



BAILIWICK
INVESTMENTS

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2013**

**BAILIWICK INVESTMENTS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2013**

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**BAILIWICK INVESTMENTS LIMITED
DIRECTORY**

Registered Office	Les Echelons Court Les Echelons St. Peter Port Guernsey GY1 1AR
Directors	David Lowe (Chairman) John Henwood Charles Parkinson
Manager	Ravenscroft Investment Management Limited (formerly Cenkos Channel Islands Investment Management Limited) Level 5, The Market Buildings Fountain Street St. Peter Port Guernsey GY1 4JG
Administrator, Registrar and Listing Sponsor	Bordeaux Services (Guernsey) Limited Les Echelons Court Les Echelons St. Peter Port Guernsey GY1 1AR
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
Registered Number	49479

**BAILIWICK INVESTMENTS LIMITED
CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2013**

Dear Shareholder

I am very happy to report the Net Asset Value ("NAV") of the Company is currently at £1.2952, which is an increase of 28% over the previous year. The Board continue to work closely with the Manager (Ravenscroft Investment Management Limited), in order to increase this figure further through current investment holdings and new investment opportunities. A total dividend of 4.5p was paid out to shareholders this year (2012: 4.0p).

Recent valuations carried out on the two properties within the portfolio have revealed a total increase of £300,000. Nelson House has increased by £400,000 to £6,750,000 whilst Carey House has decreased by £100,000 to £16,500,000. This is mainly due to the fact that there is one less year to the next break in the tenant lease for this property.

Breedon Aggregates Limited ("Breedon") remains a very solid investment for the portfolio which has demonstrated remarkable capital growth once again over the last twelve months. Profit on our holding has now surpassed £1.5m and with the market place expecting to continue to develop, further uplift in the Breedon share price is expected in 2014.

Jersey Electricity has been showing continued signs of recovery as works continue on Jersey's third interconnector to France, Normandie 3. This steady revival has been reflected in the increased share price.

The Legis Group Holdings Limited ("Legis") has been performing extraordinarily well given the challenging economic environment. Legis continue to win new business across the sector and their reputation as one of the market leaders within the Trust and Fund Administration industry is growing rapidly. This has led to the business being more recognised outside of the Channel Islands. The Manager has been spending a significant amount of time with the Legis management team, researching a number of growth and potential expansion opportunities for the business, across a number of jurisdictions. This subsequently has led to an exciting deal with the Bank of Butterfield who wish to acquire the Trust side of the business.

We have seen little change in the rest of the portfolio with Jersey Water continuing to be a very solid asset for the Company. However, there have been a number of significant developments at the Channel Islands Stock Exchange ("CISX") that has significantly impacted the share price. The Board have great expectations for the new structure – the Channel Islands Securities Exchange ("CISE") – that has recently been established to succeed the CISX and it is our belief that the new management team of the CISE have the industry experience and commitment to drive the new business forward in order to establish the CISE as a prominent business across the Islands and further afield.

Your Board remains fully committed to delivering a progressive dividend policy alongside on-going capital growth, whilst ensuring sufficient funds to meet it's regulatory capital obligations.


David Lowe
Chairman

31 January 2014

Net Asset Value per share as at 31 October 2013 was 129.52p (101.47p on 31 October 2012)

Current Share Price is 110p - 120p

Performance

Ravenscroft Investment Management Limited (the "Manager") is pleased to report that Bailiwick Investments Limited (the "Company") has seen a considerable uplift in the NAV over the previous year-to-date with an increase by 27.6%. This encouraging growth reflects the general stability and performance of underlying investments and the Channel Islands' economies.

During the year shareholders received a total dividend return of 4.5p per share. A dividend of 2.5p per share was paid to shareholders on 1st February 2013 and the Board recommended the payment of an ordinary interim dividend of 2p per share which was paid on 21st June 2013.

The shares in the Company are currently trading between 115p and 125p. The stock remains relatively liquid with just over 4,410,000 shares having been traded on the secondary market to October this year.

Portfolio Review

Commercial property

Montagu Evans (C.I.) Limited has undertaken the valuations of Carey House and Nelson House as at 31st October 2012. Each of these have been valued at £16,500,000 and £6,750,000 respectively, and demonstrates a total increase of 1.31% on the 2012 valuations.

Investment activity in the commercial property market in Guernsey remains fairly flat as it has seen no recent material sales of investment product in the office sector with only a limited number of retail properties, principally in the centre of St. Peter Port, have been sold. The majority of local banks are continuing to lend in the market, although their margins have remained relatively stable over the past 12 months and are some way off the levels which were seen a few years ago. However, this fact can be largely offset by adopting an appropriate hedging policy.

The prime market in Guernsey remains an attractive investment sector. Favourable supply and demand dynamics, together with limited availability of top quality office stock, has led to progressive rental uplifts being achieved across the sector.

The retail market remains challenging but even this area has shown a degree of resilience in 2013. The rise of internet purchases becoming more and more popular continues to have a major impact on this sector.

Private Equity

Legis Group Holdings Limited ("Legis") has had a successful trading year. The reputation of the Company and its management team has been recognised and this has been reflected by the impressive inflow of new business in both the trust and fund businesses throughout the year. This is obviously extremely pleasing considering the current economic conditions and the amount of competition in this area throughout the Islands.

We are happy to report that the Bank of Butterfield has made an offer for the Trust business which has been accepted. Bailiwick Investments Limited will retain its investment in the fund administration and tax businesses. The mechanics of the deal have given the investment in Legis a total value of £13,768,933. This announcement can be found on the Legis website, www.legisgroup.com.

Listed Securities

Breedon Aggregates Limited ("Breedon") - Earlier in the year, the Board of Breedon (the "Group"), announced that it had completed the purchase of the assets from both Aggregate Industries UK Limited and Marshalls plc. after a very successful £61m placing. The Group's trading performance has been enormously encouraging and pre-tax profits for the full year to 31st December 2013 are expected to be somewhat ahead of market expectations, assuming favorable weather conditions continue for the remainder of the year.

The Group sales revenue in the second half of the year has been stronger than in the first half and the full-year EBITDA margin is expected to be ahead of the prior year, this is largely driven by continuing enhancement and development of the underlying business and the added benefit of recent acquisitions. In this regard, the management team of Breedon remains focussed on identifying further "add-on" acquisitions in order to ensure a progressive and consistent enhancement to shareholder value.

Jersey Electricity ("JEL") – JEL has witnessed an increase of 7.9% to its share price during the last 12 months. At the end of last year JEL experienced a fault on the grid between Jersey and Guernsey and incidents on both submarine cables. Throughout the year JEL have faced the issues that arose from this problem and excavations continue preparing the route for the Jersey landside cable that will connect the Island's third connector to France, Normandie 3, to the Jersey Electricity network. Recovery is being reflected in the share price which at the reporting date was £3.05. an increase from £2.82 reported in 2012.

Other Investments

Channel Islands Stock Exchange ('CISX') - The value of the Company's investment in the CISX has reduced once again over this financial year. The shares are now valued at £0.50, down from £4.00.

There has been a significant drop in the share price during the last period following on from an announcement released by the CISX, relating to on-going investigations being undertaken by the Guernsey Financial Services Commission ("GFSC").

Although the exchange is now back to 'business as usual' the company has undertaken a significant restructuring process in order to create a new 'clean' company which is free of the operating issues that had previously hampered the CISX's development over recent years. On the 20th December 2013 a statement was released by the new company, The Channel Islands Securities Exchange Authority Limited ("CISEAL"), advising that the Royal Court of Guernsey had approved the scheme of arrangement and that CISEAL had already received a number of international recognitions and HMRC recognised designation. We have confidence in the new management team at CISEAL to realise the potential value and added kudos we see the exchange having here in the Islands.

Cash balances, including balances with broker, total approximately £3m at 31st October 2013.

Conclusion

Throughout the past 12 months several investment opportunities have been explored and taken to initial due diligence stage. Towards the end of the financial year in particular, potential new investment activity has dramatically increased and the Manager is hopeful of completing at least one of these acquisitions next year. New investments must conform to the strict investment criteria of the Company and provide an enhancement to the current portfolio structure. The portfolio is currently well diversified and meets comfortably with the risk, investment and income distribution policy of the Company.

**BAILWICK INVESTMENTS LIMITED
INVESTMENT MANAGER'S REPORT
FOR THE YEAR ENDED 31 OCTOBER 2013**

The Company has the opportunity to raise new funds or restructure the investment portfolio to meet acquisition funding requirements. It also retains cash for investing purposes but in order to avoid cash drag, this is kept to a minimum.

The Company will meet all of its financial and regulatory obligations this year.

Ravenscroft Investment Management Limited

30 January 2014

**BAILIWICK INVESTMENTS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2013**

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 October 2013.

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.

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 Operations on page 14. During the year, following approval by the Directors, the Company paid a dividend of 2.50 pence per share to shareholders on 1 February 2013 and a further dividend of 2.00 pence per share to shareholders on 21 June 2013 (2012: a dividend of 2.00 pence per share was paid on 10 February 2012 and a further dividend of 2.00 pence per share on 15 June 2012).

A further dividend of 3.0 pence per share was announced on 3 January 2014 and will be paid on 3 February 2014.

Going Concern

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

Directors

The Directors who served on the Board during the year, together with their beneficial interests at 31 October 2013, were as follows:

	Ordinary shares	% of shareholdings
David Lowe OBE	500,000	1.88%
John Henwood MBE	75,000	0.28%
Charles Parkinson	-	0.00%

Corporate Governance

A report on Corporate Governance is included on pages 8 to 11.

Statement of directors' responsibilities in respect of financial statements

The Directors are responsible for preparing financial statements for the year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Statement of Operations of the Company for that year in accordance with 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.

**BAILIWICK INVESTMENTS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2013**

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.

Directors' Responsibility Statement

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; and

(b) that 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 US GAAP 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 he has taken all steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Secretary

The Secretary of the Company at 31 October 2013 was Bordeaux Services (Guernsey) Limited.

Independent auditor

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


David Lowe
Chairman


Charles Parkinson
Director

31 January 2014

**BAILIWICK INVESTMENTS LIMITED
CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 OCTOBER 2013**

The Directors present their corporate governance report for the year ended 31 October 2013.

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

Independent Non Executive Directors

The AIC Code recommends that a majority of the Board should be independent of the Manager. The Board is composed of three non-executive Directors. The Board has carefully considered the Directors' independence and has determined that the Directors will discharge their duties in an independent manner. On 30 September 2011, the Guernsey Financial Services Commission issued a new Code of Corporate Governance (the "Guernsey Code") which came into effect on 1 January 2012.

Each of the non-executive directors are deemed by the Directors to be independent.

Senior Independent Director

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

Board and committee meeting attendance

	Board meetings	Audit Committee meetings
David Lowe	7 / 7	3 / 3
John Henwood	7 / 7	3 / 3
Charles Parkinson	7 / 7	3 / 3

The Board has engaged external companies to undertake the investment management, administrative and custodial activities of the Company. Clear documented contractual arrangements are in place with these firms, which define the areas where the Board has delegated responsibility to them. The Company holds at least four Board meetings per year, at which the Directors review the Company's investments and all other important issues to ensure control is maintained over the Company's affairs.

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

Members of the Board have met with the Manager and Investment Committee members regularly throughout the financial year. Meetings are generally on an ad-hoc basis.

Meetings of the members of the Investment Committee and the Manager take place regularly on an ad-hoc basis.

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

Performance of Board and Proposal for Re-election

The performance of each Director has been appraised by his or her fellow Directors. Pursuant to the Articles of Association of the Company, any Director appointed by the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Directors' Information

David Lowe OBE

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

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

David was awarded the OBE on the Queen's New Year's Honours List in 2006 for services to the Royal Court of Guernsey.

John Henwood MBE

After a career in broadcasting during which he was chief executive of Channel Television for 14 years and undertook a number of TV industry responsibilities, John was appointed chairman of Jersey Telecom and led the business through incorporation. He was also a founder member of the board of Jersey Finance. He is presently non-executive chairman of G4S in Jersey and director of a number of other UK and Channel Islands entities. John was awarded an MBE in 1998 for services to broadcasting and the community.

Charles Parkinson

Charles Parkinson is a Chartered Accountant and Barrister who built his professional career in accountancy, tax and fiduciary services in Guernsey. He was elected to the States of Guernsey in 2004 and from May 2008 to April 2012 he served as the Minister of Treasury & Resources in the island's government. He holds a number of directorships in companies listed on AIM and the CISE, as well as a private company.

AUDIT COMMITTEE

The Audit Committee meets at least twice a year and is chaired by Charles Parkinson. The Audit Committee reviews the Financial Statements and is responsible for overseeing the Company's relationship with the external auditor, including making recommendations to the Board on the appointment of the external auditor and its remuneration. The Audit Committee considers the nature, scope and results of the auditor's work and reviews, and develops and implements policy on the supply of non-audit services that are to be provided by the external auditor. The ultimate responsibility for reviewing and approving the annual report and financial statements remains with the Board.

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

Risk management and internal controls

The Audit Committee focuses primarily on compliance with legal requirements, accounting standards and the CISE 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.

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

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

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

The internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and the policies by which these risks are managed.

Review of External Auditors

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 auditors by the shareholders, the Audit Committee conducts a continuous review of the relationship between the Company and the auditors. This review includes: consideration of the audit fees and fees in respect of non-audit services; consideration of the auditors independence and objectivity; the nature and scope of the external audit and discussions on such issues as compliance with accounting standards.

The Audit Committee assesses the effectiveness of the external audit process on an annual basis. This assessment includes consideration of the auditors' independence and objectivity, taking into consideration relevant laws, regulations and professional requirements. The assessment involves considering all relationships between the Company and the auditors, including the nature and quantum of non-audit services. Assurances are obtained from the auditors that they and their staff have no financial, business, employment, family or other personal relationship with the Company that could affect the auditors' independence and objectivity. The auditors explain to the Audit Committee their policies and processes for maintaining independence and monitoring compliance with relevant requirements.

The AIC Code recommends that FTSE 350 companies tender their audits at least every ten years. The Company has not tendered the audit since its incorporation in 2008. Since then Grant Thornton's effectiveness has been annually assessed by the Audit Committee, which has not considered it necessary to require the firm to tender for the audit work. The external auditors are required to rotate the audit partner responsible for the audit every five years.

The Audit Committee, having considered the external auditors' performance during their period in office, recommends re-appointment. The audit fees of £13,000 (2012: £14,500) for Grant Thornton Limited and non-audit related fees of £3,895 (2012: Nil) 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.

**BAILIWICK INVESTMENTS LIMITED
CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 OCTOBER 2013**

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

Significant issues considered by the Audit Committee since 1 November 2012 have been whether to revert to IFRS from US GAAP and the communications received from the external auditor.

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 year under review the primary high risk identified was in relation to valuation of investments.

The Audit Committee tracked the investments valuation risk through the year and kept in contact with the Company's Administrator, Investment Manager and External Auditor and received regular updates. The Audit Committee is satisfied that there has been appropriate focus and challenge on the high risk areas.

Relations with shareholders

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

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

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 OCTOBER 2013**

To the members of Bailiwick Investments Limited

We have audited the financial statements of Bailiwick Investments Limited for the year ended 31 October 2013 which comprise the Statement of Assets and Liabilities, the Portfolio of Investments, the Statement of Operations, the Statement of Changes in Net Assets, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United States Generally Accepted Accounting Principles (US GAAP).

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 auditors' 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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities on page 6, the directors are responsible for the preparation of the financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Audit commentary

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

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. We established a materiality for the financial statements taken as a whole to be £344,500 which is 1% of the Company's net asset value.

We have determined the threshold at which we communicate misstatements to the Audit Committee to be £17,000. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, account balances or disclosures.

Investments at Fair Value

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. Accordingly, the investment portfolio is a significant and material item. The recognition and measurement of the investment portfolio is therefore a risk that requires particular audit attention.

Our audit work included, but was not restricted to, obtaining an understanding of how valuations are performed and understanding management's process to recognise and measure investments including ownership of those investments. For quoted investments, obtaining a confirmation of investments held at the year end directly from the investment manager's statement and reconciling these to the records maintained by the Company's administrator, testing a selection of investment additions and disposals to supporting documentation, and agreeing the valuation to an independent source of market prices.

For the Company's investment in unquoted investments, our audit work also included reviewing share registers and reconciling these to the records maintained by the Company's administrator. We reviewed the valuation methodology and verified the inputs used in arriving at the fair value either by checking the inputs to audited financial statements and published reports or by validating Fair Value against appraisal reports from independent and qualified third parties.

The Company's policy on valuation of Investments is included in Note 2.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2013 and of the Company's net increase in net assets resulting from operations for the year then ended;
- have been properly prepared in accordance with US GAAP; and
- comply with The Companies (Guernsey) Law, 2008.

**INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 OCTOBER 2013**

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that were communicated to the audit committee which we considers should have been disclosed.

Under the Companies (Guernsey) Law, 2008 we are required to report to you, if in our opinion:

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




**Grant Thornton Limited
Chartered Accountants
Channel Islands**


31 January 2014

BAILIWICK INVESTMENTS LIMITED
STATEMENT OF ASSETS AND LIABILITIES
31 OCTOBER 2013

	Notes	2013 £	2012 £
Assets			
Investments at fair value (2013 cost: £33,838,100, 2012 cost: £34,984,150)	5	41,947,653	35,284,813
Due from broker		782,001	21,386
Other receivables and prepayments	7	330,830	434,487
Cash and cash equivalents	8	2,348,345	1,287,106
Total assets		45,408,829	37,027,792
Liabilities			
Borrowings	9	10,010,143	9,980,834
Other payables	10	945,995	55,736
Total liabilities		10,956,138	10,036,570
Net assets		34,452,691	26,991,222
Consisting of:			
Share Premium	12	25,581,500	25,581,500
Retained income		8,871,191	1,409,722
Net assets attributable to equity shareholders		34,452,691	26,991,222
Net Asset Value per Ordinary Share	15	1.2952	1.0147

Approved and authorised for issue by the Board of Directors on 31 January 2014 and signed on its behalf by:


David Lowe
Chairman


Charles Parkinson
Director

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

BAILIWICK INVESTMENTS LIMITED
PORTFOLIO OF INVESTMENTS
31 OCTOBER 2013

	2013	
	Nominal holding	Fair value £
Equity securities - 10.98%		
Construction - 5.92%		
Breedon Aggregates Limited Ord NPV	7,000,000	2,485,000
Financial services - 0.29%		
Channel Islands Stock Exchange Ord GBP0.10	242,666	121,333
Utilities - 4.77%		
Jersey Electricity Company 'A' Ord GBP0.05	500,000	1,525,000
Jersey Water Ord GBP0.50	100,000	475,000
Total equity securities		4,606,333
Other investments - 89.02%		
Column Holdings Limited Ord *	2	6,845,369
Commerce Holdings Limited Ord *	10,080	16,726,958
Legis Group Holdings Limited 'A' Ord	100,200	10,836,803
Legis Group Holdings Limited 'D' Preference Shares	2,932,130	2,932,130
Total other investments		37,341,260
Derivatives - 0.00%		
Base rate cap agreement		60
		41,947,653

	2012	
	Nominal holding	Fair value £
Equity securities - 11.19%		
Construction - 5.12%		
Breedon Aggregates Limited Ord NPV	8,600,000	1,806,000
Financial services - 2.75%		
Channel Islands Stock Exchange Ord GBP0.10	242,666	970,664
Utilities - 4.67%		
Jersey Electricity Company 'A' Ord GBP0.05	415,000	1,172,375
Jersey Water Ord GBP0.50	100,000	475,000
Total equity securities		4,424,039
Debt securities - 2.84%		
Financial services - 2.84%		
Landeskreditbank Baden-Wuerttemberg 2.5% MTN 7/12/2012	1,000,000	1,001,600
Total debt securities		1,001,600
Other investments - 84.62%		
Column Holdings Limited Ord *	2	6,473,769
Commerce Holdings Limited Ord *	10,080	16,893,479
Legis Group Holdings Limited 'A' Ord	110,000	3,558,460
Legis Group Holdings Limited 'D' Preference Shares	2,932,130	2,932,130
Total other investments		29,857,838
Derivatives - 0.00%		
Base rate cap agreement		1,336
		35,284,813

* The investments into the share capital of Column Holdings Limited and Commerce Holdings Limited are pledged under the loan agreement with HSBC Bank plc (Note 9).

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

BAILIWICK INVESTMENTS LIMITED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 OCTOBER 2013

	Notes	2013 £	2012 £
Investment income			
Dividend income	16	1,780,496	1,545,283
Bond interest	16	167,587	197,048
Bank interest		3,930	1,549
Total income		1,952,013	1,743,880
Expenses			
Performance fee	3	826,703	-
Management fees	3	336,177	252,671
Loan interest	9	230,435	230,435
Administration and other expenses	4	196,952	187,426
Total expenses		1,590,267	670,532
Net investment income		361,746	1,073,348
Realised and unrealised gains from investments			
Fair value adjustment on revaluation of investments	5	7,808,890	1,543,896
Realised gain/(loss) on sale of investments	5	487,833	(5,605)
Total realised and unrealised gain from investments		8,296,723	1,538,291
Net increase in net assets resulting from operations		8,658,469	2,611,639

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

BAILIWICK INVESTMENTS LIMITED
STATEMENT OF CHANGES IN NET ASSETS
31 OCTOBER 2013

	Notes	2013 £	2012 £
Net increase in net assets resulting from operations		8,658,469	2,611,639
Dividends	13	(1,197,000)	(1,064,000)
		7,461,469	1,547,639
Net assets at the start of the year		26,991,222	25,443,583
Net assets at the end of the year		34,452,691	26,991,222

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

BAILIWICK INVESTMENTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 OCTOBER 2013

	Notes	2013 £	2012 £
Cash flows from operating activities			
Net increase in net assets from operations		8,658,469	2,611,639
Adjusted for:			
Increase in other receivables		103,657	(138,850)
Increase in amount due from broker		(760,615)	(21,386)
Increase in other payables		890,259	11,761
Decrease in amount due to broker		-	(432,968)
Purchase of financial instruments		(431,919)	-
Sale of financial instruments		2,065,802	475,000
Fair value adjustment on revaluation of financial instruments	5	(7,808,890)	(1,543,896)
Realised (gain)/loss on sale of financial instruments	5	(487,833)	5,605
Increase in loan interest payable		29,309	28,509
Net cash flows from operating activities		<u>2,258,239</u>	<u>995,414</u>
Cash flows from financing activities			
Dividends paid	13	(1,197,000)	(1,064,000)
Net cash flows used in financing activities		<u>(1,197,000)</u>	<u>(1,064,000)</u>
Increase/(decrease) in cash and cash equivalents		1,061,239	(68,586)
Cash and cash equivalents at start of year		1,287,106	1,355,692
Cash and cash equivalents at end of year		<u>2,348,345</u>	<u>1,287,106</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest		<u>200,000</u>	<u>201,927</u>

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 was admitted to the Channel Islands Stock Exchange (the "CISX") on 15 December 2008 and is now listed on the CISE.

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 principle accounting policies have been applied consistently in the preparation of the financial statements:

Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and with those parts of The Companies (Guernsey) Law, 2008 applicable to companies preparing their accounts under US GAAP.

The preparation of financial statements in conformity with US GAAP 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.

Reason for consolidation

The Company meets the definition of an investment company and, therefore, is not required to prepare consolidated financial statements in accordance with US GAAP for those investee companies which do not also meet the definition of an investment company. The Company owns 100% of Bailiwick Property Holdings Limited ("BPHL"), a company which also meets the definition of an investment company, and, accordingly, has consolidated the results of BPHL within these financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the financial statements of BPHL for the year ended 31 October 2013. Inter-company transactions, balances and unrealised gains on transactions between the entities are eliminated on consolidation. Equity investments in other companies are included in investments in the financial statements.

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:

Fair value of unlisted financial instruments

The Company holds stocks not listed on a recognised exchange. The Directors make judgements as to the fair value of these investments. Valuation techniques use estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments at fair value

All purchases and sales of investments are recognised on trade date - the date on which the Company commits to purchase or sell the investment.

Investments are initially recognised at cost, which approximates fair value. Transaction costs are expensed in the Statement of Operations. Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value are presented in the Statement of Operations in the period in which they arise. Net realised gains and losses from investments are calculated using the average cost method.

Listed investments

The fair values of listed investments are determined by reference to published quotations in an active market.

Unlisted investments

The Directors make judgements as to the fair value of unlisted investments, as detailed in note 6.

Due to/from Brokers

The Company utilises brokers for its trading and custodial activities. The clearing and depository operations for the Company's custodial activities are performed pursuant to agreements with these brokers. Due to/from brokers includes cash balances and advances from the brokers. The Company estimates that the net realisable amount of all due to/from brokers balances at 31 October 2013 does not differ materially from the carrying values recorded in the accompanying statements of assets and liabilities 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

Borrowings are carried at amortised cost using the effective interest rate method. Consequently, discounts and financing fees are amortised over the life of the related debt through interest expense.

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.

Derivative financial instruments

Derivative financial instruments are classified as investments held at fair value and as such are initially and subsequently measured at fair value, determined where possible by reference to quoted market prices for similar instruments.

The Company uses derivative financial instruments such as interest rate caps to hedge its risks associated with interest rate fluctuations. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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.

Financial Assets and Liabilities

The financial assets and liabilities of the Company are defined as investments, cash and cash equivalents, borrowings, amounts due from broker, other receivables and payables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income and Expenses

Income is recognised on an accruals basis. 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 £600.

3 MATERIAL AGREEMENTS

The Company is responsible for the continuing fees of the Administrator and the Investment Manager in accordance with the Administration and Investment Management Agreements dated 3 December 2008.

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 the BPHL subsidiary of the Company and an annual fee of £5,000 in respect of registrar services.

Management Fees

Following a review of the Investment Management Agreement, with effect from 1 November 2010, 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. With effect from 31 January 2014, and applied retrospectively to any performance fee that is due but remains unpaid, this is 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 total number of Ordinary Shares in issue for the relevant performance period. The performance fee is calculated quarterly and, is payable upon realisation of assets. 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. A performance fee of £826,703 is accrued in respect of the current year (2012: £ Nil) of which £826,703 (2012: £ Nil) is outstanding at the year end.

Directors' fees

David Lowe is entitled to an annual fee of £30,000 (2012:£25,000), John Henwood and Charles Parkinson were each entitled to an annual fee of £20,000 up to 31 December 2012 (2012: £20,000). With effect from 1 January 2013 their annual fee increased to £22,500 per annum.

BAILIWICK INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2013

4 ADMINISTRATION AND OTHER EXPENSES

	2013	2012
	£	£
Administration fees	68,000	68,000
Audit fees	13,000	14,500
Directors' fees	75,000	70,000
Registrar fees	5,000	5,000
Legal and professional fees	8,762	6,010
Other sundry expenses	27,190	23,916
	196,952	187,426

Included within legal and professional fees for the year ended 31 October 2013 is £3,895 (2012: nil) paid to Grant Thornton Limited, the Company's auditor, for the provision of tax advice.

5 INVESTMENTS

	2013	2012
	£	£
Fair value of investments brought forward	35,284,813	34,221,522
Purchases at cost	431,919	-
Sales	(2,065,802)	(475,000)
Realised gain/(loss) on sales	487,833	(5,605)
Movement on revaluation of investments	7,808,890	1,543,896
Fair value of investments carried forward	41,947,653	35,284,813
Represented by:		
Closing book cost	33,838,100	34,984,150
Closing revaluation of investments	8,109,553	300,663
	41,947,653	35,284,813

6 FAIR VALUE OF FINANCIAL INSTRUMENTS

US GAAP 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:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- 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) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

BAILIWICK INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2013

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

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

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities measured at fair value at 31 October 2013:

	Level 1 £	Level 2 £	Level 3 £	Total £
<i>Investments at fair value</i>				
Equity securities	4,010,000	475,000	121,333	4,606,333
Other investments	-	8,918,607	28,422,653	37,341,260
Derivative financial instruments	-	60	-	60
	4,010,000	9,393,667	28,543,986	41,947,653

There has been one transfer out of level 3 to level 2 during the reporting period under review as a result of inputs to the valuation model becoming observable because of the agreement in principle to sell the trust and corporate business of Legis Group Holdings Limited as detailed in note 19. There has been one transfer out of level 2 to level 3 during the reporting period under review as a result of inputs to the valuation model becoming unobservable because of the restructuring of the CISX.

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.

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

The fair value of the Company's holding in Jersey Water, which are equity securities classified within level 2, are based on prices provided by market makers on a matched bargain basis. At the year end the part of the valuation of Legis Group Holdings Limited relating to its trust and corporate business was fair valued based on the discounted cash flows arising from the agreement in principle for the sale of this business (see note 19).

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.

Column Holdings Limited and Commerce Holdings Limited are valued at their net asset value, as calculated by their administrator, Bordeaux Services (Guernsey) Limited. These two companies each own investment property which are measured at fair value based on market valuations at the reporting date, in accordance with the definition of market value as set out in the RICS Valuation and Standards.

The Directors have approved a valuation of the remaining fund administration and tax business of Legis Group Holdings Limited which is determined by using a valuation model based on a combination of a multiple of earnings and a multiple of revenue developed by reference to available information on actual market transactions and also by taking into consideration the size and reputation of the company and its future growth potential.

BAILIWICK INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2013

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	Other investments
	£
Opening balance	29,857,838
Sale proceeds	(317,000)
Realised gain	92,194
Fair value adjustment	7,708,228
Transfer to level 3	121,333
Transfer out of level 3	(8,918,607)
Closing balance	<u>28,543,986</u>

Quantitative information of significant unobservable inputs - Level 3

<i>Description</i>	<i>2013</i>	<i>Valuation technique</i>	<i>Unobservable input</i>
	£		
Column Holdings Limited	6,845,369	NAV	Property valuation
Commerce Holdings Limited	16,726,958	NAV	Property valuation
Channel Islands Stock Exchange	121,333	Average brokers' valuations	Estimated valuation as no active market
Legis Group Holdings Limited - 'A' ordinary shares	1,918,196	EBITDA/ revenue multiple	Multiple of EBITDA/ Revenue
Legis Group Holdings Limited - 'D' preference shares	2,932,130	Expected repayment at par value	Investment Manager's valuation
	<u>28,543,986</u>		

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

Significant changes in any of unobservable inputs could result in significantly lower or higher fair value measurements. At 31 October 2013, if unobservable inputs 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 year would amount to approximately £1.4 million.

BAILIWICK INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2013

7 OTHER RECEIVABLES AND PREPAYMENTS

	2013	2012
	£	£
Prepayments	1,347	1,454
Dividends receivable	329,483	433,033
	330,830	434,487

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

8 CASH AND CASH EQUIVALENTS

	2013	2012
	£	£
Cash at bank	546,575	170,720
Short term deposits	1,801,770	1,116,386
	2,348,345	1,287,106

The cash at bank and the short term deposits are at HSBC Bank plc.

9 BORROWINGS

	2013	2012
	£	£
HSBC Bank plc	10,010,143	9,980,834

On 29 October 2009, the Company entered into a five year, £11 million floating rate term loan. Interest on the loan is payable quarterly in arrears at an annual rate equal to the sum of the bank's base rate plus 1.50%. The loan has been used to finance further investment acquisitions. Security for the loan is provided by way of Security Interest Agreements over the issued share capital of the Company's property holding subsidiaries Column Holdings Limited and Commerce Holdings Limited as well as certain of the subsidiaries bank accounts and lease rights. The Directors consider that the carrying amount of borrowings approximates fair value.

The Company has entered into a base rate cap agreement to limit its exposure to the effect of increases in the bank's base rate on the interest payable under the above loan. The base rate cap agreement is for 5 years ending on 14 January 2015 and is based on a notional amount of £7.5 million with a cap rate of 4.5% p.a. The fair value of the base rate cap agreement is disclosed in the portfolio of investments on page 13.

BAILIWICK INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2013

10 OTHER PAYABLES

	2013	2012
	£	£
Performance fee	826,703	-
Management fee	83,507	20,536
Administration fee	17,000	17,000
Audit fee	13,000	13,000
Other payables	5,785	5,200
	945,995	55,736

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. 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.

At 31 October 2013, if market prices 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 year would amount to approximately £2.1 million (2012: +/- £1.8 million).

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

	2013	2012
	£	£
Equity securities	4,606,333	4,424,039
Debt securities	-	1,001,600
Other investments	37,341,260	29,857,838
Derivative financial instrument	60	1,336
	41,947,653	35,284,813

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 a sterling denominated floating rate loan that exposes the Company to cash flow interest rate risk.

BAILIWICK INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2013

11 FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

Interest rate risk (continued)

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 Company has entered into a base rate cap agreement to limit its exposure to the effect of fluctuations in the bank's base rate in relation to the floating rate borrowing.

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:

	Fixed interest	Variable interest	Non interest bearing	Total
31 October 2013	£	£	£	£
Assets				
Investments at fair value	5,665,377	-	36,282,276	41,947,653
Due from broker	-	-	782,001	782,001
Other receivables and prepayments	-	-	330,830	330,830
Cash and cash equivalents	-	2,348,345	-	2,348,345
Total Assets	5,665,377	2,348,345	37,395,107	45,408,829
Liabilities				
Borrowings	-	10,010,143	-	10,010,143
Other payables	-	-	945,995	945,995
Total Liabilities	-	10,010,143	945,995	10,956,138
Total interest sensitivity gap	5,665,377	(7,661,798)	36,449,112	34,452,691
	Fixed interest	Variable interest	Non interest bearing	Total
31 October 2012	£	£	£	£
Assets				
Investments at fair value	6,666,977	-	28,617,836	35,284,813
Due from broker	-	-	21,386	21,386
Other receivables and prepayments	-	-	434,487	434,487
Cash and cash equivalents	-	1,287,106	-	1,287,106
Total Assets	6,666,977	1,287,106	29,073,709	37,027,792
Liabilities				
Borrowings	-	9,980,834	-	9,980,834
Other payables	-	-	55,736	55,736
Total Liabilities	-	9,980,834	55,736	10,036,570
Total interest sensitivity gap	6,666,977	(8,693,728)	29,017,973	26,991,222

11 FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

Interest rate risk (continued)

At 31 October 2013, 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 year would amount to approximately +/- £38,309 (2012: +/- £43,469), arising substantially from the cash and cash equivalents and borrowings.

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.

The Company's maximum credit exposure is limited to the carrying amount of financial assets recognised at the reporting date which amounted to £45,408,829 (2012: £37,027,792).

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. The principal liquidity risk is contained in unmatched liabilities. In the opinion of the Directors the liquidity risk at 31 October 2013 is low as the liquid assets exceed unmatched liabilities or other contractual commitments.

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 October 2013			
Borrowings	10,010,143	-	-
Other payables	945,995	-	-
	10,956,138	-	-
	Current	Non-current	
	within 1 year	1 to 5 years	later than 5 years
	£	£	£
31 October 2012			
Borrowings	38,356	9,942,478	-
Other payables	55,736	-	-
	94,092	9,942,478	-

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 capital structure of the Company consists of net debt (comprising debt less cash and cash equivalents) and equity of the Company (comprising issued capital, reserves and retained earnings).

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

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11 FINANCIAL RISK MANAGEMENT (continued)

Capital risk management (continued)

The gearing ratio at 31 October 2013 is as follows:

	2013	2012
	£	£
Debt	10,010,143	9,980,834
Cash and cash equivalents	(2,348,345)	(1,287,106)
Net debt	7,661,798	8,693,728
Equity	34,452,691	26,991,222
Net debt to equity ratio (%)	22.24	32.21

12 SHARE CAPITAL

	31 October 2013	
	£	
Authorised Share Capital		
Unlimited Ordinary Shares of no par value	-	
Issued Share Capital	Number of Shares	Share Premium
		£
Shares at 31 October 2013	26,600,000	25,581,500

The Company's Share Capital consists of an unlimited number of Ordinary Shares of no par value. Following a share placing and offer, 26,600,000 Ordinary Shares were issued on 15 December 2008 for a consideration of £1 per share. £26,600,000 was raised from the shares issued, less share issue costs amounting to £1,018,500.

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

13 DIVIDENDS

	2013	2012
	£	£
Dividend of 2.5p per share paid 1 February 2013	665,000	-
Dividend of 2.0p per share paid 21 June 2013	532,000	-
Dividend of 2.0p per share paid 10 February 2012	-	532,000
Dividend of 2.0p per share paid 15 June 2012	-	532,000
	1,197,000	1,064,000

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14 FINANCIAL HIGHLIGHTS

	2013	2012
	£	£
Per Share Operating Performance (For a share outstanding throughout the year)		
Net asset value at start of the year	1.0147	0.9565
<i>Income from investment operations:</i>		
Net investment income	0.0136	0.0403
Net realised and unrealised gain/(loss) on investments	0.3119	0.0579
Total from investment operations	0.3255	0.0982
Less distributions	(0.0450)	(0.0400)
Total increase in net assets	0.2805	0.0582
Net asset value at end of the year	1.2952	1.0147
Total return	32.08%	10.27%
Supplemental data:		
Net assets (end of year)	34,452,691	26,991,222
<i>Ratio to net assets</i>		
Expenses	4.62%	2.48%
Net investment income	1.05%	3.98%
Portfolio turnover rate	1.25%	0.00%
Internal Rate of Return for the year	32.98%	5.17%
Cummulative Internal Rate of Return	7.46%	1.68%

15 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 £34,452,691 and on 26,600,000 Ordinary Shares in issue at 31 October 2013.

The table below reconciles the difference between the financial statements NAV per Share compared to the NAV per Share reported on the CISX.

	2013	2012
	£	£
NAV	34,452,691	26,991,222
No. of shares in issue	26,600,000	26,600,000
Financial Statements NAV per Share	1.2952	1.0147
Add (deduct)/back:		
Fair value of investments	(644,457)	112,329
NAV per Share reported on the CISX	1.2710	1.0189

16 RELATED PARTY TRANSACTIONS

Included within dividend income are amounts of £393,463 (2012:£322,081) from Column Holdings Limited, £988,437 (2012:£684,519) from Commerce Holdings Limited and £ Nil (2012: £46,519) from Legis Group Holdings Limited. Column Holdings Limited and Commerce Holdings Limited are 100% owned by Bailiwick Property Holdings Limited and have directors which are common to the Company.

Also included within dividend income is an amount of £329,483 (2012:£410,498) in respect of the preference share dividend from Legis Group Holdings Limited, an investee company of which the Company owns 50.1% of the equity shares in issue, £329,483 of which is outstanding at 31 October 2013 (2012:£410,498).

Included within bond interest is £165,122 (2011:£164,444) in respect of loan interest from Commerce Holdings Limited.

17 ULTIMATE CONTROLLING PARTY

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

18 COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies to report.

19 EVENTS AFTER THE REPORTING DATE

Subsequent events have been evaluated through to 30 January 2014, which is the date the financial statements were available to be issued.

On 21 November 2013 Bailiwick Investment Holdings Limited, a subsidiary of the Company, purchased a workshop, driveway and land at Route Militaire, St Sampson for £200,000.

A dividend of 3.0 pence per share was announced on 3 January 2014 and will be paid to shareholders on 3 February 2014.

On 13 January 2014 Legis Group Holdings Limited announced that it had reached agreement in principle to sell its Guernsey based trust and corporate business to The Bank of N.T. Butterfield & Son Limited with completion expected to be completed during the first quarter of 2014.