



BAILIWICK
INVESTMENTS

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 22 SEPTEMBER 2008 TO 31 OCTOBER 2009

**BAILIWICK INVESTMENTS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2009**

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**BAILIWICK INVESTMENTS LIMITED
DIRECTORY**

Registered Office	Bordeaux Court Les Echelons St. Peter Port Guernsey GY1 6AW
Directors	David Lowe (Chairman) John Henwood Susie Farnon
Manager	Cenkos Channel Islands Investment Management Limited 16 New Street St. Peter Port Guernsey GY1 4JG
Administrator, Registrar and Custodian	Bordeaux Services (Guernsey) Limited Bordeaux Court Les Echelons St. Peter Port Guernsey GY1 6AW
Independent Auditors	Grant Thornton Limited Lefebvre House Lefebvre Street St Peter Port Guernsey GY1 3TF
Legal advisors	Ozannes Advocates and Notaries Public 1 Le Marchant Street St. Peter Port Guernsey GY1 4HP
Listing Sponsors	Ozannes Securities Limited 1 Le Marchant Street St. Peter Port Guernsey GY1 4HP
Property valuers	Jones & Partners Ltd Rue des Landes Forest Guernsey GY8 0DD
Registered Number	49479

**BAILIWICK INVESTMENTS LIMITED
CHAIRMAN'S STATEMENT
FOR THE PERIOD ENDED 31 OCTOBER 2009**

Dear Shareholder,

I am pleased to enclose a copy of the Company's audited year end financial accounts for the period ended 31st October 2009 and accompanying Investment Manager's Report.

In October the Company instructed Jones and Partners to provide an opinion on the open market values of its property portfolio. It was pleasing to learn that due to a consistently strong demand for out of town retail units in Guernsey, Nelson House had increased in value. On the downside, I was disappointed that the valuation reported a decrease of 7% on the value of our flagship property, Carey House.

The global economic crisis has resulted in some challenging trading conditions for 2009 and the Channel Islands have not been altogether shielded from the impacts of the global recession. Locally, there has been an increase in yields on commercial property, leading to a decrease in values of around 8%. Comfort should be gained that the local property market has emerged relatively unscathed from the global crisis this year, in comparison to the UK where values in some property sectors are down by 40%.

The Board of Directors remains confident that the property portfolio continues to be a solid investment for the Company. Jones and Partners have noted "current expectations are that yields will decline over the coming six to twelve months, leading to increased capital values" and I am optimistic that we will see the value of Carey House return to its acquisition level in the near future.

In line with the aim of the Company to invest in a diverse range of Channel Islands based businesses, I am pleased to report that the Company has acquired shareholdings in both local and locally connected companies this year. An appreciation in value of these stocks has also mitigated the effects of the devaluation of Carey House and as a result, the drop in the Net Asset Value of the Company is just 4.8% from the first published Net Asset Value back in January. As a result of the acquisition of these stocks, the Company now has a more diversified portfolio which is also in a cash strong position following the draw down of the loan facility in October.

The Investment Committee is continuing to search new investment opportunities for the Company and with funding now at hand, is able to move swiftly in securing new investments.

As was reported on the Channel Islands Stock Exchange in a company announcement on 30th October 2009, I was delighted to welcome both Susie and Mel into their respective new roles. The Board would like to take this opportunity to thank Tom Scott junior for his contribution to the Investment Committee and wish him well in his future projects. Mel has replaced Tom on the Committee and with his extensive experience in the private equity field, will be a strong addition to the panel. I look forward to working with Susie who has replaced Mel on the Board of Directors.

The Board of Directors and Investment Committee are optimistic that 2010 will bring new opportunities to the Company and I look forward to announcing further acquisitions and Company success in future reports.

David Lowe
Chairman

29 December 2009

**BAILIWICK INVESTMENTS LIMITED
INVESTMENT MANAGER'S REPORT
FOR THE PERIOD ENDED 31 OCTOBER 2009**

Latest Net Asset Value per share as at 31 October 2009 was 91.21p (31 July 2009, 97.23p)

Current Share Price 95p - 100p

In its first year of trading, Bailiwick Investments Limited has had to contend with some tough market conditions. Notwithstanding this, the Company has continued to build a diversified portfolio of assets, taking its exposure in commercial property down to 63% of gross asset value from 90% in December 2008.

To comply with the Company's reporting requirements, property holdings are valued on an annual basis. Jones and Partners were instructed to provide an opinion on the market values of Carey House and Nelson House at 31st October 2009. The valuation was undertaken within the definition of market value as set out in the current edition of the RICS Valuation and Standards (6th Edition). Carey House was valued at £15,463,000 and Nelson House at £6,758,000.

Jones and Partners concluded, "we consider that whilst the value of Commerce [sic] House has been adversely impacted over the proceeding twelve months, which is reflected in our current valuation, the current expectations are that yields will decline over the coming six to twelve months, leading to increased capital values".

The valuation of Carey House has impacted on the year-end net asset value, which at 91.21p, represents a drop in value of 4.86% since the first published net asset value of 95.87p. The fall in value in properties alone equates to 7p per share and is disappointing; however the Manager is buoyed by the fact that the Channel Islands property market has not been as badly affected as the UK property market.

Commercial property values in the UK have substantially declined during 2008 and the first six months of 2009, with values in the office investor section down between 30% and 40%. The Channel Islands have been shielded somewhat from this and comfort can be gained from the fact that the local property market has not witnessed, to the same extent, the difficulties experienced by the UK. The global recession has certainly had an impact with yields on local properties moving out to over 6%-7%, equating to a fall in values of approximately 8%.

On the upside, current expectations are that yields will improve over the coming six to twelve months with some local prime office developments targeting rents in excess of £40 per sq ft. This change has also been the case in the UK, where a 0.2% rise in office capital values was evidenced in October this year.

Locally, the retail market remains relatively strong due to a lack of out of town units and as a result, one of the initial properties, Nelson House has increased marginally in value.

The Manager remains of the opinion that the property portfolio continues to offer investors a strong return on income with Carey House yielding a competitive 6.2% alongside good existing covenants and a solid hedge against the growing sentiment of impending inflation.

In the UK, it has been widely recognised that government injections of liquidity into the economy have stimulated economic growth. The UK equity market has reacted quickly to this intervention, with the FTSE 100 rallying by almost 40% since its low.

**BAILIWICK INVESTMENTS LIMITED
INVESTMENT MANAGER'S REPORT
FOR THE PERIOD ENDED 31 OCTOBER 2009**

In order to diversify the portfolio away from property and to position Bailiwick Investments Limited to take advantage of this positive movement in equity markets, the Company has instigated purchases in equity investments; Jersey Electricity Company, Marwyn Materials and the Channel Islands Stock Exchange (CISX).

Jersey Electricity Company is listed on the London Stock Exchange (AIM). The core business is supplying electricity to Jersey of which it holds a monopoly. It also supplies a range of building services and equipment including space and water heaters, heat pumps and air-conditioning. The company's position is very secure, it has £15m cash on balance sheet, although much of this will be used to improve Jersey's electricity infrastructure, very strong cash flow and dividend policy all of which will underpin the share price.

Marwyn Materials Limited was floated on London's Alternative Investment Market in 2008. It is a shell company created by Marwyn Capital which will target building materials and aggregate businesses in the UK, Europe and United States. Marwyn Capital has a strong track record and in the past has targeted confectionery, gaming and waste recycling. The company has an extremely strong management team including Peter Tom who was the chief executive of Aggregate Industries and Simon Vivian the former chief executive of Mowlem plc and chief operating officer of Hanson.

The Company also purchased 10% of the share capital of the CISX. The CISX is an internationally recognised listing facility and screen based trading platform for financial products and entities. It will continue to be an attractive place to list because of the nature of the regulatory framework alongside an efficient and economical listing service. The company has invested heavily in staff and systems which will provide a firm base from which the business can push forward. The CISX continues to produce strong results through its dynamic approach to searching out new opportunities and as a stock holding, also offers good capital growth.

As at 31st October 2009, the Company's portfolio holdings are shown below:

Asset Class	Gross % of Portfolio
Property	63
Equities	6
Cash	31

Elsewhere the team has been busy exploring a number of investment opportunities in Channel Island businesses. Following, in some cases, a lengthy due diligence procedure none of these deals has come to fruition. Ultimately of course, time spent assessing the viability of an investment is key to the long term success of the business and rejecting a business opportunity that does not measure up to our criteria may be as important as making a deal.

Bailiwick Investments Limited continues to explore new investment opportunities, with 2010 offering the possibility of working with new partners on a number of exciting potential investment acquisitions.

Given the signing of a facility agreement with a major high street bank, further funding is now in place and the Company is in a position to move forward with preliminary due diligence for further potential investments.

**BAILIWICK INVESTMENTS LIMITED
INVESTMENT MANAGER'S REPORT
FOR THE PERIOD ENDED 31 OCTOBER 2009**

At the end of October 2009, a restructuring to both the Board and the Investment Committee occurred; Mel Carvill stepped down as a non-executive Director in order to take up a role on the Investment Committee. Mel replaced Tom R Scott, who, by agreement with the Manager, decided to step down in order to concentrate on other business interests.

Mel, a founder of PPF Partners Group, has a wealth of experience in the private equity field and the Board feel will be a strong addition to the Committee.

Susie Farnon was appointed to the Board and replaced Mel Carvill. Susie was formerly a Banking and Finance Audit Partner of KPMG Channel Islands and has been a member of the States of Guernsey Audit Commission and States of Guernsey Public Accounts Committee. Susie is currently a Commissioner of the Guernsey Financial Services Commission.

The Manager, on behalf of Bailiwick Investments Limited, is committed to continuing to seek out long term capital gains and returns for investors and is confident that with a more favourable property environment coupled with potential deal flows, the medium term offers strong potential to improve on the Company's net asset value.

Genkos Channel Islands Investment Management Limited

29 December 2009

**BAILIWICK INVESTMENTS LIMITED
DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 OCTOBER 2009**

The Directors are pleased to present their report together with the audited consolidated financial statements of Bailiwick Investments Limited (the "Fund") and its subsidiaries (together the "Group") for the period ended 31 October 2009.

Background

The Fund 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 Fund is to achieve long term capital growth by investment in a diversified portfolio of investments, principally in businesses, property and assets situate, 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 period are set out in the Consolidated Income Statement on page 9. The Directors do not recommend the payment of a dividend in respect of the period ended 31 October 2009.

Directors

The Directors who served on the Board during the period, together with their beneficial interests at 31 October 2009, were as follows:

		Ordinary shares	% of shareholdings
David Lowe OBE	(appointed 22 September 2008)	500,000	1.88%
John Henwood MBE	(appointed 22 September 2008)	75,000	0.28%
Mel Carvill	(appointed 22 September 2008, retired 23 October 2009)	100,000	0.38%
Susie Farnon	(appointed 23 October 2009)	100,000	0.38%

In addition to the above holdings, Susie Farnon is one of the beneficiaries of a trust with an interest in 500,000 ordinary shares.

All of the Directors are independent.

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 Group as at the end of the financial period and of the Consolidated Income Statement of the Group for that period 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

BAILIWICK INVESTMENTS LIMITED
DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 OCTOBER 2009

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund 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 Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Secretary

The Secretary of the Fund at 31 October 2009 was Bordeaux Services (Guernsey) Limited who were appointed on 3 December 2008.

Independent auditors

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

29 December 2009

**BAILIWICK INVESTMENTS LIMITED
INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD ENDED 31 OCTOBER 2009**

To the members of Bailiwick Investments Limited

We have audited the consolidated financial statements of Bailiwick Investments Limited for the period ended 31 October 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation, is in accordance with applicable law and International Financial Reporting Standards (IFRSs) as issued by the IASB.

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 auditors

As described in the Statement of Directors' Responsibilities on page 6 the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit 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 consolidated 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 group'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.

Opinion on the financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 31 October 2009 and of the group's loss for the period then ended;
- have been properly prepared in accordance with IFRSs as issued by the IASB; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

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

- the group 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
29 December 2009

BAILIWICK INVESTMENTS LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 OCTOBER 2009

	Notes	22 September 2008 to 31 October 2009 £
Rental income	2	1,131,954
Service charge income	2	17,742
Property expenses		(26,990)
Fair value adjustment on revaluation of investment properties	5	(1,779,000)
Fair value adjustment on revaluation of financial assets	6	111,282
Gross operating loss		(545,012)
Administration and other expenses	4	(557,865)
Other income		3,219
Initial expenses		(93,200)
Loss before income tax		(1,192,858)
Taxation	13	(175,910)
Retained loss for the period		(1,368,768)
Weighted average shares in issue during the period		21,069,307
Loss per Ordinary Share (basic and diluted)		(£0.0650)

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

The notes on pages 13 to 25 form part of these financial statements.

BAILIWICK INVESTMENTS LIMITED
CONSOLIDATED BALANCE SHEET
31 OCTOBER 2009

	Notes	31 October 2009 £
Non-current assets		
Investment property	5	22,221,000
Current assets		
Financial assets at fair value through profit or loss	6	2,251,625
Other receivables and prepayments	7	8,413
Cash and cash equivalents	8	11,634,260
Total assets		<u>36,115,298</u>
Equity and liabilities		
Share Premium	12	25,581,500
Retained loss		<u>(1,368,768)</u>
Total equity		<u>24,212,732</u>
Liabilities		
Non-current liabilities		
Borrowings	9	10,559,959
Current liabilities		
Borrowings	9	296,236
Due to brokers		526,091
Other payables	10	344,370
Taxation	13	175,910
Total liabilities		<u>11,902,566</u>
Total equity and liabilities		<u>36,115,298</u>
Net Asset Value per Ordinary Share	14	£0.9103

Approved by the Board of Directors on 29 December 2009 and signed on its behalf by:

David Lowe
Chairman

Susie Farnon
Director

The notes on pages 13 to 25 form part of these financial statements.

BAILIWICK INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 OCTOBER 2009

	Notes	Share capital £	Share premium £	Retained earnings £	Total £
Balance at 22 September 2008		-	-	-	-
Issue of ordinary shares	12	-	26,600,000	-	26,600,000
Share issue costs	12	-	(1,018,500)	-	(1,018,500)
Loss attributable to equity shareholders		-	-	(1,368,768)	(1,368,768)
Balance at 31 October 2009		-	25,581,500	(1,368,768)	24,212,732

The notes on pages 13 to 25 form part of these financial statements.

BAILIWICK INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 OCTOBER 2009

	Notes	22 September 2008 to 31 October 2009 £
Cash flows from operating activities		
Retained loss for the period		(1,368,768)
Adjusted for:		
Increase in receivables	7	(8,413)
Increase in payables	10,13	520,280
Fair value adjustment on investment properties	5	1,779,000
Fair value adjustment on financial assets	6	(111,282)
Financing costs	2	(143,805)
Net cash flows from operating activities		<u>667,012</u>
Cash flows from investing activities		
Purchase of investment property	5	(24,000,000)
Purchase of financial assets		(1,614,252)
Net cash flows from investing activities		<u>(25,614,252)</u>
Cash flows from financing activities		
Proceeds on issue of Ordinary Shares	12	26,600,000
Expenses on issue of Ordinary Shares	12	(1,018,500)
Proceeds from borrowings	9	11,000,000
Net cash flows from financing activities		<u>36,581,500</u>
Increase in cash and cash equivalents		<u><u>11,634,260</u></u>

The notes on pages 13 to 25 form part of these financial statements.

BAILIWICK INVESTMENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2009

1 GENERAL INFORMATION

Bailiwick Investments Limited (the "Fund") 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 Fund was admitted to the Channel Islands Stock Exchange (the "CISX") on 15 December 2008.

The principal activity of the Fund is to achieve long term capital growth by investment in a diversified portfolio of investments, principally in businesses, property and assets situate, 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 International Financial Reporting Standards ("IFRS's") issued by the International Accounting Standards Board ("IASB") and with those parts of The Companies (Guernsey) Law 2008, applicable to companies preparing their accounts under IFRS. The financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of investments and assets and liabilities at fair value through profit or loss.

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.

Standards, interpretations and becoming effective in the year to 31 October 2009 but not relevant to the Group or Fund

IFRIC 11 – IFRS 2 - Group and treasury share transactions.

IFRIC 12 – Service concession arrangements.

IFRIC 13 – Customer loyalty programmes.

IFRIC 14 – IAS 19 - the limit on a defined benefit asset, minimum funding requirements and their interaction.

IFRS 5 – non-current assets held for sale and discontinued operations.

IFRIC 16 – hedges of net investment in a foreign operation.

IFRIC 17 – distribution of non-cash assets to owners.

Standards, interpretations and amendments to published statements not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IAS 1 – Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income.

IAS 8 – Accounting policies, changes in accounting estimates and errors.

IAS 10 – Events after the reporting period

BAILIWICK INVESTMENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, interpretations and amendments to published statements not yet effective (continued)

IAS 16 – Property, plant and equipment (amendment and consequential amendment to IAS 7: Statement of cash flows)

IAS 18 – Revenue

IAS 20 – Accounting for government grants and disclosure of government assistance (amendment)

IAS 23 – Borrowing costs – Comprehensive revision to prohibit immediate expensing.

IAS 27 – IAS 28 and IAS 31 – Consequential amendments arising from amendments to IFRS 3.

IAS 28 – Investments in associates (amendment)

IAS 29 – Financial reporting in hyperinflationary economies (amendment)

IAS 31 – Interests in joint ventures (amendment and consequential amendments to IAS 32 and IFRS 7)

IAS 32 – Financial instruments presentation – Amendments relating to puttable instruments and obligations arising on liquidation.

IAS 34 – Interim financial reporting

IAS 36 – Impairment of assets (amendment)

IAS 38 – Intangible assets (amendment)

IAS 39 – Financial instruments: Recognition and measurement - Amendments clarifying two issues regarding hedge accounting.

IAS 40 – Investment property (amendment and consequential amendments to IAS 16)

IAS 41 – Agriculture (amendment)

IFRS 1 – First-time adoption of International Financial Standards - Amendments relating to additional exemptions for first time adopters.

IFRS 2 – Share based payments - Revision of standard.

IFRS 3 – Business Combinations - Revision of standards relating to acquisitions for group companies.

IFRS 7 – Financial instruments: Disclosures.

IFRS 8 & IFRIC 8 – Operating segment – Amendments relating to IAS 14 Segment Reporting.

IFRIC 13 – Customer loyalty programmes

IFRIC 15 – Agreements for constructions of estates

Adoption of the above standards and interpretations are not expected to have a material impact on the Group's 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:

BAILIWICK INVESTMENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgements (continued)

Fair value of unlisted financial instruments

The Fund holds stocks that are unlisted on recognised exchanges. The Directors make judgements as to the fair value of these investments based on estimates supplied by the Investment Manager. 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.

Fair value of investment properties

The fair value of investment properties are calculated by independent appraisers and are undertaken with the definition of market value as set out in the current edition of the RICS Valuation and Standards. Due to the nature of these assets, such valuations are subject to significant uncertainty.

Consolidation

The consolidated financial statements comprise the Financial Statements of the Fund and its wholly owned subsidiary undertakings which are entities with limited liability incorporated and domiciled in Guernsey. All subsidiaries have a reporting date of 31 October.

Subsidiaries are fully consolidated from the date on which control is transferred to the Fund, and continue to be consolidated until the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between entities are eliminated on consolidation.

Functional and presentation currency

The performance of the Fund 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 Fund's functional and presentation currency.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the Income Statement.

Financial assets at fair value through profit or loss

The Fund classifies its investments as financial assets at fair value through profit or loss. These financial assets are classified as held for trading or designated by the Directors at fair value through profit or loss at inception. Financial assets held for trading are those acquired principally for the purposes of selling in the short term.

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

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Income Statement. Subsequent to initial recognition, all financial assets at fair value through profit and loss are measured at fair value. Gains and losses arising from changes in the fair value are presented in the Income Statement in the period in which they arise.

BAILIWICK INVESTMENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

Investment properties are initially recognised at cost, being the fair value of the consideration given, including transaction costs associated with the acquisition of the property.

After initial recognition, freehold investment properties are measured at fair value, with changes in fair value recognised in the Income Statement. Fair value is based upon market valuations of the properties at the balance sheet date, in accordance with the definition of market value as set out in the RICS Valuation and Standards.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statement in the year of retirement or disposal.

Annual valuations of the investment properties are based upon estimates and subjective judgements that may vary from the actual values and sales prices that may be realised by the Group upon ultimate disposal.

Listed investments

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

Unlisted investments

The fair value of unlisted investments are based on estimates provided by the investment manager.

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 in hand, deposits in bank and overdrafts with a maturity of less than three months at the date of inception.

Loans and borrowings

Loans are initially recognised at fair value net of unamortised discount and financing fees incurred to acquire the debt and are subsequently measured 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.

Ordinary shares

The Fund has no planned end date and shareholders will not be entitled to require the Fund to redeem their shares at any time. Accordingly the Ordinary Shares have been classified as equity in accordance with IAS 32 "Financial Instruments: Presentation". Incremental costs directly attributable to the issue of new shares is shown in equity as a deduction from the proceeds.

BAILIWICK INVESTMENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Business combinations are accounted for using the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any excess of identifiable net assets over acquisition cost is recognised in profit or loss immediately after acquisition.

Segmental Reporting

The Directors are of the opinion that the Fund is engaged in a single segment of business, being investment business and one geographical location, being the Channel Islands.

Financial Assets and Liabilities

The financial assets and liabilities of the Fund are defined as investments, cash and cash equivalents, other receivables and payables. The currency exposure of the Fund's net financial assets is disclosed in note 11.

Income and Expenses

Income is recognised on an accruals basis.

Rental income from operating leases is recognised in income on a straight-line basis over the term of the lease.

Expenses are recognised on an accruals basis.

Taxation

The Fund intends to apply for exemption from Guernsey Income Tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 for the year commencing 1 January 2010. Pursuant to the granting of exemption under the above mentioned Ordinance, the Fund will be subject to an annual fee, currently £600, payable to the Guernsey Authorities. With effect from 1 January 2008 Guernsey's Corporate Tax Regime changed, however there is no effect on the Fund's tax position as a result of this change as the Fund intends to register as tax exempt. It should be noted, however, that the fund will be subject to Guernsey taxation at 20% on its net rental income.

3 MATERIAL AGREEMENTS

The Fund 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 Fund 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 per subsidiary of the Fund and an annual fee of £5,000 in respect of registrar services. In addition the Administrator received a one-off set-up fee of £20,000.

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3 MATERIAL AGREEMENTS (continued)

Management Fees

Pursuant to the provisions of the Investment Management Agreement, the Manager is entitled to receive an annual management fee of 1.5% of the Adjusted Closing NAV of the Fund (excluding cash and property investments), 1% on property investments and 0.1% on cash and cash equivalents. This fee is payable quarterly in advance.

Management Fees

The Manager is also entitled to a performance fee, calculated by taking an amount equal to 20% of the amount, by which, at the end of any accounting period, the Adjusted Closing 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 payable annually in arrears on completion of the audit of the financial statements of the Fund for the relevant accounting period. The first relevant accounting period begins on admission and ends on 31 October 2009. Each subsequent accounting period is a period of one financial year. 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.

Directors' fees

David Lowe is entitled to an annual fee of £25,000, John Henwood and Susie Farnon are each entitled to an annual fee of £20,000.

4 ADMINISTRATION AND OTHER EXPENSES

	22 September 2008 to 31 October 2009 £
	<hr/>
Management fees	217,746
Administration fees	65,233
Audit fees	15,000
Directors' fees	70,417
Property valuation fees	51,833
Registrar fees	4,292
Legal and professional fees	100,679
Other sundry expenses	32,665
	<hr/>
	557,865

5 INVESTMENT PROPERTY

	31 October 2009 £
	<hr/>
Property at fair value	
Acquisitions	24,000,000
Fair value adjustment on investment property	(1,779,000)
	<hr/>
Fair value at 31 October 2009	22,221,000

The Group's investment properties were revalued at 31 October 2009 by independent professionally qualified valuers.

In the income statement, rental income for the period amounted to £1,131,954 and direct operating expenses amounted to £26,990.

BAILIWICK INVESTMENTS LIMITED
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5 INVESTMENT PROPERTY (continued)

The Group's investment property comprise purpose built office building, retail warehouse units and residential units. The period of leases whereby the Group leases out its investment property under operating leases is 14 years or more with the exception of two residential units, representing net annual rent of approximately £20,400, whose leases expire in 2010.

The future aggregate minimum rentals under non-cancellable operating leases are as follows:

	31 October 2009 £
No later than 1 year	1,335,216
Later than 1 year and no later than 5 years	5,286,764
Later than 5 years	18,339,894
	<u>24,961,874</u>

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	22 September 2008 to 31 October 2009 £
Movement on investments	
Purchases at cost	2,140,343
Movement on revaluation of investments	111,282
	<u>2,251,625</u>
Represented by	
Closing book cost	2,140,343
Closing revaluation of investments	111,282
	<u>2,251,625</u>

7 OTHER RECEIVABLES AND PREPAYMENTS

	31 October 2009 £
Prepayments	5,571
Other receivables	2,842
	<u>8,413</u>

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

BAILIWICK INVESTMENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8 CASH AND CASH EQUIVALENTS

31 October 2009
£

Cash at bank	11,634,260
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9 BORROWINGS

31 October 2009
£

Current bank borrowings	296,236
Non-current bank borrowings	10,559,959
	<u>10,856,195</u>

On 29 October 2009, the Group entered into a five year, £11 million floating rate term loan. Interest on the loan is payable annually in arrears at a rate equal to the sum of the bank's base rate plus 1.50%.

Security for the loan is provided by way of Security Interest Agreements over the issued share capital of the Group's property holding subsidiaries Column Holdings Limited and Commerce Holdings Limited as well as certain of the Group's bank accounts and lease rights.

10 OTHER PAYABLES

31 October 2009
£

Management fee	6,029
Administration fee	20,333
Audit fee	15,000
Prepaid rent, prepaid service charges and rent deposits	225,761
Legal and professional fees	56,900
Other payables	20,347
	<u>344,370</u>

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

11 FINANCIAL RISK MANAGEMENT

The Fund'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 Fund's exposure to these financial risks.

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

Market Price Risk

Price risk

Price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund is exposed to securities price risk arising from investments held by the Fund for which future prices are uncertain. The Fund 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.

BAILIWICK INVESTMENTS LIMITED
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11 FINANCIAL RISK MANAGEMENT (continued)

At 31 October 2009, 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 period would amount to approximately +/- £1.2 million.

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

	31 October 2009 £
Investment property	22,221,000
Listed securities	1,140,625
Unlisted securities	1,111,000
	<u>24,472,625</u>

Foreign Currency Risk

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

Interest Rate Risk

The Fund 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 Fund holds cash and cash equivalents and a sterling denominated floating rate loan that exposes the Fund to cash flow interest rate risk.

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

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

31 October 2009	Fixed interest	Variable interest	Non interest bearing	Total
Assets	£	£	£	£
Investment property	-	-	22,221,000	22,221,000
Financial assets at fair value through profit or loss	-	-	2,251,625	2,251,625
Other receivables and prepayments	-	-	8,413	8,413
Cash and cash equivalents	-	11,634,260	-	11,634,260
Total Assets	-	11,634,260	24,481,038	36,115,298
Liabilities				
Term loan	-	10,856,195	-	10,856,195
Other payables	-	-	870,461	870,461
Taxation	-	-	175,910	175,910
Total Liabilities	-	10,856,195	1,046,371	11,902,566
Total interest sensitivity gap	-	778,065	23,434,667	24,212,732

BAILWICK INVESTMENTS LIMITED
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11 FINANCIAL RISK MANAGEMENT (continued)

At 31 October 2009, 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 +/- £3,890, arising substantially from the cash and cash equivalents and term loan.

Credit Risk

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

The credit risk of the Group's cash and cash equivalents is mitigated as all cash is placed with reputable banking institutions with a sound credit rating.

The Fund's maximum credit exposure is limited to the carrying amount of financial assets recognised at the Balance Sheet date which amounted to £13,888,727.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The Fund 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 2009 is low as cash and cash equivalents exceed unmatched liabilities or other contractual commitments.

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

	Current	Non-current	
	within 1	1 to 5 years	later than 5
31 October 2009	year		years
	£	£	£
Borrowings	418,586	11,632,515	-
Due to brokers	526,091	-	-
Other payables	344,370	-	-
Taxation	175,910	-	-
	<u>1,464,957</u>	<u>11,632,515</u>	<u>-</u>

Capital risk management

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

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

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

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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 24,212,732 and on 26,600,000 Ordinary Shares in issue at 31 October 2009.

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

	31 October 2009 £
NAV	24,212,732
No. of shares in issue	26,600,000
Financial Statements NAV per Share	0.9103
Add back:	
Legal fees on re-structuring	50,000
NAV per Share reported on the CISX	<u>0.9121</u>

15 BUSINESS COMBINATIONS

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired %	Consideration transferred £
Column Holdings Limited	Property holding	22/12/08	100	6,700,000
Commerce Holdings Limited	Property holding	22/12/08	100	17,300,000
				<u>24,000,000</u>

Column Holdings Limited and Commerce Holdings Limited were acquired in conjunction with the purchase of the Initial Property Portfolio. Both companies are incorporated in Guernsey.

Assets acquired and liabilities assumed at the date of acquisition

	Column Holdings Limited £	Commerce Holdings Limited £	Total £
Non-current assets			
Investment property	6,700,000	17,300,000	24,000,000
Liabilities	-	-	-
	<u>6,700,000</u>	<u>17,300,000</u>	<u>24,000,000</u>

Included in the loss for the year is profit of £311,084 (including surplus on revaluation of investment property of £58,000) attributable to the additional business generated by Column Holdings Limited and loss of £1,160,991 (including deficit on revaluation of investment property of £1,837,000) attributable to the additional business generated by Commerce Holdings Limited.

In addition to the above acquisitions, the Group incorporated a new wholly owned subsidiary, Bailiwick Property Holdings Limited, registered in Guernsey with limited liability on 13 May 2009 for the purpose of being an investment holding company.

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15 BUSINESS COMBINATIONS (continued)

Ownership of the Fund's holdings in Column Holdings Limited and Commerce Holdings Limited was transferred to Bailiwick Property Holdings Limited on 23 October 2009.

16 POST BALANCE SHEET EVENTS

There were no significant post Balance Sheet events to report.