REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018

CONTENTS **PAGES**

Registered Office	P O Box 141 La Tonnelle House Les Banques St. Sampson Guernsey GY1 3HS
Directors	Sir Geoffrey Rowland (Chairman) Susie Farnon (appointed 30 June 2018) John Henwood David Lowe (resigned 30 June 2018)
Manager, Broker and Market Maker	Ravenscroft Limited 20 New Street St. Peter Port Guernsey GY1 4JG
Administrator, Registrar and Secretary	Saffery Champness Fund Services Limited P O Box 141 La Tonnelle House Les Banques St. Sampson Guernsey GY1 3HS
TISE Listing Sponsor	Carey Commercial Limited P O Box 285 1st and 2nd Floors Elizabeth House Les Ruettes Brayes St Peter Port Guernsey GY1 1EW
Independent Auditor	Grant Thornton Limited Lefebvre House Lefebvre Street St Peter Port Guernsey GY1 3TF
Legal advisors	Collas Crill Glategny Court PO Box 140, Glategny Esplanade St. Peter Port Guernsey GY1 4EW
Company Registered Number	49479

	2018	2017
Net Asset Value ("NAV")	£1.4084	£1.3786
Share price - 31 December	£1.41	£1.28
Investment income	£2.172m	£2.661m
Net gain on financial assets at fair value	£4.242m	£8.420m
Profit and total comprehensive income for the year	£4.759m	£9.083m
Basic earnings per share	£0.09	£0.17
Annual dividend per share	£0.055	£0.055
Dividend cover	1.64 times	3.09 times

Financial calendar

30 May 2019	AGM
28 June 2019	Interim FY19 dividend paid
31 October 2019	Interim Financial Statements to 30 June 2019
31 December 2019	Final FY19 dividend paid

Dear Shareholder

It gives me great pleasure to present my first Chairman's report of Bailiwick Investments Limited ("the Company") following the retirement of Jurat David Lowe OBE at the end of June 2018. I would personally like to thank David for his dedication and leadership of the Company since its incorporation in 2008, and wish him all the best in his well-deserved retirement. The Company's shareholders have been the beneficiaries and they have benefitted handsomely since the Company was launched in 2008.

During 2018, and also early in 2019, Ravenscroft Limited, the Company's Investment Manager ("the Manager"), has presented to the Board focussed papers contending that the Company should exit from a number of its smaller investments. The reasoning and logic was to sell smaller investments if an excellent offer was made or if an investment was no longer predicted to achieve a rate of capital growth comparable with that of other investments in the portfolio. Another recommendation of the Manager was to achieve a balance between funding a respectable dividend and the accumulation of funds for investment in order to achieve the fundamental purpose of achieving long-term capital growth.

As a consequence of this strategic objective, 2018 and early 2019 have seen cash generative rationalisation with a number of disposals and redemptions, including:

- The sale of **ASG Group Limited**, at a significant profit, in March 2018 for £5.4 million;
- Partial repayment of **Acorn Group Holdings Limited** preference shares during 2018 and repaid in full in February 2019 realising capital of £2.8 million;
- Redemption of **SigmaRoc plc ("SigmaRoc")** unsecured convertible loan notes as part of a SigmaRoc restructuring in January 2019, realising £2.6 million;
- Sale of **Nelson House** in March 2019 for £4.6 million (and subsequent repayment of all related bank debt); and
- Disposal of **Prospero Holdings Limited** in April 2019 for £475k .

The above has impacted the total income received by the Company during the year ended 31 December 2018; compared to the previous year there has been a decrease in investment income of 18% and a decrease of 50% in the net gain from realised / fair value of investments. A more detailed explanation of the disposals / redemptions and valuation changes are discussed in the Manager's report.

In December 2018, the Company raised a net £6.1 million after the placing of an additional 4,440,000 ordinary shares issued at £1.41 each.

The net cash generated from the above steps has, and will, allow the Company to make a range of investments which will produce income and funds to invest:

- In May 2018, the Company acquired £740,000 8% Fixed Rate Bonds due 2022 in **Polygon Group Limited**, an investment company. The bonds are listed on The International Stock Exchange;
- In December 2018, the Company increased its investment in **FB Limited ("Oatlands")** acquiring preference shares and additional equity. Oatlands opened to the public in December 2018 and early indications of trading income have exceeded expectations. The Board is pleased to support this exciting well-received venture;

- Also in December 2018, the Company increased its equity investment to 38.4% (from 35.7%) in **The Octane PCC Limited ("Jacksons")**, following the completion of three major capital projects. In light of Brexit and other concerns in the motor trade, it has been a challenging year for the retail car industry throughout Europe, but Jacksons has coped markedly better than most; and
- Since the year end, noting SigmaRoc's encouraging acquisition momentum, the Company acquired additional equity in **SigmaRoc**, increasing its equity holding from 9.7% to 9.8%. Since 31 December 2018, the share price of SigmaRoc has risen above £0.39 and continues to trade well above this price.

Notwithstanding the rationalisation of investments, I am pleased to report an increase of 2.2% in the net asset value ("NAV") per share of the Company. At 31 December 2018 the NAV per share was £1.4084 (2017: £1.3786). The NAV is underpinned by the continued impressive performance of the larger investments held by the Company. There has been a notable strong performance by **Sandpiper TopCo Limited** and a solid performance by **Guernsey Recycling Group**. The Company paid dividends totalling £0.055 per share during 2018 (2017: £0.055).

The Board and the Manager work together with investee management teams to achieve and sustain long term capital growth and strong shareholder returns. The Board looks forward with confidence to continued increases in the Company's net asset value and achieving further growth in 2019 and beyond.

Sir Geoffrey Rowland
Chairman
10 May 2019

BAILIWICK INVESTMENTS LIMITED
UNAUDITED PORTFOLIO STATEMENT
31 DECEMBER 2018

	2018 Fair value £	2017 Fair value £	**Comment on year on year movement**
Listed investments - 18.25%			
The International Stock Exchange Group Limited Ord GBP1.00	**3,647,658**	2,783,739	Share price movement
Jersey Electricity PLC 'A' Ord GBP0.05	**2,275,000**	2,325,000	Share price movement
Polygon Group 8% Bonds 2022	**740,000**	-	2018 investment *
SigmaRoc PLC Ord GBP 0.01	**5,390,000**	5,809,375	Share price movement
SigmaRoc PLC Unsecured Convertible Loan Notes 2022	**2,625,000**	2,625,000	
Total listed investments	**14,677,658**	13,543,114	
Unlisted investments - 81.75%			
Acorn Group Holdings Limited Ord GBP1.00	**4,448,543**	4,875,276	Partial repayment of preference shares *
ASG Group Limited	**-**	5,350,000	2018 disposal for £5.35 million
Bailiwick Investment Holdings Limited Ord	**49,271**	49,313	
Column Holdings Limited Ord	**4,776,067**	5,146,552	Revaluation to 2019 disposal value *
Legis Group Holdings Limited 'A' Ord	**82,000**	148,257	Business sold in 2014; final proceeds received in 2018/19
The Channel Islands Stock Exchange Limited (in liquidation) Ord GBP0.10 ("CISX")	**-**	177,341	Liquidation proceeds received in 2018.
F B Limited Ord GBP 0.011494	**2,369,012**	1,505,000	Revaluation and additional equity investment made in 2018 *
F B Limited 8% Cumulative Redeemable Preference shares GBP 2,800.00	**350,000**	-	2018 investment *
Guernsey Recycling (1996) Limited Ord GBP1.00	**8,471,034**	6,653,000	Revaluation *
MitonOptimal International Limited Ord GBP1.00	**1,387,900**	1,887,900	Revaluation *
MitonOptimal International Limited 5% Unsecured Convertible Loan Notes 2022	**1,500,000**	1,500,000	
MitonOptimal International Limited 6% Unsecured Convertible Loan Notes 2022	**1,500,000**	1,500,000	
Prospero Holdings Limited Ord GBP1.00	**175,000**	376,000	Revaluation to 2019 disposal value *
Prospero Holdings Limited 6% Loan 2018	**300,000**	300,000	
The Octane PCC Limited - Octane Cell	**13,969,888**	13,094,000	Revaluation *
Sandpiper Topco Limited Ord NPV	**24,672,661**	22,231,143	Revaluation *
Sandpiper Topco Limited 14.5% Loan Notes 2018	**-**	2,343,837	Repaid in 2018 *
Sandpiper Topco Limited 8% Unsecured Loan Notes 2028	**1,674,019**	-	New issue in 2018 *
Total unlisted investments	**65,725,395**	67,137,619	
	80,403,053	80,680,733	

Further explanation is provided in the Investment Manager's Report for those investments marked *

Performance overview:

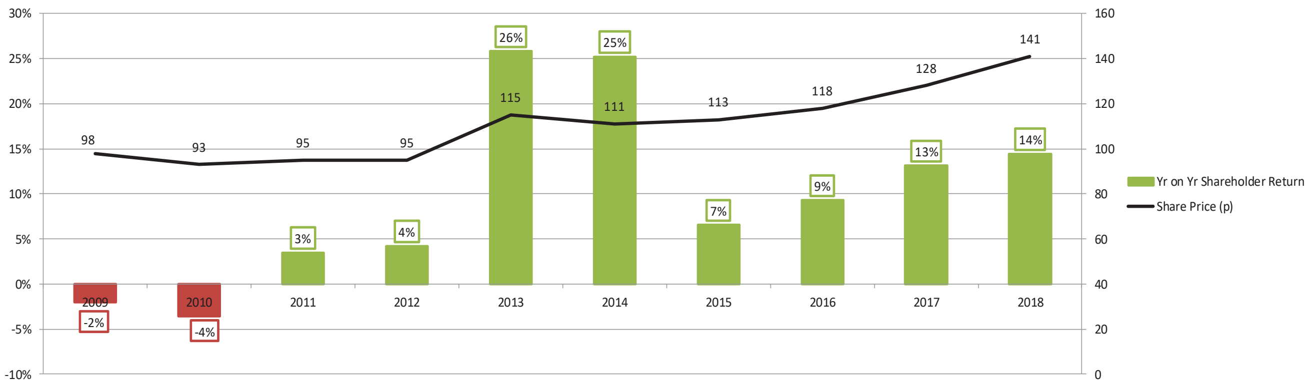
Ravenscroft Limited (the "Manager") is pleased to report on the solid performance by the Company for the year ended 31 December 2018, following a busy year.

The Board declared a final dividend of £0.03 per share (2017: £0.03), paid on 28 December 2018, taking the total dividend for 2018 to £0.055 per share (2017: £0.055).

The current share price is £1.35 - £1.40.

Shareholder return

The graph below shows the shareholder return (year on year) together with the year end share price since the Company was incorporated. The returns have been calculated based on the movement in share price plus the dividend paid in that calendar year.

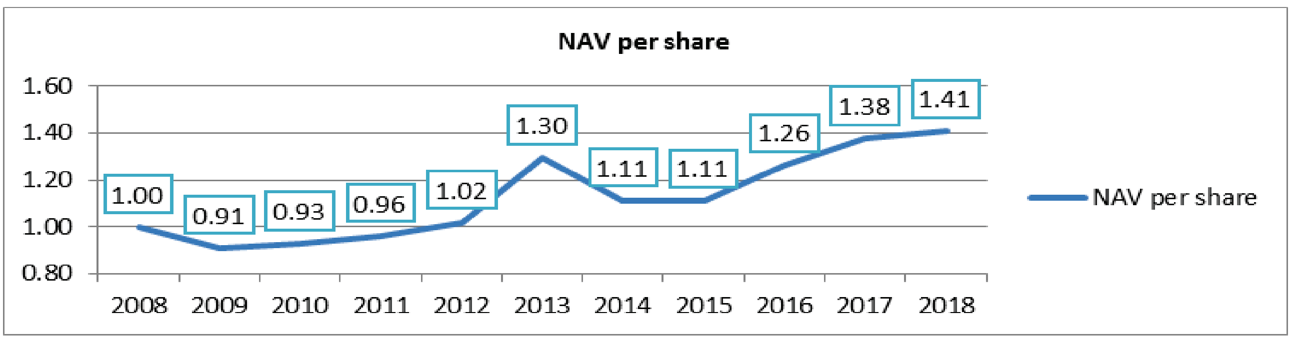


The total shareholder return from inception to 31 December 2018 is 107% based on the cumulative dividends paid by the Company to date and the increase in share price.

Net Asset Value

While the increase of 2.2% in the NAV to £1.4084 at 31 December 2018 is modest in comparison to the growth experienced in 2017 and in 2016, it represents a further year of growth for the Company while maintaining the dividend levels enjoyed during those years.

Set out below is the annual NAV per share since incorporation. The increases in 2016 (13.5% increase on 2015) and 2017 (9.2% increase on 2016) were mainly driven by the exceptional performance of investments. Please note that a special dividend of £0.25 was paid in June 2014 which caused the NAV to dip at the 2014 year end.



Post year end events

Nelson House (Column Holdings Limited)

Nelson House, situated at Elizabeth Avenue, St Peter Port, was acquired in December 2008. The property was showing the impact of ageing and wear and tear and, previously, the Company had written down its value as a result of the persistent reduction in the residual lease terms and the perceived reduced quality of the Carpetright covenant.

An offer to acquire the property was made by a company ultimately owned by Sandpiper Topco Limited ("Sandpiper") at a price in excess of a recent independent valuation. On 13 March 2019, the Company adopted the recommendation of the Manager and completed the sale by conveyance. The sale of Nelson House extinguished all related bank debt. Accordingly, the investment at 31 December 2018 has been written down by £299k, to reflect the sale price, to £4.63 million.

Nelson House has generated an internal rate of return for the Company of c.8% per annum over the period of ownership.

Prospero Holdings Limited ("Prospero")

On 2 April 2019 the Company's equity and loan interests in Prospero were bought out by Prospero's Managing Director for a total of £475k. Following the Manager's recommendation, the Board had concluded that the Company's interest in Prospero should be sold because Prospero was unlikely to realise the growth potential in the Channel Islands originally forecast in 2016. Accordingly the investment at 31 December 2018 has been written down by a further £200k to £475k.

Portfolio Review

Private Equity

Sandpiper TopCo Limited ("Sandpiper") (percentage of gross assets: 30%) www.sandpiperci.com

- Operates in over 30 franchise locations, including the Channel Islands, Spain and Gibraltar;
- The largest food retailer in the Channel Islands, including Morrisons, Iceland, M&S Jersey, as well as their own chain of convenience/forecourt stores;
- Partnered with 12 blue chip brands, including Costa Coffee, Hotel Chocolat, Jack Wills;
- The iQ shops in Jersey and Guernsey are the only Apple authorised premium reseller and official Apple service provider in the Channel Islands;
- The Liberty Wharf shopping centre in Jersey was acquired in late 2017; and
- Sandpiper continues to be the largest investment in the Company's portfolio.

2018 highlights

- 2018 EBITDA growth year on year of 18.6%. This comes during a period of well publicised challenges faced by the UK retail sector;
- Morrisons ten year franchise agreement commenced;
- Completion of a programme to convert Sandpiper's mini-supermarkets to "Morrisons Daily" stores in Jersey (Guernsey to follow in 2019);
- New franchise acquisitions included Card Factory and Laura Ashley;
- In August 2018, Sandpiper reorganised its loan note structure, issuing new 10 year loan notes in direct proportion to the equity shareholders' holdings;

Sandpiper TopCo Limited ("Sandpiper") (continued)

- Sandpiper intends to list its entire ordinary share capital on The International Stock Exchange (anticipated to complete in late May 2019). As part of this process, the Board is considering selling a certain portion of the Company's shareholding to be placed with new investors; and
- In preparation for the listing and to simplify the capital structure, the loan notes have been waived and accumulated interest paid up to 30 April 2019. The effect of this will be neutral on overall shareholder value as the removal of the loan note debt will increase equity value by the equivalent amount.

Conclusion

The Manager remains confident in the future prospects for Sandpiper. The Manager has valued the investment at 31 December 2018 using an enterprise value of £69.7 million (31 December 2017: £66.8 million).

Jacksons CI Limited – The Octane PCC Limited, Octane Cell ("Jacksons") (percentage of gross assets: 16%)
www.jacksonsci.com; www.jacksons.im; www.esplanade.co.uk

- Is regarded as the Channel Islands' leading motor dealership, including Jacksons and Motor Mall dealerships in Jersey and Guernsey;
- Jacksons has full franchises for Audi, Mercedes Benz, Volkswagen, Bentley, Porsche, Smart, Aston Martin, BMW, Mini and Jaguar Land Rover ("JLR"); and
- The Motor Mall business operates difference franchises including Chrysler, Citroen, Jeep, Peugeot, Seat, Skoda, Suzuki and Volvo.

2018 highlights

- Jacksons completed a number of capital projects in 2018, including:
  - an investment in the Isle of Wight (transforming the existing business to a five franchise purpose-built 3.2 acre facility);
  - the development of a new state-of-the-art 6.8 acre purpose-built multi-franchise facility in the Isle of Man; and
  - the expansion of its Jersey facility, including a new JLR showroom;
- The UK retail car industry suffered a 25 year low due to various ongoing challenges such as supply of vehicles from manufacturers; Brexit uncertainties; continuing costs of complying with dealer standards; regulation changes and changes in customer expectations and buying habits; and
- Jacksons' 2018 results were markedly better than the UK retail car industry average results.

Conclusion

Given the number of steps being taken by the Jackson's board including the completion of the build and investment projects and the anticipated change in customer behaviour in deferring new purchases from 2018 to 2019 and 2020, there is a solid platform which exists for the business to grow in 2019 and 2020. These factors encouraged the recommendation to proceed with the opportunity to acquire additional equity in late 2018, increasing the Company's equity holding to 38.41% (from 35.74%) at a cost of £902k.

The Manager is confident that this investment will add value to the Company. However, given the uncertainties outlined above, the Manager has prudently deemed it appropriate to hold its valuation at the same enterprise value as at 31 December 2017.

Guernsey Recycling Group ("GRG") (percentage of gross assets: 10%) www.grgcorp.com

- GRG is a group of waste management companies headquartered in Guernsey with operations in Guernsey, Jersey, Cayman Islands and the UK, employing over 160 staff;
- Customers range from Governments to individuals and businesses from all sectors;
- GRG's joint venture in the Cayman Islands recycles upwards of 8,000 tons of scrap metal and is the preferred bidder on the islands' 25 year future waste strategy (timetable for contract signature is in 2020);
- In October 2018, GRG expanded into the UK, with the acquisition of BKP Waste and Recycling ("BKP") based in Hampshire, representing a diversification into hazardous waste, industrial cleaning services and treatment of products from the oil industry; and
- The acquisition of a complementary business in the UK is currently under consideration.

2018 highlights

- 2018 EBITDA is in line with budget, however on a like for like basis is slightly down on 2017 largely due to the impact of lower cardboard prices on the recycling business in Jersey and Guernsey; and
- The Guernsey yard suffered a major fire in August 2018 leading to business interruption; however this can be expected to increase sales in 2019 due to processing backlogs.

Conclusion

It is anticipated that there will be an improvement in the core businesses of GRG in 2019. In addition, BKP is currently trading ahead of budget for the year. The Manager continues to have confidence in the GRG management and strongly supports their future expansion plans. At 31 December 2018 the Manager has valued the investment at an enterprise value of £31.4 million, including the acquisition of BKP (2017: £22.9 million).

Acorn Group Holdings Limited ("Acorn") (percentage of gross assets: 5%) www.acorn.je

- Acorn offers a range of tailored finance solutions, including personal, business and property related loans.

Investment update

- The Acorn Board, following discussions with its shareholders, took the decision in early 2018 to close Acorn Finance Limited to new business and focus on repayment of the existing loan book;
- The repayment of the loan book has progressed in line with predictions, and in December 2018 Acorn repaid its bank debt; and
- In February 2019 Acorn redeemed its preference shares (the Company received £3.2 million, including accumulated interest of £463k) and is now redeeming 50% of its equity (the Company holds 25%).

Conclusion

The Manager is optimistic that Acorn will return the Company's investment at cost. Prudently, the Manager has retained a provision of £500k against the original purchase cost thereby adjusting the 2017 valuation upwards by £450k.

MitonOptimal International Limited ("MOIL") (percentage of gross assets: 5%) www.mitonoptimal.com

- MOIL is an independent, multi-asset investment manager operating across offices in Guernsey, South Africa and Jersey with combined assets under management of c.£888 million.

Investment update

- 2018 was a difficult year in MOIL's growth and transition towards a full service discretionary fund management company, reporting a net loss for the year and tight cash flows; and
- The business undertook a restructure in early 2019, selling its Isle of Man business and closing its Singapore operation. During 2019 it will focus on cost management and growing funds under management in its three key regions (Jersey, Guernsey and South Africa).

Conclusion

Taking the above into consideration, the Manager has taken a prudent view on the valuation of this investment and has written down the equity portion by £500k to £1.4 million.

FB Limited ("Oatlands") (percentage of gross assets: 3%) www.oatlands.gg

- FB Limited owns Oatlands Village, one of Guernsey's leading visitor attractions comprising a number of rental units, including a range of high quality retail outlets and a popular restaurant, The Kiln;
- In 2016 a decision was taken to develop a new local and visitor attraction in the form of an indoor state of the art playbarn and outdoor ancillary;
- Oaty and Joey's Playbarn ("the Playbarn") opened in December 2018 following a multi-million pound development. The Playbarn is Guernsey's premier children's attraction and comprises nearly 30,000 square feet of soft play, trampolines, ten pin bowling and other activities; and
- The majority of the rental units have been refurbished and tenancies secured for all of the available units, and an additional piece of land was acquired in 2018 to allow for either expansion of the business or additional parking.

Investment update

- In December 2018, the Company acquired additional equity and preference shares in Oatlands, following revision of the original proposals and to allow the build project to complete; and
- The Company increased its equity holding to 44.15% (from 40.13%) at a cost of £470k, and acquired £350k in 8% Preference Shares, representing 100% of the preference shares in issue.

Conclusion

The Playbarn opened in late December 2018 and income has exceeded expectations for the opening months. The Manager is pleased with Oatlands' progress to date and is anticipating a successful 2019 for the investment.

<u>Listed investments</u>

SigmaRoc plc ("SigmaRoc") (percentage of gross assets: 9%)

2018 highlights

- SigmaRoc expects to report a strong performance for the financial year ended 31 December 2018, with consolidated unaudited group revenue reaching £41.2 million representing a 52% increase on the previous year, and operational profits in line with market expectations;
- The Ronez business has continued on its path of improved operational efficiency and is expected to deliver increased operating profit compared to 2017. Operational efficiencies are starting to contribute to the top and bottom line of the Group, with further improvements to be extracted as integration work progresses in 2019;

SigmaRoc plc ("SigmaRoc") (continued)

- SigmaRoc acquired CCP Building Products Limited, manufacturers and suppliers of concrete products and aggregates in the North West of England and North Wales, in December 2018; and
- SigmaRoc acquired a stake in GDH (Holdings) Limited, a significant quarrying group located in South Wales, in April 2019.

Investment update

- SigmaRoc redeemed and delisted its £10 million unsecured convertible loan notes in January 2019 (the Company received £2.63 million being £1.05 per note);
- Also in January 2019, SigmaRoc raised £12.4 million to be used for acquisition purposes, and the Company participated and acquired additional equity at a total cost of £923k; and
- Further equity was acquired from the market in March and April 2019 at a cost of £420k. These transactions increased the Company's equity holding in SigmaRoc to 9.78% from 9.71%.

At the year end, the share price (£0.3920) had decreased by 8% year on year (2017: £0.4225), resulting in a reduction in the valuation of £419k. Since then the shares have consistently traded above the year end price and the current share price is £0.465. The Manager remains positive about the business and its potential future growth.

The International Stock Exchange Group Limited ("TISEG") (percentage of gross assets: 4%)

2018 highlights

- A positive set of results for the year ended 31 December 2018 reported, year on year, a 22% increase in revenue, a 35% increase in profit before tax and an increase in cash from £8 million to £11.3 million;
- During 2018, TISEG launched a new online platform to improve client service quality (with further functionality being rolled out in 2019) and launched TISE Green, a new market segment to enhance the visibility of those investments which make a positive impact on the environment; and
- TISEG paid dividends of £0.30 per share during 2018 and a £0.125 dividend was declared on 26 March 2019.

At year end, the share price (£9.50) had increased by 31% year on year (2017: £7.25). The current share price is £9.50. The Manager is optimistic about the prospects for the business.

Jersey Electricity Company ("JEC") (percentage of gross assets: 3%)

2018 highlights

- Results for the year ended 30 September 2018 reported, year on year, a 4% increase in revenue and a 13% increase in profit before tax, with net debt reduced to £14.3 million (2017: £21.9 million);
- Major projects included the commissioning of the St Helier West Primary Substation, finalisation of the Smart metering programme and, in France, a £1 million upgrade of the Normandie 2 circuit to increase both import capacity and security of supply; and
- A final dividend of £0.088 was paid on 28 March 2019 (2017: £0.084). The FY18 interim dividend was £0.061 (2017: £0.058).

The shares in JEC are widely held and as a result there are frequent trades in small quantities which can impact the share price temporarily. The Board intends to take advantage of dips in the share price to acquire more shares.

At year end, the share price (£4.55) had decreased by 2% year on year (2017: £4.65). The current share price is £4.58. The Manager feels this investment continues to offer a potential growth in value as well as providing respectable dividend income.

Polygon Group Limited ("Polygon") (percentage of gross assets: 1%)

On 17 May 2018, the Company made an investment of £740k in 8% Fixed Rate Bonds due 2022 listed on The International Stock Exchange. The Company's holding represents 25.3% of the bonds in issue.

Polygon is a family-owned investment company, owning a range of investments and businesses, principally being property in London, Jersey and Guernsey, and a group of Jersey based financial services businesses under the Vantage and Advantage brands.

Results for the year ended 30 June 2018 show an increase in net assets to £19.7 million (2017: £17.4 million). The investment provides an attractive yield return.

Overall conclusion

The Board and the Manager remain focused on achieving growth for the Company. The Manager employs a team of highly experienced and qualified individuals who are responsible for sourcing, evaluating, negotiating and, where appropriate, concluding on investments after approval by the Company's Board. The Manager monitors the ongoing performance in order to realise the investments' full potential. In addition, the Manager constantly seeks and reviews numerous investment opportunities for businesses mainly based in the Channel Islands for the Board's consideration. The Manager is actively evaluating a number of significant potential acquisitions.

Ravenscroft Limited

10 May 2019

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 2018 prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the International Accounting Standards Board ("IASB").

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") under the mnemonic "BAIL".

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 29. During the year, following approval by the Directors, the Company paid a dividend of 2.50 pence per share on 19 June 2018, and a further dividend of 3.00 pence per share on 28 December 2018 (2017: 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).

Going Concern

The Directors have carefully reviewed the Company's current financial resources, principal risks 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.

Corporate Governance

A report on Corporate Governance is included on pages 17 to 24.

Directors

The Directors who served on the Board during the year, together with their beneficial interests at 31 December 2018 and at 31 December 2017, were as follows:

	2018		2017	
	Ordinary shares	% of shareholdings	Ordinary shares	% of shareholdings
Sir Geoffrey Rowland	700,000	1.22%	400,000	0.76%
Susie Farnon	327,118	0.57%	Appointed 30 June 2018	
John Henwood	75,000	0.13%	75,000	0.14%
David Lowe	Resigned 30 June 2018		1,000,000	1.89%

In addition, the following Directors have beneficial interests at 31 December 2018 in Ravenscroft Holdings Limited, the holding company of the Manager, and at 31 December 2017 in Ravenscroft Limited, the Manager, as follows:

	2018		2017	
	Ordinary shares	% of shareholdings	Ordinary shares	% of shareholdings
Sir Geoffrey Rowland	150,000	1.13%	104,400	0.79%
Susie Farnon	109,855	0.83%	Appointed 30 June 2018	
David Lowe	Resigned 30 June 2018		75,000	0.56%

Directors' Information

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.

Susie Farnon (appointed 30 June 2018)

Susie Farnon is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as an accountant in 1983. She is a non-executive director of a number of property and investment companies. Susie was a Banking and Finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit KPMG Channel Islands from 1999.

She has served as President of the Guernsey Society of Chartered and Certified Accountants and as a member of The States of Guernsey Audit Commission and Vice-Chairman of the GFSC. Susie was appointed as a non-executive director of the Association of Investment Companies, the UK Investment Companies’ trade body, on 1 April 2018.

Directors' Information (continued)

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 he 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.

Significant Shareholdings

The following shareholdings represent interests of 10 per cent or more of the shares of the Company as at 31 December 2018:

	2018		2017	
	Ordinary shares	% of shareholdings	Ordinary shares	% of shareholdings
Huntress (CI) Nominees Limited – KGCLT	53,125,515	92.55%	48,831,515	92.20%

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;

(b) 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 they have taken all steps they ought to have taken as a Director to make themselves 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 2018 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.

Sir Geoffrey Rowland
Chairman

10 May 2019

The Directors present their Corporate Governance Report for the year ended 31 December 2018.

The AIC Code of Corporate Governance

The Company joined the Association of Investment Companies (the "AIC") on 29 October 2018, and so the Board of the Company has applied the principles and recommendations of the AIC Code of Corporate Governance Guide for Investment Companies in the preparation of this Annual Report & the Audited Consolidated Financial Statements. The AIC Code addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company.

The Board considers that reporting against the principles and recommendations of the AIC Code will provide better information to shareholders. The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as detailed in this report.

This Corporate Governance Report addresses each of the principles of the AIC Code in turn under the five main areas of: board leadership and purpose; division of responsibilities; composition, succession and evaluation; audit, risk and internal control; and remuneration.

Board leadership and purpose

Principles

A successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

How the principles are addressed

The Board regularly assesses the basis on which the Company generates and preserves value over the long-term. Together with the Manager, the Board is committed to the active management of the investment portfolio to ensure the best possible returns for shareholders. The Manager continues to explore other investment opportunities for future investment by the Company. The Board regularly considers the risks to the Company's future success and details of the risk mitigation policies are included in this report.

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, focused on the correct strategic issues and has policies and practices which are aligned with the Company's purpose, values and strategy.

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.

In addition, the Manager continues also to be available to offer individual meetings to shareholders.

Division of responsibilities

Principles

The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

The board should consist of an appropriate combination of directors (and, in particular, independent non-executive directors) such that no one individual or small group of individuals dominates the board's decision making.

Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account.

The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

How the principles are addressed

The AIC Code recommends that the responsibilities of the chair, senior independent director, board and committees should be clear, set out in writing, agreed by the board and made publicly available. Each Director of the Company has an appointment letter setting out in detail their appointment, time commttment, role and other requirements. In addition, the Company has terms of reference for its Committees.

Sir Geoffrey Rowland fulfils the role of independent Non-Executive Chairman of the Board of Directors. There have been no significant changes to the external commitments of the Chairman during the year. The Chairman is responsible for the leadership of the Board, the creation of conditions necessary for overall Board and individual Director effectiveness and ensuring a sound framework of corporate governance, which includes a channel for shareholder communication.

The responsibilities of the Chairman include, but are not limited to:

- chairing the Board and general meetings of the Company, including setting the agenda of such meetings;
- promoting the highest standards of integrity, probity and corporate governance throughout the Company, and in particular at Board level;
- ensuring that the Board receives accurate, timely and clear information;
- ensuring effective communication with shareholders of the Company;
- facilitating the effectiveness of the contributions and constructive relationships between the Directors of the Company;
- ensuring that the performance of the Board, its Committees and individual Directors is evaluated at least once a year.

The AIC Code recommends that when making new appointments the board should take into account other demands on directors' time. The AIC Code also recommends that additional external appointments should not be undertaken without prior approval of the board, with the reasons for permitting significant appointments explained in the annual report. The Directors advise the Board, as a courtesy, of any additional appointments that they are intending to undertake. The Board does not believe that it is necessary for permission to be granted as all Directors act with the highest standards of integrity and would not accept additional appointments that would affect their time commitment to the Company.

A summary of the Directors' attendance at meetings to which they were eligible to attend is provided below.

Board and committee meeting attendance	**Board meetings**	**Audit Committee meetings**
Sir Geoffrey Rowland	13 / 14	3 / 3
Susie Farnon (appointed 30 June 2018)	7/ 7	2 / 2
John Henwood	11/ 14	3 / 3

The Board is composed of three Non-Executive Directors who are independent of the Manager. The Directors' biographies can be found on pages 14 and 15. The Board has carefully considered the Directors' independence including taking into consideration material business relationships (Susie Farnon has been a Director of the Manager within the last three years and is also a shareholder of the Manager; Sir Geoffrey Rowland is also a shareholder of the Manager) and tenure (John Henwood has served for more than nine years) and has determined that the Directors discharge their duties in an independent manner.

The AIC Code recommends that the Board should appoint one of the independent Non-Executive Directors as Senior Independent Director. The Directors have appointed John Henwood as Senior Independent Director.

The position of Senior Independent Director provides shareholders with someone to whom they can turn if they have concerns which they cannot address through the normal channels, for example with the Chairman, and is available as an intermediary between fellow Directors and the Chairman. The role serves as an important check and balance in the governance process. The role of the Senior Independent Director includes, but is not limited to:

- providing a sounding board for the Chairman and serving as an intermediary for the other Directors when necessary; and
- being available to shareholders if they have concerns which contact through the normal channels of Chairman has failed to resolve or for which such contact is inappropriate.

The Board has engaged external companies to undertake the investment management, administrative, secretarial 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.

In addition to the formal Board meetings there is regular contact with the Manager and other advisors and service providers. 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 Company has appointed Saffery Champness Fund Services Limited as Administrator and Company Secretary of the Company. The Administrator is responsible for the Company's general administrative requirements such as the calculation of the Net Asset Value and maintenance of the Company's accounting and statutory records. The Administrator is licensed by the GFSC under the Protection of Investors (Bailiwick of Guernsey) Law to act as ''designated administrator'' under that law and provide administrative services to closed-ended investment funds.

The Board ensures that it receives, in a timely manner, information of an appropriate quality to enable it to adequately discharge its responsibilities. Papers are provided to the Directors in advance of the relevant Board or Committee meeting to enable them to make further enquiries about any matters prior to the meeting, should they so wish. This also allows Directors who are unable to attend to submit views in advance of the meeting.

Composition, succession and evaluation

Principles

Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

How the principles are addressed

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.

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.

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. This is reviewed on an annual basis.

The AIC Code recommends that the Board have a policy on tenure of the Chair. The Board does not consider it appropriate that Directors should be appointed for a specific term but acknowledges the need for periodical refreshment and diversity. John Henwood has served the Company as a Director for more than 9 years. The Board considers him to be independent with valuable experience of CI companies and substantial experience in the affairs of the Company. The Chairman was appointed as a Director in 2016 and Susie Farnon was appointed in 2018.

The Board has determined that all Directors will be subject to election annually by shareholders at the Annual General Meeting (‘AGM’) in accordance with the AIC Code recommendation.

As previously reported, Directors undertake an comprehensive annual evaluation of their own performance and that of individual Directors and the Board as a whole using detailed questionnaires. The Board has considered and discussed the outcomes of the evaluations and is satisfied that it is operating well.

Audit, risk and internal control

Principles

The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.

The board should present a fair, balanced and understandable assessment of the company’s position and prospects.

Audit, risk and internal control (continued)

Principles (continued)

The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

How the principles are addressed

Audit committee

The Board has established an Audit Committee, which the Board has decided should consist of all three Non-Executive Directors in view of the small size of the Board. The Audit Committee meets at least twice a year and is chaired by Susie Farnon who has recent and relevant financial experience. The ultimate responsibility for reviewing and approving the annual report and consolidated financial statements remains with the Board.

The main roles and responsibilities of the Audit Committee include:

- reviewing in detail the content of the interim report and this annual report, the work of the service providers in producing it and the results of the external audit (the ultimate responsibility for reviewing and approving the annual report and consolidated financial statements remains with the Board);
- considering those areas of judgement or estimation arising from the application of International Financial Reporting Standards to the Company's activities and documenting the rationale for the decisions made and estimation techniques selected. This includes the valuation of investments;
- focusing 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;
- keeping under review the policy on the supply of non-audit services by the external auditors, which has taken into account ethical guidance and related legislation;
- conducting an annual review of the performance of the external auditor, which has included a general review of the co-ordination of the external audit function with the activities of the Company, any appropriate internal controls, the suitability and independence of the external auditor;
- conducting an annual review of the risk control framework with the assistance of the Investment Manager and the Company Secretary;
- meeting with the external auditors to review and discuss their independence, objectivity and proposed scope of work for their audit of this annual report and consolidated financial statements; and
- meeting with the Company's principal service providers to review the controls and procedures operated by them to ensure that the Company's operational risks are properly managed and that its financial reporting is complete, accurate and reliable.

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 investment 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 consolidated financial statements.

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 external auditor. Subject to the annual appointment of the external auditor by the shareholders, the Audit Committee conducts a continuous review of the relationship between the Company and the external auditor.

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 need to tender will be determined in 2019. 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 £30,900 (2017: £30,000) 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 provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Significant issues considered by the Audit Committee since 1 January 2018 have been the review of the annual report and audited consolidated financial statements for the year ended 31 December 2017 and the half yearly report and unaudited condensed consolidated financial statements for the period from 1 January 2018 to 30 June 2018.

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 the fair valuation of investments as it forms the majority of the Group's net asset value and it is, by its nature, subjective, improper revenue recognition and management over-ride of controls.

Remuneration

Principles

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.

A formal and transparent procedure for developing policy remuneration should be established. No director should be involved in deciding their own remuneration outcome.

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

How the principles are addressed

The Board does not believe it is appropriate for the Company, as an investment company with no Executive Directors, to have a separate Remuneration Committee. The Board is satisfied that any relevant issues that arise can be properly considered by the Board or by the shareholders at AGMs.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate Directors of a quality required to run the Company successfully. Remuneration for all Non-Executive Directors does not include share options or other performance-related elements. Provision can be made for additional Directors' fees where Directors are involved in duties beyond those normally expected as part of the Director's appointment.

Details of Directors fees can be found in note 3 to the financial statements.

To the members of Bailiwick Investments Limited

Our opinion on the consolidated financial statements is unmodified

We have audited the consolidated financial statements of Bailiwick Investments Limited (the "parent company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018, 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 International Accounting Standards Board ("IASB").

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2018 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 Group 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 Group's investment portfolio is a key driver of the Group's investment return and their value represents a material proportion of the Group's net assets. The majority of the portfolio is comprised of unquoted investments that incorporate 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 value of the investments, the net asset value of the Group and the return generated for shareholders. The movements in the investment portfolio are shown in Notes 5 and 6 to the Group financial statements.	We performed the following procedures: • Assessed the appropriateness of the valuation methods adopted by management to value the financial assets within the investment portfolio in accordance with IFRS fair value principles; • Discussed with the Investment Manager the valuation models and significant inputs and assumptions; • Engaged valuation experts to assist us with challenging the key assumptions and unobservable inputs used in the models, such as EBITDA multiples against current available transaction data and assessed the appropriateness of adjustments made to reflect the limited market activity in the locations of Guernsey, Jersey and the Isle of Man compared to UK data; • Agreed key underlying financial information used in valuation calculations to management information provided directly from the investee companies; • For investment properties, we evaluated the independence and expertise of external valuers used by management to value the investment property held by the Group; and • We examined the valuation reports and assumptions used by the valuers such as rental yields for reasonableness against comparable yield data and reconciled investment property data used to supporting records such as underlying tenancy agreements. The Group's accounting policy and other disclosures on financial assets designated at fair value through profit or loss are included in Notes 2(a), 5 and 6 to the Group financial statements. **Key observations** We confirmed that the valuation techniques and key inputs and assumptions used were reasonable and within an acceptable range of values, based on available market data and the level of subjectivity involved. We confirmed that the valuations adopted were correctly included and disclosed in the Group's financial statements and no reportable differences were noted.

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 £808,000, which is 1% of the Group’s net assets as at 31 December 2018. 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 £40,050, being 5% of materiality. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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 24 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 15, 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.

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.

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 Group 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.

Michael Carpenter
For and on behalf of Grant Thornton Limited
Chartered Accountants
Guernsey, Channel Islands

16 May 2019

BAILIWICK INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Income			
Net gain on financial assets at fair value through profit or loss	5	**4,242,040**	8,419,591
Investment income		**2,171,544**	2,660,841
		6,413,584	11,080,432
Expenses			
Performance fee	3	**203,399**	717,694
Management fees	3	**787,163**	753,020
Loan interest expense		**241,788**	188,777
Administration and other expenses	4	**422,196**	337,858
		1,654,546	1,997,349
Profit and total comprehensive income for the year		**4,759,038**	9,083,083
Weighted average shares in issue during the year		53,105,973	52,960,000
Earnings per Ordinary Share (basic and diluted)	17	**£0.09**	£0.17

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 2018

	Notes	2018 £	2017 £
Assets			
Financial assets at fair value through profit or loss	5, 6	**80,403,053**	80,680,733
Due from broker		**907,229**	13,912
Other receivables and prepayments	7	**204,732**	142,752
Cash and cash equivalents	8	**5,980,325**	8,466
Total assets		**87,495,339**	80,845,863
Liabilities			
Borrowings	9	**5,405,757**	5,827,502
Due to broker		**901,815**	-
Other payables	10	**345,526**	2,010,350
Total liabilities		**6,653,098**	7,837,852
Net assets		**80,842,241**	73,008,011
Equity			
Share capital	12	**-**	-
Share premium	12	**60,362,718**	54,241,526
Retained earnings		**20,479,523**	18,766,485
Total equity		**80,842,241**	73,008,011
Net Asset Value per Ordinary Share	14	**1.4084**	1.3786

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

Sir Geoffrey Rowland
Chairman

10 May 2019

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 2018

	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 January 2017	-	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
Share issue December 2018 - net proceeds	-	6,121,192	-	6,121,192
Profit and total comprehensive income for the year	-	-	4,759,038	4,759,038
Dividends	-	-	(3,046,000)	(3,046,000)
Balance at 31 December 2018	-	60,362,718	20,479,523	80,842,241

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

	Notes	2018 £	2017 £
Cash flows from operating activities			
Profit and total comprehensive income for the year		**4,759,038**	9,083,083
Adjusted for:			
Decrease in amounts due to/from broker		**8,498**	694,067
Increase in other receivables		**(61,980)**	(123,544)
(Decrease)/increase in other payables		**(1,664,824)**	765,695
Purchase of financial instruments	5	**(4,259,291)**	(11,648,539)
Proceeds from sale of financial instruments	5	**8,779,011**	1,465,436
Net gain on financial assets at fair value through profit or loss	5	**(4,242,040)**	(8,419,591)
Increase in loan interest payable		**10,877**	14,056
Amortisation of borrowing costs		**41,670**	41,670
Net cash flows from/(used in) operating activities		**3,370,959**	(8,127,667)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**6,121,192**	-
Borrowings received		**3,000,000**	3,274,292
Borrowings repaid		**(3,474,292)**	(350,000)
Dividends paid to shareholders	13	**(3,046,000)**	(2,912,800)
Net cash flows from financing activities		**2,600,900**	11,492
Net increase/(decrease) in cash and cash equivalents		**5,971,859**	(8,116,175)
Cash and cash equivalents at start of year		**8,466**	8,124,641
Cash and cash equivalents at end of year		**5,980,325**	8,466
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest		**163,987**	108,050

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 issued by the International Accounting Standards Board (IASB) and effective at 31 December 2018; 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 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 in accordance with IFRS 9 and measured at fair value. The Group also holds its interests in associates 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 2018 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 in accordance with 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 2018

- 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 revisions 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)

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

In the current period the Group has adopted IFRS 9 *Financial Instruments.* This did not result in a change to the classification or measurement of financial instruments. The Group's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

(a) Classification
In accordance with IFRS 9 the Group classifies its financial assets and financial liabilities at initial recognition into the following categories of financial assets and financial liabilities discussed below.

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group includes in this category short-term non-financing receivables including cash, accrued income and other receivables.

Financial assets at fair value through profit or loss

The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Group is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Group has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Group's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Group's business model's objective to manage them on a fair value basis for investment income and fair value gains. Consequently, all investments are measured at fair value through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Group includes in this category other short-term payables.

(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. Dividends or interest earned on these instruments are recorded in the statement of comprehensive income. Fair value is determined in the manner described in note 6.

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

(d) Impairment

The Group only holds receivables with no financing component and which have maturities of less than 12 months at amortised cost. The Group has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Therefore the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date.

(e) 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.

(f) 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.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

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 2018 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income and expenses

Investment income comprises interest income and dividend income. 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 (2017:£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 £203,399 (2017: £717,694) is accrued in respect of the current year. Performance fees payable at the year end amount to £203,399 (2017: £1,771,537).

3 MATERIAL AGREEMENTS (continued)

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 2018 amounted to £90,000 (2017: £90,000). The Chairman is entitled to an annual fee of £35,000 (2017: £35,000), and the remaining Directors are each entitled to an annual fee of £27,500 (2017: £27,500).

4 ADMINISTRATION AND OTHER EXPENSES

	2018 £	2017 £
Administration fees	**119,405**	113,466
Audit fees	**30,900**	30,000
Directors' fees	**90,000**	90,000
Registrar fees	**5,010**	5,000
Legal and professional fees	**92,293**	46,231
Other expenses	**84,588**	53,161
	422,196	337,858

5 FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and financial liabilities

31 December 2018	**Financial assets at FVTPL £**	**Financial assets measured at amortised cost £**	**Total £**
Financial assets			
Listed investments	**14,677,658**	**-**	**14,677,658**
Unlisted investments	**65,725,395**	**-**	**65,725,395**
Due from broker	**-**	**907,229**	**907,229**
Other receivables	**-**	**194,785**	**194,785**
Cash and cash equivalents	**-**	**5,980,325**	**5,980,325**
	80,403,053	**7,082,339**	**87,485,392**

31 December 2018	**Financial liabilities measured at amortised cost £**	**Total £**
Financial liabilities		
Borrowings	**5,405,757**	**5,405,757**
Due to broker	**901,815**	**901,815**
Other payables	**345,526**	**345,526**
	6,653,098	**6,653,098**

31 December 2017	Financial assets at FVTPL £	Financial assets measured at amortised cost £	Total £
Financial assets			
Listed investments	10,918,114	-	10,918,114
Unlisted investments	69,762,619	-	69,762,619
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

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

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

	2018	2017
	£	£
Designated at fair value through profit or loss at inception		
Listed investments	**14,677,658**	10,918,114
Unlisted investments	**65,725,395**	69,762,619
	80,403,053	80,680,733

	2018	2017
	£	£
Fair value brought forward	**80,680,733**	62,078,039
Purchases at cost	**4,259,291**	11,648,539
Sales	**(8,779,011)**	(1,465,436)
Net gain on financial assets at fair value through profit or loss	**4,242,040**	8,419,591
Fair value carried forward	**80,403,053**	80,680,733
Represented by:		
Closing book cost	**56,378,287**	60,754,499
Closing revaluation of investments	**24,024,766**	19,926,234
	80,403,053	80,680,733

Details of the Group's investments can be found in the Unaudited Portfolio Statement on page 5.

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 measured at fair value at 31 December 2018:

	Level 1 **£**	**Level 2** **£**	**Level 3** **£**	**Total** **£**
Investments at fair value				
Listed securities				
Construction	**5,390,000**	**-**	**2,625,000**	**8,015,000**
Financial services	**3,647,658**	**-**	**-**	**3,647,658**
Investment Holding	**-**	**740,000**	**-**	**740,000**
Utilities	**2,275,000**	**-**	**-**	**2,275,000**
Unlisted securities				
Motor Trade	**-**	**-**	**13,969,888**	**13,969,888**
Facilities management	**-**	**-**	**475,000**	**475,000**
Waste recycling	**-**	**-**	**8,471,034**	**8,471,034**
Retail	**-**	**-**	**26,346,680**	**26,346,680**
Investment Property	**-**	**-**	**7,544,350**	**7,544,350**
Financial Services	**-**	**-**	**8,918,443**	**8,918,443**
	11,312,658	**740,000**	**68,350,395**	**80,403,053**

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

	Level 1 £	Level 2 £	Level 3 £	Total £
Investments at fair value				
Listed securities				
Construction	5,809,375	2,625,000	-	8,434,375
Financial services	2,783,739	-	-	2,783,739
Utilities	2,325,000	-	-	2,325,000
Unlisted securities				
Investment Property	-	-	6,700,865	6,700,865
Facilities management	-	-	676,000	676,000
Motor Trade	-	-	13,094,000	13,094,000
Waste recycling	-	-	6,653,000	6,653,000
Retail	-	-	24,574,980	24,574,980
Aircraft services	-	-	5,350,000	5,350,000
Financial Services	-	-	10,088,774	10,088,774
	10,918,114	2,625,000	67,137,619	80,680,733

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, Polygon Group Limited and SigmaRoc PLC 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.

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 an agreed sale price. 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 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 investment in Acorn Group Holdings Limited is valued based on expected cash flows under the terms of a framework agreement signed in December 2018 for the exit of the Group's interests in Acorn Group.

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 a multiple of budgeted earnings.

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

	Other investments £
Opening balance	**67,137,619**
Purchases	**3,519,291**
Sale proceeds	**(8,779,011)**
Realised gain	**143,512**
Fair value adjustment	**6,328,984**
Closing balance	**68,350,395**

Transfers between Level 2 and Level 3

The investment in SigmaRoc PLC Unsecured Convertible Loan Notes 2022 was transferred to level 3 because of the method of valuation utilised for this investment.

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Quantitative information of significant unobservable inputs - Level 3

Description	*2018* £	*Valuation technique*	*Unobservable input*
Acorn Group Holdings Limited	4,448,543	Investment Manager's valuation based on expected proceeds	Exit agreement
Bailiwick Investment Holdings Limited	49,271	Investment Manager's valuation based on NAV	Administrator's NAV calculation
Column Holdings Limited	4,776,067	Investment Manager's valuation based on NAV	Administrator's NAV calculation/Sale agreement
F B Limited (Oatlands)	2,719,012	Investment Manager's valuation based on budgeted EBIT multiple	EBITDA multiple/ income yields
Guernsey Recycling (1996) Limited	8,471,034	Investment Manager's valuation based on EBITDA multiple	EBITDA multiple/ income yields
Legis Group Holdings Limited	82,000	Investment Manager's valuation based on NAV	Value of remaining net assets in the company
MitonOptimal International Limited	4,387,900	Investment Manager's valuation based on model based on Funds under Management	Percentage of Funds Under Management/Multiple of Gross Margin
Prospero Holdings Limited	475,000	Investment Manager's valuation based on offer	Offered price
The Octane PCC Limited - Octane Cell	13,969,888	Investment Manager's valuation based on EBITDA multiple/ property valuation	EBITDA multiple/ income yields
Sandpiper Topco Limited	26,346,680	Investment Manager's valuation based on EBITDA multiple/ property valuation	EBITDA multiple/ income yields
SigmaRoc PLC Unsecured Convertible Loan Notes 2022	2,625,000	Investment Manager's valuation based on post year end redemption price	Post year end redemption price
	65,725,395		

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 2018, if EBITDA multiples had increased by 1x with all other variables remaining constant, the fair value would increase by approximately £5.4 million (2017: £4.6 million). For a decrease of 1x in EBITDA multiples with all other variables remaining constant, the fair value would decrease by approximately £5.7 million (2017: £4.6 million).

7 OTHER RECEIVABLES AND PREPAYMENTS

	2018 £	2017 £
Prepayments	**9,947**	1,870
Investment income receivable	**194,785**	140,882
	204,732	142,752

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

8 CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash at bank	**5,980,325**	**8,466**

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

9 BORROWINGS

	2018 £	2017 £
The Royal Bank of Scotland International Limited - term loan facilities	**5,405,757**	4,553,210
The Royal Bank of Scotland International Limited - bank overdraft	**-**	1,274,292
	5,405,757	5,827,502
Bank borrowings payable in less than one year	**240,483**	3,474,292
Bank borrowings payable in more than one year	**5,165,274**	2,353,210
	5,405,757	5,827,502

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. 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.

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 also made. The loan was used to repay the Group's previous borrowings and to finance further investment acquisitions.

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.

This loan was fully repaid on 14 March 2019 following the sale of freehold property owned by Column Holdings Limited.

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 was payable quarterly in arrears at a rate equal to the sum of the LIBOR plus 3.50%. The loan was repayable in full on 12 June 2018 but this was extended to 18 July 2018 and the loan was repaid on this date. The purpose of the loan was for general working capital requirements and to finance further investment acquisitions. Security for the loan was in the form of guarantees from wholly owned subsidiaries Column Holdings Limited and ASG Group Limited (until it was sold on 23 March 2018), and an additional bond in the sum of £1.5 million over the freehold property owned by Column Holdings Limited.

9 BORROWINGS (continued)

On 30 May 2018 the Group entered into a two year, £3 million revolving credit facility with The Royal Bank of Scotland International Limited expiring on 18 July 2020. Under the facility the Group may drawdown loans for fixed periods of three months or other periods acceptable to the bank. Interest on the loan is payable at the end of each fixed period at a rate equal to the sum of the LIBOR plus 3.50%. The purpose of the facility is for general working capital requirements and to finance further investment acquisitions. Security for the loan is in the form of a guarantee from wholly owned subsidiary Column Holdings Limited, and an additional bond in the sum of £1.5 million over the freehold property owned by Column Holdings Limited.

At 31 December 2018 £3.0 million was drawn down on the revolving credit facility. A partial repayment of £1 million was made on 14 March 2019 following the sale of 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 was 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

	2018	2017
	£	£
Performance fee	**203,399**	1,771,537
Management fee	**34,187**	148,178
Administration fee	**37,050**	31,885
Audit fee	**30,900**	30,000
Legal and professional fees	**2,500**	11,875
Directors' fees	**-**	15,625
Other payables	**37,490**	1,250
	345,526	2,010,350

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.

11 FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

At 31 December 2018, 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 (2017: +/- £4.0 million).

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

	2018	2017
	£	£
Unlisted investments	**65,725,395**	69,762,619
Listed investments	**14,677,658**	10,918,114
	80,403,053	80,680,733

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.

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 2018	**Fixed interest**	**Variable interest**	**Non interest bearing**	**Total**
Assets	**£**	**£**	**£**	**£**
Investments at fair value	**7,949,019**	**-**	**72,454,034**	**80,403,053**
Due from broker	**-**	**-**	**907,229**	**907,229**
Other receivables	**-**	**-**	**194,785**	**194,785**
Cash and cash equivalents	**-**	**-**	**5,980,325**	**5,980,325**
Total Assets	**7,949,019**	**-**	**79,536,373**	**87,485,392**
Liabilities				
Borrowings	**-**	**5,405,757**	**-**	**5,405,757**
Due to broker	**-**	**-**	**901,815**	**901,815**
Other payables	**-**	**-**	**345,526**	**345,526**
Total Liabilities	**-**	**5,405,757**	**1,247,341**	**6,653,098**
Total interest sensitivity gap	**7,949,019**	**(5,405,757)**	**78,289,032**	**80,832,294**

11 FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

31 December 2017	Fixed interest	Variable interest	Non interest bearing	Total
Assets	£	£	£	£
Investments at fair value	5,925,000	-	74,755,733	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	5,925,000	8,466	74,910,527	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	5,925,000	(5,819,036)	72,900,177	73,006,141

At 31 December 2018, 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 -/+ £27,029 (2017: +/- £29,095), arising substantially from 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 A (2017: BBB+).

The Group's maximum credit exposure is limited to the carrying amount of financial assets recognised at the reporting date which amounted to £87,485,392 (2017: £80,843,993).

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 the Group has the ability to borrow, 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.

11 FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk (continued)

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 2018	£	£	£
Borrowings	**240,483**	**5,165,274**	-
Due to brokers	**901,815**	-	-
Other payables	**345,526**	-	-
	1,487,824	**5,165,274**	-
31 December 2017			
Borrowings	3,474,292	2,353,210	-
Other payables	2,010,350	-	-
	5,484,642	2,353,210	-

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 2018 £
Unlimited Ordinary Shares of no par value	-

Issued Share Capital	Number of Shares	Share Premium £
Shares at 31 December 2018	**57,400,000**	**60,362,718**
Shares at 31 December 2017	52,960,000	54,241,526

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

Following a share placing and offer, a further 4,440,000 ordinary shares were issued on 19 December 2018 for a consideration of £1.115 per share. £6,260,400 was raised from the shares issued, less share issue costs amounting to £139,208.

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

13 DIVIDENDS

	2018	2017
	£	£
Dividend of 2.50p per share paid 19 June 2018	**1,324,000**	-
Dividend of 3.00p per share paid 28 December 2018	**1,722,000**	-
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
	3,046,000	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 £80,842,241 and on 57,400,000 Ordinary Shares in issue at 31 December 2018 (2017: 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 £195,000 (2017: £395,000) from Column Holdings Limited. Column Holdings Limited is 100% owned by Bailiwick Property Holdings Limited and has directors which are common to the Company.

Loans to subsidiaries are detailed in note 16.

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

Sir Geoffrey Rowland has a beneficial interest in 700,000 shares (2017: 400,000) at year end in the Company and holds 150,000 (2017: 104,400) shares in the Investment Manager.

Susie Farnon has a beneficial interest in 327,118 shares at year end in the Company and holds 109,855 shares in the Investment Manager.

John Henwood has a beneficial interest in 75,000 shares (2017: 75,000) at year end in the Company.

Mr. Jon Ravenscroft, the Group Chief Executive Officer of the Investment Manager, has a beneficial interest in 1,250,000 shares (2017: 1,230,000) in the Company.

16 INVESTMENT IN SUBSIDIARIES

	Date of Incorporation/Acquisition	Domicile	Ownership
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%

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 £231,047 (2017: £227,027) 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 AND DILUTED)

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.

	2018	2017
	£	£
Profit and total comprehensive income for the year	4,759,038	9,083,083
Weighted average number of shares in issue	53,105,973	52,960,000
Earnings per share – basic and diluted	0.0896	0.1715

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	**6.23%**	**13.76%**
Cumulative Internal Rate of Return	**8.84%**	**9.06%**

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 investment property owned by Column Holdings Limited was completed on 14 March 2019 for £4.625 million and part of the proceeds were used to repay the borrowings of the Group; further details of the repayments can be found in note 9.

The SigmaRoc PLC Unsecured Convertible Loan Notes 2022 were redeemed on 25 January for £2,650,000.

During the period 25 January to 4 April 2019 the Group has purchased a further 3,250,000 shares in SigmaRoc PLC for £1,342,748.

In February 2019, the preference shares (and accumulated interest) in Acorn Group Holdings Limited were fully repaid and a total amount of £2,335,846 was received.

On 15 March 2019, the Board, with the consent of the Board of Directors of Sandpiper Topco Limited, notified investors of a proposed placing of a portion of the ordinary shares of Sandpiper and simultaneous application to list its issued share capital on TISE. This is expected to take place in late May 2019.