



BAILIWICK
INVESTMENTS

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019**

BAILIWICK INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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**BAILIWICK INVESTMENTS LIMITED
DIRECTORY
FOR THE YEAR ENDED 31 DECEMBER 2019**

Registered Office	P O Box 141 La Tonnelle House Les Banques St. Sampson Guernsey GY1 3HS
Directors	Sir Geoffrey Rowland (Chairman) Susie Farnon John Henwood MBE
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

BAILIWICK INVESTMENTS LIMITED
SUMMARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
Net Asset Value per share (“NAV”)	£1.3339	£1.4084
Share price - 31 December	£1.30	£1.41
Investment income	£2.474m	£2.172m
Net (loss)/gain on financial assets at fair value	(£2.732m)	£4.242m
Result for the year	(£1.122m)	£4.759m
Basic earnings per share	-£0.02	£0.09
Annual dividend per share	£0.055	£0.055

Financial calendar

30 June 2020	Interim FY20 dividend paid
To be arranged	AGM
31 August 2020	Interim Financial Statements to 30 June 2020
31 December 2020	Final FY20 dividend paid

BAILIWICK INVESTMENTS LIMITED
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

Dear Shareholder

I preface my report on the Company's 2019 Financial Statements with some COVID-19 general observations in order to set this Statement in context.

We are living in uncertain times from a human, social and economic perspective. Lockdowns implemented in Guernsey, Jersey and the UK have been enforced to suppress the virus and save lives, and each government stresses the intention of limiting the period of economic suffering. As governments incrementally plot and navigate courses to find an economically and socially viable path forward, there is measured cause for optimism. We look forward to a time when regulations are far less draconian and businesses can function as they would wish.

The businesses in which the Company invests are facing headwinds but the management teams of those investee companies are looking after their staff and are committed to seizing opportunities with speed and agility as and when circumstances permit.

With that general backcloth I encourage you to read the Investment Manager's Statement which is more detailed this year because of COVID-19 issues and requirements. The actions in 2019 for the most part reflect the strategic rationalisation objective detailed in my last Chairman's Statement. A number of disposals and redemptions took place and with the benefit of the proceeds of the November 2018 fundraise, the Company was able to make a number of investments.

The Company having declared a dividend of 3p per share in November 2019 has sufficient funds to enable it to declare a dividend of 2.5p per share payable in June 2020. (5.5p in total in 2018 and 2019).

The Investment Manager's report describes the principal factors in some depth and also details how investee companies are coping with COVID-19 issues. It is appropriate to mention that in 2019 there was a decrease in the Company's net asset value, mostly attributable to the challenging trading environment which faced Jacksons (The Octane PCC).

Whilst the performance of the Company during 2019 was not affected by the COVID-19 pandemic, it would be remiss of me not to recall a recent announcement the Company made on 1 April 2020 on TISE. It prudently cautioned that there is likely to be a further decline in the Company's Net Asset Value, at least in the short-term, as a result of the level of uncertainty brought about by COVID-19 but the Board is comforted that the governments in the Channel Islands and the UK have announced their strategies to ease restrictions and have issued detailed frameworks.

Despite the challenges the Company faces in 2020 it is worth noting that it will, after the declaration of the proposed dividend, still have a healthy cash balance and that it has a relatively strong and diverse portfolio of investments which are all expected to weather COVID-19 problems.

The Board and the Investment Manager continue to work closely with the management teams of those portfolio companies that are not publicly quoted, with a view to achieving and sustaining long term capital growth and strong shareholder returns. There is also close liaison with management teams of the listed and quoted stocks. These are kept under close review in order to take advantage of any compelling opportunities to buy or sell.

BAILIWICK INVESTMENTS LIMITED
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

I take this opportunity to thank the Investment Manager and the Company Secretary for their diligence, care and attention, and support.



Sir Geoffrey Rowland

Chairman

21 May 2020

BAILIWICK INVESTMENTS LIMITED
Portfolio movements for the year ended 31 December 2019

	Fair value at 1 January 2019 £	Investment £	Sale proceeds £	Realised and unrealised value movement £	Other movements £	Fair value at 31 December 2019 £
Listed investments - 55.95%						
The International Stock Exchange Group Limited	3,647,658	-	(199,661)	(760,249)	-	2,687,748
Jersey Electricity PLC	2,275,000	646,306	-	(2,806)	-	2,918,500
Polygon Group	740,000	-	-	-	-	740,000
SandpiperCI Limited	-	-	-	749,819	22,494,582	23,244,401
SigmaRoc PLC	8,015,000	2,572,813	(2,625,000)	1,937,187	-	9,900,000
Total listed investments	14,677,658	3,219,119	(2,824,661)	1,923,951	22,494,582	39,490,649
Unlisted investments - 44.05%						
Acorn Group Holdings Limited Ord	4,448,543	-	(4,948,268)	499,725	-	-
Bailiwick Investment Holdings Limited	49,271	4,000	-	(3,837)	-	49,434
Bailiwick Property Holdings Limited (1)	-	-	(1,413,933)	(16,449)	1,430,382	-
Channel Islands Media Group Limited	-	4,887,875	-	-	-	4,887,875
Column Holdings Limited (1)	4,776,067	-	(3,439,038)	64,842	(1,401,871)	-
Legis Group Holdings Limited (2)	82,000	-	-	(82,000)	-	-
FB Limited	2,719,012	61,810	-	(561,069)	-	2,219,753
Guernsey Recycling (1996) Limited	8,471,034	2,236,132	-	(936,420)	-	9,770,746
MitonOptimal International Limited	4,387,900	-	-	(887,900)	-	3,500,000
Prospero Holdings Limited	475,000	-	(475,000)	-	-	-
The Octane PCC Limited - Octane Cell	13,969,888	360,735	-	(3,660,623)	-	10,670,000
Sandpiper Topco Limited	24,672,661	-	(4,780,000)	2,601,921	(22,494,582)	-
Sandpiper Topco Limited 8% Loan Notes (3)	1,674,019	-	-	(1,674,019)	-	-
Total unlisted investments	65,725,395	7,550,552	(15,056,239)	(4,655,829)	(22,466,071)	31,097,808
Totals	80,403,053	10,769,671	(17,880,900)	(2,731,878)	28,511	70,588,457

(1) Bailiwick Property Holdings Limited ("BPHL") is the holding company of Column Holdings Limited. Under IFRS 10, following the sale of Nelson House and repayment of related borrowings on 14 March 2019, the assets and liabilities of BPHL can no longer be consolidated (see notes 2 and 5 to the financial statements) as it has ceased providing investment related services to the Company. Subsequent to that date BPHL is measured at fair value through the income statement.

(2) Received August 2019.

(3) Loan Notes waived in preparation for the listing - see Investment Manager's Report for further detail.

BAILIWICK INVESTMENTS LIMITED
INVESTMENT MANAGER'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

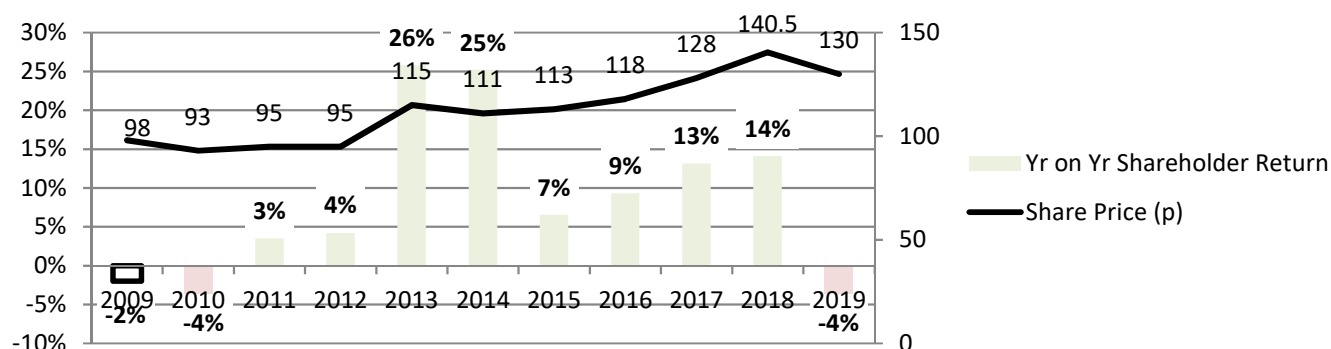
Performance overview

Ravenscroft Limited (the “Manager”) presents its report on the Company for the year ended 31 December 2019, following a busy year. The primary focus of this report is, as always, to update shareholders on the performance and activities of the Company and its investee businesses during the period in question. This year, with the ongoing COVID-19 pandemic leaving no industry unaffected, we also provide a brief update on its potential impact for each portfolio company at the time of writing, and the responses of their management teams.

Shareholder return

On 29 November 2019, the Board declared a dividend of £0.03 per share (2018: £0.03), which was paid on 17 December 2019, taking the total dividend for 2019 to £0.055 per share (2018: £0.055).

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.



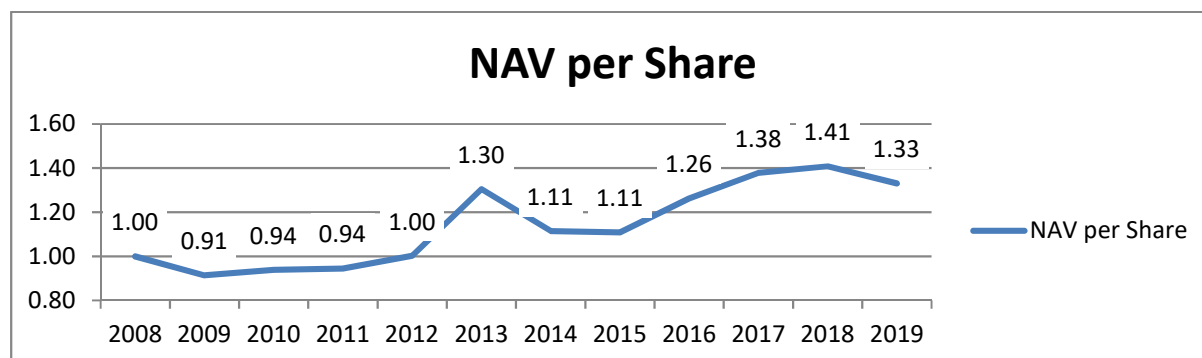
The total shareholder return from inception to 31 December 2019 is 102% (2018: 107%) based on the cumulative dividends paid by the Company to date and the increase in share price.

Net Asset Value

2019 saw the NAV per share of the Company decline by 5.29% from £1.41 to £1.33, driven by some mixed results across the underlying portfolio, along with the dividends paid as noted above

A number of assets performed well: SigmaRoc rose to 49.5p per share, up by 10.5p; Sandpiper shares rose 2.5p per share post listing in May; and TISE paid returns of £893k to the company across the year. These were offset by some negative movements in 2019 that combined to reduce the NAV, most notably the revaluation of the Company’s holding in Octane PCC Limited which saw a £3.7m reduction in fair value at the year end, reflecting the challenges faced by the wider automobile sector over the year.

Set out below is the annual NAV per share since incorporation. 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.



2019 activity highlights

Disposals

- January – full redemption of SigmaRoc plc 6% convertible loan notes.
- March – sale of Nelson House at a price of £4.63m, extinguishing all related bank debt and realising an 8% IRR for the Company over its ownership period.
- April – sale of all the Company's equity and debt interests in Prospero Holdings Limited for a total consideration £475k. This followed agreement between the Manager and the Board that Prospero was unlikely to fulfil its growth potential in the Channel Islands originally projected in 2016.
- May – sale of a portion of the Company's shares in SandpiperCI Group Limited, as part of the placing and admission to the Official List of The International Stock Exchange (see further below).
- November – final redemption of the Company's remaining equity holding in Acorn Group Holdings Limited, concluding the exit process and recouping all but £50k of the historical provisions previously made against the Company's investment.

Investments

- January and October – further equity investments in SigmaRoc plc of £0.92m and £1.23m respectively as part of placings undertaken at 41p per share. A further £420k was invested at 42p in March and April.
- June - £2.2m participation in a £7m equity raise in Guernsey Recycling Group, to fund the acquisition of a complementary UK business as well as additional property in Guernsey and Jersey.
- September – establishment of and £4.9m investment into a 50:50 joint venture with MXC Guernsey Limited to purchase The Guernsey Press Company Limited.

Further details relating to the 2019 investment activity is detailed in the portfolio review below.

Post year-end events

- Investment of £1m in The Octane PCC Limited (Jacksons Group Limited) as part of a £4m rights issue (see further below).
- Investment of £750k in Le Platon residential home in Guernsey by way of a 7% loan note which will generate an annual income stream of £52.5k.

Portfolio review

SANDPIPERCI GROUP LIMITED ("Sandpiper") Investment: Ordinary Shares	TISE Listed: SANDPI % of Company's investment portfolio: 32.93% % of voting rights held: 29.99%
Business Summary: Jersey-headquartered international retail and food service operator with over 80 stores across four countries, partnering with blue chip brands including Morrisons, M&S, Costa Coffee and Iceland.	

2019 highlights

- As part of the successful listing of Sandpiper's ordinary shares on TISE in May 2019, the Company sold a portion of its holding, raising gross proceeds of £4.78m. This sale was necessary to ensure the Company did not become a controlling shareholder of Sandpiper, and realised a £928k profit for the Company.
- Whilst the interim results announced in November 2019 reported a year on year decline in revenue of 3%, we were encouraged to note a 1.1% increase in EBITDA, indicating that management has good control over costs. We were also pleased to report the 1.5p dividend paid in December 2019, in line with the company's stated intention to pay two dividends per year.
- At the end of 2019 the Company committed £4.055m to invest into a Sandpiper placing as part of its conditional acquisition of The Guernsey Pub Company Limited. Unfortunately, due to the effects of COVID-19, this transaction did not complete and the Company's cash commitment is now released.
- Following its listing at 75p, Sandpiper's share price maintained a steady level and finished the year at a mid-price of 77.5p. Subsequent to the year end, the impact of COVID-19 on stock markets saw the mid-price drop to 70p at the end of April.

COVID-19 update and conclusion

The impact of COVID-19 and the resulting lockdown restrictions imposed by governments have had a mixed impact overall on Sandpiper's franchise operations. Its supermarkets and grocery stores have been open throughout as essential services and have been very busy, while non-essential retail stores have largely been closed to customers during the period of lockdown. Management has proactively sought to continue to provide services to their communities whenever possible, and home delivery services have been available across a wide range of Sandpiper's franchise operations. At the time of writing we note that several of Sandpiper's retail stores have now reopened in Jersey, and we are cautiously optimistic that the gradual easing of restrictions underway across the Channel Islands may lead to an increase in operations throughout Sandpiper's portfolio, and ultimately a return to its previous performance.

We continue to believe in the quality of the management team and its ability to perform robustly through the current uncertainty.

JACKSONS GROUP LIMITED ("Jacksons") THE OCTANE PCC LIMITED - OCTANE CELL Investment: Ordinary Shares Preference Shares	Private Company % of Company's investment portfolio: 15.12% % of voting rights held: 39.52%
Business Summary: Motor dealerships in Guernsey, Jersey, Isle of Man and Isle of Wight, including Jacksons and Motor Mall in the Channel Islands. Offers full franchises for Audi, Mercedes Benz, Volkswagen, Bentley, Porsche, Smart, Aston Martin, BMW, Mini and Jaguar Land Rover amongst others.	

2019 highlights

- 2019 was a challenging year for Jacksons, as it was for the entire UK car industry. The supply of cars was significantly delayed following the introduction of WLTP emissions testing, and Brexit uncertainty impacted buyer confidence.
- Due to the difficult trading conditions experienced during the year, and following the completion of several, major capital projects in 2018, the board decided to undertake a £4m equity raise that was completed in January 2020. The Company invested £1m in new preference shares alongside existing investors, including Jacksons management.
- Management have recently implemented cost-saving initiatives and improvements to the organisational structure, and despite the challenges noted above Jacksons has returned a robust performance and remained profitable in 2019. The business has grown its turnover by 58% over the last 4 years.

COVID-19 update and conclusion

COVID-19 is inevitably having a significant impact on Jacksons' trading, with car dealerships having been closed through restrictions imposed by governments in all its jurisdictions. However, at the time of writing, we are encouraged to note that car showrooms and servicing facilities are now open in Guernsey, Jersey and the Isle of Man following easing of restrictions across the Crown Dependencies. We are cautiously optimistic that this may signify the start of a return to full operations over a period of time, as the UK government has also released plans for the phased exit from its own lockdown. We have been very pleased with management's response to the pandemic so far, with senior management and staff taking significant pay reductions to protect cash flow in the business. It is also of comfort that Jacksons owns the majority of its trading premises in the four jurisdictions where it operates.

Given the challenges faced by Jacksons, we took a conservative approach at the year end and recommended a write down in the holding value of the Company's investment from £14.4m to £10.7m. Despite what appears to be a negative picture, turnover has been growing strongly and the business remains profitable. We continue to stay in close contact with management to oversee cash flow and trading projections and to offer support as required.

SIGMAROC PLC ("SigmaRoc") Investment: Ordinary Shares	AIM Listed: SRC % of Company's investment portfolio: 14.02% % of voting rights held: 7.88%
Business Summary: AIM listed buy-and-build construction materials company, founded to generate shareholder value from a highly targeted investment strategy	

2019 highlights

- SigmaRoc completed four acquisitions during the year, complementing their existing operations, substantially growing their South Wales quarrying platform and creating a new platform in Belgium through the acquisition of Carrieres du Hainaut, the global leading supplier of Belgian Blue Stone, as well as significant volumes of construction aggregates.
- To facilitate these acquisitions, SigmaRoc increased its external debt from £19.7m to £59.7m over the year and raised £44m net of fees through the issue of 110,178,693 new Ordinary Shares across two placings in January and October at a price of 41p per share. The Company took part in both these placings, investing a total of £2.9m with a view to capitalising on any medium term price gains through partial share sales.
- The Annual results to 31 December 2019 reported a strong performance for the year, with group revenue increasing by 71% to £70m, and an Underlying EBITDA of £14.5m representing a 48% increase on the prior year. Organic growth was reported at 6.7% for revenue, and 9% for EBITDA.
- SigmaRoc's share price rose to 49.5p at the year end, and reached a high of 52p per share in February 2020. The Company sold 1,090,000 shares above a floor of 51p in early 2020, before the share price fell due to the COVID-19 pandemic. The price per share fell to a low of 23.5p at the beginning of April, before recovering to its current price of 35.5p.

COVID-19 update and conclusion

Following a very strong first quarter of the year, operations across SigmaRoc's trading locations have been affected to varying extents, depending on the restrictions being applied locally. All group companies are in operation to some degree at the time of writing, and although the second quarter's performance will certainly be softer than originally expected, management is confident that SigmaRoc has sufficient liquidity available to navigate the COVID-19 pandemic.

We were delighted with the annual results from SigmaRoc and the increase in its trading price during the latter part of 2019. Despite the setback in terms of share price in 2020, we continue to remain positive about the business and its potential for future success.

BAILIWICK INVESTMENTS LIMITED
INVESTMENT MANAGER'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

GUERNSEY RECYCLING (1996) LIMITED ("GRG")	Private Company
Investment: B ordinary shares	% of Company's investment portfolio: 13.84%
	% of voting rights held: 26.69%
Business Summary: Guernsey-headquartered waste to resource management group operating in the Channel Islands, the UK and Cayman Islands	

2019 highlights

- In January 2019, GRG secured new Guernsey government contracts including a 10-year agreement for dry recyclables and a 5-year scrap metal agreement.
- In June 2019, the Company participated in a £7m equity fundraise by GRG to fund the acquisition of Greenway Environmental ("Greenway") and additional industrial land in Guernsey and Jersey. The land in Guernsey was swiftly developed into a new waste segregation facility that opened its doors in October 2019.
- The acquisition of Greenway, based in the Midlands and Merseyside, is a complementary business to BKP Waste and Recycling based in Hampshire which was acquired by GRG in 2018. The combined business provides a UK-wide hazardous waste, liquid and general waste management facility.
- Group revenue and EBITDA fell behind budgeted levels for the 2019 calendar year, although revenue grew year on year and EBITDA finished in line with 2018. The shortfall to budget was largely driven by the impact of exceptionally low global commodity prices on the recycling business in the Channel Islands. However, this was partially offset by a positive, unbudgeted EBITDA contribution from the Greenway acquisition and also some cost efficiencies.

COVID-19 update and conclusion

GRG has undergone partial closures of its businesses through government-led restrictions in reaction to the COVID-19 pandemic but has maintained certain levels of operation throughout. A number of its services have been deemed essential where others have not, and management has acted accordingly and worked alongside local authorities. As restrictions are eased across the Channel Islands and the UK, we expect to see levels of operation increase. We continue to be impressed with GRG's management and are confident that its proactive approach will successfully help the business navigate its way through the crisis. As we write, certain restrictions have begun to be lifted in Guernsey that enable GRG to open further, and we cautiously await further steps in that direction.

Commodity prices may at times fluctuate substantially due to changes in supply and demand, as was the case on the downside in 2019, and trading suffered as a result. We therefore prudently recommended a write down in the holding value of the investment from £10.70m to £9.78m at the year end. However, we are optimistic that this will recover in time and we remain fully supportive of its strong management team and their plans for the future.

CHANNEL ISLANDS MEDIA GROUP LIMITED ("CIMG") Investment: Ordinary Shares	Private Company % of Company's investment portfolio: 6.92% % of voting rights held: 50.00%
<p>Business Summary: a 50:50 joint venture established by the Company and MXC Guernsey Limited ("MXC") to acquire The Guernsey Press Company Limited ("The Guernsey Press"). The Guernsey Press is a key source of news and information across the Bailiwick of Guernsey, offering multi-media platforms such as the website and app "GY4 You", as well as the production and distribution of the local newspaper and the wholesale and distribution of national newspapers and magazines.</p>	

2019 highlights

- The acquisition of The Guernsey Press by CIMG completed on 30 September 2019, with a significant portion of the sale value attributed to the property which is occupied by The Guernsey Press itself, alongside 3 other commercial tenants.
- CIMG's focus is on working with the management team of The Guernsey Press to develop strategy, particularly with regards to digital initiatives.
- A potential acquisition is in advanced stages of negotiation which will, if successful, provide The Guernsey Press with the expertise required to enable it to grow its digital business and capitalise on its strong local presence from the newspaper operations.
- EBITDA for the year ended 31 December 2019 was generally in line with the re-forecasted budget at the time of acquisition, but lower than original expectations for the year, largely driven by a challenging advertising environment.

COVID-19 update and conclusion

The Guernsey Press has inevitably seen a significant drop in advertising revenue over the course of the COVID-19 pandemic, as local businesses seek to cut non-essential expenditure and preserve cash. Management remains confident, however, that the business will maintain a strong cash position throughout the crisis. It has implemented appropriate measures to operate safely through the lockdown restrictions in place, and has also developed a local shopping website which supports local retailers to offer their goods online.

Much of The Guernsey Press' existing revenue is built around physical newspapers, and although we are confident that its loyal readership offers it more protection than many other local publications, this revenue has dropped over time in line with the general decline of the printed press across the world. The move towards a digital focus is expected to create many more revenue generating opportunities; we continue to work closely with the Company's JV partner, MXC, and the management of The Guernsey Press in this respect and remain excited about the future prospects.

MITONOPTIMAL INTERNATIONAL LIMITED ("Miton") Investment: Ordinary Shares 5% Loan Notes 6% Loan Notes	Private Company % of Company's investment portfolio: 4.96% % of voting rights held: 11.41%
Business Summary: independent multi-asset investment managers with offices in the Channel Islands, UK and South Africa, focused on the delivery of discretionary fund management and client portfolio management services to a global client base of intermediaries and private clients.	

2019 highlights

- Funds under management ("FUM") decreased to £817m (2018: £888m) largely driven by the sale of its Isle of Man business early in 2019 when it also closed its Singapore operation.
- Despite some progress made, 2019 was another challenging year for Miton as the business made a slight loss.
- Income received from the loan notes totalled £165k during 2019.

COVID-19 update and conclusion

Miton has seen some falls in revenue as a result of lower stock markets during the COVID-19 pandemic. However, the business continues to deliver recurring revenue streams, albeit at a lower level than budgeted, and management remains confident that it will successfully navigate the crisis. Measures have been put in place to allow all staff to work from home and remotely deliver client services as before.

The Company has indicated its desire to exit the investments in Miton. We are actively exploring opportunities for disposal and, given the trading difficulties noted above, we have prudently recommended a reduction in the valuation of the Company's equity holding in Miton to £500k.

JERSEY ELECTRICITY PLC ("JEL") Investment: A Ordinary Shares	LSE Listed: JEL % of Company's investment portfolio: 4.13% % of voting rights held: 2.12%
Business Summary: The core business is the supply and distribution of sustainable, low carbon energy. Related services include commercial and domestic building services, energy solutions, environmental engineering, retail, IT and property. The States of Jersey owns 62% of the ordinary share capital, which is unlisted.	

2019 highlights

- Results for the year ended September 2019 reported, year on year, group revenues up 3% to £110m and group pre-tax profits down 3% to £14.8m. Profits were impacted by a mild winter which saw electricity unit sales fall 1%
- Ordinary dividends of 15.25p per share were paid during the financial year, an increase of 5% on the prior year.

- A 3.5% tariff rise was implemented in April 2019, only the second rise in five years. A further, planned increase of 2.5% for April 2020 has been deferred as part of a range of measures to help mitigate the impact of COVID-19 on the community
- In June 2019, the Company purchased an additional 150,000 shares for a total consideration of £646,306, increasing its holding in JEL to 2.12% from 1.63%.

COVID-19 update and conclusion

As a key essential service provider, JEL has operated throughout the COVID-19 crisis with the health and safety of its staff and customers as its principal focus whilst maintaining an unbroken level of service. Financially, we expect there to be some impact from the closure of its showrooms during the period of lockdown, along with the deferral of the planned tariff increase, but overall we would expect continued, robust performance from JEL.

JEL continues to be a solid performer and a reliable source of income for the Company.

THE INTERNATIONAL STOCK EXCHANGE GROUP LIMITED ("TISEG") Investment: Ordinary Shares	TISE Listed: TISEG % of Company's investment portfolio: 3.81% % of voting rights held: 13.61%
Business Summary: TISEG is the holding company of The International Stock Exchange Authority Limited which operates the investment exchange known as The International Stock Exchange.	

2019 highlights

- In addition to the dividends of 12.5p per share in April and 20p per share in October, a special dividend of 200p per share was paid in July. This represented a delivery on TISEG's previous commitment to shareholders that some of its cash reserves, having been maintained for the pursuit of acquisitive or scale-up growth opportunities, would be distributed to shareholders if no suitable opportunities were to arise.
- The annual results for the year ended 31 December 2019 were pleasingly positive. Revenue increased by 4% year on year to £7.58m, and profit before tax rose by 8% to £3.63m. Initial fees from new listings were down on the prior year, but this was more than offset by annual fees from existing listings.
- In February 2020, TISEG announced the resignation of its CEO, Fiona Le Poidevin. A process is underway to identify her successor and there will be an orderly transition.

COVID-19 update and conclusion

Following a strong start to 2020, management has announced that it expects COVID-19 to result in a slowdown in activity, but that TISEG will continue to remain cash-generative. It is confident in the long-term prospects of the group, and we note that its cash position at the end of 2019 was a very healthy £8.4m. After initially deferring the declaration of a dividend with its annual results, TISEG announced a 20p dividend at the end of April 2020, to be paid in June.

TISEG does not have an appointed market maker and therefore its share price is not published on TISE itself. The Company valued its investment in TISEG at £7.00 per share as at 31 December 2019, down from £9.50 as at 31 December 2018 and reflecting the dividends paid during the year.

Overall, the 2019 results from TISEG are very positive and we await an update on the appointment of a new CEO in due course.

OATLANDS VILLAGE (F B LIMITED) ("Oatlands") Investment: Ordinary Shares Preference Shares	Private Company % of Company's investment portfolio: 3.14% % of voting rights held: 44.15%
Business Summary: Oatlands Village is home to a variety of attractions for locals and tourists in Guernsey and comprises a number of rental units, including a range of high quality rental outlets and a popular restaurant, The Kiln. Oatlands also owns and operates Oaty and Joey's Playbarn ("the Playbarn"), Guernsey's premier children's attraction.	

2019 highlights

- The Playbarn, having opened in December 2018, returned a solid first year's performance. Overall revenues finished in line with expectations, but EBITDA fell short of budget for the year and we have therefore prudently recommended a write down in the holding value of the investment from £2.37m to £1.81m.

COVID-19 update and conclusion

The restrictions put in place by the States of Guernsey to contain the spread of COVID-19 on the island have currently resulted in the closure to customers of all business premises at Oatlands. Management has continued to work alongside its tenants and to offer support to them during this difficult period. It has also taken appropriate, proactive steps to limit the impact of this closure on the Playbarn and its staff, making use of available government assistance measures and limiting non-essential expenditure. As Guernsey progresses with its Exit Framework from the COVID-19 restrictions, Management is cautiously optimistic that the Playbarn and Village will reopen and benefit from renewed interest following this extended lockdown.

POLYGON GROUP LIMITED ("Polygon") Investment: 8% bonds due 2022	TISE Listed: POLYGONG % of Company's investment portfolio: 1.05% % of issued bonds held: 25.3%
Business Summary: Polygon is an independent, family-owned investment company managing a diverse portfolio that provides support and unique investments to businesses, sophisticated investors and high net worth individuals.	

2019 highlights

- 8% coupon paid in May 2019
- Results for the year ended 30 June 2019 show an increase in net assets to £22.76m (2018: £19.7m) and a 36% increase in profit to £3.1m (2018: £2.3m)

COVID-19 update and conclusion

Polygon's management has confirmed that it is monitoring the situation regarding COVID-19 and continually reviewing its position. However, it anticipates that any impact will be non-material and is not expecting any change to the annual payment of bond interest in May 2020. The investment provides a reliable stream of income for the Company and one we are currently content to recommend is held until maturity in 2022.

Summary

The Board and the Manager remain focused on the Company's investment objective of attaining long term capital growth, while mindful of the value that many shareholders attach to dividend stream that the Company has been able to provide in its stock selection.

The Manager employs a team of highly experienced and qualified individuals who are responsible for sourcing, evaluating, negotiating and, where appropriate, concluding investments after approval by the Company's Board. The Manager monitors the ongoing performance of each investment in the portfolio with a view to realising its full potential, and reports to and advises the Board in this respect. The Manager continues to seek out and review potential investment opportunities for the Company.

As at 31 December 2019, the company had £6.9m in cash reserves, providing a solid base of liquidity from which it can act on investment opportunities and needs within or without its existing portfolio and service dividend expectations.

At the time of writing, the COVID-19 pandemic remains an ever-changing situation. Whilst recent developments in the Channel Islands and the UK would appear to indicate an improvement in the status surrounding the virus itself on these shores, we await how and when the respective governments will take the appropriate steps to restore some positive momentum to their economies. At this stage it is impossible to quantify what the ultimate impact on the Company will be. We continue to work closely with all our private investments to monitor their operations and liquidity positions, and continually follow the progress of the listed portfolio entities. As detailed in the portfolio review above, while the practical and financial impacts of COVID-19 on the investee companies has varied greatly, we are encouraged by the consistent and positive actions taken to date by their management teams and staff. We will continue to monitor them closely as they navigate this crisis.

Ravenscroft Limited

21 May 2020

BAILIWICK INVESTMENTS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors are pleased to present their report together with the audited financial statements of Bailiwick Investments Limited (the "Company") for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards ('IFRS') issued 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 Statement of Comprehensive Income on page 36. During the year, following approval by the Directors, the Company paid a dividend of 2.50 pence per share on 20 June 2019, and a further dividend of 3.00 pence per share on 17 December 2019 (2018: 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).

Going Concern

The Directors, having considered the Company's objectives and available resources along with its projected income and expenditure, are satisfied that the Company has adequate resources to meet its liabilities as they fall due and continue in operational existence for the foreseeable future.

The outbreak and continuing spread of the novel coronavirus ("COVID-19") and the related disruption to the worldwide economy are affecting businesses across all industries. While noting that the ultimate effects may be difficult to quantify at this time, the Directors do not underestimate the current situation and have engaged in an on-going risk assessment analysis in conjunction with the Investment Manager which includes consideration of the underlying portfolio companies' scenario planning and liquidity forecasting. The Investment Manager is working closely with management of those portfolio companies that are not publicly quoted and providing continual feedback to the Directors. This enables the Directors to understand the impact that COVID-19 may have on the Company and the underlying investments of the Company. While the Directors note that to date the Company has received no funding requests from any of its investee companies as a result of liquidity problems resulting from the COVID-19 outbreak, they are cognisant that if government restrictions persist into the medium term then economic conditions could ultimately cause such requests to be made in the future. In this case the Directors would, alongside the Investment Manager, assess any proposals on a case-by-case basis whilst noting that they would not constitute an obligation on the part of the Company.

Going Concern (continued)

The Company is currently in a healthy net asset position and holds a variety of quality assets with low leverage. Current assets include cash reserves at 31 March 2020 of £5.6 million which would be used to fund any liabilities that become due or payable. The Company's liquidity is further supported by a portfolio of listed investments with a year end fair value of £39.5 million which could be utilised in a worst case scenario. In addition the Company has the ability to utilise its RBSI revolving credit facility to cover any short term funding requirements.

Accordingly the financial statements have been prepared 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 22 to 30.

Directors

The Directors who served on the Board during the year, together with their beneficial interests at 31 December 2019 and at 31 December 2018, were as follows:

	2019		2018	
	Ordinary shares	% of shareholdings	Ordinary shares	% of shareholdings
Sir Geoffrey Rowland	705,000	1.23%	700,000	1.22%
Susie Farnon	327,118	0.57%	327,118	0.57%
John Henwood	75,000	0.13%	75,000	0.13%

In addition, the following Directors have beneficial interests at 31 December 2019 in Ravenscroft Holdings Limited, the holding company of the Manager, as follows:

	2019		2018	
	Ordinary shares	% of shareholdings	Ordinary shares	% of shareholdings
Sir Geoffrey Rowland	150,000	1.07%	150,000	1.13%
Susie Farnon	70,000	0.50%	109,855	0.83%

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.

John Henwood MBE (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 founding 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 2019:

	2019		2018	
	Ordinary shares	% of shareholdings	Ordinary shares	% of shareholdings
Huntress (CI) Nominees Limited – KGCLT	52,943,317	92.24%	53,125,515	92.55%

Statement of directors' responsibilities in respect of financial statements

The Directors are responsible for preparing financial statements for the period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company 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 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 financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

The Directors confirm that they have complied with the above requirements in preparing the 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 Company together with a description of the principal risks and uncertainties that the Company faces;

(b) in the opinion of the Board, the annual report and financial statements taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy; and

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

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 Company'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 Company's Auditor is aware of that information.

BAILIWICK INVESTMENTS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Secretary

The Secretary of the Company at 31 December 2019 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 2020 Annual General Meeting.



Sir Geoffrey Rowland
Chairman

21 May 2020

The Directors present their Corporate Governance Report for the year ended 31 December 2019.

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 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 Company places a great deal of importance on communicating clearly and openly with its shareholders. However, in light of the current circumstances, a firm date for the Annual General Meeting (“AGM”) cannot be set at this time. The Board will update shareholders with a relevant date for the AGM once matters surrounding the impact of COVID-19 become clearer. Should shareholders have any queries in respect of the AGM they are able to contact the Company by correspondence addressed directly to the Company Secretary.

In accordance with the AIC code the Board also consult with shareholders where 20% or more votes against a resolution and an update is published within six months and a summary of each qualifying vote will be presented in the Annual report. At the Annual general Meeting held on 30 May 2019 there was no motion that received 20% or more votes against a resolution.

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 commitment, 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. Under the terms of appointment each Director must inform the Board before accepting 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	8 / 9	4 / 4
Susie Farnon	9 / 9	4 / 4
John Henwood	8 / 9	3 / 4

The Board is composed of three Non-Executive Directors who are independent of the Manager. The Directors' biographies can be found on page 19. 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 all Directors discharge their duties in an independent manner and that the continuing service and expertise of John Henwood is in the best interest of shareholders.

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 has chosen not to adopt a definitive policy for board diversity. However gender diversity, knowledge, experience and governance credentials are all considered when recommending appointments to the Board and in formulating succession plans. With one female Director, the Board meets diversity targets recommended by the Hampton Alexander Review.

In August 2019 the Board decided to set up a separate Nomination Committee. The Nomination Committee comprises at least three directors with a majority being independent Non-Executive Directors.

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.

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 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 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 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.

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 financial statements.

The Board is responsible for establishing and maintaining the Company's system of internal control. The audit committee is responsible for reviewing the company's internal financial controls and internal control and risk management systems. 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, company secretarial and registrar duties including the independent calculation of the Company's NAV and the production of the Annual Report and Financial Statements, which are independently audited;
- 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 and board reports produced by the Manager and the Administrator at each quarterly board meeting. A representative from the Manager is asked to attend these meetings; 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 all of whom have formal contractual agreements in place. The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Manager, Administrator and the Company Secretary and Registrar, including their own internal review processes, and the work carried out by the Company's external auditors, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

At least annually the Audit Committee reviews an in-depth Risk Matrix setting out the Company's risk exposure and the effectiveness of its risk management and internal control systems. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

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 undertook an audit tender process in 2019. The existing auditors, Grant Thornton, and two other audit firms were invited to tender. One firm chose not to participate and the other firm withdrew during the tender process. The audit committee reviewed the audit tender presented by Grant Thornton and recommended to the Board that Grant Thornton should continue in their role as auditor to the Company. The auditor is required to rotate the audit partner responsible for the audit every five years.

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

The Audit Committee, having considered the auditor's performance during their period in office, recommends re-appointment. The audit fees of £30,000 (2018: £30,900) for Grant Thornton Limited were discussed by the Audit Committee and considered appropriate given the current size of the Company 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 Company's position, performance, business model and strategy.

Significant issues considered by the Audit Committee since 1 January 2019 have been the review of the annual report and audited financial statements for the year ended 31 December 2018, the half yearly report and unaudited condensed financial statements for the period from 1 January 2019 to 30 June 2019 and the audit tender process.

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 Company'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

In August 2019 the Board decided to set up a separate Remuneration Committee. The Remuneration Committee comprises at least three directors with a majority being independent Non-Executive Directors.

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.

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

To the members of Bailiwick Investments Limited

Our opinion on the financial statements is unmodified

We have audited the financial statements of Bailiwick Investments Limited for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board "IASB".

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the Company's loss 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Emphasis of matter – Subsequent events relating to COVID-19

We draw attention to Note 20, 'events after the reporting date' which explains that while the directors remain confident that the going concern basis remains appropriate in preparing the financial statements and they consider COVID-19 to be a non-adjusting event and therefore no adjustment has been made to the valuation of financial assets held at fair value through profit or loss as at 31 December 2019, the directors will be closely monitoring the latest market developments relating to COVID-19 and the possible future impact on the Company. Our opinion is not modified in respect of this matter.

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those 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 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

Valuation of investments

The valuation of the Company's investment portfolio is a key driver of the Company's investment return and represents a material proportion of the Company's net assets. The movements in the investment portfolio are shown in Note 5 to the financial statements.

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 Company and the return generated for shareholders.

How the matter was addressed in the audit

With the assistance of our valuation specialists, we performed the following procedures for a sample of material investments in the Company's portfolio:

- Assessed that the valuation methods adopted by management to value the financial assets within the investment portfolio, and conclusions reached, were consistent with IFRS;
- Assessed the reasonableness of key valuation inputs, such as EBITDA multiples applied in the valuation models against current market and comparable transaction data;
- Tested the validity of underlying financial information used in valuation calculations to management information provided directly from the investee companies;
- Evaluated the qualification of external valuers used by management to value the investment property held by underlying investments, and examined the valuation reports and inputs used provided by the valuers for reasonableness.

The Company's accounting policy and other disclosures on financial assets designated at fair value through profit or loss are included in Notes 2(a) and 6 to the financial statements.

Key observations

We confirmed that there were no significant matters arising from our audit work on either the valuation of the overall investment portfolio, the techniques or other key valuation inputs that we wished to bring to the attention of the Audit Committee.

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Our application of materiality

We define materiality as the magnitude of misstatement in the 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.

Materiality was determined as follows:

Materiality measure	Company
Financial statements as a whole	£765,631 which is 1% of Net Assets. This benchmark is considered the most appropriate because the users of the financial statements are sensitive to changes in net asset value as an indicator of the value of their investment in the Company. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2018 to reflect the movement in net assets to the current year end.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.
Specific materiality	We have determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£38,300 and 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 Company's business and is risk based, and in particular included:

- Evaluation by the audit team of significant risk transactions and balances to determine the planned audit response based on a measure of materiality;
- Understanding and evaluation of the Company's internal control environment including its IT systems and controls;
- Testing the design and implementation and key controls applicable to calculation and reporting of quarterly unquoted investment fair valuations;
- Responding to risks of material misstatement through the performance of substantive procedures. Significant risks identified during risk assessment included management override of controls, improper revenue recognition and valuation of unquoted financial assets held at fair value through profit or loss; and
- Engaging an investment valuations expert to undertake key reviews of the appropriateness of valuation models and subjective inputs and/or assumptions.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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 30, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Company; or
- the 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 20 the directors are responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Use of our report

This report is made solely to the 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 Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

22 May 2020

BAILIWICK INVESTMENTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Income			
Net (loss)/gain on financial assets at fair value through profit or loss	5	(2,731,878)	4,242,040
Investment income		2,474,301	2,171,544
		<u>(257,577)</u>	<u>6,413,584</u>
Expenses			
Performance fee	3	(394,920)	203,399
Management fee	3	708,146	787,163
Loan interest expense		147,472	241,788
Administration and other expenses	4	403,849	422,196
		<u>864,547</u>	<u>1,654,546</u>
Total (loss)/profit and comprehensive income for the year		<u>(1,122,124)</u>	<u>4,759,038</u>
Weighted average shares in issue during the year		57,400,000	53,105,973
Earnings per Ordinary Share (basic and diluted)	17	-£0.02	£0.09

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

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

BAILIWICK INVESTMENTS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Assets			
Financial assets at fair value through profit or loss	5, 6	70,588,457	80,403,053
Due from broker		605,680	907,229
Other receivables and prepayments	7	543,789	204,732
Cash and cash equivalents	8	6,907,726	5,980,325
Total assets		78,645,652	87,495,339
Liabilities			
Borrowings	9	2,017,410	5,405,757
Due to broker		-	901,815
Other payables	10	65,125	345,526
Total liabilities		2,082,535	6,653,098
Net assets		76,563,117	80,842,241
Equity			
Share capital	12	-	-
Share premium	12	60,362,718	60,362,718
Retained earnings		16,200,399	20,479,523
Total equity		76,563,117	80,842,241
Net Asset Value per Ordinary Share	14	1.3339	1.4084

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



Sir Geoffrey Rowland
Chairman

21 May 2020

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

BAILIWICK INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 January 2018	-	54,241,526	18,766,485	73,008,011
Share issue December 2018 - net proceeds	-	6,121,192	-	6,121,192
Total profit and 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
Total loss and comprehensive income for the year	-	-	(1,122,124)	(1,122,124)
Dividends	-	-	(3,157,000)	(3,157,000)
Balance at 31 December 2019	-	60,362,718	16,200,399	76,563,117

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

BAILIWICK INVESTMENTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
Total (loss)/profit and comprehensive income for the year		(1,122,124)	4,759,038
Adjusted for:			
(Increase)/decrease in amounts due from/to broker		(600,266)	8,498
Increase in other receivables		(339,057)	(61,980)
Decrease in other payables		(280,401)	(1,664,824)
Purchase of financial instruments	5	(10,769,671)	(4,259,291)
Proceeds from sale of financial instruments	5	17,880,900	8,779,011
Net loss/(gain) on financial assets at fair value through profit or loss	5	2,731,878	(4,242,040)
Deconsolidation of assets and liabilities of Bailiwick Property Holdings Limited		(28,511)	-
(Decrease)/increase in loan interest payable		(23,072)	10,877
Amortisation of borrowing costs		34,725	41,670
Net cash flows from operating activities		7,484,401	3,370,959
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	6,121,192
Borrowings received		-	3,000,000
Borrowings repaid		(3,400,000)	(3,474,292)
Dividends paid to shareholders	13	(3,157,000)	(3,046,000)
Net cash flows (used in)/ from financing activities		(6,557,000)	2,600,900
Net increase in cash and cash equivalents		927,401	5,971,859
Cash and cash equivalents at start of year		5,980,325	8,466
Cash and cash equivalents at end of year		6,907,726	5,980,325
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest		107,360	163,987

The accompanying notes form an integral part of these 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 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 financial statements:

Statement of compliance and basis of preparation

The 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 2019; and comply with The Companies (Guernsey) Law, 2008.

The 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.

Going concern

The Directors, having considered the Company's objectives and available resources along with its projected income and expenditure, are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. As detailed in the Directors' Report, the Directors are closely monitoring the latest developments relating to COVID-19, and possible future impact on the Company. The Directors remain confident that the going concern basis remains appropriate in preparing these financial statements.

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 a group. Unconsolidated subsidiaries are classified as fair value through profit or loss in accordance with IFRS 9 and measured at fair value. The Directors have determined that its subsidiary Bailiwick Property Holdings Limited ("BPHL") contributed to the management of the Group during part of the accounting period up to 14 March 2019 and thus the results of BPHL to that date has been consolidated within these financial statements. Intra-group transactions between the Group and BPHL are eliminated on consolidation.

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 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 valuation models based on a multiple of earnings, percentage of funds under management, multiple of gross margin; and also on freehold property valuations and recent purchase cost. 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 2019 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 management 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. Until 14 March 2019 Bailiwick Property Holdings Limited obtained bank financing on behalf of the Group and provided 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 the results of Bailiwick Property Holdings Limited should be consolidated up to 14 March 2019. Thereafter the Bailiwick Property Holdings Limited is measured at fair value through profit or loss.

Standards, amendments and revisions effective from 01 January 2019

- IFRS 16 – Leases (effective 01 January 2019)

The Company's management has assessed that the above standard did not have a material impact on the Company'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

A number of new standards are effective for periods beginning on or after 1 January 2020 and early application is permitted; however, the Company has not adopted the new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts

Functional and presentation currency

The performance of the Company 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 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 Company has adopted IFRS 9 Financial Instruments. This did not result in a change to the classification or measurement of financial instruments. The Company'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 Company 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 Company 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 Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Company'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 Company'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 Company includes in this category other short-term payables and borrowings. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

(b) Recognition

Financial assets at fair value through profit or loss are recognised when the Company 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 Company'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 Company only holds receivables with no financing component and which have maturities of less than 12 months at amortised cost. The Company 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 Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company'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 Company 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 Company 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 Company.

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 Company utilises Ravenscroft Limited for its trading and custodial activities. The clearing and depository operations for the Company's custodial activities are performed pursuant to agreements with Ravenscroft Limited. Due to/from brokers includes cash balances. The Company estimates that the net realisable amount of all due to/from brokers balances at 31 December 2019 does not differ materially from the carrying values recorded in the 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 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 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 Company 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 through 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 (2018:£1,200).

3 MATERIAL AGREEMENTS

The Company 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 Company 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 clawback of the performance fee of £394,920 (2018: a expense of £203,399) is accrued in respect of the current year. Performance fees receivable at the year end amount to £394,920 (2018: a payable of £203,399).

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 2019 amounted to £95,000 (2018: £90,000). With effect from 1 October 2019 the Chairman is entitled to an annual fee of £40,000 (2018: £35,000), and the remaining Directors are each entitled to an annual fee of £35,000 (2018: £27,500).

4 ADMINISTRATION AND OTHER EXPENSES

	2019	2018
	£	£
Administration fees	125,417	119,405
Audit fees	30,000	30,900
Directors' fees	95,000	90,000
Registrar fees	4,990	5,010
Legal and professional fees	58,307	92,293
Other expenses	90,135	84,588
	403,849	422,196

5 FINANCIAL ASSETS AND LIABILITIES

Categories of financial assets and financial liabilities

	Financial assets at FVTPL	Financial assets measured at amortised cost	Total
	£	£	£
31 December 2019			
Financial assets			
Listed investments	39,490,649	-	39,490,649
Unlisted investments	31,097,808	-	31,097,808
Due from broker	-	605,680	605,680
Other receivables	-	536,728	536,728
Cash and cash equivalents	-	6,907,726	6,907,726
	70,588,457	8,050,134	78,638,591

	Financial liabilities measured at amortised cost	Total
	£	£
31 December 2019		
Financial liabilities		
Borrowings	2,017,410	2,017,410
Other payables	65,125	65,125
	2,082,535	2,082,535

	Financial assets at FVTPL	Financial assets measured at amortised cost	Total
	£	£	£
31 December 2018			
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

	Financial liabilities measured at amortised cost	Total
	£	£
31 December 2018		
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

A description of the Company'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

	2019 £	2018 £
Designated at fair value through profit or loss at inception		
Listed investments	39,490,649	14,677,658
Unlisted investments	31,097,808	65,725,395
	70,588,457	80,403,053
	2019 £	2018 £
Fair value brought forward	80,403,053	80,680,733
Purchases at cost	10,769,671	4,259,291
Deconsolidation of assets and liabilities of Bailiwick Property Holdings Limited	28,511	-
Sales	(17,880,900)	(8,779,011)
Net(loss)/gain on financial assets at fair value through profit or loss	(2,731,878)	4,242,040
Fair value carried forward	70,588,457	80,403,053
Represented by:		
Closing book cost	48,071,505	56,378,287
Closing revaluation of investments	22,516,952	24,024,766
	70,588,457	80,403,053

Under IFRS 10, following the sale of Nelson House and repayment of related borrowings on 14 March 2019, the assets and liabilities of Bailiwick Property Holdings Limited can no longer be consolidated (see note 2 to the financial statements) as it has ceased providing investment related services to the Company. Subsequent to that date Bailiwick Property Holdings Limited is measured at fair value through the income statement. As a result previously consolidated cash, receivables and payables of Bailiwick Property Holdings Limited are now included in financial assets at fair value.

Details of the Company's investments can be found in the schedule of portfolio movements 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 Company. The Company 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 Company 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 Company's financial assets measured at fair value at 31 December 2019:

	Level 1 £	Level 2 £	Level 3 £	Total £
<i>Investments at fair value</i>				
Listed securities				
Construction	9,900,000	-	-	9,900,000
Financial services	2,687,748	-	-	2,687,748
Investment Holding	-	740,000	-	740,000
Retail	23,244,401	-	-	23,244,401
Utilities	2,918,500	-	-	2,918,500
Unlisted securities				
Motor Trade	-	-	10,670,000	10,670,000
Media	-	-	4,887,875	4,887,875
Waste recycling	-	-	9,770,746	9,770,746
Investment Property	-	-	2,269,187	2,269,187
Financial Services	-	-	3,500,000	3,500,000
	38,750,649	740,000	31,097,808	70,588,457

The following table analyses within the fair value hierarchy the Company's financial assets measured at fair value at 31 December 2018:

	Level 1 £	Level 2 £	Level 3 £	Total £
<i>Investments at fair value</i>				
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

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 SandpiperCI Limited, The International Stock Exchange Group Limited, Jersey Electricity PLC 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. The investment in Polygon Group Limited is classified as level 2.

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 Company uses valuation techniques to derive the fair value.

Bailiwick Investment Holdings Limited is valued at net asset value, as calculated by its administrator, Saffery Champness Fund Services Limited. 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 and The Octane PCC Limited - Octane Cell are valued using a valuation model based on a property valuation and a multiple of earnings, developed by reference to actual market transactions and also by taking into consideration the size and market position of each company.

The investment in MitonOptimal International Limited is valued based on a multiple of funds under management and multiple of gross margin, taking into consideration the size and reputation of the company and its potential sale value.

The investment in Channel Islands Media Group Limited took place on 30 September 2019. The Investment Manager considers there were no changes or events subsequent to the investment that would imply a change in its fair value from the original investment price.

The valuation of the investment in FB Limited is based on property valuation together with a multiple of earnings in respect of its trading subsidiary, FB Leisure Limited.

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

	Other investments
	£
Opening balance	68,350,395
Purchases	7,550,552
Sale proceeds	(17,681,239)
Transfer out of level 3 to level 1	(22,494,582)
Net loss on financial assets at fair value through profit or loss	(4,655,829)
Closing balance	31,097,808

Transfers between Level 2 and Level 3

There were no transfers from level 2 to level 3 during the year.

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Quantitative information of significant unobservable inputs - Level 3

<i>Description</i>	<i>2019</i> <i>£</i>	<i>Valuation technique</i>	<i>Unobservable input</i>
Bailiwick Investment Holdings Limited	49,434	Investment Manager's valuation based on NAV	Administrator's NAV calculation
Channel Islands Media Group Limited	4,887,875	Purchase cost	Purchase agreement
F B Limited (Oatlands)	2,219,753	Investment Manager's valuation based on EBITDA multiple; plus property	EBITDA multiple and property valuation
Guernsey Recycling (1996) Limited	9,770,746	Investment Manager's valuation based on EBITDA multiple; plus property	EBITDA multiple and property valuation
MitonOptimal International Limited	3,500,000	Investment Manager's valuation based on model based on Funds under Management	Percentage of Funds Under Management/Multiple of Gross Margin
The Octane PCC Limited - Octane Cell	10,670,000	Investment Manager's valuation based on EBITDA multiple/ property valuation	EBITDA multiple and property valuation
	<u>31,097,808</u>		

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 2019, if EBITDA multiples had increased by 1x with all other variables remaining constant, the fair value would increase by approximately £1.2 million (2018: £5.4 million). For a decrease of 1x in EBITDA multiples with all other variables remaining constant, the fair value would decrease by approximately £1.1 million (2018: £5.7 million).

7 OTHER RECEIVABLES AND PREPAYMENTS

	2019 £	2018 £
Prepayments	7,061	9,947
Investment income receivable	42,915	194,785
Performance fee clawback	394,920	-
Other receivables	98,893	-
	543,789	204,732

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

8 CASH AND CASH EQUIVALENTS

	2019 £	2018 £
Cash at bank	2,388,340	5,980,325
Certificates of deposit	4,519,386	-
	6,907,726	5,980,325

The cash at bank is at The Royal Bank of Scotland International Limited. The certificates of deposit are all with institutions rated at least A- by Standard & Poor's or A2 by Moody's.

9 BORROWINGS

	2019 £	2018 £
The Royal Bank of Scotland International Limited		
-Term loan facility	2,000,000	5,365,275
-Accrued interest on term loan facility	17,410	40,482
	2,017,410	5,405,757
Bank borrowings payable in less than one year	2,017,410	240,483
Bank borrowings payable in more than one year	-	5,165,274
	2,017,410	5,405,757

On 14 March 2019, following the sale of freehold property owned by Column Holdings Limited, the Company repaid the £2,350,000 balance on its floating rate term loan facility with The Royal Bank of Scotland International Limited.

The Company has a two year, £3 million revolving credit facility with The Royal Bank of Scotland International Limited which expires on 18 July 2020. Under the facility the Company may draw down 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. A partial repayment of £1 million was made on 14 March 2019 following the sale of freehold property owned by Column Holdings Limited.

10 OTHER PAYABLES

	2019	2018
	£	£
Performance fee (see note 7)	-	203,399
Management fee	-	34,187
Administration fee	28,809	37,050
Audit fee	30,000	30,900
Legal and professional fees	-	2,500
Other payables	6,316	37,490
	65,125	345,526

The performance fee (see note 3) only falls due for payment when the Company 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 Company'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 Company'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 Company's exposure to these financial risks.

The Company 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 Company may suffer through holding market positions in the face of price movements. The Company is exposed to securities price risk arising from investments held by the Company for which future prices are uncertain. The Company 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 2019, 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 £3.5 million (2018: +/- £4.0 million).

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

	2019 £	2018 £
Unlisted investments	31,097,808	65,725,395
Listed investments	39,490,649	14,677,658
	70,588,457	80,403,053

Foreign Currency Risk

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

Interest Rate Risk

The Company 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 Company holds cash and cash equivalents and sterling denominated floating rate loans that expose the Company to cash flow interest rate risk.

The Company 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 Company 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 Company's exposure to fixed interest rates, variable interest rates and non interest bearing financial instruments:

31 December 2019	Fixed interest	Variable interest	Non interest bearing	Total
Assets	£	£	£	£
Investments at fair value	4,090,000	-	66,498,457	70,588,457
Due from broker	-	-	605,680	605,680
Other receivables	-	-	536,728	536,728
Cash and cash equivalents	-	4,519,386	2,388,340	6,907,726
Total Assets	4,090,000	4,519,386	70,029,205	78,638,591
Liabilities				
Borrowings	-	2,017,410	-	2,017,410
Other payables	-	-	65,125	65,125
Total Liabilities	-	2,017,410	65,125	2,082,535
Total interest sensitivity gap	4,090,000	2,501,976	69,964,080	76,556,056

11 FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

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

At 31 December 2019, 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 +/- £12,510 (2018: +/- £27,079), arising substantially from borrowings. In accordance with Company's policy, the Investment Manager monitors Company'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 Company. The investments of the Company 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 Company'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 (2018: A).

The Company's maximum credit exposure is limited to the carrying amount of financial assets recognised at the reporting date which amounted to £78,638,591 (2018: £87,485,392).

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The Company is closed ended and therefore is not exposed to the risk of shareholder redemptions. In order to mitigate liquidity risk the Company 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 Company'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 Company 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 Company 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 Company's financial liabilities are summarised below.

	Current	Non-current	
	within 1 year	1 to 5 years	later than 5 years
	£	£	£
31 December 2019			
Borrowings	2,017,410	-	-
Other payables	65,125	-	-
	2,082,535	-	-
31 December 2018			
Borrowings	240,483	5,165,274	-
Due to broker	901,815	-	-
Other payables	345,526	-	-
	1,487,824	5,165,274	-

Capital risk management

The Company's objective when managing capital is to safeguard the Company'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 Company.

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

12 SHARE CAPITAL

	31 December 2019	
Authorised Share Capital	£	
Unlimited Ordinary Shares of no par value	-	
Issued Share Capital	Number of Shares	Share Premium
		£
Shares at 31 December 2019	57,400,000	60,362,718
Shares at 31 December 2018	57,400,000	60,362,718

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 £1.41 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

	2019	2018
	£	£
Dividend of 2.50p per share paid 20 June 2019	1,435,000	-
Dividend of 3.00p per share paid 17 December 2019	1,722,000	-
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
	3,157,000	3,046,000

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 £76,563,117 and on 57,400,000 Ordinary Shares in issue at 31 December 2019 (2018: net assets of £80,842,241 and 57,400,000 Ordinary Shares in issue).

15 RELATED PARTY TRANSACTIONS

Sir Geoffrey Rowland has a beneficial interest in 705,000 shares (2018: 700,000) at year end in the Company and holds 150,000 (2018: 150,000) shares in Ravenscroft Holdings Limited, the parent company of the Investment Manager.

Susie Farnon has a beneficial interest in 327,118 (2018: 327,118) shares at year end in the Company and holds 70,000 (2018: 109,855) shares in Ravenscroft Holdings Limited, the parent company of the Investment Manager.

John Henwood has a beneficial interest in 75,000 shares (2018: 75,000) at year end in the Company.

Jon Ravenscroft, the Group Chief Executive Officer of the Investment Manager, has a beneficial interest in 1,250,000 shares (2018: 1,250,000) in the Company.

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

Loans to subsidiaries are detailed in note 16.

16 INVESTMENT IN SUBSIDIARIES

	Date of Incorporation/ Acquisition/Liquidation	Domicile	Ownership
Bailiwick Property Holdings Limited	Wound up 2 January 2020	Guernsey	100%
Bailiwick Investment Holdings Limited	Incorporated 13 May 2009	Guernsey	100%
Column Holdings Limited	Wound up 6 January 2020	Guernsey	100%

Bailiwick Property Holdings Limited owned 100% of the issued share capital of Column Holdings Limited. Column Holdings Limited sold its freehold property on 14 March 2019 and was placed into voluntary liquidation on 9 July 2019.

Bailiwick Property Holdings Limited was placed into voluntary liquidation on 9 July 2019. The results of Bailiwick Property Holdings Limited up to 14 March 2019 are consolidated within these financial statements. Subsequent to that date Bailiwick Property Holdings Limited is measured at fair value.

Bailiwick Investment Holdings Limited is accounted for as an investment 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 £235,047 (2018: £231,047) which is unsecured, interest free and repayable on demand.

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.

	2019	2018
	£	£
Total (loss)/profit and comprehensive income for the year	(1,122,124)	4,759,038
Weighted average number of shares in issue	57,400,000	53,105,973
Earnings per share – basic and diluted	(0.02)	0.09

The Company'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	-1.40%	6.23%
Cumulative Internal Rate of Return	8.14%	8.84%

18 ULTIMATE CONTROLLING PARTY

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

19 COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies to report.

20 EVENTS AFTER THE REPORTING DATE

On 14 January 2020 the Company invested £1,000,000 in The Octane PCC Limited 5 Year 9% Redeemable Preference Shares.

On 21 January 2020 the Company invested £750,000 in Le Platon Home LBG 7% Subordinated Secured A Loan Notes 2025.

In January 2020, the Company sold 1,090,000 shares in SigmaRoc PLC for £564,155.

On 31 January 2020, the company purchased 400,000 of its own ordinary shares at a price of 120 pence per share. The purchased shares were subsequently cancelled.

COVID-19 is a developing situation and as of the date of approval of these financial statements, the assessment of this situation and its impact on the Company's financial assets will need continued attention and will evolve over time. From the view of the Directors, COVID-19 is considered to be a non-adjusting subsequent event and as a result, no adjustment is made in these financial statements. The Directors will continue to closely monitor the latest developments relating to COVID-19 and the possible future impact on the Company.

There are no other events to report.