Sanditon
INVESTMENT TRUST PLC

INTERIM ACCOUNTS

For the six months
to 31 December 2018

Company Number 09040176

Investment Objective

The Company's investment objective is to:

- deliver absolute returns of at least 2% per annum, compounded annually, above RPIX; and
- be an asset diversifier for shareholders by targeting low correlation with leading large capitalisation equity indices.

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Chairman's Statement

for the six months to 31 December 2018

Performance

Your Company's net asset value ("NAV") made modest progress during its first half gaining 2.1%, including the dividend of 0.5p paid to shareholders in December. The share price also had a better half closing at 87p, a gain of 6%, tightening the discount to NAV to 6.8% from the previously reported 10.8%. It was a torrid period for equity markets with the UK market closing off nearly 11%, the Dow and the Euro Stoxx off nearly 12% and the NASDAQ off over 17%. The manager is a little disappointed that the long book did not defend better during the market rout, but it is pleasing that the manager's view that tightening monetary policy was going to pressure global growth and equity markets, is becoming increasingly evident. It is also encouraging that your Company is proving to be an asset diversifier, with its correlation to the UK equity market a very low 0.06x since launch and over the last six months it has been inversely correlated by 0.1x.

With the UK equity market at the end of 2018 back to the level the Company was launched at in the summer of 2014, the manager has temporarily reversed his bearish positioning. Whilst this is largely a tactical call, it also reflects that recent market weakness and fears over the outcome of Brexit negotiations has left many UK stocks on very low valuations. Many UK domestic stocks have been in an extreme bear market and should the performance of the UK economy post its planned exit from the EU in March prove not to be catastrophic for growth, the manager believes UK centric stocks could bounce sharply.

Stake in Sanditon Asset Management

Sanditon Asset Management finished the year with assets under management (AUM) of £549m, a decrease of just over 5% since our last report and 4% lower than SAM's previous year end (March 2018), off which the last valuation was struck. In the context of double digit declines for equity markets, this was a creditable performance but nonetheless falling average AUM means lower revenues. I have highlighted before that extra costs associated with MiFID II will lead to some pressure on SAM's profits, so we expect the next valuation for SAM to see a mark down in the value of our stake in SAM.

Time will tell whether a sharp improvement in SAM's performance in 2018, with its key European long fund recording almost top decile performance in 2018, will translate into asset growth which, in turn, is key for its profit growth. In the meantime, SAM continues to generate cash, with cash balances of £5.5m at 31 December 2018 continuing to provide support to the valuation in SIT's books.

Continuation Vote

Shareholders are reminded that SAM's first continuation vote will be held in December 2020.

Charges and Fees

Our total ongoing charges at 31 December 2018 were 1.3% per annum. No performance fees have been paid or accrued.

Chairman's Statement
continued

Outlook

Tighter global liquidity conditions, slowing economic growth and a poor profit outlook may weigh on share prices in 2019, but significant market weakness in the last few months of 2018 has left pockets of value. Should the equity markets move away from chasing growth stocks, we hope your Company's strong value bias will help it to deliver positive returns in what is set to be another volatile year for financial assets.

Rupert Barclay
Chairman
18 February 2019

Investment Manager's Report

for the six months to 31 December 2018

Overview

"The greatest and boldest operation ever undertaken by the Federal Reserve and... it resulted in one of the most costly errors committed by it or any other banking system in the last 75 years."

So said the British economist Lionel Robbins in testimony to the US Senate Committee in 1934 about the Federal Reserve's loose monetary policy in the run up to the Great Depression. We have no doubt in time that a modern economist will write something similar about the enormous (mis)use of Quantitative Easing ("QE") and zero interest rates, but for the moment the jury is still out on whether the policy has been a failure. I have taken that quote from John Galbraith's seminal book on the Great Crash of 1929 which is well worth (re)reading for its insights into investor behaviour. History does not always repeat itself but it often rhymes, as Mark Twain was attributed as saying. Reading J.K. Galbraith's work again I was struck by how little has changed in respect of central bankers' ability to inflate asset bubbles and the trust that investors place in 'the mystique of central banking'. It is usually investors who come off worse from having too much faith in the competence of monetary authorities.

The market's gyrations continued in the second half of 2018, finishing the year with almost every asset class down by approximately 10%. It turned out there were few places to hide, with even gold finishing the year modestly down. Readers will know that we have been bearish on asset prices and suitably gloomy about our own disappointing performance as markets rose whilst we have often been short. However, on the second last day of 2018 the UK's main index was slightly below the level it was when we launched your Company back in the summer of 2014. We argued then, that in an unprecedented era of loose monetary policy designed to inflate risk assets, going forward 'preserving the real value of capital is going to be a significant challenge for all investors'. The challenge undoubtedly remains, as we have now entered an era of Quantitative Tightening ("QT").

In the first half of your financial year, the UK equity market fell by 11% but the net asset value of your Company rose by 2.1% (including the 0.5p dividend paid in December). Whilst we were slightly disappointed by this outturn, it does highlight that the structure we have been running with since launch remains very lowly correlated with the performance of the underlying markets in which we invest. We have not recovered the lost ground in 2017, but we have made a start and our relative performance has improved materially. We were pleased that the improvement in performance has led to a modest recovery in the share price.

The weakness in equity markets in the second half coincided with US bond yields breaking decisively, albeit briefly, above 3% and the end of global QE. A near 20% correction in NASDAQ, and some unhelpful goading by Mr. Trump, seemed sufficient to make the new Governor of the Federal Reserve turn more dovish in his language when delivering the expected increase in US rates to 2.5% in December. The market expected a further three interest rate increases in 2019, but now many commentators expect none. From peaking at 3.24% in November, the 10 year bond yield crashed back to finish the year at 2.68%. As we have argued previously that

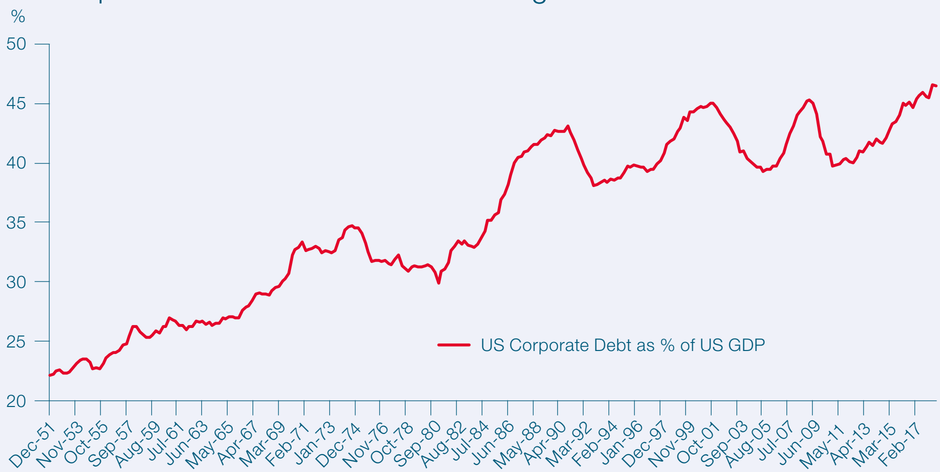
Investment Manager's Report
continued

it would not take much in the way of monetary tightening to cause a significant slowdown (and remember we have had no tightening in Europe or Japan and the US economy has been helped by the massive easing of fiscal policy at the end of 2017), we cannot say we are too surprised at how quickly the Fed has become nervous about its policy tightening. But this is a problem of central bankers' own making. Having flooded markets with years of excessive monetary easing, leading to a huge build up in government and corporate debt (see chart below on US corporate debt) at the peak of this current economic cycle, it is not surprising that investors are frightened the party is ending. There may be bounces as central bankers try to assuage fears, but the conventional arsenal for battling a new global slowdown, which looks underway through much of the developed world, is pretty empty. Alternatives such as peoples' QE do not look very equity or bond friendly to us.

Portfolio Performance and Structure
The first six months of your Company's new financial year saw your portfolio return 2.7% before charges. The long book lost 6.4% but the short book gained 9.1%, representing returns on capital of -11.6% and +21.5% respectively against the market return of -11.0%.

After reasonable outperformance from our long book in the first half of 2018, largely due to bids we reported on last time, we were disappointed that our value oriented long book delivered a return slightly worse than the market. This was in large part due to the performance of two of our top three holdings, **Babcock** and **ITV**. Babcock fell by 40%, costing your Company 2.2% as hedge funds built up short positions and leaked fairly innocuous reports about how management weren't very good and their relationship with the MoD (its key customer) was deteriorating

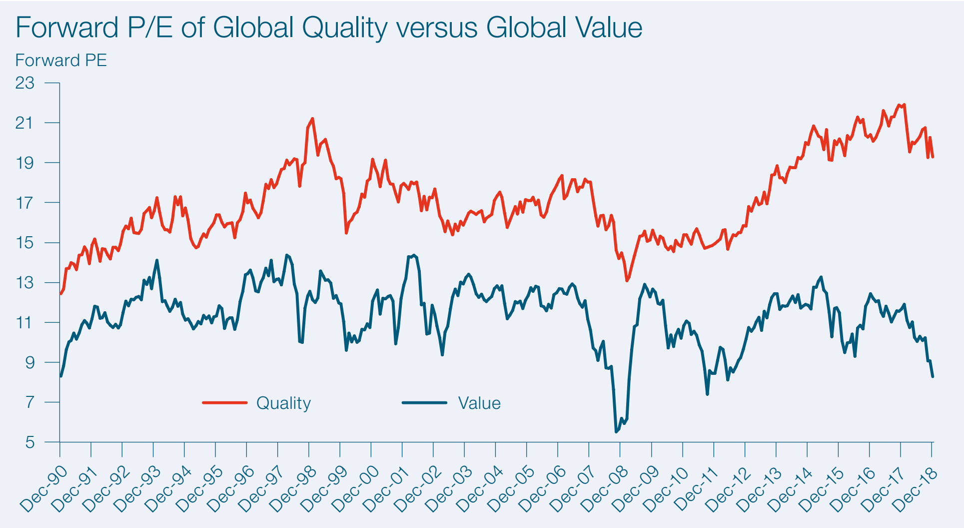
US Corporate Debt has never been this high



Source: SG Cross Asset Research/Equity Quant, Thomson Reuters Datastream

Investment Manager's Report

continued



Source: SG Cross Asset Research/Equity Quant

(speculative hearsay). Babcock's management have certainly made mistakes in the last six years, notably their poorly timed acquisition of Avincis, but its share price performance bears no correlation either with its business performance or its valuation. It finished 2018 on a P/E of less than 6x, and profit forecasts that were within 2% of the numbers expected at the beginning of 2018. Hardly deserving of more than a third of the share price. Hedge funds who think shorting a stable business on such a low valuation is likely to be a profitable trade clearly hope that momentum stays their friend. The chart above shows how QE's effect on different investment styles has been uneven.

We have argued, and continue to believe, that any unwinding of QE will have an equal and opposite effect on markets overall and on the investment styles that have led the bull market. That is why we remain long value and short growth.

ITV fell by 28% costing 1.5% leaving its shares on a P/E of 9x. ITV has experienced greater downgrades than Babcock (forecasts have declined by 15% through 2018), as TV advertising has been hit by both a structural shift towards online and a cyclical downturn, but the valuation seems to us to undervalue its production arm which makes about half of its profits. ITV remains the market's most likely takeover target and deservedly so on this rating. We added to both positions during the half.

Much more encouraging was the performance of our short book where the return on capital was almost double that of the market. Our shorts in growth stocks added 4.6% to NAV and shorts

Investment Manager's Report
continued

in industrial cyclicals added 3.5%. Most of our contributions came from businesses warning on profits (**Valeo**, **Fuchs**, **Sophos**, **Just Eat**) or just a retreat from very high valuations (**Ocado**, **Burberry**, **Intertek**). We expect 2019 will see more of the same and although we moderated our short towards industrial cyclicals in the second half of 2018, we are looking to rebuild into a bounce in the market overall. We remain short growth stocks which have bounced again as bond yields have fallen in December. It is interesting to us how a stock such as Just Eat, where earnings forecasts for 2018 and 2019 have fallen by 30% since the start of 2018 (for reasons we highlighted as likely in our previous reports), only saw a share price fall of 25% in 2018. This tells us that the market's preference for growth stocks remain, even in the face of evidence that too much faith is being placed in forecasts. Unrealistic growth forecasts suggest to us that this area of the market is likely to remain a profitable hunting ground for shorts. It was pleasing that one of our shorts Sophos (cyber security software) had two disappointing statements in 2018 and has warned again in 2019, leading to a fall of more than 50% in its share price.

We have temporarily used the substantial market weakness in the second half of last year to reverse our net short position of 28% by covering our futures short and going long the FTSE future. The use of futures is necessarily a short term tactical instrument and the most efficient instrument for changing the net exposure of your Company quickly. Unfortunately, we went long at the beginning of a December which turned out to be one of the worst on record for the market, negating the contribution made from being short over the rest of the period. Our 40% net long is likely to be temporary. All bear markets typically have sharp bounces after initial falls. However, we are also cognisant that unlike in the summer of 2014 when we started your Company, there are now a significant number of very lowly rated businesses (nearly a quarter of the FTSE 100 trade on under 10x 2019 earnings forecasts) and further significant falls in equity markets are likely to lead us to running with a larger net long position, on average, than we have done since launch.

Your portfolio retains its strong value bias with the average P/E of its long book at 11.6x nearly a third of our short book P/E of 32.8x (excluding the currently loss making Ocado). Should our thesis that a reversal in QE should lead to a reversal in market leadership prove correct, we would expect to make progress in 2019. We have not mentioned Brexit, because at the time of writing it is still unclear what form, if any, it may take. Our view all along has been that Brexit is very much a sideshow to the likely impact global QT will have on markets. In as much as it has had an impact on U.K. domestic stocks in Brexit baskets, we imagine any resolution will lead to a sharp recovery in some of those share prices. If you have any questions, please feel free to contact either the Chairman, Rupert Barclay or us at Sanditon Asset Management.

Tim Russell
Sanditon Asset Management Limited
18 February 2019

Portfolio

as at 31 December 2018

Business Cycle Groupings (% of NAV)*

	Long	Short	Net	Gross
Commodity Cyclicals	0.7	-1.0	-0.3	1.7
Consumer Cyclicals	5.4	-2.1	3.3	7.5
Industrial Cyclicals	4.5	-7.9	-3.4	12.4
Growth	0.0	-17.4	-17.4	17.4
Financial	8.7	0.0	8.7	8.7
Growth Defensives	10.7	-6.9	3.8	17.6
Value Defensives	13.3	-1.0	12.3	14.3
Future	28.5	0.0	28.5	28.5
Total	71.8	-36.3	35.5	108.1

Country Breakdown (% of NAV)*

	Long	Short	Net	Gross
United Kingdom	71.8	-28.1	43.7	99.9
Italy	0.0	-4.8	-4.8	4.8
Germany	0.0	-2.4	-2.4	2.4
Spain	0.0	-1.0	-1.0	1.0
Total	71.8	-36.3	35.5	108.1

**Excluding holdings in Sanditon Asset Management and TM Sanditon UK Select Fund.*

Top 20 Long Positions (% of NAV)**

		%
1	Babcock International	5.0
2	Reed Elsevier	4.8
3	Diageo	4.5
4	ITV	4.3
5	Melrose Industries	3.7
6	Sanditon Asset Management	3.1
7	Vodafone	3.0
8	Aviva	2.4
9	HSBC	2.3
10	British American Tobacco	1.9
11	BT	1.5
12	IG Group	1.5
13	Equiniti Group	1.4
14	J Sainsburys	1.1
15	Greene King	1.1
16	Just Retirement	1.1
17	Man Group	1.0
18	DS Smith	0.8
19	Ophir Energy	0.7
20	Indivior	0.7
Total		45.9

Total number of positions**	40

***Including holdings in Sanditon Asset Management and TM Sanditon UK Select Fund.*

Income Statement

for the six months to 31 December 2018

				(Unaudited)
		Six months to 31 December 2018		
		Revenue	Capital	Total
	Notes	£000	£000	£000
Gains/(losses) on investments held at fair value through profit or loss		–	924	924
Income		340	–	340
Management fee	2	(44)	(132)	(176)
Other expenses		(125)	–	(125)
Return on ordinary activities before taxation		171	792	963
Taxation on ordinary activities		(21)	21	–
Return on ordinary activities after taxation attributable to shareholders		150	813	963
Return per Ordinary Share (pence)		0.30p	1.63p	1.93p

The total column of this statement is the profit and loss account of the Company. All the revenue and capital items in the above statement derive from continuing operations.

The notes on pages 12 to 14 form part of these accounts.

There is no other comprehensive income and therefore the total return for the year is also the total comprehensive income for the year.

	(Unaudited) Six months to 31 December 2017			(Audited) For the year ended 30 June 2018		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
	–	(3,552)	(3,552)	–	(3,895)	(3,895)
	314	–	314	682	–	682
	(45)	(134)	(179)	(88)	(263)	(351)
	(127)	–	(127)	(253)	–	(253)
	142	(3,686)	(3,544)	341	(4,158)	(3,817)
	(8)	13	5	(24)	30	6
	134	(3,673)	(3,539)	317	(4,128)	(3,811)
	0.27	(7.35)	(7.08)	0.63	(8.26)	(7.63)

Statement of Financial Position

as at 31 December 2018

	Notes	(Unaudited) 31 December 2018 £000	(Unaudited) 31 December 2017 £000	(Audited) 30 June 2018 £000
Fixed assets				
Investments at fair value through profit or loss	4	**11,367**	13,869	10,314
Current assets				
Debtors		**84**	60	189
Amounts due in respect of contracts for difference		**1,937**	890	1,239
Collateral paid in respect of contracts for difference		**7,906**	8,977	10,006
UK Treasury Bills		**23,978**	16,989	21,122
Cash and short term deposits		**4,869**	8,610	9,247
Total current assets		**38,774**	35,526	41,803
Current liabilities				
Creditors		**(86)**	(109)	(2,102)
Amounts payable in respect of contracts for difference		**(3,361)**	(3,033)	(4,034)
Total current liabilities		**(3,447)**	(3,142)	(6,136)
Net current assets		**35,327**	32,384	35,667
Total assets less current liabilities		**46,694**	46,253	45,981
Net assets		**46,694**	46,253	45,981
Capital and reserves				
Share capital	5	**500**	500	500
Share premium		**48,872**	48,872	48,872
Capital reserve		**(3,010)**	(3,368)	(3,823)
Revenue reserve		**332**	249	432
Total shareholders' funds		**46,694**	46,253	45,981
Net asset value per share – Ordinary Share (pence)		**93.39**	92.51	91.96

The notes on pages 12 to 14 form part of these accounts.

Statement of Changes in Equity

Six months to 31 December 2018 (unaudited)

	Share Capital £000	Share Premium Account £000	Capital Reserve £000	Revenue Reserve £000	Total £000
Balance at 1 July 2018	**500**	**48,872**	**(3,823)**	**432**	**45,981**
Return on ordinary activities after taxation	**–**	**–**	**813**	**150**	**963**
Dividends paid	**–**	**–**	**–**	**(250)**	**(250)**
Balance at 31 December 2018	**500**	**48,872**	**(3,010)**	**332**	**46,694**

Six months to 31 December 2017 (unaudited)

	Share Capital £000	Share Premium Account £000	Capital Reserve £000	Revenue Reserve £000	Total £000
Balance at 1 July 2017	500	48,872	305	565	50,242
Return on ordinary activities after taxation	–	–	(3,673)	134	(3,539)
Dividends paid	–	–	–	(450)	(450)
Balance at 31 December 2017	500	48,872	(3,368)	249	46,253

For the year ended 30 June 2018 (audited)

	Share Capital £000	Share Premium Account £000	Capital Reserve £000	Revenue Reserve £000	Total £000
Balance at 1 July 2017	500	48,872	305	565	50,242
Return for the year	–	–	(4,128)	317	(3,811)
Dividends paid	–	–	–	(450)	(450)
Balance at 30 June 2018	500	48,872	(3,823)	432	45,981

The notes on pages 12 to 14 form part of these accounts.

Notes to the Interim Accounts

1. ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below:

Basis of accounting

The financial statements have been prepared in accordance with the applicable UK Accounting Standards, being FRS102 – The Financial Reporting Standard – and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (issued in November 2014 and updated in February 2018). The half-year accounts are prepared in accordance with Financial Reporting Standard 104 – Interim Financial Reporting.

The financial information for the period ended 30 June 2018 included in this report has been taken from the Company's full accounts.

They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The financial statements have been prepared on a going concern basis.

2. INVESTMENT MANAGEMENT FEE

	(Unaudited) Six months ended 31 December 2018 £000	(Unaudited) Six months ended 31 December 2017 £000	(Audited) Year ended 30 June 2018 £000
Basic fee:			
25% charged to revenue	**44**	45	88
75% charged to capital	**132**	134	263
	176	179	351
Performance fee charged 100% to capital:			
Performance fee accrual	**–**	–	–
	–	–	–

Notes to the Interim Accounts
continued

The Company's investment manager is Sanditon Asset Management Limited. With effect from Admission, the Manager is entitled to receive from the Company in respect of its services provided under the Management Agreement, a management fee accrued daily and payable monthly in arrears calculated at the rate of one-twelfth of 0.75 per cent. per calendar month of the Company's Net Asset Value. In accordance with the Directors' policy on the allocation of expenses between income and capital, in each financial period 75 per cent. of the management fee payable is expected to be charged to capital and the remaining 25 per cent. to income.

The Manager is also entitled to a performance fee which equals 15 per cent. of the amount by which the Reference Amount at the end of a Performance Period exceeds the higher of (a) the Hurdle (the "Hurdle" means the Initial Gross Proceeds adjusted for the total amount of any dividends paid or payable) increased by RPIX plus 2 per cent. per annum, compounded annually (on a pro-rata basis where applicable) from Admission and (b) the High Watermark (the "High Watermark" means, as at the end of the relevant Performance Period, the highest of (i) the Reference Amount of the previous Performance Period, (ii) the Reference Amount of the most recent Performance Period in respect of which a performance fee was paid; and (iii) the Initial Gross Proceeds; and in each case adjusted for any repurchases by the Company of Ordinary Shares or any dividends paid or payable during the relevant Performance Period multiplied by the time weighted average of the total number of Shares in issue during that Performance Period).

The first "Performance Period" is the period from 27 June 2014 (the date of Admission to the London Stock Exchange) to the end of the Company's third accounting period and each subsequent Performance Period begins immediately after the previous Performance Period and ends at the end of the Company's third accounting period thereafter; provided that where the Management Agreement is terminated the date of such termination shall be the end of the then current Performance Period.

The "Reference Amount" means, in respect of a given Performance Period, the lower of (i) the Net Asset Value on the last Business Day of a Performance Period and (ii) the average of the closing mid-market prices for the five Business Days ending on the last Business Day of a Performance Period of an Ordinary Share as derived from the Official List of the UK Listing Authority, multiplied by the number of Ordinary Shares in issue on the last Business Day of that Performance Period; and in each case adjusted for the total amount of any dividends paid or payable during that Performance Period and any accrual for unpaid performance fees.

3. DIVIDEND

No interim dividend has been declared in respect of the six months to 31 December 2018.

Consideration will be given to an annual dividend in respect of the year ended 30 June 2019 at a Board meeting to be held in September 2019. An announcement will be made shortly after that meeting.

Notes to the Interim Accounts
continued

4. INVESTMENTS

	(Unaudited) Six months ended 31 December 2018 £000	(Unaudited) Six months ended 31 December 2017 £000	(Audited) Year ended 30 June 2018 £000
UK:			
Investments listed on a recognised investment exchange	**5,088**	7,749	4,207
TM Sanditon UK Select Fund	**4,818**	4,571	4,646
Unquoted investment	**1,461**	1,549	1,461
	11,367	13,869	10,314

5. SHARE CAPITAL

	(Unaudited) 31 December 2018 No. of Shares	£000	(Unaudited) 31 December 2017 No. of Shares	£000	(Audited) 30 June 2018 No. of Shares	£000
Allotted, issued & fully paid:						
Ordinary Shares of £0.01	**50,000,000**	**500**	50,000,000	500	50,000,000	500
	50,000,000	**500**	50,000,000	500	50,000,000	500

Interim Management Report
six months ended 31 December 2018

Investment Objective
The Company's investment objective is to:

- deliver absolute returns of at least 2 per cent per annum, compounded annually, above RPIX; and
- be an asset diversifier for shareholders by targeting low correlation with leading large capitalisation equity indices.

Alternative Investment Fund Managers Directive ("AIFMD")
In order to comply with AIFMD, the Company has appointed Sanditon Asset Management Limited ("SAM") to act as its Alternative Investment Fund Manager ("AIFM"). SAM has been approved as a Small Authorised UK Alternative Investment Fund Manager by the UK's Financial Conduct Authority.

Going Concern
The Directors believe that, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, the Company has adequate resources and an appropriate financial structure in place to continue in operational existence for the foreseeable future. The assets of the Company consist mainly of securities which are readily realisable. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

As at 31 December 2018 the Company had net assets of £43.5 million and it has sufficient cash balances to meet current obligations as they fall due. The Company continues to meet day-to-day liquidity needs through its cash resources.

The Directors have a reasonable expectation that the Company will continue in existence for the foreseeable future.

Principal risks and uncertainties
The key risks to the Company fall broadly under the following categories:

- **Investment and strategy**
  The Board will regularly review the investment mandate and long-term investment strategy in relation to the market and economic conditions. The Board also regularly monitors the Company's investment performance against the objective to deliver at least 2% above inflation and its compliance with the investment guidelines.

- **Accounting, legal and regulatory**
  In order to qualify as an investment trust, the Company must comply with the provisions contained in Section 1158 of the Corporation Taxes Act 2010. A breach of Section 1158 in an accounting period could lead to the Company being subject to corporation tax on gains realised in that accounting period. Section 1158 qualification criteria are continually monitored by the Investment Manager and the results reported to the Board at its regular meetings. The Company must also comply with the Companies Act and the UKLA Listing Rules. The Board relies on the services of the administrator, Northern Trust Global Services Limited and its professional advisers to ensure compliance with the Companies Act and the UKLA Listing Rules.

Interim Management Report
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- **Loss of investment team or Investment Manager**
  A sudden departure of the Investment Manager or several members of the investment management team could result in a short-term deterioration in investment performance.

- **Discount**
  A disproportionate widening of the discount relative to the Company's peers could result in loss of value for shareholders. There is a continuation vote in December 2020.

- **Operational**
  Like most other investment trust companies, the Company has no employees and therefore relies upon the services provided by third parties and is dependent on the control systems of the Investment Manager, the custodian and the Company's other service providers. The security, for example, of the Company's assets, dealing procedures, accounting records and maintenance of regulatory and legal requirements, depend on the effective operation of these systems. The custodian produces reports on its internal controls which are reviewed by its auditors and give assurance regarding the effective operation of controls.

- **Market risk**
  The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk (see below).

  - ***Currency risk***
    The Company may invest in overseas securities and its assets may be subject to currency exchange rate fluctuations.

  - ***Interest rate risk***
    Interest rate movements may affect the level of income receivable on cash deposits.

  - ***Other price risk***
    Other price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the investments.

- **Credit risk**
  The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

- **Liquidity risk**
  This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Interim Management Report
continued

Transactions with the Investment Manager
Under AIC Guidance, the Company is required to provide additional information concerning its relationship with the Investment Manager, Sanditon Asset Management Limited ("SAM"). Details of the investment management fee charged by SAM are set out in note 2 on pages 12 and 13. At 31 December 2018, £30,068 (31 December 2017: £29,400) of this fee remained outstanding.

Related party transactions
During the period no transactions with related parties have taken place which materially affected the financial position or performance of the Company. The Directors' current level of remuneration is £20,000 per annum for each Director, with the Chairman of the Audit Committee receiving an additional fee of £4,000 per annum. The Chairman's fee is £30,000 per annum.

Directors' responsibility statement
The Directors are responsible for preparing the interim report, in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge:

- The condensed set of financial statements within the interim report has been prepared in accordance with FRS 104 issued by the Accounting Standards board on "Half-Yearly Financial Reports";
- The Interim Management Report includes a fair review of the information required by 4.2.7R (indication of important events during the first six months of the year, their impact on the condensed set of financial statements, and a description of the principal risks and perceived uncertainties for the remaining six months of the financial year); and
- The Interim Management Report includes a fair review of the information concerning related parties transactions as required by Disclosure and Transparency Rule 4.2.8R.

For and on behalf of the Board

Rupert Barclay
Chairman
18 February 2019

Directors and Officers

as at 31 December 2018

Directors
Rupert Barclay, *Chairman*
Hugo Dixon
Christopher Keljik OBE
Mark Little

Investment Manager and Secretary
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