which included the successful acquisition of a dry bulk carrier ship and the creation of the new SigmaGsy Limited shipping division, as well as the acquisition of Topcrete Limited and its wholly owned subsidiary, Allen Concrete Limited, a specialist precast concrete producer with operations in London and the Midlands. Following a placing of 34 million new ordinary shares at 41p per share, SigmaRoc completed the acquisition of Poundfield Products (Group) Limited, a UK-based group of businesses specialising in patented concrete products and systems. At year end, the SigmaRoc share price had increased by 5.6% since acquisition, resulting in a £309,000 valuation uplift. However, the share price has subsequently fallen back to just under the listing price. In March 2018, SigmaRoc announced that it had entered into a licensing agreement with Tarmac Trading Limited for the manufacture, distribution and installation of its ShuttlablocTM system. ShuttlablocTM, developed by SigmaRoc subsidiary Poundfield Products Limited, is a revolutionary precast retaining wall with internal reinforcing system and forms part of Poundfield's offering of innovative offsite solutions. The Manager remains optimistic about the prospects of the business.

Nelson House (Column Holdings Limited)

The Company undertook the annual revaluation of Nelson House, which returned a value of £5.2 million. Disappointingly, this result has required a write down of £1.54m from the £6.74m valuation at the end of last year. The main reasons for the write down in value were the shortening of the lease durations since the previous valuation was undertaken and the very much reduced quality of the Carpetright covenant as it faces high-profile ongoing financial difficulties in the UK.

Conclusion

Together with the Board, the Manager is committed to ensuring the active management of the investment portfolio. The Manager continues to work alongside the management teams of the investee companies to provide the best possible return on investment to the Company’s shareholders. The Manager is presently exploring additional investment opportunities which, if successfully concluded, will add further growth and diversity to the portfolio.

Ravenscroft Limited

18 April 2018

The Directors are pleased to present their report together with the audited consolidated financial statements of Bailiwick Investments Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 prepared in accordance with International Financial Reporting Standards ('IFRS').

Background

The Company is a closed-ended investment company registered with limited liability in Guernsey on 22 September 2008 and is authorised under Section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended. The Company is listed on The International Stock Exchange ("TISE").

Principal activity

The principal activity of the Company is to achieve long term capital growth by investment in a diversified portfolio of investments, principally in businesses, property and assets situated, registered, headquartered in or managed from the Channel Islands or in relation to which through the involvement of Channel Islands businesses or individuals, resident in the Channel Islands, there is a material Channel Islands interest.

Results and dividends

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 22. During the year, following approval by the Directors, the Company paid a dividend of 2.50 pence per share on 14 July 2017, and a further dividend of 3.00 pence per share on 29 December 2017 (2016: a dividend of 2.50 pence per share on 20 June 2016, and a further dividend of 3.00 pence per share on 30 December 2016).

Going Concern

The Directors have carefully reviewed the Company's current financial resources and the projected expenses of the Company for the next 12 months. On the basis of that review the Directors are satisfied that the Company's resources are adequate for continuing in business for the foreseeable future and that it is appropriate to prepare the Company's consolidated financial statements on a going concern basis.

The Alternative Investment Fund Managers Directive

The Directive, which was implemented by EU Member States in 2013, covers the management, administration and marketing of alternative investment funds ("AIFs"). Its focus is on regulating alternative investment fund managers ("AIFMs") established in the EU and prohibits such managers from managing any AIFs or marketing shares in such funds to investors in the EU unless an AIFMD authorisation is granted to the AIFM. The Company is registered as a non-EU AIF whose AIFM is the Company itself (i.e. self managed) for the purpose of the Directive.

Articles of Incorporation

The Directors are of the view that there are a number of typographical and paragraphing errors in the current Articles of Incorporation of the Company (the "existing Articles") which should be addressed, as well as clarifying a couple of provisions that were perhaps a little unclear in their interpretation. The Directors have also noted that certain amendments to the Companies (Guernsey) Law, 2008 which came into effect after the existing Articles were adopted mean that certain provisions of the existing Articles should be adjusted to follow the law.

Articles of Incorporation (continued)

The Company's Advocates, Collas Crill, were instructed to review the existing Articles and advise the Board regarding certain provisions which concerned the Directors. Following a review, Collas Crill recommended a number of revisions and concluded that it would be more user friendly to amend and restate the existing Articles by way of substitution with a new set of Articles of Incorporation, incorporating the recommended revisions (the "recommended Articles"). The recommended Articles are only proposed to be amended to the extent needed to address the above issues and are substantially similar in content to the existing Articles.

A copy of the recommended Articles, along with clearly marked changes to the current Articles, is available for inspection at the Registered Office of the Company. Proposition 8 of the Agenda for the Annual General Meeting deals with this matter. The Board encourages any shareholder who has a query to raise it with the Company Secretary at La Tonnelle House on or before 25 May.

Corporate Governance

A report on Corporate Governance is included on pages 11 to 16.

Directors

The Directors who served on the Board during the year, together with their beneficial interests at 31 December 2017 and at 31 December 2016, were as follows:

	2017		2016	
	Ordinary shares	% of shareholdings	Ordinary shares	% of shareholdings
David Lowe	1,000,000	1.89%	1,000,000	1.89%
John Henwood	75,000	0.14%	75,000	0.14%
Sir Geoffrey Rowland	400,000	0.76%	300,000	0.57%

In addition, the following Directors have beneficial interests at 31 December 2017 and at 31 December 2016 in Ravenscroft Limited, the Manager, as follows:

	2017		2016	
	Ordinary shares	% of shareholdings	Ordinary shares	% of shareholdings
David Lowe	75,000	0.56%	75,000	0.56%
Sir Geoffrey Rowland	104,400	0.79%	104,400	0.79%

Significant Shareholdings

The following shareholdings represent interests of 10 per cent or more of the shares of the Company as at 31 December 2017:

	2017		2016	
	Ordinary shares	% of shareholdings	Ordinary shares	% of shareholdings
Huntress (CI) Nominees Limited – KGCLT	48,831,515	92.20%	48,692,913	91.94%

Statement of directors' responsibilities in respect of consolidated financial statements

The Directors are responsible for preparing consolidated financial statements for the period which give a true and fair view of the state of affairs of the Group as at the end of the financial period and of the profit or loss of the Group for that period in accordance with The Companies (Guernsey) Law, 2008, as amended (hereinafter referred to as The Companies (Guernsey) Law, 2008). In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting standards 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 departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group 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 Group and to enable them to ensure that the consolidated financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

The Directors confirm that they have complied with the above requirements in preparing the consolidated financial statements and that to the best of our knowledge and belief:

(a) The Chairman’s Statement, the Investment Manager’s Report and the Directors’ Report include a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that the Group faces; and

(b) that in the opinion of the Board, the Annual Report and Consolidated Financial Statements taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Group's performance, business model and strategy; and

(c) The consolidated financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and results of the Group.

Disclosure of information to auditors

In accordance with The Companies (Guernsey) Law, 2008, each Director confirms that there is no relevant audit information of which the Group's Auditor is unaware. Each Director also confirms that he has taken all steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Secretary

The Secretary of the Company at 31 December 2017 was Saffery Champness Fund Services Limited.

Independent auditor

The independent auditor, Grant Thornton Limited, has expressed its willingness to continue in office and a resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting.

David Lowe
Chairman

18 April 2018

The Directors present their corporate governance report for the year ended 31 December 2017.

Corporate Governance Compliance

As a Guernsey registered company and under the TISE Rules, the Company is not required to comply with The UK Corporate Governance Code published by the Financial Reporting Council in April 2016 (“the Code”). However, it is the Company’s policy to comply with best practice on good corporate governance that is applicable to investment companies. The Board has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that have specific relevance to the Group. The Board considers compliance with this will provide better information to shareholders. On 1 January 2012 the Finance Sector Code of Corporate Governance issued by the Guernsey Financial Services Commission ("Guernsey Code") became effective. The Board has considered, reviewed and reaffirmed the adoption of procedures to ensure the Company's operations comply with the Guernsey Code.

The Board

Role of the Board

The Board receives regular reports and meets on four annual scheduled meeting dates to review the overall business of the Company and to consider matters specifically reserved for its review. At these meetings the Board monitors the investment performance of the Company and all other important issues to ensure control is maintained over the Company's affairs. The Board also meets at shorter notice to deal with other investments matters as and when necessary.

Additionally, ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Composition of the Board

The AIC Code recommends that a majority of the Board should be independent of the Manager. The Board is composed of three non-executive Directors. The Directors’ biographies can be found on page 13. The Board has carefully considered the Directors’ independence and has determined that the Directors discharge their duties in an independent manner.

Each of the non-executive directors, who make up the entirety of the Board, consider themselves to be independent.

The AIC Code recommends that the Board should appoint one of the independent non-executive Directors as senior independent director. The senior independent director is available to Shareholders if they have concerns which contact through the normal channel of Chairman has failed to resolve or for which contact through the Chairman is inappropriate. The Directors have appointed John Henwood as senior independent director.

Board and committee meeting attendance	**Board meetings**	**Audit Committee meetings**
David Lowe	11/ 11	3 / 3
John Henwood	11/ 11	3 / 3
Sir Geoffrey Rowland	9 / 11	3 / 3

The Board recognises the importance of its members having an appropriate range of diverse skills, specialist knowledge, experiences and independent thinking that are relevant to the Company. Board members should add value and deliver performance. For its composition the Board seeks to achieve evolution, continuity and stability.

The Board has engaged external companies to undertake the investment management, administrative and custodial activities of the Company. Clear documented contractual arrangements are in place with these firms, which define the areas where the Board has delegated responsibility to them.

Annually, the Board reviews both the performance of, and contractual arrangements with, the Manager. The Directors believe that it is in the best interests of all shareholders for the Company to continue the appointment of the Manager having reviewed the services provided by the Manager and having regard to the Company's performance during the year under review.

In addition to the formal board meetings there is regular contact with the Manager and other advisors. The focus of these meetings is a review of investment performance, investment opportunities and related matters such as gearing, property valuations, asset allocation, investor relations, risk management, administration and compliance.

Members of the Board have met with the Manager regularly throughout the financial period. Meetings are generally on an ad-hoc basis.

The Board does not believe it is appropriate for the Company, as an investment company with no executive directors, to have a separate Nomination Committee, a separate Management Engagement Committee or a separate Remuneration Committee. This is reviewed on an annual basis.

Performance of Board and Proposal for Re-election

During the year, the Board has undertaken a comprehensive evaluation of its own performance and that of individual Directors including their independence. This was conducted using detailed questionnaires. The Board has considered and discussed the outcomes of the evaluations and is satisfied that it is operating well and focused on the correct strategic issues.

The AIC Code recommends that the Board have a policy on tenure. The Board does not consider it appropriate that Directors should be appointed for a specific term.

Directors are subject to election by shareholders at the Annual General Meeting ('AGM') following their appointment and thereafter at least every third subsequent AGM. In addition, the AIC Code recommends that any non-executive Directors having served longer than nine years will also be subject to annual re-election. Accordingly, both David Lowe and John Henwood having served longer than nine years are subject to re-election.

At the forthcoming Annual General Meeting of the Company both David Lowe and John Henwood will retire from the Board in accordance with the recommendation of the AIC Code. Both David Lowe and John Henwood will be standing for re-election. Each nomination for re-election is approved by the other members of the Board after taking into consideration: the comprehensive Board performance evaluation referred to above together with their ability, and substantial experience in the affairs of the Company.

Performance of Board and Proposal for Re-election (continued)

Appointments to the Board are made on merit with due regard for the benefits of diversity, including gender. The priority in appointing new Directors is to identify the candidate with the best range of skills and experience to complement the existing Directors.

Directors' Information

David Lowe (appointed 22 September 2008)

David Lowe worked for 37 years with Bucktrout & Co Limited, becoming Managing Director in 1980 before retiring in 1993. David was elected Jurat of the Royal Court of Guernsey in 1993.

David has also served as Non-Executive chairman of Barclays Finance Company (Guernsey) Limited and Non-Executive Director of Lazards Channel Islands Limited, International Energy Group Limited, Ann Street Group Limited, C.I. Traders Limited, Islands Insurance Holdings Limited, Burford Capital Limited as well as several other private local companies.

David was honoured with the award of the OBE in 2006 for services to the Royal Court of Guernsey.

John Henwood (appointed 22 September 2008)

John Henwood is Non-Executive Chairman of G4S Secure Solutions, Jersey, and a Non-Executive Director of several other entities. During a career in broadcasting he was CEO of the Channel Television (ITV) Group and held a number of wider industry positions. He was appointed MBE for services to broadcasting and the community in 1998. In 2001 was appointed Chairman of Jersey Telecom and led the former States' department through incorporation; he was also a founder Director of Jersey Finance. More recently he led the transformation of the States' Tourism department into Visit Jersey, an independent agency.

John is a Trustee of the Lloyds Bank Foundation and a former Chairman and President of the IoD in Jersey. In 2016 he was only the second person to be given the IoD's Lifetime Achievement Award.

Sir Geoffrey Rowland (appointed 5 October 2016)

Sir Geoffrey Rowland read law at Southampton University and was called to the Bar in London. Returning to Guernsey he practised as an Advocate in the firm Collas, Day & Rowland, where he became the Senior Partner. In 1992 he was appointed to Crown Office and served successively as HM Comptroller, HM Procureur, Deputy Bailiff and Bailiff. He is a Master of the Bench of his Inn of Court, Grays Inn. For four years he was the Vice Chairman of the Guernsey Financial Services Commission.

As a Non-Executive Director he served on the boards of 3i Guernsey, 3i Jersey, The Guernsey Press Company (as Chairman), Garenne Group, Blue Diamond, a number of Channel Island banks, trust and captive insurance companies and collective investment schemes.

He was appointed Queen's Counsel in 1993 and was honoured with the award of a Knighthood in 2009. The Universities of Southampton and Bournemouth have conferred on Sir Geoffrey Honorary Doctorates of Law.

Audit committee

The Audit Committee, which the Board has decided should consist of all three non-executive Directors in view of the small size of the Board, meets at least twice a year and is chaired by Sir Geoffrey Rowland. The Audit Committee reviews the financial statements and is responsible for overseeing the Company's relationship with the external auditor, including making recommendations to the Board on the appointment of the external auditor and its remuneration. The Audit Committee considers the nature, scope and results of the auditor's work and reviews, develops and implements policy on the supply of non-audit services that are to be provided by the external auditor. The ultimate responsibility for reviewing and approving the annual report and consolidated financial statements remains with the Board.

The terms of reference for the Audit Committee are available from the Company Secretary on request.

Risk management and internal controls

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Audit Committee. The work of the Audit Committee is driven primarily by the Company's assessment of its principal risks and uncertainties, which are detailed below, and it receives regular reports from the Investment Manager and the Administrator on the Company's risk evaluation process and reviews changes to significant risks identified. At least annually the Audit Committee reviews an in-depth Risk Matrix detailing the risks faced by the Company and what actions are taken or put in place to mitigate these risks.

Investment risk, including investment valuation risk, is a significant risk for the Company. The success of the business model of the Company and also its future performance is dependent upon the identification, making, management and realisation of suitable investments. There can be no guarantee that such investments will be successful. Poor performance by any investment could severely affect the NAV per Ordinary Share and/or the market price of the Ordinary Shares. Investments to be made by the Company are dependent upon the judgement and ability of the Board, with the advice of the Investment Manager. Prior to making an investment the Board takes into consideration a detailed acquisition report, including extensive due diligence, prepared by the Investment Manager which has extensive knowledge of the market. All investment acquisitions must be within strict guidelines monitored by the Board, the Investment Manager and the Administrator.

The Board tracks the investments valuation risk throughout the year and receives regular updates from the Investment Manager.

Other principal risks identified by the Board include market risk, credit risk and liquidity risk. Details of the mitigation of these risks can be found in note 11 to the financial statements.

The Audit Committee also focuses on compliance with legal requirements, the AIC Code, accounting standards and the TISE Rules and ensuring that the Company has an effective system of internal controls, including financial, operational and compliance controls and risk management systems and has procedures in place for the review of such controls on an annual basis.

Risk management and internal controls (continued)

The Board is responsible for establishing and maintaining the Company's system of internal control. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures which have been established to provide effective internal controls are as follows:

- Saffery Champness Fund Services Limited is responsible for the provision of administration and company secretarial duties;
- The duties of investment management, accounting and the custody of assets are segregated. The procedures are designed to complement one another;
- The Non-Executive Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts;
- The Board reviews financial information produced by the Manager and the Administrator on a regular basis; and
- On an ongoing basis, compliance reports are provided at each Board meeting by the Administrator.

The Company does not have an internal audit department. All of the Company's management functions are delegated to independent third parties and it is therefore felt that there is no need for the Company to have an internal audit facility.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed the Financial Reporting and Operating Procedures and assessed them as appropriate for managing the risks affecting the Company.

Review of the Independent Auditor

The Audit Committee has responsibility for making recommendations on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the auditor. Subject to the annual appointment of the auditor by the shareholders, the Audit Committee conducts a continuous review of the relationship between the Company and the auditor.

The AIC Code previously recommended that FTSE 350 companies retender their audits at least every ten years; however this recomendation has now been removed as there is now a legal requirement for such companies to retender the audit every ten years. The Company has not tendered the audit since its incorporation in 2008. Since then Grant Thornton's effectiveness has been annually assessed by the Audit Committee, which has not considered it necessary to require the firm to tender for the audit work. The auditor is required to rotate the audit partner responsible for the audit every five years.

The Audit Committee reviews the effectiveness of the external audit process on an annual basis. This assessment includes consideration of the auditor's independence and objectivity, taking into consideration relevant laws, regulations and professional requirements; consideration of the audit fees and fees in respect of non-audit services; the nature and scope of the external audit and discussions on such issues as compliance with accounting standards. The assessment involves considering all relationships between the Company and the auditor, including the nature and quantum of non-audit services. Assurances are obtained from the auditor that it and its staff have no financial, business, employment, family or other personal relationship with the Company that could affect the auditor's independence and objectivity. The auditor explains to the Audit Committee its policies and processes for maintaining independence and monitoring compliance with relevant requirements.

The Audit Committee, having considered the auditor's performance during their period in office, recommends re-appointment. The audit fees of £30,000 (2016: £24,245) for Grant Thornton Limited were discussed by the Audit Committee and considered appropriate given the current size of the Company/Group and the level of activity undertaken during the year.

Having reviewed the annual report and accounts in detail and considered all matters brought to the attention of the Board during the year, the Audit Committee members consider that, taken as a whole, the report and accounts provide a fair, balanced and understandable representation of the Group's affairs.

Significant issues considered by the Audit Committee since 1 January 2017 have been the review of the annual report and audited financial statements for the year ended 31 December 2016 and the half yearly report and unaudited condensed consolidated financial statements for the period from 1 January 2017 to 30 June 2017.

The Audit Committee received from Grant Thornton Limited a detailed audit approach memorandum, identifying their assessment of high risk areas of the audit. For the period under review, the significant risks identified were in relation to improper revenue recognition, management over-ride of controls and the fair valuation of investments as it forms the majority of the Group's net asset value and it is, by its nature, subjective.

Relations with shareholders

The Board welcomes correspondence from shareholders, addressed to the Company's registered office. All shareholders have the opportunity to attend and vote at the Annual General Meeting and put questions to the Board and the Manager. The Board hopes that as many shareholders as possible will attend the meeting.

The Manager continues also to be available to offer individual meetings to shareholders.

To the members of Bailiwick Investments Limited

Our opinion on the consolidated financial statements is unmodified

We have audited the Group financial statements of Bailiwick Investments Limited and its subsidiaries (the "Group") for the year ended 31 December 2017, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as issued by the IASB.

In our opinion, the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- are in accordance with IFRSs as issued by the IASB; and
- comply with The Companies (Guernsey) Law, 2008.

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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, 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.

Who we are reporting to

This report is made solely to the parent company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the parent 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 parent company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following information in the annual report, 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 Group financial statements is not appropriate; or
- the directors have not disclosed in the Group financial statements any identified material uncertainties that may cast significant doubt about the Group'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 Group financial statements are authorised for issue.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as issued by the IASB.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group 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 that 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 Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Valuation of investments The valuation of the Group's investment portfolio is a key driver of the Group's investment return and represents a material proportion of the Group's net assets. The movements in the investment portfolio are shown in Note 5 to the Group financial statements. The majority of the portfolio is comprised of unquoted investments, and is valued using unobservable inputs (defined as 'Level 3' of IFRS 13's fair value hierarchy). Inappropriate assumptions made in determining the fair value of these Level 3 investments could have a significant impact on the net asset value and the return generated for shareholders.	With the assistance of our valuation specialists, we performed the following procedures for a sample of investments in the Group's portfolio: • Assessed that the valuation techniques adopted by management to value the assets within the investment portfolio, and conclusions reached, were consistent with IFRS; • Compared the key valuation inputs, such as EBITDA multiples applied in the valuation models against current market and comparable transaction data in order to assess the appropriateness of these inputs; • Agreed underlying financial information used in valuation calculations to management information provided directly from the investee companies; • Evaluated the qualification of external valuers used by management to value the investment property held by the Group, and examined the valuation reports and inputs used provided by the valuers for reasonableness. The Group's accounting policy and other disclosures on financial assets designated at fair value through profit or loss are included in Notes 2(e) and 6 to the Group financial statements. **Key observations** We confirmed that there were no significant matters arising from our audit work on either the valuation of the overall investment portfolio, the techniques or other key valuation inputs that we wished to bring to the attention of the Audit Committee. We confirmed that valuation methodologies adopted were appropriate and that the valuation of the investment portfolio was not materially misstated and was in line with IFRS.

Our application of materiality

We define materiality as the magnitude of misstatement in the Group financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £730,000, which is 1% of the Group's net assets as at 31 December 2017. This benchmark is considered the most appropriate because the users of the Group financial statements are sensitive to changes in net asset value as an indicator of the value of their investment in the Group.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the Group financial statements. We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £36,500, being 5% of materiality. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Our application of materiality

Our audit approach was based on a thorough understanding of the Group's business and is risk-based. The day-to-day management of the Group's investment portfolio, the custody of its investments and the maintenance of the Group's accounting records are outsourced to third-party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Group and the third-party service providers, and inspecting records and documents held by those third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Group's business and is risk-based. The day-to-day management of the Group's investment portfolio, the custody of its investments and the maintenance of the Group's accounting records are outsourced to third-party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Group and the third-party service providers, and inspecting records and documents held by those third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 16 other than the group financial statements and our auditor's report thereon. Our opinion on the Group 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 Group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group 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 of the Group 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Group; or
- the Group financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the Group financial statements which give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of Group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group financial statements, the directors are responsible for assessing the Group'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 Group 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 Group 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) 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 Group financial statements.

Auditor's responsibilities for the audit of the financial statements (continued)

We are responsible for obtaining reasonable assurance that the Group financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the Group financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

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.

Grant Thornton Limited
Chartered Accountants
St Peter Port
Guernsey

18 April 2018

BAILIWICK INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Income			
Net gain on financial assets and liabilities at fair value through profit or loss	5	**8,419,591**	10,880,312
Investment income		**2,660,841**	2,534,163
Bank interest income		**-**	12,471
		11,080,432	13,426,946
Expenses			
Performance fee	3	**717,694**	1,053,842
Management fees	3	**753,020**	604,882
Loan interest expense		**188,777**	141,826
Administration and other expenses	4	**337,858**	602,561
		1,997,349	2,403,111
Profit and total comprehensive income for the year		**9,083,083**	11,023,835
Weighted average shares in issue during the year		**52,960,000**	52,960,000
Earnings per Ordinary Share (basic and diluted)	17	**£0.17**	£0.21

All items in the above statement are derived from continuing operations.

The accompanying notes form an integral part of these consolidated financial statements.

BAILIWICK INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
Assets			
Financial assets at fair value through profit or loss	5, 6		
Investment in subsidiaries		**10,694,122**	11,990,078
Equities		**69,986,611**	50,087,961
Due from broker		**13,912**	707,979
Other receivables and prepayments	7	**142,752**	19,208
Cash and cash equivalents	8	**8,466**	8,124,641
Total assets		**80,845,863**	70,929,867
Liabilities			
Borrowings	9	**5,827,502**	2,847,484
Other payables	10	**2,010,350**	1,244,655
Total liabilities		**7,837,852**	4,092,139
Net assets		**73,008,011**	66,837,728
Equity			
Share capital	12	**-**	-
Share premium	12	**54,241,526**	54,241,526
Retained earnings		**18,766,485**	12,596,202
Total equity		**73,008,011**	66,837,728
Net Asset Value per Ordinary Share	14	**1.3786**	1.2620

Approved and authorised for issue by the Board of Directors and signed on its behalf by:

David Lowe
Chairman

18 April 2018

The accompanying notes form an integral part of these consolidated financial statements.

BAILIWICK INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 January 2016	-	54,241,526	4,485,167	58,726,693
Profit and total comprehensive income for the period	-	-	11,023,835	11,023,835
Dividends	-	-	(2,912,800)	(2,912,800)
Balance at 31 December 2016	-	54,241,526	12,596,202	66,837,728
Profit and total comprehensive income for the year	-	-	9,083,083	9,083,083
Dividends	-	-	(2,912,800)	(2,912,800)
Balance at 31 December 2017	-	54,241,526	18,766,485	73,008,011

The accompanying notes form an integral part of these consolidated financial statements.

BAILIWICK INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
Profit and total comprehensive income for the year		**9,083,083**	11,023,835
Adjusted for:			
Decrease/(increase) in amount due from broker		**694,067**	(618,285)
(Increase)/decrease in other receivables		**(123,544)**	136,169
Increase in other payables		**765,695**	846,140
Purchase of financial instruments	5	**(11,648,539)**	(15,290,929)
Proceeds from sale of financial instruments	5	**1,465,436**	2,995,199
Net gain on financial assets at fair value through profit or loss	5	**(8,419,591)**	(10,880,312)
Increase/(decrease) in loan interest payable		**14,056**	(2,269)
Amortisation of borrowing costs		**41,670**	41,670
Net cash flows used in operating activities		**(8,127,667)**	(11,748,782)
Cash flows from financing activities			
Borrowings received		**3,274,292**	-
Borrowings repaid		**(350,000)**	(200,000)
Dividends paid to shareholders	13	**(2,912,800)**	(2,912,800)
Net cash flows from/(used in) financing activities		**11,492**	(3,112,800)
Net decrease in cash and cash equivalents		**(8,116,175)**	(14,861,582)
Cash and cash equivalents at start of year		**8,124,641**	22,986,223
Cash and cash equivalents at end of year		**8,466**	8,124,641
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest		**110,067**	102,425

The accompanying notes form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Bailiwick Investments Limited (the "Company") is a closed-ended investment company registered with limited liability in Guernsey on 22 September 2008 and is authorised under Section 8 of The Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended. The Company is listed on The International Stock Exchange ("TISE").

The principal activity of the Company and its subsidiaries (collectively the "Group") is to achieve long term capital growth by investment in a diversified portfolio of investments, principally in businesses, property and assets situated, registered, headquartered in or managed from the Channel Islands or in relation to which through the involvement of Channel Islands businesses or individuals, resident in the Channel Islands, there is a material Channel Islands interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently in the preparation of the consolidated financial statements:

Statement of compliance and basis of preparation

The consolidated financial statements, which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board (IASB) and effective at 31 December 2017; and comply with The Companies (Guernsey) Law, 2008.

The consolidated financial statements have been prepared on a historical-cost basis, except for financial assets held at fair value through profit or loss that have been measured at fair value.

The preparation of financial statements in conformity with IFRS 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 such estimates.

Basis of consolidation

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

The Directors have determined that the Company meets the definition of an "Investment Entity" as it is defined by IFRS 10 and, as such, is required not to consolidate investments in subsidiaries, except to the extent that a subsidiary provides investment related services to the Group. Unconsolidated subsidiaries are classified as fair value through profit or loss and measured at fair value. The Directors have determined that the Group's subsidiary Bailiwick Property Holdings Limited ("BPHL") contributes to the management of the Group and thus BPHL has been consolidated within these financial statements. Intra-group transactions, balances and unrealised gains on transactions between the Group and BPHL are eliminated on consolidation. Investments in associates are also classified as fair value through profit or loss, and measured at fair value.

Significant accounting estimates and judgements

The Directors make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgements (continued)

Fair value measurement

When the fair values of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include using a valuation model based on a multiple of earnings. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the consolidated statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2017 is included in note 6 and relates to the determination of fair value of financial instruments with significant unobservable inputs.

Assessment as an investment entity

Entities that meet the definition of an investment entity within amendments to IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Board has concluded that the Company has all of the characteristics set out above and thus meets the definition of an Investment Entity.

In addition, IFRS 10 states that if an investment entity has a subsidiary that provides investment related services or activities to the entity then it shall consolidate that subsidiary. Bailiwick Property Holdings Limited has obtained bank financing on behalf of the Group and provides financial support to the Group by way of intra-group loans. As this investment related activity is significant to the Group as a whole the Board has concluded that Bailiwick Property Holdings Limited should be consolidated.

Standards, amendments and revisions effective from 01 January 2017

- IFRS 12 – Annual Improvements to IFRS 2014 – 2016 (effective 01 January 2017)
- IAS 7 – Cash-Flow Disclosure initiative (Amendments) (effective 01 January 2017)

The Group's management has assessed that the above standards, amendments and revision do not have a material impact on the Group's results or financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

- IFRS 16 – Leases (effective 01 January 2019)
- IAS 40 – Transfers of Investment Property (effective 01 January 2018)
- IFRIC 22 – Foreign Currency transactions and advance consideration (effective 01 January 2018)
- IFRS 1/IAS 28 – Annual Improvements to IFRS 2014 – 2016 (effective 01 January 2018)
- IFRS 4 – Applying IFRS 9 Financial Instruments with Insurance Contracts (effective 01 January 2018)
- IFRS 9 – Financial Instruments (2014) (effective 01 January 2018)
- IFRS 2 – Classification and measurement of share based payment transactions (effective 01 January 2018)
- IFRS 15 – Revenue from contracts with customers (effective 01 January 2018)

The Group's management has assessed that the above standards, amendments and revision do not have a material impact on the Group's results or financial position.

Functional and presentation currency

The performance of the Group is measured and reported to investors in Sterling. The Directors consider Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Financial Assets and Financial Liabilities

Financial assets and financial liabilities comprise financial assets at fair value through profit or loss, cash and cash equivalents, borrowings, amounts due from broker, other receivables and payables.

Financial instruments

(a) Classification

The Group classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets at fair value through profit or loss

The Group classifies its investments in subsidiaries and associates, debt and equity securities, and derivatives as financial assets at fair value through profit or loss. These financial assets are either held for trading or designated by the Board of Directors at fair value through profit or loss at inception. Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition they are part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking. All derivatives and short positions are also included in this category. The Group does not classify any derivatives as hedges in a hedging relationship.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's investment strategy as documented in its offering memorandum, and information about these financial assets and liabilities are evaluated by the management of the Group on a fair value basis together with other relevant financial information.

The category of financial assets and liabilities at fair value through the profit or loss is sub-divided into:

Financial instruments designated as at fair value through profit or loss upon initial recognition

These include investment in subsidiaries and investment in associates. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Group as set out in the Company's offering document.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Investment in subsidiaries:

In accordance with the investment entity exemption of IFRS 10 Consolidated Financial Statements, the Group does not consolidate subsidiaries in the financial statements except for BPHL. Investments in subsidiaries are accounted for as financial assets at fair value through profit or loss.

Investment in associates:

In order to meet the definition of an investment entity under IFRS 10, the Group must measure and evaluate substantially all of its investments on a fair value basis. In this regard, the Group does not account for its investment in associates using the equity method. Instead, the Group has elected to measure its investment in associates at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group includes in this category amounts relating to other short-term receivables.

(b) Recognition

Financial assets at fair value through profit or loss are recognised when the Group becomes party to the contractual provisions of the instrument. Recognition takes place on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Dividend and interest revenue relating to the Group's investments in equity and debt securities is recognised when the right to receive a payment is established.

(c) Measurement

At initial recognition financial assets are measured at fair value. Transaction costs on financial assets at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in their fair value are included in the statement of comprehensive income for the period in which they arise. Dividend or interest earned on financial assets at fair value through profit or loss and dividend are disclosed in a separate line item in the statement of comprehensive income. Fair value is determined in the manner described in note 6.

All loans and receivables are initially recognised at fair value. After initial recognition loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

(d) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

Realised gains and realised losses on derecognition are determined using the average cost method and are included in profit or loss for the period in which they arise.

(e) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Due to/from brokers

The Group utilises Ravenscroft Limited for its trading and custodial activities. The clearing and depository operations for the Group's custodial activities are performed pursuant to agreements with Ravenscroft Limited. Due to/from brokers includes cash balances. The Group estimates that the net realisable amount of all due to/from brokers balances at 31 December 2017 does not differ materially from the carrying values recorded in the consolidated statement of financial position due to their short-term nature.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash at bank with a maturity of less than three months at the date of inception.

Borrowings

All borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition borrowings are subsequently measured at amortised cost using the effective interest rate method. Set up costs associated with any borrowings are capitalised and charged to the Consolidated Statement of Comprehensive Income and amortised over the life of the related borrowings.

Borrowing costs are recognised as an expense in the period in which they are incurred regardless of how the borrowings are applied and no borrowing costs are capitalised as part of the cost of an asset.

Ordinary shares

The Company has no planned end date and shareholders will not be entitled to require the Company to redeem their shares at any time. Ordinary shares are classified as equity.

Segmental reporting

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

Income and expenses

Interest income is recognised on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents and on debt securities at fair value though profit or loss. Dividend income is recognised when the right to receive payment is established.

Expenses are recognised on an accruals basis.

Taxation

The Company is eligible for exemption from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, and has paid an annual exemption fee of £1,200 (2016:£1,200).

3 MATERIAL AGREEMENTS

The Group is responsible for the continuing fees of the Administrator and the Investment Manager in accordance with the Administration and Secretarial Agreement dated 3 December 2008 and Investment Management Agreement dated 11 December 2014.

Administration fees

The Administrator is entitled to receive an annual fee equal to 0.15% of the Net Asset Value ("NAV") of the Group payable quarterly in arrears, subject to a minimum annual fee of £60,000. The Administrator is also entitled to a fixed annual fee of £8,000 for administering the Company's subsidiary, BPHL, and an annual fee of £5,000 in respect of registrar services.

Management fees

The Manager is entitled to an annual management fee of 1.0% of the adjusted closing NAV, excluding cash and cash equivalents, and 0.1% on cash and cash equivalents. This fee is payable quarterly in advance.

Performance fees

The Manager is also entitled to a performance fee calculated by taking an amount equal to 10% of the amount by which, at the end of any accounting period, the NAV per Ordinary Share exceeds the greater of (i) the Hurdle NAV per Ordinary share; and (ii) the High Watermark, and multiplying such amount by the weighted average number of Ordinary Shares in issue for the relevant performance period. The performance fee is calculated quarterly and is payable upon realisation of individual investments. No performance fee becomes payable unless the Hurdle NAV per Ordinary Share of 2% over the Bank of England base rate is exceeded for the relevant period. When the performance fee becomes payable, 80% is payable to the Investment Manager and the remaining 20% is paid into a clawback account. Amounts remaining in this account that have not been subject to clawback after 36 months or more after the end of the Accounting Period to which they relate, are then paid to the Investment Manager. A performance fee of £717,694 (2016: £1,053,842) is accrued in respect of the current year. Performance fees payable at the year end amount to £1,771,537 (2016: £1,053,842).

Directors' fees

The Company, as a self managed AIF, is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the Directive. The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its Directors and senior management is in line with the risk policies and objectives of the alternative investment fund.

Directors' fees are subject to annual review by the Board of Directors. The total remuneration paid to the Directors for the year ended 31 December 2017 amounted to £90,000 (2016: £105,380). David Lowe is entitled to an annual fee of £35,000 (2016: £35,000), John Henwood and Sir Geoffrey Rowland were each entitled to an annual fee of £27,500 (2016: £27,500). During 2016 directors' fees totalling £15,000 were paid in addition to the annual fees in recognition of additional time spent.

4 ADMINISTRATION AND OTHER EXPENSES

	2017 £	2016 £
Administration fees	**113,466**	100,307
Audit fees	**30,000**	24,245
Directors' fees	**90,000**	105,380
Registrar fees	**5,000**	5,000
Legal and professional fees	**46,231**	321,105
Other expenses	**53,161**	46,524
	337,858	602,561

5 FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and financial liabilities

	Financial assets at FVTPL £	Loans and receivables (amortised cost) £	Total £
31 December 2017			
Financial assets			
Investment in subsidiaries	**10,694,122**	**-**	**10,694,122**
Equities	**69,986,611**	**-**	**69,986,611**
Due from broker	**-**	**13,912**	**13,912**
Other receivables	**-**	**140,882**	**140,882**
Cash and cash equivalents	**-**	**8,466**	**8,466**
	80,680,733	**163,260**	**80,843,993**

	Other liabilities (amortised cost) £	Total £
31 December 2017		
Financial liabilities		
Borrowings	**5,827,502**	**5,827,502**
Other payables	**2,010,350**	**2,010,350**
	7,837,852	**7,837,852**

	Financial assets at FVTPL £	Loans and receivables (amortised cost) £	Total £
31 December 2016			
Financial assets			
Investment in subsidiaries	11,990,078	-	11,990,078
Equities	50,087,961	-	50,087,961
Due from broker	-	707,979	707,979
Other receivables	-	11,750	11,750
Cash and cash equivalents	-	8,124,641	8,124,641
	62,078,039	8,844,370	70,922,409

	Other liabilities (amortised cost) £	Total £
31 December 2016		
Financial liabilities		
Borrowings	2,847,484	2,847,484
Other payables	1,244,655	1,244,655
	4,092,139	4,092,139

A description of the Group's financial instrument risks, including risk management objectives and policies is given in note 11.

5 FINANCIAL ASSETS AND LIABILITIES (continued)

Financial assets at fair value through profit or loss

	2017	2016
	£	£
Designated at fair value through profit or loss at inception		
Investment in subsidiaries	**10,694,122**	11,990,078
Equities	**69,986,611**	50,087,961
	80,680,733	62,078,039

	2017	2016
	£	£
Fair value brought forward	**62,078,039**	38,901,997
Purchases at cost	**11,648,539**	15,290,929
Sales	**(1,465,436)**	(2,995,199)
Net gain on financial assets and liabilities at fair value through profit or loss	**8,419,591**	10,880,312
Fair value carried forward	**80,680,733**	62,078,039
Represented by:		
Closing book cost	**60,754,499**	50,014,495
Closing revaluation of investments	**19,926,234**	12,063,544
	80,680,733	62,078,039

Borrowings at amortised cost

Borrowings comprise two floating rate term loan facilities and an overdraft facility with The Royal Bank of Scotland International Limited (see note 9).

Other financial instruments

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- Other receivables
- Cash and cash equivalents
- Other payables

6 FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS has a hierarchical disclosure framework which prioritises and ranks the level of market price observability used in measuring investments at fair value. The three levels of inputs are:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date;

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The determination of what constitutes ‘observable’ requires significant judgement by the Group. The Group considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources actively involved in the relevant market.

Unless caused by a specific event, the Group recognises transfers between levels of fair value hierarchy as at the end of the reporting period during which the change has occurred.

The following table analyses within the fair value hierarchy the Group's financial assets and liabilities measured at fair value at 31 December 2017:

	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Investments at fair value				
Equity securities				
Construction	**5,809,375**	**2,625,000**	**-**	**8,434,375**
Financial services	**2,783,739**	**-**	**9,940,517**	**12,724,256**
Investment Property	**-**	**-**	**1,505,000**	**1,505,000**
Utilities	**2,325,000**	**-**	**-**	**2,325,000**
Motor Trade	**-**	**-**	**13,094,000**	**13,094,000**
Facilities management	**-**	**-**	**676,000**	**676,000**
Waste recycling	**-**	**-**	**6,653,000**	**6,653,000**
Retail	**-**	**-**	**24,574,980**	**24,574,980**
Investment in subsidiaries				
Aircraft services	**-**	**-**	**5,350,000**	**5,350,000**
Investment Property	**-**	**-**	**5,195,865**	**5,195,865**
Financial Services	**-**	**-**	**148,257**	**148,257**
	10,918,114	**2,625,000**	**67,137,619**	**80,680,733**

The following table analyses within the fair value hierarchy the Group's financial assets and liabilities measured at fair value at 31 December 2016:

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Investments at fair value				
Equity securities				
Construction	392,563	-	-	392,563
Financial services	1,125,000	-	7,735,567	8,860,567
Investment Property	-	-	433,800	433,800
Utilities	2,070,000	690,000	-	2,760,000
Facilities management	**-**	**-**	1,146,960	1,146,960
Motor Trade	-	-	12,493,000	12,493,000
Waste recycling	-	-	5,674,024	5,674,024
Retail	-	-	18,327,047	18,327,047
Investment in subsidiaries				
Aircraft services	-	-	4,527,000	4,527,000
Investment Property	-	-	6,834,758	6,834,758
Financial Services	-	-	628,320	628,320
	3,587,563	690,000	57,800,476	62,078,039

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

When fair values of listed equity and debt securities at the reporting date are based on quoted market prices or binding dealer price quotations and are actively traded, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The investments in The International Stock Exchange Group Limited, Jersey Electricity PLC and SigmaRoc PLC ordinary shares are classified as Level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These may include investment-grade corporate bonds and listed equities. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The fair value of the Group's holding in Jersey Water, which was sold in 2017, was classified within Level 2, as it was based on prices provided by market makers on a matched bargain basis.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments may include private equity and corporate debt securities. As observable prices are not available for these securities, the Group uses valuation techniques to derive the fair value.

Bailiwick Investment Holdings Limited and Column Holdings Limited are valued at their net asset value, as calculated by their administrator, Saffery Champness Fund Services Limited. Column Holdings Limited owns investment property which is measured at fair value based on market valuation at the reporting date, in accordance with the definition of market value as set out in the RICS Valuation and Standards. Bailiwick Investment Holdings Limited owns a former vinery site in Guernsey. The investment manager has obtained a professional valuation for this site which approximates fair value.

The investments in Acorn Group Holdings Limited, Guernsey Recycling (1996) Limited, The Octane PCC Limited - Octane Cell and Sandpiper Topco Limited are valued using a valuation model based on a multiple of earnings, and in the case of MitonOptimal International Limited, based on a multiple of funds under management, developed by reference to actual market transactions and also by taking into consideration the size and reputation of each company and their growth potential.

The valuation of the investment in ASG Group Limited is based on the agreed sales price. The sale of the Company was completed on 23 March 2018. The valuation of the investment in Prospero Holdings Limited is based on an offer received. The valuation of the investment in FB Limited is based on the development costs of the building project currently being undertaken.

The Investment Manager has valued the investment in The Channel Islands Stock Exchange, which is in liquidation, based on the liquidator's intended distribution per share as advised in the liquidators final report. The final proceeds were received on 14 March 2018.

The following is a reconciliation of assets for which Level 3 inputs were used in determining value:

	Other investments £
Opening balance	**57,800,476**
Purchases	**3,581,095**
Sale proceeds	**(413,291)**
Realised gain	**41,833**
Fair value adjustment	**6,127,506**
Closing balance	**67,137,619**

Transfers between Level 2 and Level 3

There were no transfers during the accounting period.

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Quantitative information of significant unobservable inputs - Level 3

Description	*2017*	*Valuation technique*	*Unobservable input*
	£		
ASG Group Limited	5,350,000	Investment Manager's valuation based on agreed sale	Sale agreement
Acorn Group Holdings Limited	4,875,276	Investment Manager's valuation based on EBITDA	EBITDA multiple
Bailiwick Investment Holdings Limited	49,313	Investment Manager's valuation based on NAV	Administrator's calculation
Column Holdings Limited	5,146,552	Investment Manager's valuation based on NAV	Property valuation - income yield
The Channel Islands Stock Exchange (in liquidation)	177,341	Investment Manager's valuation based on expected liquidation proceeds	Final liquidators report
F B Limited	1,505,000	Investment Manager's valuation based on costs	Development cost
Guernsey Recycling (1996) Limited	6,653,000	Investment Manager's valuation based on EBITDA multiple	EBITDA multiple/ income yield
Legis Group Holdings Limited	148,257	Investment Manager's valuation based on residual sale	Value of remaining net assets in the Company
MitonOptimal International Limited	4,887,900	Investment Manager's valuation based on model based on Funds under Management	Percentage of Funds Under Management/Multiple of Gross Margin
Prospero Holdings Limited	676,000	Investment Manager's valuation based on offer	Offered price
The Octane PCC Limited - Octane Cell	13,094,000	Investment Manager's valuation based on EBITDA multiple/ property valuation	EBITDA multiple/ income yields
Sandpiper Topco Limited	24,574,980	Investment Manager's valuation based on EBITDA multiple/ property valuation	EBITDA multiple/ income yields
	67,137,619		

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy

Significant changes in any of the unobservable inputs could result in significantly lower or higher fair value measurements. The most significant unobservable input is EBITDA multiples. At 31 December 2017, if EBITDA multiples had increased by 1x with all other variables remaining constant, the fair value would increase by approximately £4.6 million (2016: £4.6 million). For a decrease of 1x in EBITDA multiples with all other variables remaining constant, the fair value would decrease by approximately £4.6 million (2016: £5.2 million).

For the investment in Column Holdings Limited, where the NAV is driven by the value of its investment property, the valuation is sensitive to the effective rental value as well as gross income yields. Management have considered a sensitivity of +/- 5% of effective rental value and +/- 0.25% of gross income yield, though the resulting quantitative impact is not material so has not been disclosed.

7 OTHER RECEIVABLES AND PREPAYMENTS

	2017	2016
	£	£
Prepayments	**1,870**	7,458
Other receivables	**-**	11,750
Investment income receivable	**140,882**	-
	142,752	19,208

The Directors consider that the carrying amount of other receivables approximates fair value.

8 CASH AND CASH EQUIVALENTS

	2017	2016
	£	£
Cash at bank	**8,466**	8,124,641

The cash at bank is at The Royal Bank of Scotland International Limited.

9 BORROWINGS

	2017	2016
	£	£
The Royal Bank of Scotland International Limited - term loan facilities	**4,553,210**	2,847,484
The Royal Bank of Scotland International Limited - bank overdraft	**1,274,292**	-
	5,827,502	2,847,484
Bank borrowings payable in less than one year	**3,474,292**	200,000
Bank borrowings payable in more than one year	**2,353,210**	2,647,484
	5,827,502	2,847,484

On 29 October 2014 the Group entered into a five year, £11.2 million floating rate term loan facility with The Royal Bank of Scotland International Limited. Interest on the loan is payable quarterly in arrears at a rate equal to the sum of the LIBOR plus 2.75%. The loan is repayable in quarterly repayments of £50,000. In 2017, a further repayment of £150,000 was made. The loan was used to repay the Group's previous borrowings and to finance further investment acquisitions.

On 12 May 2015 the loan facility was amended and restated to a £3,250,000 floating rate term loan facility following the sale of Commerce Holdings Limited.

Security for the amended and restated loan is provided by way of a Security Interest Agreement over the issued share capital of the Group's property holding subsidiary Column Holdings Limited as well as certain of the subsidiaries' bank accounts and lease rights. The Directors consider that the carrying amount of borrowings approximates fair value.

On 12 June 2017 the Group entered into a one year, £2 million floating rate term loan facility with The Royal Bank of Scotland International Limited. Interest on the loan is payable quarterly in arrears at a rate equal to the sum of the LIBOR plus 3.50%. The loan is repayable in full on 12 June 2018. The purpose of the loan is for general working capital requirements and to finance further investment acquisitions. Security for the loan is in the form of guarantees from wholly owned subsidiaries Column Holdings Limited and ASG Group Limited, and an additional bond in the sum of £1.5 million over the freehold property owned by Column Holdings Limited.

On 15 December 2017 the Group entered into a £1.5 million overdraft facility with The Royal Bank of Scotland International Limited. Interest on the overdraft is applied to the account quarterly in arrears at a rate of 3.5% over the base rate. The purpose of the facility is to finance working capital requirements pending the completion of the sale of ASG Group. The overdraft was repaid on 23 March 2018.

10 OTHER PAYABLES

	2017 £	2016 £
Performance fee	**1,771,537**	1,053,842
Management fee	**148,178**	119,776
Administration fee	**31,885**	27,645
Audit fee	**30,000**	14,547
Legal and professional fees	**11,875**	-
Directors' fees	**15,625**	15,625
Other payables	**1,250**	13,220
	2,010,350	1,244,655

The performance fee (see note 3) only falls due for payment when the Group has received proceeds from the disposal or realisation of its assets or upon termination of the Investment Management Agreement.

The Directors consider that the carrying amount of other payables approximates fair value.

11 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including market risk (including price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's use of borrowings can increase the exposure to these risks, which in turn can also affect the returns. Risk management procedures are in place to minimise the Group's exposure to these financial risks.

The Group uses different methods to measure and manage the various types of risk to which it is exposed. These methods are explained below.

Market Risk

Price risk

Price risk represents the potential loss the Group may suffer through holding market positions in the face of price movements. The Group is exposed to securities price risk arising from investments held by the Group for which future prices are uncertain. The Group is also exposed to property price and property rentals risk. The Investment Manager seeks to moderate this risk through a careful selection of securities and other financial instruments.

At 31 December 2017, if market prices, property valuations or investment manager valuations had moved by 5% with all other variables remaining constant, the change in net assets attributable to ordinary shareholders along with change in profit or loss for the period would amount to approximately £4 million (2016: +/- £3.0 million).

The maximum exposure to price risk is the carrying amount of the assets as set out below.

	2017 £	2016 £
Equity securities	**69,986,611**	50,087,961
Investment in subsidiaries	**10,694,122**	11,990,078
	80,680,733	62,078,039

Foreign Currency Risk

There is no foreign currency risk as all the transactions of the Group are carried out in Sterling, the functional and presentational currency.

11 FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the fair value of its financial instruments and future cash flow. The Group holds cash and cash equivalents and sterling denominated floating rate loans that expose the Group to cash flow interest rate risk.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent major interest-bearing positions.

The following table highlights the fair value of the Group's exposure to fixed interest rates, variable interest rates and non interest bearing financial instruments:

31 December 2017	**Fixed interest**	**Variable interest**	**Non interest bearing**	**Total**
Assets	**£**	**£**	**£**	**£**
Investments at fair value	**-**	**-**	**80,680,733**	**80,680,733**
Due from broker	**-**	**-**	**13,912**	**13,912**
Other receivables	**-**	**-**	**140,882**	**140,882**
Cash and cash equivalents	**-**	**8,466**	**-**	**8,466**
Total Assets	**-**	**8,466**	**80,835,527**	**80,843,993**
Liabilities				
Borrowings	**-**	**5,827,502**	**-**	**5,827,502**
Other payables	**-**	**-**	**2,010,350**	**2,010,350**
Total Liabilities	**-**	**5,827,502**	**2,010,350**	**7,837,852**
Total interest sensitivity gap	**-**	**(5,819,036)**	**78,825,177**	**73,006,141**

31 December 2016	Fixed interest	Variable interest	Non interest bearing	Total
Assets	£	£	£	£
Investments at fair value	-	-	62,078,039	62,078,039
Due from broker	-	-	707,979	707,979
Other receivables	-	-	11,750	11,750
Cash and cash equivalents	-	8,124,641	-	8,124,641
Total Assets	-	8,124,641	62,797,768	70,922,409
Liabilities				
Borrowings	-	2,847,484	-	2,847,484
Other payables	-	-	1,244,655	1,244,655
Total Liabilities	-	2,847,484	1,244,655	4,092,139
Total interest sensitivity gap	-	5,277,157	61,553,113	66,830,270

11 FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

At 31 December 2017, if interest rates had moved by 50 basis points with all other variables remaining constant, the change in net assets attributable to holders of ordinary shares along with change in profit or loss for the period would amount to approximately -/+ £29,095 (2016: +/- £26,385), arising substantially from the cash and cash equivalents and borrowings. In accordance with Group's policy, the Investment Manager monitors Group's interest sensitivity on a quarterly basis and the Board of Directors reviews the analysis during the board meetings.

Credit Risk

Credit risk is the risk that an issuer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The investments of the Group are determined by the Investment Manager in accordance with the criteria set out in the Company's scheme particulars. Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any.

The credit risk of the Group's cash and cash equivalents is mitigated as all cash is placed with reputable banking institutions with a sound credit rating. RBSI has a Fitch rating of BBB+ (2016: BBB+).

The Group's maximum credit exposure is limited to the carrying amount of financial assets recognised at the reporting date which amounted to £80,843,993 (2016: £70,922,409).

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The Group is closed ended and therefore is not exposed to the risk of shareholder redemptions. In order to mitigate liquidity risk, borrowings may not exceed 50 per cent of the last announced NAV at the time of draw down of any such borrowings. The Group's main assets are private equity investments which are traded in an environment where deal timescales can take place over months. As a result, the Group may not be able to liquidate quickly some of its investments at an amount close to its fair value in order to meet liquidity requirements. The Board monitors this risk by reviewing future cash flow projections of the Group to ensure that future liabilities can be met as and when they fall due.

The contractual maturities of the Group's financial liabilities are summarised below.

	Current	Non-current	
	within 1 year	1 to 5 years	later than 5 years
31 December 2017	£	£	£
Borrowings	**3,474,292**	**2,353,210**	**-**
Other payables	**2,010,350**	**-**	**-**
	5,484,642	**2,353,210**	**-**
31 December 2016			
Borrowings	200,000	2,647,484	-
Other payables	1,244,655	-	-
	1,444,655	2,647,484	-

11 FINANCIAL RISK MANAGEMENT (continued)

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and to maintain a strong capital base to support the development of the investment activities of the Group.

The Group is not subject to any externally imposed capital requirement.

12 SHARE CAPITAL

Authorised Share Capital	31 December 2017 £
Unlimited Ordinary Shares of no par value	-

Issued Share Capital	Number of Shares	Share Premium £
Shares at 31 December 2017	**52,960,000**	**54,241,526**
Shares at 31 December 2016	**52,960,000**	**54,241,526**

The Company's authorised share capital consists of an unlimited number of Ordinary Shares of no par value.

All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting.

13 DIVIDENDS

	2017 £	2016 £
Dividend of 2.50p per share paid 14 July 2017	**1,324,000**	-
Dividend of 3.00p per share paid 29 December 2017	**1,588,800**	-
Dividend of 2.50p per share paid 20 June 2016	**-**	1,324,000
Dividend of 3.00p per share paid 30 December 2016	**-**	1,588,800
	2,912,800	2,912,800

14 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary Share is calculated based on the net assets attributable to Ordinary Shareholders of £73,008,011 and on 52,960,000 Ordinary Shares in issue at 31 December 2017 (2016: net assets of £66,837,728 and 52,960,000 Ordinary Shares in issue).

15 RELATED PARTY TRANSACTIONS

Included within dividend income are amounts of £395,000 (2016: £400,000) from Column Holdings Limited. Column Holdings Limited is 100% owned by Bailiwick Property Holdings Limited and has directors which are common to the Company.

Also included within dividend income are amounts of £480,060 (2016: £603,619) in respect of Legis Group Holdings Limited ordinary shares, which is 49.42% owned by the Group.

Loans to subsidiaries are detailed in note 16.

Details of the Directors' fees are disclosed in note 3.

16 INVESTMENT IN SUBSIDIARIES

	Date of Incorporation/Acquisition	Domicile	Ownership
ASG Group Limited	22 September 2014 and 26 November 2014	Guernsey	100%
Bailiwick Property Holdings Limited	13 May 2009	Guernsey	100%
Bailiwick Investment Holdings Limited	13 May 2009	Guernsey	100%
Column Holdings Limited	4 February 2009	Guernsey	100%
Legis Group Holdings Limited	24 March 2011	Guernsey	49.424%

In 2014 the Group purchased 100% of the share capital of ASG Group Limited ("ASG"). The founding shareholders of ASG together retain a 67% (2016: 58%) shareholding in each of the operating subsidiaries of ASG (see note 20).

Included within the fair value of the investment in ASG Group Limited is a loan of £1,074,197 from Bailiwick Investments Limited to Westgrass Hangarage (No 3) Limited, a subsidiary of ASG Group Limited, which is unsecured, interest free and repayable on demand (see note 20).

Bailiwick Property Holdings Limited owns 100% of the issued share capital of Column Holdings Limited.

Bailiwick Property Holdings Limited is consolidated. All of the other subsidiaries are accounted for as investments at fair value.

Included within the fair value of the investment in Bailiwick Investment Holdings Limited is a loan from Bailiwick Investments Limited to Bailiwick Investment Holdings Limited of £227,027 (2016: £222,907) which is unsecured, interest free and repayable on demand.

The investment into the share capital of Column Holdings Limited is pledged under the loan agreement with The Royal Bank of Scotland International Limited (Note 9).

17 EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares outstanding during the year.

	2017	2016
	£	£
Profit and total comprehensive income for the year	9,083,083	11,023,835
Weighted average number of shares in issue	52,960,000	52,960,000
Earnings per share – basic and diluted	0.1715	0.2082

The Group's diluted EPS is the same as basic EPS, since the Company has not issued any instrument with dilutive potential.

Supplemental data:

Internal Rate of Return for the year	**13.76%**	18.99%
Cumulative Internal Rate of Return	**9.06%**	8.64%

18 ULTIMATE CONTROLLING PARTY

The Directors consider that the Group has no ultimate controlling party.

19 COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies to report.

20 EVENTS AFTER THE REPORTING DATE

The sale of the Company's investment in ASG Group Limited was completed on 23 March 2018 for £5.35 million. Further details can be found in the Investment Manager's Report on page 4.

There are no other subsequent events to report.

BAILIWICK INVESTMENTS LIMITED
UNAUDITED PORTFOLIO STATEMENT
31 DECEMBER 2017

	2017	
	Nominal holding	**Fair value £**
Investment in subsidiaries - 13.25%		
ASG Group Limited	**1,000**	**5,350,000**
Bailiwick Investment Holdings Limited Ord	**2**	**49,313**
Column Holdings Limited Ord	**2**	**5,146,552**
Legis Group Holdings Limited 'A' Ord	**98,848**	**148,257**
Total investment in subsidiaries		**10,694,122**
Equities - 86.75%		
Acorn Group Holdings Limited Ord GBP1.00	**2,250**	**4,875,276**
The Channel Islands Stock Exchange Limited (in liquidation) Ord GBP0.10	**242,666**	**177,341**
The International Stock Exchange Group Limited Ord GBP1.00	**383,964**	**2,783,739**
F B Limited Ord GBP 0.011494	**638**	**1,505,000**
Guernsey Recycling (1996) Limited Ord GBP1.00	**242,490**	**6,653,000**
Jersey Electricity PLC 'A' Ord GBP0.05	**500,000**	**2,325,000**
MitonOptimal International Limited Ord GBP1.00	**53,940**	**4,887,900**
Prospero Holdings Limited Ord GBP1.00	**98**	**676,000**
The Octane PCC Limited - Octane Cell	**9,650,000**	**13,094,000**
Sandpiper Topco Limited Ord NPV	**9,296,102**	**24,574,980**
SigmaRoc PLC Ord GBP 0.01	**13,750,000**	**8,434,375**
Total equities		**69,986,611**
		80,680,733

	2016	
	Nominal holding	Fair value £
Investment in subsidiaries - 19.31%		
ASG Group Limited	1,000	4,527,000
Bailiwick Investment Holdings Limited Ord	2	49,561
Column Holdings Limited Ord	2	6,785,197
Legis Group Holdings Limited 'A' Ord	98,848	628,320
Total investment in subsidiaries		11,990,078
Equities - 80.69%		
Acorn Group Holdings Limited Ord GBP1.00	2,250	4,875,276
Breedon Group PLC Ord NPV	550,000	392,563
The Channel Islands Stock Exchange (in liquidation) Ord GBP0.10	242,666	121,333
The International Stock Exchange Group Limited Ord GBP1.00	375,000	1,125,000
F B Limited Ord GBP1.00	241	433,800
Guernsey Recycling (1996) Limited Ord GBP1.00	242,490	5,674,024
Jersey Electricity PLC 'A' Ord GBP0.05	500,000	2,070,000
Jersey Water Ord GBP0.50	100,000	690,000
MitonOptimal International Limited	53,940	2,738,958
Prospero Holdings Limited Ord GBP1.00	98	1,146,960
The Octane PCC Limited - Octane Cell	9,650,000	12,493,000
Sandpiper Topco Limited Ord NPV	9,296,102	18,327,047
Total equities		50,087,961
		62,078,039