BRITANNIC OPPORTUNITIES LIMITED

Report and Financial Statements

For the year ended 30 September 2019

BRITANNIC OPPORTUNITIES LIMITED

REPORT AND FINANCIAL STATEMENTS
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BRITANNIC OPPORTUNITIES LIMITED

REPORT AND FINANCIAL STATEMENTS
GENERAL INFORMATION

DIRECTORS:	C Hickling J Lewis D Stephenson
ADMINISTRATOR, SECRETARY AND REGISTRAR:	Praxis Fund Services Limited Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
INVESTMENT ADVISER:	Investec Corporate and Institutional Banking 36 Hans Strijdom Avenue Foreshore Cape Town 8001 South Africa
REGISTERED OFFICE:	Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
AUDITOR:	Saffery Champness GAT LLP PO Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS
BANKERS:	Investec Bank (Channel Islands) Limited PO Box 188 Glategny Court Glategny Esplanade St Peter Port Guernsey GY1 3LP
COMPANY REGISTRATION NO:	57717

REPORT OF THE DIRECTORS
For the year ended 30 September 2019

The Directors present their report and the audited financial statements ("the financial statements") for the year ended 30 September 2019.

Principal Activity
The principal activity of the Company is investment holding.

The Company is a Guernsey registered closed-ended investment scheme and is subject to the Registered Closed-Ended Investment Scheme Rules 2018 (until 6 October 2018, Registered Closed Ended Investment Scheme Rules 2015). The Company is listed on the Bermuda Stock Exchange.

Going concern
At an Extraordinary General Meeting of the Company held on 22 March 2019, shareholders approved a special resolution to extend the life of the Company for a further period from the Company's current termination date of 11 July 2019, and authorised the Directors to seek to raise additional capital through a secondary fund raising. The fund raising closed on 18 July 2019 and was successful. Accordingly, under the terms of the Company's new prospectus, which replaced the current prospectus with effect from 22 March 2019, and in the absence of a further special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate in April 2023.

The Board notes that the onset of the Covid-19 pandemic has had a significant disruptive impact on economies and financial markets worldwide, and has undertaken an assessment of the effect that the pandemic may have on the Company's ability to operate as a going concern.

The Board considers that the Civid-19 pandemic will not have a significant impact on the Company's ability to continue as a going concern, for the following reasons:

• The Company is closed-ended, as a result of which the Board has the power to decline requests to redeem shareholdings if it believes that such redemptions are not in the best interests of the Company;
• Should investors wish to redeem their shareholdings, there is the option to do so via the secondary market, facilitated by the Investment Adviser;
• Should the Board agree to a redemption, it would be offered to the investor at a price that the assets can be redeemed in the market. The Company itself would not be exposed to any losses that may arise;
• The Company is less exposed to the risk of widespread investor sell-off, because of the defensive nature of the Company's investment profile. Other than through default or insolvency of the debt provider, investors will be aware that on maturity of the Company, at the very least their invested capital will be protected, so limiting their exposure to falls in the markets of the kind that are currently being experienced. The Company has more than 3 years left until its maturity, so the Board considers that investors may be more likely to retain their shareholdings on the basis that they may take the view that the return from the Option investment is likely to be greater in 3 years' time than it is currently at a time of such market turbulence.
• To date the Board has received no enquiries, either directly or via the Investment Adviser, from investors wishing to redeem their shareholdings.

As a result of the extension of the life of the Company, of the above considerations related to the Covid-19 pandemic, and as the Company has sufficient working capital and adequate resources to continue in operations and meet its liabilities as they fall due for the foreseeable future, the Directors have determined that these financial statements should be prepared on a going concern basis.

Results and Dividends
The Statement of Comprehensive Income is set out on page 9. The Directors do not propose a dividend for the year ended 30 September 2019 (2018: Nil).

Directors
The Directors of the Company during the year and to the date of this report are detailed below.

C Hickling

J Lewis

D Stephenson

Directors' and Other Interests

Janine Lewis is a director of Praxis Fund Services Limited ('PFSL'), the Company's Administrator, Secretary, Custodian and Registrar, and David Stephenson is an employee of PFSL. Janine Lewis, Chris Hickling and David Stephenson are shareholders in PraxisIFM Group Limited, the ultimate parent company of PFSL.

During the year, no Director has had any beneficial interest in the shares of the Company.

No Director of the Company, or Investec Corporate and Institutional Banking ('ICIB'), the Investment Advisor to the Company, holds any right, either contingent or otherwise, to subscribe for shares in the Company.

Details of fees paid to PFSL and ICIB during the year are contained in notes 4 and 16 to these Financial Statements.

No fees were paid to the Directors by the Company during the year.

Historical Results

The results and assets and liabilities of the Company for the last five years are as follows:

	Total Assets	Total Liabilities	Total Comprehensive Income/(Loss)
	£	£	£
Year ended 30 September 2019	61,239,599	115,652	5,169,249
Year ended 30 September 2018	49,439,489	29,062	4,146,748
Year ended 30 September 2017	45,294,597	30,918	3,843,984
Year ended 30 September 2016	41,449,929	30,234	3,895,929
Year ended 30 September 2015	37,544,179	20,413	(641,274)

Investment Portfolio

The Company's investment portfolio comprises the following investments:

	Percentage of portfolio	Cost £	Market Value £
Investec Bank Limited Structured Deposit (underlying bonds issued by Absa Group Limited)	63.5%	36,083,069	36,866,845
Investec Bank Limited Structured Deposit (underlying bonds issued by FirstRand Bank Limited)	27.5%	15,660,823	15,990,536
Goldman Sachs International Limited Index Option	9.0%	5,073,929	5,223,798
		56,817,821	58,081,179

Investec Bank Limited, Absa Group Limited, FirstRand Bank Limited and Goldman Sachs International Limited are providers of financial services.

Statement of Directors' Responsibilities
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report, which complies with the requirements of The Companies (Guernsey) Law, 2008.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with The Companies (Guernsey) Law, 2008. The Directors have chosen to prepare financial statements for the Company in accordance with International Financial Reporting Standards (IFRSs).

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- prepare the financial statements on a 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.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the 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.
- the financial statements give a true and fair view and have been prepared in accordance with International Financial Reporting Standards, with The Companies (Guernsey) Law, 2008 and with The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Auditor
A resolution to re-appoint Saffery Champness as auditor will be put to the members at the Annual General Meeting.

By Order of the Board

David Stephenson
Director
31 March 2020

Independent auditor's report to the members

Opinion

We have audited the financial statements of Britannic Opportunities Limited (the "Company") for the year ended 30 September 2019, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs").

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Company as at 30 September 2019 and of the profit for the year then ended;
- have been properly prepared in accordance with IFRSs; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

SAFFERY CHAMPNESS GAT LLP
Chartered Accountants
St Sampson
Guernsey
31 March 2020

BRITANNIC OPPORTUNITIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2019

	Notes	**Year ended 30/09/2019 £**	Year ended 30/09/2018 £
REVENUE			
Interest income	5	**2,153,808**	2,590,429
GAINS/(LOSSES) ON INVESTMENTS			
Investments at fair value through profit or loss	6	**2,858,133**	2,841,274
Investments at amortised cost	8	**(1,560)**	-
Derivatives at fair value through profit or loss	9	**(109,874)**	(168,011)
Reclassification of prior year revaluation gains on available-for-sale investment		**(1,905,478)**	-
		2,995,029	5,263,692
Operating expenses	10	**(615,968)**	(602,097)
Foreign exchange loss		**(194,746)**	-
PROFIT FOR THE YEAR		**2,184,315**	4,661,595
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit and loss			
Foreign exchange translation gains		**1,079,456**	**-**
Reclassification of prior year revaluation gains on available-for-sale investment		**1,905,478**	**-**
Unrealised loss on available-for-sale investment	7	**-**	(514,847)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,169,249**	4,146,748
Earnings per share			
Basic and diluted earnings per ordinary share	11	**GBP 55.80**	GBP 120.48

The notes on pages 13 to 28 are an integral part of these financial statements.

BRITANNIC OPPORTUNITIES LIMITED

STATEMENT OF FINANCIAL POSITION
As at 30 September 2019

	Notes	30/09/2019 £	30/09/2018 £
FIXED ASSETS			
Investments at fair value through profit and loss	6	**5,223,798**	11,675,751
Investments at amortised cost	8	**52,857,381**	-
Available-for-sale investment	7	**-**	37,037,499
Derivative at fair value through profit and loss	9	**53,375**	163,249
		58,134,554	48,876,499
CURRENT ASSETS			
Trade and other receivables	12	**951,010**	445,366
Unpaid share capital		**10**	10
Cash and cash equivalents		**2,154,025**	117,614
		3,105,045	562,990
CURRENT LIABILITIES			
Trade and other payables	13	**(115,652)**	(29,062)
NET CURRENT ASSETS		**2,989,393**	533,928
		61,123,947	49,410,427
CAPITAL AND RESERVES			
Share capital	14	**406**	397
Share premium	15	**51,135,535**	38,659,286
Retained earnings		**8,908,550**	12,656,222
Translation reserve		**1,079,456**	-
Revaluation reserve		**-**	(1,905,478)
EQUITY SHAREHOLDERS' FUNDS		**61,123,947**	49,410,427
Number of fully paid A Class shares		**24,720.472**	38,691.025
Number of fully paid B Class shares		**18,597.629**	-
Net Asset Value per A Class Share		**GBP 1,411.05**	GBP 1,277.05
Net Asset Value per B Class Share		**USD 1,734.04**	N/A

The financial statements were approved and authorised for issue by the Board on 31 March 2020 and signed on its behalf by:

David Stephenson
Director

The notes on pages 13 to 28 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2019

	Management Shareholders	Ordinary Shareholders					Total
	Share Capital £	Share Capital £	Share Premium £	Retained Earnings £	Translation reserve £	Revaluation reserve £	Total £
Year ended 30 September 2018							
At 1 October 2017	10	387	38,659,286	7,994,627	-	(1,390,631)	45,263,679
Net profit for the year	-	-	-	4,661,595	-	-	4,661,595
Revaluation of available-for-sale investments (see note 7)	-	-	-	-	-	(514,847)	(514,847)
At 30 September 2018	10	387	38,659,286	12,656,222	-	(1,905,478)	49,410,427
Year ended 30 September 2019							
Adjustment on adoption of IFRS 9 - reclassification of financial assets to amortised cost	-	-	-	**(66,573)**	**-**	-	**(66,573)**
Net profit for the year	**-**	**-**	**-**	**2,184,315**	**-**	**-**	**2,184,315**
Other comprehensive income							
Reclassification of prior year revaluation gains on investments disposed of during the year	**-**	**-**	**-**	**-**	**-**	**1,905,478**	**1,905,478**
Foreign exchange translation gains	**-**	**-**	**-**	**-**	**1,079,456**	**-**	**1,079,456**
Transactions with owners							
Share issues (see note 14)	-	**169**	**28,489,223**	-	-	-	**28,489,392**
Share issue costs (see note 15)	-	-	**(23,801)**	-	-	-	**(23,801)**
Share redemptions (see notes 14,15)	**-**	**(160)**	**(15,989,173)**	**(5,865,414)**	**-**	**-**	**(21,854,747)**
At 30 September 2019	**10**	**396**	**51,135,535**	**8,908,550**	**1,079,456**	**-**	**61,123,947**

The notes on pages 13 to 28 are an integral part of these financial statements.

BRITANNIC OPPORTUNITIES LIMITED

STATEMENT OF CASH FLOWS
For the year ended 30 September 2019

	Notes	**Year ended 30/09/2019 £**	Year ended 30/09/2018 £
Profit for the year		**2,184,315**	4,661,595
Adjustments for:			
Interest income	5	**(2,153,808)**	(2,590,429)
Gain on investments at fair value through profit and loss	6	**(2,858,133)**	(2,841,274)
Loss on investments at amortised cost		**1,560**	-
Loss on derivatives at fair value through profit and loss	9	**109,874**	168,011
Reclassification of prior year revaluation gains on available-for-sale assets		**1,905,478**	-
Decrease/(increase) in trade and other receivables		**223,708**	(452)
Increase/(decrease) in trade and other payables		**86,590**	(1,856)
Net cash outflow from operating activities		**(500,416)**	(604,405)
Cash flows from investing activities			
Interest income		**420**	2,416
Transfer from fixed deposits		**-**	650,000
Purchase of investments at fair value through profit and loss	6	**(5,073,929)**	-
Purchase of investments at amortised cost	8	**(51,743,892)**	-
Disposal of investments at fair value through profit or loss	6	**14,493,039**	-
Disposal of investments at amortised cost	8	**38,663,883**	-
Net cash (outflow)/inflow from investing activities		**(3,660,479)**	652,416
Cash flows from financing activities			
Share issues	14,15	**27,760,040**	-
Share issue costs		**(23,801)**	-
Share redemptions		**(21,854,747)**	-
Net cash inflow from financing activities		**5,881,492**	-
Increase in cash and cash equivalents for the year		**1,720,597**	48,011
Cash and cash equivalents at the beginning of the year		**117,614**	69,603
Foreign exchange translation gains		**315,814**	-
Cash and cash equivalents at the end of the year		**2,154,025**	117,614

The notes on pages 13 to 28 are an integral part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation
The financial statements of Britannic Opportunities Limited, with domicile in Guernsey, have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value.

Going concern
At an Extraordinary General Meeting of the Company held on 22 March 2019, shareholders approved a special resolution to extend the life of the Company for a further period from the Company's current termination date of 11 July 2019, and authorised the Directors to seek to raise additional capital through a secondary fund raising. The fund raising closed on 18 July 2019 and was successful. Accordingly, under the terms of the Company's new prospectus, which replaced the current prospectus with effect from 22 March 2019, and in the absence of a further special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate in April 2023.

The Board notes that the onset of the Covid-19 pandemic has had a significant disruptive impact on economies and financial markets worldwide, and has undertaken an assessment of the effect that the pandemic may have on the Company's ability to operate as a going concern.

The Board considers that the Covid-19 pandemic will not have a significant impact on the Company's ability to continue as a going concern, for the following reasons:

• The Company is closed-ended, as a result of which the Board has the power to decline requests to redeem shareholdings if it believes that such redemptions are not in the best interests of the Company;
• Should investors wish to redeem their shareholdings, there is the option to do so via the secondary market, facilitated by the Investment Adviser;
• Should the Board agree to a redemption, it would be offered to the investor at a price that the assets can be redeemed in the market. The Company itself would not be exposed to any losses that may arise;
• The Company is less exposed to the risk of widespread investor sell-off, because of the defensive nature of the Company's investment profile. Other than through default or insolvency of the debt provider, investors will be aware that on maturity of the Company, at the very least their invested capital will be protected, so limiting their exposure to falls in the markets of the kind that are currently being experienced. The Company has more than 3 years left until its maturity, so the Board considers that investors may be more likely to retain their shareholdings on the basis that they may take the view that the return from the Option investment is likely to be greater in 3 years' time than it is currently at a time of such market turbulence.
• To date the Board has received no enquiries, either directly or via the Investment Adviser, from investors wishing to redeem their shareholdings.

As a result of the extension of the life of the Company, of the above considerations related to the Covid-19 pandemic, and as the Company has sufficient working capital and adequate resources to continue in operations and meet its liabilities as they fall due for the foreseeable future, the Directors have determined that these financial statements should be prepared on a going concern basis.

Adoption of new and revised standards
During the year, the following relevant standards and interpretations were adopted by the Company:

- IFRS 7 (amended), "Financial Instruments: Disclosures" (amendments effective for periods commencing on or after 1 January 2018, or on application of IFRS 9 if earlier);
- IFRS 9, "Financial Instruments - Classification and Measurement" (effective for periods commencing on or after 1 January 2018);
- IFRS 15, "Revenue from Contracts with Customers" (effective for periods commencing on or after 1 January 2018).

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)
In addition, the IASB completed its Annual Improvements 2014-2016 Cycle project in December 2016 and its Annual Improvements 2015-2017 Cycle project in December 2017. These projects amended certain existing standards and interpretations effective for accounting periods commencing on or after 1 January 2018.

For details of the impact of the adoption of IFRS 9, please see the 'Changes in accounting policies' section below.

The adoption of IFRS 15 has not had a material effect on these Financial Statements as the Company has no income within the scope of IFRS 15.

Other than noted above, the Directors believe that none of these standards and interpretations will have a material effect on the financial statements of the Company.

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

- IFRS 9 (amended), "Financial Instruments - Classification and Measurement" (amendments regarding prepayment features with negative compensation and modifications of financial liabilities, effective for periods commencing on or after 1 January 2019);

In addition, the IASB published ‘Definition of Material (Amendments to IAS 1 and IAS 8)’ in October 2018. This project has amended IAS 1 and IAS 8 to clarify the definition of ‘material’ and to align the definition used in the Conceptual Framework and the standards, effective for accounting periods commencing on or after 1 January 2020.

The Directors do not anticipate that the adoption of these standards in future periods will have a material impact on the financial statements of the Company.

Changes in accounting policies
IFRS 9 “Financial Instruments”
IFRS 9 ‘Financial Instruments’ addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. As such the Company has adopted IFRS 9 for the first time in this financial year.

Key requirements of IFRS 9
Classification and measurement of financial assets will be driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristic of those financial assets.

There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income and (iii) fair value through profit or loss. Under IFRS 9, equity or derivative investments are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

IFRS 9 also introduces a new expected credit loss impairment model, as opposed to the incurred credit loss model implemented under IAS 39. This requires entities to account for expected credit losses at initial recognition and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

Finally, under IFRS 9 greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Impact of IFRS 9 – Classification and measurement

Under the terms of IFRS 9, the Company has determined that it has two distinct business models, as follows:

(i) To invest in one or more debt instruments issued by Investec Bank Limited. The purpose of the Company's investment in the debt instrument is to collect the contractual cashflows of solely payments of principal and interest arising on maturity, which will provide capital protection for investors in the Company. Accordingly, on adoption of IFRS 9, the Company determined that its investment in the Investec Bank Limited Structured Deposit (the "Structured Deposit") should be reclassified from an available-for-sale investment measured at fair value through profit or loss to an investment at amortised cost with effect from the commencement of the current financial year. Subsequent to the maturity of the Structured Deposit on 11 July 2019, the Company invested in two further Structured Deposits issued by Investec Bank Limited, both of which have also been classified as investments at amortised cost.

(ii) To invest in an option linked to an index or basket of indices (the "Option"), in order to provide investors with a potential upside on their investment. Under the terms of IFRS 9, the Option is automatically classified as an investment at fair value through profit or loss.

The adoption of IFRS 9 had a small impact on the valuation of the Structured Deposit, which was reclassified as an investment at amortised cost. As a result of this reclassification, at the start of the year the carrying value of the Structured Deposit was adjusted from a brought forward fair value of £37,037,499 to an amortised cost of £36,970,926, a decrease of £66,573.

In accordance with IFRS 9, the Company is required to assess its investments at amortised cost for expected credit losses at the reporting date and, having reviewed the credit ratings of Absa Group Limited, FirstRand Bank Limited and Investec Bank Limited, has concluded that no credit losses are expected over the lives of the investments.

Other than as noted above, the adoption of IFRS 9 has not had a material impact on these Financial Statements, principally for the following reasons:

- the classification and measurement methodology for all of the Company’s other assets and liabilities has remained the same under IFRS 9 as under IAS 39;
- the Company’s Option investment is measured at fair value and so the changes in IFRS 9 relating to the assessment of credit losses do not apply to this instrument;
- the Company does not apply hedge accounting, and is therefore unaffected by the hedge accounting-related changes introduced in IFRS 9.

In accordance with the transition provisions of IFRS 9, prior year comparative balances have not been adjusted.

Foreign exchange

Items included in the financial statements of the Company are measured in the currency of the primary economic environment in which the Company operates (the "functional currency"). Until the Company's rollover on 18 July 2019, the Directors determined that the functional currency of the Company was Sterling, as it was the currency in which the Company's capital was raised, its investments denominated, and the majority of its expenses incurred. Subsequent to 18 July 2019, the Directors have determined that the functional currency of the Company is US Dollars, as it is the currency in which the Company's investments are denominated, a significant proportion (although not the majority) of capital raised, and in which the majority of the Company's expenses are incurred. For consistency with previous annual financial statements, The Directors have selected Sterling as the presentation currency of the Company.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign exchange (continued)
Foreign currency assets and liabilities are translated into Sterling at the rate of exchange ruling on the reporting date. Foreign currency transactions are translated into the functional currency of US Dollars at the rate of exchange ruling at the date of the transaction, and then translated into Sterling at the average exchange rate for the reporting period. Foreign exchange gains and losses are recognised in the Statement of Comprehensive Income in the period in which they arise. Differences arising on translation from the functional currency to the presentation currency are recognised in other comprehensive income in the period in which they arise and are taken to the translation reserve.

Revenue recognition
Revenue includes bank interest and interest on the Structured Deposits and is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably. Interest on the Structured Deposits has been calculated on an effective interest rate basis. Other revenues are accounted for on an accruals basis.

Expenses
Expenses are accounted for on an accruals basis. All expenses are charged to the Statement of Comprehensive Income, except for expenses incurred in relation to the launch of the Company, which have been charged against share premium.

Investments
The Company's Option investments are classified as investments at fair value through profit or loss.

On adoption of IFRS 9, the Company's investment in the Structured Deposit was reclassified from an investment at fair value through profit or loss to an investment at amortised cost. That Structured Deposit was disposed of during the year. Two further Structured Deposits have been acquired during the year, and these have been classified as investments at amortised cost.

All investments are measured initially at fair value net of transaction costs, except where the investment will subsequently be measured at fair value through profit or loss. Transaction costs relating to the acquisition of investments at fair value through profit or loss are expensed as incurred in the Statement of Comprehensive Income. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

After initial recognition, the Option investment is measured at fair value through profit or loss. Fair value is calculated using quoted market prices, independent appraisals, discounted cash flow analysis or other appropriate valuation models at the year end date. After initial recognition, the Structured Deposits are measured at amortised cost using the effective interest rate method. Gains or losses arising on the disposal of investments are recognised in the Statement of Comprehensive Income, as are unrealised gains or losses on investments at fair value through profit or loss.

Liquid resources
Liquid resources comprise cash and cash equivalents and long-term deposits. Cash and cash equivalents comprises bank balances and short term deposits with an original maturity of three months or less. Deposits with an original maturity of greater than three months are classified as long-term deposits.

Trade and other receivables
Trade receivables are stated at amortised cost less any impairment.

Financial liabilities
Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate method.

Taxation
The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) Guernsey Ordinance 1989 and is charged an annual exemption fee of £1,200 (2018: £1,200).

2. SEGMENT REPORTING

The Board of Directors considers that the Company is engaged in a single segment of business, being the holding of investments. The Board considers that it is the Company's Chief Operating Decision Maker.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

For details of the Directors' judgements in relation to the determination of the Company's functional currency, please refer to note 1, 'Foreign exchange'.

The Directors determined, on adoption of IFRS 9, that the Company's investment in the Structured Deposit should be reclassified from an available-for-sale investment to an investment at amortised cost, in accordance with the requirements of that standard (see note 1), and that its Option investment should be classified as an investment at fair value through profit or loss. On the acquisition of the new Structured Deposits, the Directors determined that they should be classified as investments at amortised cost. The methodologies for establishing the carrying value of the Company's investments are detailed in notes 6 and 8.

4. SIGNIFICANT AGREEMENTS

The following significant agreements have been entered into by the Company:

Administration, Custodian and Secretarial Agreement
Under the Administration, Custodian and Secretarial Agreement, the Company has agreed to pay or procure to be paid to the administrator, for its services as administrator, secretary, custodian and registrar, a fee of 0.13% (2018: 0.15%) per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date, which attract a redemption fee of up to 0.5% of the value of the redemption). In addition the administrator is entitled to receive interest earned by the Company on the unpaid element of the fees due to the date of termination. See notes 10, 12 and 16 for details of administration fees and interest paid in the year and balances outstanding at the year end.

Investment Advisory Agreement
Under the Investment Advisory Agreement, the Company has agreed to pay or procure to be paid to the advisor, for its services as advisor, a fee of 0.60% (2018: 0.65%) per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date, which attract a redemption fee of up to 0.75% of the value of the redemption). In addition the Investment Advisor is entitled to receive interest earned by the Company on the unpaid element of the fees due to the date of termination. See notes 10, 12, 13 and 16 for details of investment advisory fees and interest paid in the year and balances outstanding at the year end.

Distribution Agreement
Under the Distribution Agreement, the Company has agreed to pay or procure to be paid to the Distributors a fee of 0.60% (2018: 0.70%) per annum of that portion of the Company's funds that is derived from the subscription amount subscribed for by Subscribers introduced by the Distributor (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date). See notes 10, 12 and 13 for details of distribution fees paid in the year and balances outstanding at the year end. Investec Corporate and Institutional Banking, the Company's Investment Advisor, is also a Distributor for the Company.

4. SIGNIFICANT AGREEMENTS (continued)

All fees described above are payable annually in advance on the anniversary of the Trade Date (the date of investment of the Company's funds) each year until the Termination Date (the date of compulsory redemption of the ordinary shares).

5. INTEREST INCOME

	Year ended 30/09/2019	Year ended 30/09/2018
	£	£
Interest on available-for-sale investments	**-**	2,588,013
Interest on investments at amortised cost	**2,153,388**	-
Bank interest	**420**	2,416
	2,153,808	2,590,429

6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30/09/2019	30/09/2018
	£	£
BNP Paribas Index Option		
Fair value brought forward	**6,868,673**	5,164,798
Disposals	**(8,652,244)**	-
Gains on disposal	**1,783,571**	1,703,875
Fair value carried forward	**-**	6,868,673

	30/09/2019	30/09/2018
JP Morgan Securities Index Option	**£**	£
Fair value brought forward	**4,807,078**	3,669,679
Disposals	**(5,840,795)**	-
Gains on disposal	**1,033,718**	1,137,399
Fair value carried forward	**-**	4,807,078

	30/09/2019	30/09/2018
Goldman Sachs International Index Option	**£**	£
Acquisition	**5,073,929**	-
Fair value adjustment	**40,844**	-
Translation difference	**109,025**	
Fair value carried forward	**5,223,798**	-

The BNP Paribas Index Option and the JP Morgan Index Option, which were disposed of during the year, were Call Options referenced to the FTSE 100 index. The Goldman Sachs International Index Option acquired during the year is a Call Option referenced to the Euro Stoxx 50 index (30%), the S&P 500 index (40%) and the Nikkei 225 index (30%).

The Directors determine the fair value of the Options based on valuations provided by the counterparty. These valuations are calculated using formulae specified in the Option contract, which is based on the movements in the closing price of the index from the issue date of the Options to the reporting date.

The Options have been classified as level 2 investments in the fair value hierarchy.

7. AVAILABLE-FOR-SALE INVESTMENTS

	30/09/2019	30/09/2018
	£	£
Investec Bank Limited Structured Deposit		
Fair value brought forward	**37,037,499**	34,964,333
Reclassification to investments at amortised cost	**(37,037,499)**	-
Interest	**-**	2,588,013
Fair value adjustment	**-**	(514,847)
Fair value carried forward	**-**	37,037,499

On the adoption of IFRS 9 at the commencement of the financial year, the Company's investment in the Structured Deposit was reclassified as an investment at amortised cost (see note 8).

8. INVESTMENTS AT AMORTISED COST

	30/09/2019	30/09/2018
	£	£
Investec Bank Limited Structured Deposits		
Reclassification of available-for-sale investments to amortised cost on adoption of IFRS 9	**37,037,499**	-
Adjustment to carrying value on adoption of IFRS 9	**(66,573)**	-
Interest	**1,694,517**	-
Disposals	**(38,663,883)**	-
Loss on disposals	**(1,560)**	-
	-	**-**
Acquisition of new Structured Deposits during the year	**51,743,892**	-
Interest	**458,871**	-
Translation difference	**654,618**	-
Carrying value carried forward	**52,857,381**	-

On the adoption of IFRS 9 at the start of the year, the Structured Deposit was reclassified from an available-for-sale investment to an investment at amortised cost (see note 7). Had the Structured Deposit not been reclassified, the Company would have recognised interest of £1,694,517 and a loss on disposal of £68,133 through profit or loss in the year. An adjustment of £66,573 was required to the brought forward value of the Structured Deposit as a result of its reclassification as an investment at amortised cost.

The effective interest rate on the Structured Deposit at the date of reclassification was 5.9811%.

The Structured Deposit held at the start of the year matured on 11 July 2019. On the rollover of the Company on 18 July 2019, the Company acquired two new Structured Deposits ("SD1" and "SD2") from Investec Bank Limited.

SD1 comprises:

- A holding of Absa Group Limited 6.25% bonds maturing in 2028 (the "Absa bonds"). The Absa bonds were purchased in the market, and are callable by the issuer at par on 25 April 2023; and
- An accreting bank deposit, which commences on the date of the first coupon payment from the Absa bonds, receives all subsequent coupon payments during the life of the Company, and earns interest on a quarterly compounding basis.
- An interest rate swap, which fixes the interest rate on the accreting deposit. In accordance with IFRS 9, this instrument is classified separately in the Statement of Financial Position under the heading 'Derivatives at fair value through profit and loss', and movements in the fair value thereof are recognised separately in the Statement of Comprehensive Income (see note 9).

8. INVESTMENTS AT AMORTISED COST (continued)

Investec Bank Limited Structured Deposits (continued)

SD2 comprises:

- A holding of FirstRand Bank Limited 6.25% bonds maturing in 2028 (the "FirstRand bonds"). The FirstRand bonds were purchased in the market, and are callable by the issuer at par on 25 April 2023; and
- An accreting bank deposit, which commences on the date of the first coupon payment from the FirstRand bonds, receives all subsequent coupon payments during the life of the Company, and earns interest on a quarterly compounding basis.
- An interest rate swap, which fixes the interest rate on the accreting deposit. In accordance with IFRS 9, this instrument is classified separately in the Statement of Financial Position under the heading 'Derivatives at fair value through profit and loss', and movements in the fair value thereof are recognised separately in the Statement of Comprehensive Income (see note 9).

Other than the interest rate swap components, the Company's investments in SD1 and SD2 are classified as investments at amortised cost and are measured at amortised cost using the effective interest rate method.

The effective interest rates used for calculating the interest on SD1 and SD2 are 4.5808% and 4.9299% respectively.

The Company has assessed the investments in the new Structured Deposits for expected credit losses at the reporting date and, having reviewed the credit ratings of Absa Group Limited, FirstRand Bank Limited and Investec Bank Limited, has concluded that no credit losses are expected over the lives of the investments.

9. DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30/09/2019	30/09/2018
	£	**£**
Fair value brought forward	**163,249**	331,260
Loss on disposal	**(163,249)**	-
Acquisition	**-**	-
Fair value adjustment	**53,375**	(168,011)
Fair value carried forward	**53,375**	163,249

Derivatives at fair value through profit or loss comprise interest rate swaps, which were acquired during the year, to fix the interest rate on the accreting deposit components of the Structured Deposits (see note 8). The interest rate swaps are measured at its mark-to-market value, based on valuations provided by the swap issuer, less a provision for unwind costs, estimated by the Investment Advisor.

The interest rate swap is classified as a level 2 investment in the fair value hierarchy.

10. OPERATING EXPENSES

	Year ended 30/09/2019	Year ended 30/09/2018
	£	£
Distributors' fees	**271,036**	268,210
Investment advisory fees	**258,588**	251,491
Administration fees	**65,228**	60,944
Audit fee	**8,987**	7,500
Guernsey Financial Services Commission licence fees	**3,400**	3,525
Listing & sponsorship fees	**4,517**	5,736
Statutory fees	**2,354**	1,750
Professional indemnity insurance	**1,075**	979
Legal & professional fees	**-**	353
Interest payable	**-**	733
Sundry expenses	**783**	876
	615,968	602,097

11. EARNINGS PER ORDINARY SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 30/09/2019	Year ended 30/09/2018
Earnings attributable to ordinary shares:	£	£
Earnings for purpose of calculation of basic and diluted earnings per share being earnings for the year attributable to ordinary shareholders	**2,184,315**	4,661,595
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**39,146.264**	38,691.025
Earnings per share attributable to ordinary shares	**GBP 55.80**	GBP 120.48

11. EARNINGS PER ORDINARY SHARE (continued)

A weighted average number of shares has been calculated to enable users to gain a fairer understanding of the earnings generated per share through the year. The weighted average has been calculated with reference to the number of days shares have actually been in issue in the year, and hence their ability to influence income generated.

12. TRADE AND OTHER RECEIVABLES

	30/09/2019	30/09/2018
	£	£
Amounts due from shareholders	**729,352**	-
Prepaid administration fee	**63,171**	44,515
Prepaid distributors' fees	**154,517**	205,035
Prepaid investment advisory fee	**-**	192,236
Other debtors and prepayments	**3,970**	3,580
	951,010	445,366

The amounts due from shareholders relate to outstanding subscription monies due in respect of shares issued during the year. All such amounts have been settled subsequent to the year end.

13. TRADE AND OTHER PAYABLES

	30/09/2019	30/09/2018
	£	£
Current		
Audit fee	**7,900**	7,500
Distributors' fees	**34,150**	-
Investment advisory fee	**72,890**	
Listing fee	**712**	-
License fees	**-**	19
Interest payable	**-**	21,543
	115,652	29,062

14. SHARE CAPITAL

Following the adoption of the Company's amended Articles of Incorporation, approved by special resolution on 22 March 2019, the Company no longer has a specified amount of authorised capital.

	30/09/2019	30/09/2018
	£	£
Issued:		
10 unpaid Management shares of £1 each (2018: 10 unpaid shares of £1 each)	**10**	10
38,691.03 fully paid Ordinary shares of £0.01 each	**-**	387
24,720.472 A Class shares of £0.01 each (2018: Nil)	**247**	-
18,597.629 B Class shares of US$0.01 each (2018: Nil)	**149**	-
	406	397

On 11 February 2019, 818.777 Ordinary shares were redeemed at a price of £1,180.26 per share.

With effect from 22 March 2019, the Company's Ordinary shares were redesignated as A Class shares, and a new share class of US Dollar-denominated B Class shares was created.

On 30 April 2019, 603.716 A Class shares were redeemed at a price of £1,257.04 per share.

In accordance with a resolution approved by Shareholders on 22 March 2019 to authorise the Directors to extend the life of the Company for a further period of 3.75 years, the Company sought to raise additional capital through a secondary fund raising, an exercise which was successfully achieved during the year. Accordingly, on 18 July 2019, 14,556.840 A Class shares were redeemed at a price of £1,381.87 per share; 2,018.780 A Class shares were issued at a price of £1,381.87; and 18,597.629 B Class shares were issued at a price of US$1,723.19.

A Class and B Class shares are entitled to 1 vote each at a general meeting of the company. Under the terms of the Company's new prospectus, which replaced the current prospectus with effect from 11 April 2019, and in the absence of a further special resolution to extend the life of the Company, the Company's shares will be redeemed and the Company will terminate on 4 May 2023. A Class and B Class shareholders are entitled to receive any dividends or distributions from the Company and any surplus arising on the winding up of the Company after the payment of creditors and redemption of the Management shares at their nominal value.

Management shares are entitled to 10,000 votes each at a general meeting of the Company. Management shares may only be owned by The Basket Trust (see note 16) or its nominee. Management shareholders are not entitled to receive any dividends or distributions from the Company nor any surplus arising on the winding up of the Company in excess of the nominal value of the Management shares.

15. SHARE PREMIUM

	30/09/2019	30/09/2018
	£	£
Balance brought forward	**38,659,286**	38,659,286
A Class shares redeemed during the year	**(15,989,173)**	-
A Class shares issued during the year	**2,789,699**	-
B Class shares issued during the year	**25,699,524**	-
Capitalised launch costs	**(23,801)**	-
Balance carried forward	**51,135,535**	38,659,286

16. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The immediate controlling party at the year end date is PraxisIFM Trust Limited as trustee of The Basket Trust, which owns the Management shares in the Company, and the ultimate controlling party is PraxisIFM Group Limited ('PGL'), a company incorporated in Guernsey. PGL is also the ultimate controlling party of Praxis Fund Services Limited ('PFSL'), the administrator of the Company.

PFSL is deemed to be a related party, as Janine Lewis is a director of PFSL and a shareholder in PGL; Chris Hickling is a shareholder in PGL; and David Stephenson is an employee of PFSL and a shareholder in PGL. During the year PFSL received £65,228 (2018: £60,944) for its services as administrator. At the year end date administration fees of £63,171 (2018: £44,515) had been paid to PFSL in advance. At the year end date no interest on outstanding fees (2018: £4,020) was payable to PFSL.

The Investment Advisor, Investec Corporate and Institutional Banking, a division of Investec Bank Limited, the issuer of the Company's Structured Deposit, is deemed to be a related party. During the year Investec Corporate and Institutional Banking received £258,588 (2018: £251,491) for their services as investment advisor. At the year end date investment advisory fees of £72,890 were outstanding (2018: £192,236 paid in advance) to Investec Corporate and Institutional Banking and no interest on outstanding fees (2018: £17,523) was payable to Investec Corporate and Institutional Banking.

The Company is exposed to market risk, credit risk and liquidity risk from the financial instruments it holds. The Company has a fixed modus operandi, as stated in its prospectus, which is to invest its capital in a zero coupon bond (or other structured product with similar characteristics) and an option or options on a specified index or basket of indices; and to retain a certain element of cash to cover expenses to be incurred over the specified period of its life. As a result of this, the Company's flexibility in dealing with the risks associated with these instruments is somewhat limited. However, the risk management policies that are employed by the Company to manage these risks are discussed below.

(i) Market risk

(a) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency of US Dollars (2018: measurement currency of Sterling). As at 30 September 2019, the Company is exposed to foreign exchange risk in relation to the following assets and liabilities:

	30/09/2019	30/09/2018
	£	£
Investec Bank (CI) Limited - cash and cash equivalents	**27,186**	-
Trade and other payables	**(7,900)**	-
	19,286	-

17. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(a) Currency risk (continued)
At 30 September 2019, the foreign currency exposure of the Company against the measurement currency of US Dollars, principally to Sterling, represented 0.03% of Equity Shareholder's Funds (2018: 0% exposure against the measurement currency of Sterling). The Company's policy is not to manage the Company's exposure to foreign exchange movements by entering into any foreign exchange hedging transactions. If the exchange rate of the US Dollar against Sterling at the year end date had been 10% higher/lower, this would have resulted in an increase/decrease in the year end net asset value of £1,929 (2018: £Nil). The sensitivity rate of 10% is regarded as reasonable as this is the approximate volatility of Sterling against the US Dollar in the year.

The Company had no other material currency exposures as at 30 September 2019 or 30 September 2018.

(b) Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents and on interest payable on outstanding future fees, the majority of which are denominated in US Dollars (2018: all held in Sterling). At 30 September 2019, the Company held cash on call accounts of £2,154,025 (2018: £117,614), which earns interest at floating rates, currently 0% (2018: 0%). At 30 September 2019, the Company had outstanding future fees on which interest may be payable of £1,196,914.

Had these balances existed for the whole of the year, the effect on the Statement of Comprehensive Income of an increase/decrease in short term interest rates of 0.25% per annum would have been an increase/decrease in the gain/loss for the year of £5,385 (2018: £294). The sensitivity rate of 0.25% is regarded as reasonable in relation to the current US Dollar base rate of 1.75% (2018: Sterling base rate of 0.75%), as the interest rate of both currencies has been stable. The reasonableness of sensitivity rates for interest rate risk is assessed against the base rate of the currency in which the majority of the Company's bank balances are held.

The Company had no other material interest rate exposures as at either 30 September 2019 or 30 September 2018. At 30 September 2018, the Structured Deposit investment was exposed to fair value interest rate risk in respect of the interest rate swap that forms a part of the instrument. At 30 September 2019, the Company's Structured Deposits are interest-bearing, however they earn interest at a fixed rate and are therefore not subject to interest rate risk.

17. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(c) Price risk
Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Company's investments at fair value through profit or loss are directly affected by changes in market prices.

Price risk is managed at inception by investing in a combination of two financial instruments: a holding of zero coupon bonds, or other structured product with similar characteristics, that will provide capital protection for investors; and a call option on a basket of indices that the investment advisor believes is most likely to provide positive performance during the life of the Fund. In order to provide capital protection, the amount of bonds acquired is calculated to ensure that the maturing amount of the Structured Deposit will be sufficient to guarantee that all investors who remain in the Fund to maturity will at minimum get back the amount that they invested. The call option provides the potential for significant upside performance, should the relevant indices perform well, with the downside limited to loss of the initial option premium.

The investment premise of the Company involves participation in the potential upside afforded by the Options, whilst enjoying the capital protection afforded by the Structured Deposit. Therefore, whilst the Board monitors the performance of the Option and Structured Deposit, it is unlikely that the Board would consider redeeming these at any stage, other than in relation to the redemption of investors' shares. As a result, the management of price risk effectively occurs at the inception of the Company in the selection of investments, and is not an active ongoing process during the remainder of the life of the Company.

The investments at fair value through profit or loss and available-for-sale investment expose the Company to price risk. The details are as follows:

	30/09/2019	30/09/2018
	£	£
Goldman Sachs International Index Option	**5,223,798**	-
BNP Paribas Index Option	**-**	4,807,078
JP Morgan Securities Index Option	**-**	6,868,673
Investec Bank Limited Structured Deposit	**-**	37,037,499
Derivatives at fair value through profit or loss	**53,375**	163,249
	5,277,173	48,713,250

A 50 per cent increase/decrease in the value of the Index Option at 30 September 2019 would have increased/decreased the Net Asset Value of the Company by £2,611,899 (2018: £5,837,876). The sensitivity rate of 50% is regarded as reasonable due to the potential volatility of the Euro Stoxx 50 index (2018: FTSE 100 index), to which the Option(s) is linked, which is magnified by the participation rate of 200% (2018: 138%) attached to the Option(s).

The Board notes that, subsequent to the year end date, the onset of the Covid-19 pandemic has had a significant negative impact on stock markets worldwide, including the indices to which the Company's Option investment is linked, and that this has had a correspondingly negative impact on the value of the Company's Option investment, which has fallen by approximately 69% in the two month period preceding the date of signing of these financial statements.

A 5 per cent increase/decrease in the value of the Structured Deposit at 30 September 2019 would have increased/decreased the Net Asset Value of the Company by £1,851,875. The lower sensitivity rate of 5% was regarded as reasonable, as the rate at which interest was earned on the instrument, which formed the main part of the annual uplift in value, was largely fixed, and the instrument was not significantly subject to the volatility of investment markets.

17. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(ii) Credit risk
Credit risk arises when a failure by counter-parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the year end date. These financial assets include cash and cash equivalents, fixed deposits, trade and other receivables, available-for-sale investments and investments at fair value through profit or loss. The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying value or fair value of these instruments.

The Company states in its Prospectus that it will invest in a Structured Deposit instrument provided by Investec Bank Limited ('IBL') and an option linked to a specified index, and provides extensive disclosure to shareholders of those instruments and the risks attached thereto. As a result of this, the Company's policy for managing the credit risk attached to the Company's financial assets is to monitor the credit rating of the relevant counterparty for any significant deterioration, without reference to an absolute range of credit ratings. In the event of there being any significant deterioration in the perceived creditworthiness of the counterparty to a point where shareholders' interest may be at risk, the Directors in their absolute discretion would consider the following courses of action: selling the relevant securities to third party purchasers and reinvesting the proceeds in the purchase of securities of another issuer, such that the new securities would replicate as closely as possible the terms and conditions of the original securities; and transferring cash to another banking institution. At initial recognition of the Structured Deposit and the Option, the Directors considered the credit risk attached to these instruments to be low, and this remains their view. The Directors would only seek to sell the relevant securities or transfer cash if they consider on the advice of the investment advisor that such would be in the best interests of the Company and its shareholders.

In accordance with this policy, the Board and the Investment Advisor have noted that the credit rating of IBL as at 30 September 2019 was BB+ (2018: BB+), and also notes Fitch's comment that IBL's rating is constrained by the sovereign rating of South Africa of BB+. As a result, the Directors and the investment advisor believe that it is not in the best interest of shareholders to attempt to unwind the Structured Deposits prior to their maturity date on 23 April 2023, as they believe firstly that there has been no significant deterioration in the creditworthiness of IBL, and secondly that obtaining an alternative investment with an institution with a higher credit rating could only be achieved on less favourable terms than those offered by the Structured Deposit, which could affect the Company's ability to offer capital protection to shareholders on their investment.

The year end rating of Investec plc, a sister company to IBL, which holds the Company's cash and cash equivalents, is BBB+ (2018: BBB+).

The bonds which underlie the Structured Deposit are held with Absa Group Limited and FirstRand Bank Limited, which have Fitch long-term ratings of BB+ and BB+ respectively (2018: underlying bonds held with Investec plc, a sister company of IBL, Fitch long-term rating BBB+). The Option is held with Goldman Sachs International , which has a Fitch long-term rating of A+ (2018: BNP Paribas and JP Morgan, Fitch long-term ratings of A+ and A+ respectively).

The Company monitors the creditworthiness of its counterparties on an ongoing basis.

Other than the amounts due from shareholders, which have been settled subsequent to the year end, the majority of the Company's trade and other receivables consists of prepayments and there is no credit risk associated with these balances.

17. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(iii) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet financial liability obligations as they fall due, which may cause financial losses to the Company. The Company places its cash and cash equivalents with financial institutions on a short-term basis in order to maintain a high level of liquidity. This ensures that the Company is able to complete transactions in a timely manner, thus minimising the Company's exposure to such losses.

The Board reviews the cash resources of the Company on an ongoing basis to ensure that sufficient monies are held on call account to meet the Company's short-term obligations. At 30 September 2019 the total balance of cash on call and on short-term deposit was £2,154,025 (2018: £117,614), which is considered by the Board to be sufficient to meet all the Company's short-term obligations.

The following table analyses the Company's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	0-6 months	**6-12 months**	**1-5 years**
30 September 2019	**£**	**£**	**£**
Trade and other payables	**-**	**115,652**	**-**
Net exposure	**-**	**115,652**	**-**

	0-6 months	6-12 months	1-5 years
30 September 2018	£	£	£
Trade and other payables	-	29,062	-
Net exposure	-	29,062	-

(iv) Fair value hierarchy
The following table analyses instruments carried at fair value, by level of the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 September 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Index Option	**-**	**5,223,798**	**-**	**5,223,798**
Derivative at fair value through profit or loss	**-**	**53,375**	**-**	**53,375**
	-	**5,277,173**	**-**	**5,277,173**

30 September 2018	Level 1	Level 2	Level 3	Total
	£	£	£	£
Index Options	-	11,675,751	-	11,675,751
Structured Deposit (including embedded derivative at fair value through profit or loss)	-	37,200,748	-	37,200,748
	-	48,876,499	-	48,876,499

There have been no transfers between levels of the fair value hierarchy during the year.

18. CAPITAL RISK MANAGEMENT

The Company's capital comprises the funds it has raised through the issue of share capital.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to ensure that the Company will be able to continue as a going concern, the Board continuously monitors forecast and actual cash flows and matches the maturity profiles of assets and liabilities. The Board has also considered the impact of the Covid-19 pandemic subsequent to the year end, and does not believe that this will have a significant impact on the Company's capital or its ability to continue as a going concern. The Company has no external borrowings.

Shareholders may be able to redeem their Ordinary Shares prior to the Redemption Date, however such redemptions are wholly at the discretion of the Directors, and any request for redemption may be refused in whole or in part. No early redemptions will be permitted unless the Directors are satisfied that they have complied with all applicable law, including satisfaction of the solvency test as required by the Companies (Guernsey) Law, 2008.

19. POST BALANCE SHEET EVENTS

The impact of the Covid-19 pandemic subsequent to the year end on the Company's ability to continue as a going concern and on its investments has been assessed in notes 1, 17 (i) (c) and 18.

There were no other significant post balance sheet events requiring disclosure in these financial statements.