Highlights

- Net profit for the year was USD 5.2m (2017: USD 16.4m).
- Net Asset Value per share remains stable at USD 1.00 (December 2017: USD 1.00).
- At 15 January 2018, the Company announced an interim dividend of USD 8m (USD 0.04576 per share) to members on the register on 26 January 2018. The dividend was paid on 23 February 2018.
- CLO portfolio and warehouse generated USD 29.7m in distributions and USD 14m in net gains in 2018.

Chairman's and Chief Executive's Review

Introduction

We are pleased to announce the financial results for Livermore Investments Group Limited ("Livermore" or "the Company") for the year ended 31 December 2018. References to the Company hereinafter also include its consolidated subsidiaries (note 8).

The year-end NAV was USD 1.00 per share (2017 NAV: USD 1.00 per share). Net profit for the year was USD 5.2m (2017 Net Profit: USD 16.4m).

The Company recorded net gains of USD 14m from its US CLO and warehousing portfolio. Management took advantage of lower funding costs to reduce the cost of financing or extend some of its CLO positions as well as created new CLOs with long reinvestment periods at very low cost of financing in early 2018 as well as sold some of its short reinvestment period positions. Interest and distribution income from the financial portfolio totalled USD 31.5m (2017: USD 28.0m).

References to financial statements hereinafter are to the Company's consolidated financial statements.

Financial Review

The NAV of the Company at 31 December 2018 was USD 174.3m (2017: USD 175.4m). Net profit, during the year was USD 5.2m, which represents earnings per share of USD 0.03.

Administrative expenses were USD 8.9m (2017: USD 6.2m).

The overall change in the NAV is primarily attributed to the following:

	31 December 2018	**31 December 2017**
	US $m	**US $m**
Shareholders' funds at beginning of year	175.4	157.2
Income from investments	31.5	28.0
Realised losses on investments	(0.1)	(0.1)
Unrealised losses on investments	(15.6)	(4.0)
Administration costs	(8.9)	(6.2)
Net finance income	-	0.5
Increase in net assets from operations	6.9	18.2
Dividends paid	(8.0)	-
Shareholders' funds at end of year	174.3	175.4
Net Asset Value per share	*US $1.00*	*US $1.00*

Dividend & Buyback

At 15 January 2018, the Board announced an interim dividend of USD 8m (USD 0.04576 per share) to members on the register on 26 January 2018. The dividend was paid on 23 February 2018.

The Board of Directors will decide on the Company's dividend policy for 2019 based on profitability, liquidity requirements, portfolio performance, market conditions, and the share price of the Company relative to its NAV.

The company has no shares in treasury.

Richard B Rosenberg
Chairman

Noam Lanir
Chief Executive Officer

21 May 2019

Review of Activities

Introduction and Overview

Overall, 2018 was a challenging year for most asset classes and most market participants. Public equities, government bonds, fixed rate investment bonds as well as most credit markets ended in the red. In light of the investment environment, the Company achieved a relatively strong performance in 2018, generating cash distributions of USD 29.7m from its CLO and warehousing portfolio. The significant volatility in broader markets, however, impacted the year-end valuations of CLO positions reducing the net gain on the CLO and warehousing portfolio to USD 14m (2017: USD 22.1m). As in previous years, the Company actively managed its CLO and warehousing portfolio and generated gains in a year that saw most industry participants experience some losses. The results of 2018 speak to the skills of the management team to create value as well as the resilience of the portfolio.

In 2018, the Company reported NAV/share of USD 1.00 and net profit of USD 5.2m. Interest and distribution income amounted to USD 31.5m, of which, USD 29.7m was generated from the CLO and warehousing portfolio. The net return of the CLO and warehousing portfolio was USD 14m as mark-to-market changes contributed to a loss of USD 16.7m. Administrative expenses amounted to USD 8.9m including USD 2.6m of one-off administration cost.

The Company's income in 2018 derived mainly from its interest and distribution income generated by its CLO and warehouse portfolio. During the year, the CLO and warehousing portfolio generated USD 29.7m in income. CLO equity positions typically generate higher cash flow than their expected IRRs because it is expected that future defaults in the loans held by CLOs may erode the residual value over time. Thus, the performance of the Company's CLO portfolio is mainly through the cash flow generated on a regular basis.

During 2018, spreads in the US senior secured loan market as well as CLO financing costs tightened in the first half of the year, and management pro-actively worked with banks and CLO managers to create two new CLOs and refinance and reduce the financing cost of another CLO position. Further, management sold some of its short reinvestment period CLO positions as it deemed the risk of loan price volatility capped the upside on these positions. On the warehousing front, management closed four warehouses generating USD 4m in gains as well as generating cheap entry points into new CLO positions. In the latter half of the year, management priced another CLO that had secured tight AAA funding costs prior to the CLO debt market widening as well as extending the reinvestment period of another CLO by 5 years.

During the year, the Company invested an additional USD 32.8m in primarily new issue CLO equity positions and disposed USD 16m of CLO positions, while the warehouse portfolio increased by USD 13m as compared to the beginning of the year.

The Company does not have an external management company structure and thus does not bear the burden of external management and performance fees. Furthermore, the interests of Livermore's management are aligned with those of its shareholders as management has a large ownership interest in Livermore shares.

Considering the strong liquidity position of Livermore, together with its strong foothold in the US CLO market as well as the robustness of its investment portfolio and the alignment of management's interests with those of its shareholders, management believes that the Company is well positioned to benefit from current market conditions.

Global Investment Environment

The global economy continued to grow in 2018, supported by the ongoing expansionary monetary policies in the major currency areas and favourable financing conditions. Business and consumer confidence remained relatively healthy, although they did ease back as the year progressed. Employment rose further in the advanced economies, and in some countries (US, Japan, Germany) unemployment fell to its lowest level in decades. Developments varied across the emerging economies. Growth slowed in China, while economic conditions in Brazil, India and Russia continued to improve. The utilisation of production capacity increased worldwide. Against this background, wage growth picked up in various advanced economies. By contrast, consumer price inflation remained subdued overall.

In the second half of the year, the positive economic momentum was overshadowed by concerns regarding the global economic outlook. Trade tensions between the US and China as well as several other countries as well as a number of political issues such as the UK's imminent exit from the EU dampened prospects. Volatility on the financial markets increased markedly from October and most stock markets closed the year with a clear loss.

The US economy gained further momentum in 2018 with annual GDP growth averaging 2.9%. Growth was stimulated by extensive tax cuts and higher public spending. Furthermore, companies continued to benefit from favourable financing conditions. Private consumption remained a driving force on the back of robust disposable income growth and upbeat consumer confidence. By contrast, higher mortgage rates led to a decline in construction investment. The labour market improved further, and the unemployment rate fell to 3.9% by the end of the year. Towards the end of the year, however, the optimism for continued higher growth faded as the US Federal Reserve indicated their intentions to raise interest rates despite signs of slowing global growth.

Economic growth in the euro area was unable to match the strong momentum of 2017. This was partly attributable to special factors, including adverse weather conditions, strikes and a reduction in vehicle production in Germany in connection with new emission standards. Furthermore, business and consumer sentiment cooled during the course of the year. Nevertheless, domestic demand held up well overall and GDP grew by 1.8% in 2018 (2017: 2.5%). The labour market continued to improve. By the end of the year the unemployment rate had fallen to 7.9%, its lowest level since October 2008. Against this backdrop, wage growth picked up.

Economic growth in China remained solid at 6.6%. Nevertheless, momentum slowed during the year, primarily due to modest investment growth. Higher capital market interest rates and macro-prudential measures taken by the government dampened the demand for loans, stabilising household and business debt relative to GDP. The escalation of trade tensions with the US over the course of the year constituted a further risk to the Chinese economy. From September, the US imposed an additional 10% tariff on selected Chinese products with an annual trade value of around USD 200 billion.

Commodity prices fluctuated sharply. Buoyed by the solid global economy and the oil output restrictions agreed by major oil-producing countries, by autumn the price of Brent crude had risen to USD 86 per barrel. However, the expansion in global oil production and concerns regarding a global economic slowdown subsequently led to a price correction. At the end of 2018, the oil price stood at approximately USD 55 per barrel, slightly lower than at the beginning of the year. Industrial metal prices also initially maintained their upward trend before declining in the second half of the year.

Inflation, as measured by the CPI, rose in most advanced economies compared with 2017, primarily driven by higher energy and food prices. Core inflation, which excludes volatile categories of goods such as oil products and food, thus changed only marginally in many countries. In the US, annual average headline inflation rose to 2.5% and core inflation to 2.1%. The Federal Reserve's preferred price inflation measure, the personal consumption expenditure (PCE) deflator, which excludes volatile energy and food prices, was back in line with the Fed's target of 2% for the first time since 2012.

Headline inflation in the euro area increased to 1.7%. However, core inflation remained at around 1%, as it has done for some years. In Japan, headline inflation rose to 1.0% while core inflation continued to fluctuate around 0% over the course of the year. Despite the highly expansionary monetary policy, medium-term inflation expectations persisted significantly below the Bank of Japan's inflation target of 2%.

In light of the inflation momentum and the improved labour market conditions, the US Federal Reserve continued to tighten its monetary policy. It increased the target range for its policy rate in four steps by a total of 1 percentage point to 2.25 – 2.5%. At the same time, it carried on reducing its balance sheet, and emphasised in December that further interest rate rises would be dependent on economic developments. The European Central Bank left its deposit rate at – 0.4% and the main refinancing rate at 0.0%, and said it intended to leave its key rates unchanged at least through the summer of 2019. The ECB remained confident that inflation would move towards its target level of just under 2%. Against this backdrop, it ended its programme of net asset purchases at the end of 2018, having already reduced it from EUR 60 billion per month to EUR 30 billion per month in January, and again in October to EUR 15 billion per month. However, it intends to continue reinvesting maturing bonds for an extended period of time.

While 2017 was characterized by unusually low volatility in financial markets, 2018 was another story. Despite a good start to the year, almost all asset classes had a poor showing. In the US, although the S&P 500 Index had gained about 8% by the end of September, it lost about 15% in the last quarter to end the year down by 7%. The EuroStoxx 50 Index in Europe fared worse losing about 14% for the year. The SHCOMP Index suffered the worst with the Index down about 25% in 2018. Although the US government bond markets performed well in the last quarter, they had a terrible first 9 months. The US 10-year yields increased from 2.46% at the start of the year to a high of 3.23% before ending the year at 2.68%. Fixed rate investment grade bonds suffered a similar fate.

Leveraged Loans was one of the only major asset classes that generated positive returns. The Credit Suisse Leveraged Loan Index (CSLLI) was up 1.14% as compared to the 2.25% loss in the US high yield market as measured by the Merrill Lynch High Yield Master II Index. Loans performed exceedingly well in the first half of the year on the back of continued economic growth in the US and a rising rate environment. Total institutional loans outstanding was $1.048 trillion as of June 30, 2018, up 11% from the prior year. As a result of strong inflows and CLO creation, loan spreads continued to compress. This picture changed in the last two months of the year as concerns over the future growth of the economy and reduced chances of rate increases drove outflows from retail funds as the credit spreads turned wider. Strong demand in 2017 and early 2018 led to weaker documentation and increase in the loan market exposure of Single-B rated loans. This dynamic has the potential to create issues if growth slows down in the future or if financing conditions tighten for an extended period of time.

Sources: Board of Governors of the Federal Reserve System, European Central Bank (ECB), Swiss National Bank, Bloomberg, Morgan Stanley

Livermore's Strategy

The financial portfolio is focused on fixed income instruments which generate regular cash flows and include exposure mainly to senior secured and usually broadly syndicated US loans and to a limited extent emerging market debt through investments in CLOs. This part of the portfolio is geographically focused on the US.

Strong emphasis is given to maintaining sufficient liquidity and low leverage at the overall portfolio level and to re-invest in existing and new investments along the economic cycle.

Financial portfolio

The Company manages a financial portfolio valued at USD 139.2m as at 31 December 2018, which is invested mainly in fixed income and credit related securities.

The following is a table summarizing the financial portfolio as of year-end 2018

Name	**2018 Book Value US $m**	**2017 Book Value US $m**
Investment in the loan market through CLOs	97.1	97.2
Open Warehouse facilities	38.4	25.5
Hedge Funds	1.1	1.0
Perpetual Bonds	1.1	1.2
Other Public Equities	1.5	2.0
Invested Total	**139.2**	**126.9**
Cash	**26.2**	**34.2**
Total	**165.4**	**161.1**

Senior Secured Loans and Collateralized Loan Obligations (CLO):

US senior secured loans are a floating rate asset class with a senior secured claim on the borrower and with overall low volatility and low correlation to the equity market. CLOs are managed portfolios invested into diversified pools of senior secured loans and financed with long term financing.

Continuing the trend in 2017, the leveraged loan market performed well in the first half of 2018 with the Credit Suisse Leveraged Loan Index recording a total return of 2.38%. The demand for floating rate instruments remained strong on the back of rate increases by the US Federal Reserve, and this allowed borrowers to take advantage of the favourable financing conditions and reduce the spread they pay on their loans as well as address near term maturities and reduce the risk of default in the near term. According to JP Morgan, retail loan funds experienced about USD 15.9bn of inflows in the first nine months of 2018. In the last quarter of the year, however, concerns of slowing global economic growth, trade tensions between the US and China, as well as geopolitical risks such as “Brexit” took hold driving credit spreads wider. Loan repricing activity slowed down and retail funds experienced outflows as prospects of higher rates in the US diminished. The last two month of 2018 was marked by increased volatility and lack of liquidity in the Leveraged Loan market and the LSTA/S&P Leveraged Loan Index dropped about 5% from its peak. Retail funds saw about USD 20bn of outflows with USD 15bn in December alone. Default rates, however, have continued to stay below average levels (1.63% for the S&P/LSTA Leverage Loan Index as of 31 December 2018 vs 3% long term average) and the near to mid-term outlook remains benign due to looser covenants and very few near-term loan maturities. While default rates can stay low, we expect price volatility to stay at higher levels than prior years. From the perspective of long-term CLO equity investors, an environment of technically-driven loan price volatility without an increase in defaults over the near to medium term is extremely attractive.

The CLO market started on a very strong footing in 2018 with demand for floating rate paper outstripping supply. The cost of financing for new CLOs in the first quarter declined to lowest levels seen in a decade. As supply caught up to the demand, the tightening bias reversed. By the end of the year, the cost of financing for new CLOs had risen considerably following the rise in spreads in the credit markets. Nonetheless, 2018 was a very active year for CLOs. According to S&P Capital IQ, new US CLO issuance in 2018 totalled a record USD 128.9 billion. In addition, 2018 also saw significant volume in resets (USD 122.1bn) and refinancing (USD 33.8bn).

The Company’s CLO and warehousing portfolio generated cash flow of USD 29.7m and a net return of about USD 14m in 2018. The Company converted four warehouses into CLOs and generated about USD 4m in carry during the year. Management also refinanced one of its CLOs to reduce the cost of financing substantially as well as extended the reinvestment period of another CLO by 5 years. As signs of risk of loan price volatility increased around the middle of the year, management sold its short reinvestment period CLO positions at very high levels. As of year-end 2018, the Company had two open warehouses, one of which has been converted to a CLO as of the date of publication of this report. The Company continues to look for opportunities to invest in the first-loss tranche of warehouse facilities with long tenures and no mark-to-market triggers. As of the end of the year 2018, all of the Company’s US CLO equity positions were passing their Overcollateralization (OC) tests and remained robust. Management continues to actively monitor the CLO portfolio and position it towards longer reinvestment periods through recycling old CLOs into new or refinancing them with extended reinvestment periods, as well as conducting relative value and opportunistic trading.

Looking into the near future, management believes that default rates should continue to stay below historical averages as only a small percentage of the US Leveraged Loan market matures before 2020 and the US corporate tax cuts and stronger economic growth provide for a stable backdrop. Management continues to focus on sectors such as Retail, Healthcare and Technology that are expected to undergo shifts due to technology or regulation.

While management maintains a positive view on the CLO portfolio, mid-long term performance may be negatively impacted by a strong pull back in the US or European economy or geo-political events that could result in a spike in defaults. Despite positive developments in the overall health of the US economy, we acknowledge the continued below trend growth globally as well as headwinds relating to the potential monetary tightening in the US, weak commodity markets and geopolitical risks.

The Company’s CLO portfolio is divided into the following geographical areas:

	2018 Amount US $000	Percentage	2017 Amount US $000	Percentage
US CLOs	97,081	100.00%	96,536	99.28%
Global Credit CLOs	-	-	-	-
European CLOs	-	-	699	0.72%
	97,081	100%	97,235	100%

Private Equity Funds

The other private equity investments held by the Company are incorporated in the form of Managed Funds (mostly closed end funds) mainly in Israel and the emerging economies of India and China. The investments of these funds into their portfolio companies were mostly done in 2008 and 2009. The Company expects material exits of portfolio companies from funds to materialize over the next couple of years. During the reporting period distributions of USD 0.7m were received from SRS Private.

The following summarizes the book value of the private equity funds as at year-end 2018

Name	Book Value US $m
Evolution Venture (Israel)	3.5
Elephant Capital (India)	0.7
Panda Capital (China)	0.4
Da Vinci (Russia)	0.1
Other investments	1.7
Total	**6.4**

Evolution Venture: Evolution is an Israel focused Venture Capital fund. It invests in early stage technology companies. The fund has now exited its investment in WhiteSmoke and written off the Wi-Fi solutions and digital radio investments. Its main asset is its investment in the virtualization technology company, which continues to perform well.

Elephant Capital: India-focused private equity fund, which was AIM quoted (Ticker: ECAP). The fund delisted from the LSE/AIM market in order to reduce costs given the small size of the remaining fund. Livermore owns 9.9% of the delisted fund. As of August 2018, the fund reported an unaudited NAV of 0.37 pence per share.

Da Vinci: The fund is primarily focused on Russia and CIS countries and is primarily invested in the Moscow Exchange and a Ukrainian coal company.

The following table reconciles the review of activities to the Company's financial assets as of 31 December 2018

Name	2018 Book Value US $m
Financial Portfolio	139.2
Private Equity Funds	6.4
Total	**145.6**
Financial assets at fair value	138.1

through profit or loss (note 4)	
Financial assets at fair value through other comprehensive income (note 5)	7.5
Total	**145.6**

Events after the reporting date

One of the two warehouse facilities that the Company invested in, during 2018, with a carrying amount as at 31 December 2018 of USD 15m, was closed in May 2019. For the closed warehouse, Livermore's investment amount plus net carry amounting to a total of USD 15.3m became receivable in May 2019.

After a successful application the Company became a tax resident in the Republic of Cyprus as from 18 January 2019.

Litigation

At the time of this Report, there is one matter in litigation that the Company is involved in. Further information is provided in note 25 to the financial statements.

Report of the Directors

The Directors submit their annual report and audited financial statements of the Company for the year ended 31 December 2018.

The Board's objectives

The Board's primary objectives are to supervise and control the management activities, business development, and the establishment of a strong franchise in the Company's business lines. Measures aimed at increasing shareholders' value over the medium to long-term, such as an increase in NAV are used to monitor performance.

The Board of Directors

Richard Barry Rosenberg (age 63), Non-Executive Director, Chairman of the Board

Richard joined the Company in December 2004. He became Non-Executive Chairman on 31 October 2006. He qualified as a chartered accountant in 1980 and in 1988 co-founded the accountancy practice SRLV. He has considerable experience in giving professional advice to clients in the leisure and entertainment sector. Richard is a Director of a large number of companies operating in a variety of business segments.

Noam Lanir (age 52), Founder and Chief Executive Officer

Noam founded the Company in July 1998, to develop a specialist online marketing operation. Noam has led the growth and development of the Company's operations over the last twenty years which culminated in its IPO in June 2005 on AIM. Prior to 1998, Noam was involved in a variety of businesses mainly within the online marketing sector. He is also the major shareholder of Babylon Ltd, an International Internet Company listed on the Tel Aviv Stock Exchange. He is also a major benefactor of a number of charitable organisations.

Ron Baron (age 51), Executive Director and Chief Investment Officer

Ron was appointed as Executive Director and Chief Investment Officer on 10 August 2007. Ron has led the establishment and development of Livermore's investment platform as a leading specialized house in the credit space. Ron also has wide investment and M&A experience. From 2001 to 2006 Ron served as a member of the management at Bank Leumi, Switzerland and was responsible for investment activity. Prior to this he spent five years as a commercial lawyer advising banks and large corporations on corporate transactions, including buy-outs and privatisations. Ron has over 18 years of experience as an investment manager with particular focus on the US credit market and CLOs. He holds an MBA from INSEAD Fontainebleau and a LLB (LAW) and BA in Economics from Tel Aviv University. Ron is also the founder and owner of Israel Cycling Academy a non-profit professional cycling team.

Augoustinos Papathomas (age 56), Non-Executive Director

Augoustinos joined the Board in February 2019. He is a trained and qualified UK Chartered Accountant. He is the senior Partner of APP Audit and APP Advisory in Cyprus with over 30 years of experience in assurance, taxation and advisory for local and international clients. He is also an insolvency practitioner with experience in many liquidations and receiverships. Augoustinos has served as a director in various bodies and organisations and currently he is the chairman of the Famagusta Chamber of Commerce and Industry in Cyprus.

Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company, and its financial performance and cash flows for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions, and at any time enable the financial position of the Company to be determined with reasonable accuracy and enable them to ensure that the financial statements comply with the applicable law and International Financial Reporting Standards as adopted by the European Union. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the British Virgin Islands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the Auditor

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Substantial Shareholdings

As at 24 April 2019 the Directors are aware of the following interests in 3 per cent or more of the Company's issued ordinary share capital:

	Number of Ordinary Shares	***% of issued ordinary share capital***
Groverton Management Ltd	133,936,588	76.62
Ron Baron	25,456,903	14.56

Save as disclosed in this report and in the remuneration report, the Company is not aware of any person who is interested directly or indirectly in 3% or more of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company.

Details of transactions with Directors are disclosed in note 23 to the financial statements.

Corporate Governance Statement

Introduction

The Company recognises the importance of the principles of good Corporate Governance and the Board is pleased to accept its commitment to such high standards throughout the year.

The Board Constitution and Procedures

The Company is controlled through the Board of Directors, which throughout 2018 comprised one Non-Executive Director until the appointment of a new Non-Executive Director in February 2019 and two Executive Directors. The Chief Executive's responsibility is to focus on co-ordinating the company's business and implementing Company strategy.

A formal schedule of matters is reserved for consideration by the Board, which meets approximately four times each year. The Board is responsible for implementation of the investing strategy as described in the circular to shareholders dated 6 February 2007 and adopted pursuant to shareholder approval at the Company's EGM on 28 February 2007. It reviews the strategic direction of the Company, its codes of conduct, its annual budgets, its progress towards achievement of these budgets and any capital expenditure programmes. In addition, the Directors have access to advice and services of the Company Secretary and all Directors are able to take independent professional advice if relevant to their duties. The Directors receive training and advice on their responsibilities as necessary. All Directors submit themselves to re-election at least once every three years.

Board Committees

The Board delegates clearly defined powers to its Audit and Remuneration Committees. The minutes of each Committee are circulated by the Board.

Remuneration Committee

The Remuneration Committee comprises of the Non-Executive Chairman of the Board and a Non-Executive Director. Throughout 2018, this committee had one member until the appointment of a new Non-Executive Director in February 2019. The Remuneration Committee considers the terms of employment and overall remuneration of the Executive Directors and key members of Executive management regarding share options, salaries, incentive payments and performance related pay. The remuneration of Non-Executive Directors is determined by the Board.

Audit Committee

The Audit Committee comprises of the Non-Executive Chairman of the Board and a Non-Executive Director and is chaired by the Chairman of the Board. Throughout 2018, this committee had one member until the appointment of a new Non-Executive Director in February 2019. The duties of the Committee include monitoring the auditor's performance and reviewing accounting policies and financial reporting procedures.

The Quoted Company Alliance (QCA) Code

The Directors recognise the importance of good corporate governance and have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The QCA Code was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". The Directors anticipate that whilst the Company will continue to comply with the QCA Code, given the Group's size and plans for the future, it will also endeavour to have regard to the provisions of the UK Corporate Governance Code as best practice guidance to the extent appropriate for a company of its size and nature. To see how the Company addresses the key governance principles defined in the QCA Code please refer to the table listed on the Company's website. Further information on compliance with the QCA Code will be provided in our next annual report.

A complete index of the disclosures required by the QCA Code, including those on the Company's website, can be found at http://www.livermore-inv.com/CorporateGovernance.

Communication with Investors

The Directors are available to meet with shareholders throughout the year. In particular the Executive Directors prepare a general presentation for analysts and institutional shareholders following the interim and preliminary results announcements of the Company. The chairman, Richard Rosenberg, is available for meetings with shareholders throughout the year. The Board endeavours to answer all queries raised by shareholders promptly.

Shareholders are encouraged to participate in the Annual General Meeting at which the Chairman will present the key highlights of the Company's performance. The Board will be available at the Annual General Meeting to answer questions from shareholders.

Internal Control

The Board is responsible for ensuring that the Company has in place a system of internal controls and for reviewing its effectiveness. In this context, control is defined in the policies and processes established to ensure that business objectives are achieved cost effectively, assets and shareholder value safeguarded and that laws and regulations are complied with. Controls can provide reasonable but not absolute assurance that risks are identified and adequately managed to achieve business objectives and to minimise material errors, frauds and losses or breaches of laws and regulations.

The Company operates a sound system of internal control, which is designed to ensure that the risk of misstatement or loss is kept to a minimum.

Given the Company's size and the nature of its business, the Board does not consider that it is necessary to have an internal audit function. An internal audit function will be established as and when the Company is of an appropriate size.

The Board undertakes a review of its internal controls on an ongoing basis.

Going Concern

The Directors have reviewed the current and projected financial position of the Company, making reasonable assumptions about interest and distribution income, future trading performance, valuation projections and debt requirements. On the basis of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

Independence of Auditor

The Board undertakes a formal assessment of the auditor's independence each year, which includes:

- a review of non-audit related services provided to the Company and related fees;
- discussion with the auditor of a written report detailing all relationships with the Company and any other parties which could affect independence or the perception of independence;
- a review of the auditor's own procedures for ensuring independence of the audit firm and partners and staff involved in the audit, including the rotation of the audit partner;
- obtaining written confirmation from the auditor that it is independent;
- a review of fees paid to the auditor in respect of audit and non-audit services.

Remuneration Report

The Directors' emoluments, benefits and shareholdings during the year ended 31 December 2018 were as follows:

Directors' Emoluments

Each of the Directors has a service contract with the Company.

Director	Date of agreement	Fees US $000	Benefits US $000	Reward payments US $000	Total emoluments 2018 US $000	Total emoluments 2017 US $000
Richard Barry Rosenberg	10/06/05	60	-	71	131	85
Noam Lanir	10/06/05	400	45	500	945	695
Ron Baron	01/09/07	350	-	4,304	4,654	2,828

The dates are presented in day / month / year format.

Directors' Interests

Interests of Directors in ordinary shares

	Notes	As at 31 December 2018		As at 31 December 2017	
		Number of Ordinary Shares	Percentage of ordinary share capital	Number of Ordinary Shares	Percentage of ordinary share capital
Noam Lanir	a)	133,936,588	76.620%	133,936,588	76.620%
Ron Baron	b)	25,456,903	14.560%	25,456,903	14.560%
Richard Barry Rosenberg		15,000	0.01%	15,000	0.01%

Notes:

a) Noam Lanir has its interest in ordinary shares by virtue of the fact that he owns directly or indirectly all of the issued share capital of Groverton Management Limited.

b) In 2016 a loan of USD 2.500m was made to RB Investments GMBH, a company owned by Ron Baron, for the acquisition of shares in the Company. Interest was payable on the loan at 6-month US LIBOR plus 0.25% per annum and the loan was secured on the shares acquired. The loan, including interest accrued, was repayable on the earlier of the employee leaving the Company or August 2019. The loan including interest accrued was settled during 2018.

Remuneration Policy

The Company's policy has been designed to ensure that the Company has the ability to attract, retain and motivate executive Directors and other key management personnel to ensure the success of the organization.

The following key principles guide its policy:

- policy for the remuneration of executive Directors will be determined and regularly reviewed independently of executive management and will set the tone for the remuneration of other senior executives
- the remuneration structure will support and reflect the Company's stated purpose to maximize long-term shareholder value
- the remuneration structure will reflect a just system of rewards for the participants
- the overall quantum of all potential remuneration components will be determined by the exercise of informed judgement of the independent remuneration committee, taking into account the success of the Company and the competitive global market

- a significant personal shareholding will be developed in order to align executive and shareholder interests
- the assessment of performance will be quantitative and qualitative and will include exercise of informed judgement by the remuneration committee within a framework that takes account of sector characteristics and is approved by shareholders
- the committee will be proactive in obtaining an understanding of shareholder preferences
- remuneration policy and practices will be as transparent as possible, both for participants and shareholders
- the wider scene, including pay and employment conditions elsewhere in the Company, will be taken into account, especially when determining annual salary increases.

Review of the Business and Risks

Risks

The Board considers that the risks the Shareholders face can be divided into external and internal risks.

External risks to shareholders and their returns are those that can severely influence the investment environment within which the Company operates, and include economic recession, declining corporate profitability, higher corporate default rates and lower than historical recoveries, rising inflation and interest rates and excessive stock-market speculation.

The Company's portfolio is exposed to interest rate changes, credit risk, liquidity risk and volatility particularly in the US. In addition, the portfolio is exposed to currency risks as some of the underlying portfolio is invested in assets denominated in non-US currencies while the Company's functional currency is USD. Investments in certain emerging markets are exposed to governmental and regulatory risks.

The mitigation of these risks is achieved by following micro and macroeconomic trends and changes, regular monitoring of underlying assets and price movements and investment diversification. The Company also engages from time to time in certain hedging activities to mitigate these risks.

Internal risks to shareholders and their returns are related to Portfolio risks (investment and geography selection and concentration), balance sheet risk (gearing) and/or investment mismanagement risks. The Company's portfolio has a significant exposure to senior secured loans of US companies and therefore has a concentration risk to this asset class.

A periodic internal review is performed to ensure transparency of Company activities and investments. All service providers to the Company are regularly reviewed. The mitigation of the risks related to investments is effected by investment restrictions and guidelines and through reviews at Board Meetings.

As the portfolio of the Company is currently invested in USD denominated assets, movements in other currencies are expected to have a limited impact on the business.

On the asset side, the Company's exposure to interest rate risk is limited to the interest-bearing deposits and portfolio of bonds and loans in which the Company invests. Currently, the Company is primarily invested in sub-investment grade corporate loans through CLOs, which exposes the Company to credit risk (defaults and recovery rates, loan spreads over base rate) as well as liquidity risks in the CLO market.

Management monitors liquidity to ensure that sufficient liquid resources are available to the Company. The Company's credit risk is primarily attributable to its fixed income portfolio, which is exposed to corporate bonds with a particular exposure to the financial sector and to US senior secured loans.

Further information on Financial risk management is provided in note 28 of the financial statements.

Share Capital

There was no change in the authorised share capital during the year to 31 December 2018. The authorised share capital is 1,000,000,000 ordinary shares with no par value.

Related party transactions

Details of any transactions of the Company with related parties during the year to 31 December 2018 are disclosed in note 23 to the financial statements.

By order of the Board of Directors

Chief Executive Officer

21 May 2019

Independent Auditor's Report to the Members of Livermore Investments Group Limited

Opinion

We have audited the consolidated financial statements of Livermore Investments Group Limited (the ''Company'') and its consolidated subsidiaries Livermore Investments Cyprus Limited and Livermore Capital AG (the ''Group''), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated Financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the ''Auditor's Responsibilities for the Audit of the Consolidated Financial Statements'' section of our report. We are independent of the Group in accordance with the ''International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants'' (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated Financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Uncertain Outcome of a Legal Claim

We draw attention to note 25 to the consolidated financial statements, which describes the uncertain outcome of a legal claim against one of the custodian banks that the Group and the Company uses on its behalf. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How the matter was addressed
Investments' valuation - Level 3 The Group has financial assets of $50m classified within the fair value hierarchy of level 3, as disclosed in note 7 to the consolidated financial statements. The fair value of level 3 financial assets is generally determined either based on third party valuations, or when not available, based on adjusted Net Asset Value (NAV) calculations using inputs from third parties. The Group has invested in four warehouse facilities, of which two have not been converted to Collateralized Loan Obligations (CLOs) as at the year end. One out of these two warehouses were converted to a CLO in April 2019. The other one was not converted to a CLO before the date of this report. The directors classify these facilities as Financial Assets at Fair Value through Profit or Loss. Their fair value is determined on an adjusted NAV calculation based on their actual and expected returns which occur in the post year end period on their conversion to CLO. Due to the use of significant judgments by the Directors, the existence of unobservable inputs and the significant total value of financial assets within the Level 3 hierarchy, we consider the valuation of these investments as a key audit matter	Our audit work included, but was not restricted to: • discussing the valuation methodologies applied by the directors and assessing their appropriateness for each investment; • obtaining third party confirmations indicating the NAV of the investments and comparing to clients' records; and evaluating the independent professional valuer's competence, capabilities and objectivity; • in cases where the valuations have been performed by the directors, evaluating the reasonableness of the underlying assumptions and verifying the inputs used; as from reliable third – party sources; and • considering the adequacy of consolidated financial statement disclosures in relation to the valuation methodologies used for each class of level 3 financial assets.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Highlights, Chairman's and Chief Executive's Review, Review of Activities, Report of the Directors, Corporate Governance Statement, Remuneration Report, Review of the Business and Risks, the Shareholder Information and the Corporate Directory, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated Financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated Financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report, including the opinion, has been prepared for and only for the Group's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor’s report is Mr. Nicos Mouzouris.

Nicos Mouzouris

Certified Public Accountant and Registered Auditor

for and on behalf of

Grant Thornton (Cyprus) Ltd

Certified Public Accountants and Registered Auditors

Limassol, 21 May 2019

Livermore Investments Group Limited

Consolidated Statement of Financial Position as at 31 December 2018

Assets	Note	2018 US $000	2017 US $000
Non-current assets			
Property, plant and equipment		21	8
Financial assets at fair value through profit or loss	4	97,081	97,235
Financial assets at fair value through other comprehensive income	5	6,387	7,129
Investments in subsidiaries	8	5,205	5,426
Trade and other receivables	9	-	2,553
		108,694	112,351
Current assets			
Trade and other receivables	9	3,168	3,166
Financial assets at fair value through profit or loss	4	41,067	28,612
Financial assets at fair value through other comprehensive income	5	1,117	1,118
Cash and cash equivalents	10	26,214	34,175
		71,566	67,071
Total assets		180,260	179,422
Equity			
Share capital	11	-	-
Share premium	11	169,187	169,187
Other reserves		(20,279)	(37,978)
Retained earnings		25,425	44,236
Total equity		174,333	175,445
Liabilities			
Current liabilities			
Trade and other payables	13	5,927	3,977
		5,927	3,977
Total liabilities		5,927	3,977
Total equity and liabilities		180,260	179,422
Net asset value per share			
Basic and diluted net asset value per share (US $)	15	1.00	1.00

These financial statements were approved by the Board of Directors on 21 May 2019.

The notes 1 to 29 form part of these consolidated financial statements.

Livermore Investment Group Limited

Consolidated Statement of Profit or Loss for the year ended 31 December 2018

	Note	2018 US $000	2017 US $000
Investment income			
Interest and distribution income	17	31,541	28,043
Changes in value of investments	18	(17,484)	(5,918)
		14,057	22,125
Administrative expenses	19	(8,869)	(6,204)
Operating profit		5,188	15,921
Finance costs	20	(245)	(19)
Finance income	20	233	488
Profit before taxation		5,176	16,390
Taxation charge	21	(14)	(18)
Profit for the year		5,162	16,372
Earnings per share			
Basic and diluted earnings per share (US $)	22	0.03	0.09

The profit for the year is wholly attributable to the owners of the parent.

The notes 1 to 29 form part of these consolidated financial statements.

Livermore Investment Group Limited

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

	2018 US $000	2017 US $000
Profit for the year	5,162	16,372
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss		
Foreign exchange gains from translation of subsidiaries	12	-
	5,174	16,372
Items that are not reclassified subsequently to profit or loss		
Financial assets designated at fair value through other comprehensive income		
- fair value gains	313	1,899
- capital return	1,400	
Total comprehensive income for the year	6,887	18,271

The total comprehensive income for the year is wholly attributable to the owners of the parent.

The notes 1 to 29 form part of these consolidated financial statements.

Livermore Investment Group Limited

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

	Note	Share capital	Share premium	Treasury Shares	Share option reserve	Translation reserve	Investments revaluation reserve	Retained earnings	Total
		US $000	US $000	US $000	US $000	US $000	US $000	US $000	US $000
Balance at 1 January 2017		-	215,499	(46,312)	77	-	(39,919)	27,829	157,174
Cancellation of shares	11	-	(46,312)	46,312	-	-	-	-	-
Transactions with owners		-	(46,312)	46,312	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	16,372	16,372
Other comprehensive income:									
Financial assets at fair value through OCI- fair value gains		-	-	-	-	-	1,899	-	1,899
Transfer of realised gains		-	-	-	-	-	(35)	35	-
Total comprehensive income for the year		-	-	-	-	-	1,864	16,407	18,271
Balance at 31 December 2017		-	169,187	-	77	-	(38,055)	44,236	175,445
Dividends		-	-	-	-	-	-	(7,999)	(7,999)
Transfer on expiry of options		-	-	-	(77)	-	-	77	-
Transactions with owners		-	-	-	(77)	-	-	(7,922)	(7,999)
Profit for the year		-	-	-	-	-	-	5,162	5,162
Other comprehensive income:									
Financial assets at fair value through OCI									
- fair value gains		-	-	-	-	-	313	-	313
- capital return		-	-	-	-	-	1,400	-	1,400
Foreign exchange gains arising from translation of subsidiaries		-	-	-	-	12	-	-	12
Transfer of realised losses		-	-	-	-	-	16,051	(16,051)	-
Total comprehensive income for the year		-	-	-	-	12	17,764	(10,889)	6,887
Balance at 31 December 2018		-	169,187	-	-	12	(20,291)	25,425	174,333

The notes 1 to 29 form part of these consolidated financial statements.

Livermore Investments Group Limited

Consolidated Statement of Cash Flows for the year ended 31 December 2018

	Note	2018 US $000	2017 US $000
Cash flows from operating activities			
Profit before tax		5,176	16,390
Adjustments for			
Depreciation		8	7
Interest expense	20	30	19
Interest and distribution income	17	(31,541)	(28,043)
Bank interest income	20	(233)	(91)
Changes in value of investments	18	17,484	5,918
Exchange differences	20	215	(397)
		(8,861)	(6,197)
Changes in working capital			
Decrease in trade and other receivables		2,576	2,301
Increase / (decrease)in trade and other payables		1,950	(3,825)
Cash flows from operations		(4,335)	(7,721)
Interest and distributions received		31,748	28,304
Settlement of litigation	24	-	(385)
Tax paid		(14)	(18)
Net cash from operating activities		27,399	20,180
Cash flows from investing activities			
Acquisition of investments		(120,027)	(120,675)
Proceeds from sale of investments		91,623	90,140
Proceeds from capital return		1,400	-
Net cash used in investing activities		(27,004)	(30,535)
Cash flows from financing activities			
Interest paid		(134)	(125)
Dividends paid		(7,999)	(15,000)
Net cash used in financing activities		(8,133)	(15,125)
Net decrease in cash and cash equivalents		(7,738)	(25,480)
Cash and cash equivalents at the beginning of the year		34,175	59,227
Exchange differences on cash and cash equivalents		(215)	428
Translation differences on foreign operations’ cash and cash equivalents		(8)	-
Cash and cash equivalents at the end of the year	10	26,214	34,175

The notes 1 to 29 form part of these consolidated financial statements.

Notes on the Consolidated Financial Statements

1. General Information

Incorporation, principal activity and status of the Company

1.1. The Company was incorporated as an international business company and registered in the British Virgin Islands (BVI) on 2 January 2002 under IBC Number 475668 with the name Clevedon Services Limited. The liability of the members of the Company is limited.

1.2. The Company changed its name to Empire Online Limited on 5 May 2005 and then to Livermore Investments Group Limited on 28 February 2007.

1.3. The principal activity of the Company changed to investment activities on 1 January 2007. Before that the principal activity of the Company was the provision of marketing services to the online gaming industry and, since 1 January 2006, the operation of online gaming.

1.4. The principal legislation under which the Company operates is the BVI Business Companies Act, 2004.

1.5. The registered office of the Company is located at Trident Chambers, PO Box 146, Road Town, Tortola, British Virgin Islands.

2. Basis of preparation

The consolidated financial statements ("the financial statements") of Livermore Investments Group Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements have been prepared on an accrual basis (other than for cash flow information) using the significant accounting policies and measurement bases summarised in note 3, and also on a going concern basis.

The financial information is presented in US dollars because this is the currency in which the Company primarily operates (i.e. the Company's functional currency).

References to the Company hereinafter also include its consolidated subsidiaries (note 8).

The Directors have reviewed the accounting policies used by the Company and consider them to be the most appropriate.

3. Accounting Policies

The significant accounting policies applied in the preparation of the financial statements are as follows:

3.1. Adoption of new and revised IFRS

As from 1 January 2018, the Company adopted any applicable new or revised IFRS and relevant amendments which became effective, and also were endorsed by the European Union. IFRS 9 "Financial Instruments" was applied on 1 January 2016, earlier than its effective date.

The adoption of the above at 1 January 2018 did not have any material effect on the financial statements.

The following IFRS (including relevant amendments and interpretations) had been issued by the date of authorisation of these financial statements but are not yet effective, or have not yet been endorsed by the EU, for the year ended 31 December 2018:

	Endorsed by the EU	Effective date (IASB)
• IFRS 14: “Regulatory Deferral Accounts”	No	1 January 2016
• IFRS 16: “Leases”	Yes	1 January 2019
• IFRS 17: “Insurance Contracts”	No	1 January 2021
• IFRIC 23: “Uncertainty over Income Tax Treatments”	Yes	1 January 2019
• Annual Improvements to IFRS 2015–2017 Cycle	Yes	1 January 2019
• Amendment to IFRS 3: “Definition of a Business”	No	1 January 2020
• Amendment to IFRS 9: “Prepayment Features with Negative Compensation”	Yes	1 January 2019
• Amendment to IFRS 10, and IAS 28: “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	No	to be determined
• Amendments to IAS 1 and IAS 8: “Definition of Material”	No	1 January 2020
• Amendment to IAS 19: “Plan Amendment, Curtailment or Settlement”	Yes	1 January 2019
• Amendment to IAS 28: “Long-term Interests in Associates and Joint Ventures”	Yes	1 January 2019
• Amendments to References to the Conceptual Framework in IFRS Standards	No	1 January 2020

The Board of Directors expects that when the above Standards or Interpretations become effective in future periods, they will not have any material effect on the financial statements.

3.2. Investments in subsidiaries and basis of consolidation

Subsidiaries are entities controlled either directly or indirectly by the Company.

Control is achieved where the Company is exposed, or has right, to variable returns from its involvement with a subsidiary and has the ability to affect those returns through its power over the subsidiary.

The Directors have determined that Livermore meets the definition of an investment entity, as this is defined in IFRS 10 “Financial Statements”. As per IFRS 10 an investment entity is an entity that:

(a) obtains funds from one or more investors for the purpose of providing those investors with investment management services;
(b) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
(c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

An investment entity is exempted from consolidating its subsidiaries, unless any subsidiary which is not itself an investment entity mainly provides services that relate to the investment entity’s investment activities. The financial statements consolidate the Company and its subsidiaries providing such services (note 8 shows further details of the consolidated and unconsolidated subsidiaries).

Investments in unconsolidated subsidiaries are initially recognised at their fair value and subsequently measured at fair value through profit or loss. Subsequently, any gains or losses arising from changes in their fair value are included in profit or loss for the year.

Dividends and other distributions from unconsolidated subsidiaries are recognised as income when the Company's right to receive payment has been established.

A subsidiary that is not an investment entity itself and which provides services that relate to the Company's investment activities is consolidated rather than included within the investments in subsidiaries measured at fair value through profit or loss.

The financial statements of the consolidated subsidiaries are prepared using uniform accounting policies. Where necessary, adjustments are made to the financial statements of consolidated subsidiaries to bring their accounting policies into line with those used by the Company. All consolidated subsidiaries have a reporting date of 31 December.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The results and cash flows of any consolidated subsidiaries acquired or disposed of during the year are consolidated from the effective date of acquisition or up to the effective date of disposal.

3.3. Current assets are those which, in accordance with IAS 1 Presentation of Financial Statements are:

- expected to be realised within the Company's normal operating cycle, via sale or consumption, or
- held primarily for trading, or
- expected to be realised within 12 months from the reporting date, or
- cash and cash equivalents not restricted in their use.

All other assets are non-current.

3.4. Interest and distribution income

- Interest income is recognised based on the effective interest method.
- Distribution income is recognised on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

3.5. Foreign currency

The financial statements of the Company are presented in USD, which is the currency of the primary economic environment in which it operates (its functional currency).

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transaction. Monetary assets and liabilities denominated in non-functional currencies are translated into functional currency using year-end spot foreign exchange rates. Non-monetary assets and liabilities are translated upon initial recognition using exchange rates prevailing at the dates of the transactions. Non-monetary assets that are measured in terms of historical cost in foreign currency are not re-translated.

Gains and losses arising on the settlement of monetary items and on the re-translation of monetary items are included in the profit or loss for the year. Those that arise on the re-translation of non-monetary items carried at fair value are included in the profit or loss of the year as part of the fair value gain or loss except for differences arising on the re-translation of non-monetary financial assets designated at fair value through other comprehensive income in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items any exchange component of that gain or loss is also recognised in other comprehensive income.

The results and financial position of consolidated subsidiaries that have a functional currency different from US dollars are translated into the presentation currency as follows:

(a) assets and liabilities are translated at the closing rate at the reporting date;
(b) income and expenses and also cash flows are translated at an average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the items are translated at the rates prevailing at the dates of the transactions); and
(c) exchange differences arising are recognised in other comprehensive income within the translation reserve. Such translation exchange differences are reclassified to profit or loss in the period in which the foreign operation is disposed of

3.6. Taxation

Current tax is the tax currently payable based on taxable profit for the year in accordance with the tax laws applicable and enacted.

Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted as at the reporting date.

3.7. Equity instruments

Equity instruments issued by the Company are recorded at proceeds received, net of direct issue costs.

The share premium account includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from the premium received.

3.8. Financial assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred, and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Company retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Company transfers substantially all the risks and rewards of ownership of the asset, or if the Company neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

The Company classifies its financial assets in the following measurement categories:

(a) those to be measured at fair value (either through other comprehensive income, or through profit or loss), and
(b) those to be measured at amortised cost.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets at fair value through profit or loss

The Company classifies the following financial assets at fair value through profit or loss:

(a) equity investments that are held for trading;
(b) other equity investments for which the Directors have not elected to recognise fair value gains and losses through other comprehensive income; and
(c) debt investments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income.

All financial assets within this category are measured at their fair value, with changes in value recognised in the profit or loss when incurred.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (OCI) comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value through OCI rather than profit or loss.

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payments is established.

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a financial asset that is measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is recognised based on the effective interest rate method.

The classification of debt instruments depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables only, the Company applies the simplified approach permitted by IFRS 9, which permits expected lifetime losses to be recognised from initial recognition of the receivables.

Write offs

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3.9. Financial liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial liabilities are measured initially at fair value plus transaction costs, except for financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial liabilities at amortised cost

After initial recognition financial liabilities are measured at amortised cost using the effective interest rate method.

Derivative financial liabilities

The Company's financial liabilities may also include financial derivative instruments.

All derivative financial instruments (which are not designated as hedging instruments) are measured at fair value through profit or loss.

3.10. Cash and cash equivalents

Cash comprises cash in hand and on demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash. They include unrestricted short-term bank deposits originally purchased with maturities of three months or less.

Bank overdrafts are considered to be a component of cash and cash equivalents, since they form an integral part of the Company's cash management.

3.11. Segment reporting

In making investment decisions, Management assesses individual investments and then, in analysing their performance, it receives and uses information for each investment product separately rather than based on any segmental information. Given that, Management regards that the Company's activities fall under a single operating segment.

3.12. Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of 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. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgements

(i) Classification of financial assets

Management exercises significant judgement in determining the appropriate classification of the financial assets of the Company. The Directors determine the appropriate classification of the Company’s financial assets based on Livermore’s business model. An entity’s business model refers to how an entity manages its financial assets in order to generate cash flows, considering all relevant and objective evidence. The factors considered include the contractual terms and characteristics which are very carefully examined, and also the Company’s intentions and expected needs for realisation of the financial assets.

All investments (except from certain equity instruments that are designated at fair value through other comprehensive income) are classified as financial assets at fair value through profit or loss, because this reflects more fairly the way these assets are managed by the Company. The Company’s business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company’s Board of Directors and other key management personnel.

(ii) Consolidation of subsidiaries

Management exercised significant judgment in determining which of the subsidiaries that are not investment entities themselves, provide services that relate to the Company's investment activities and therefore need to be consolidated rather than included within the investments in subsidiaries measured at fair value through profit or loss.

Estimation uncertainty

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the bases used for financial assets and liabilities are disclosed in note 7. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable (level 3), management uses its best estimates which may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. Further information on level 3 valuations of financial assets is provided in note 7.2.

4. Financial assets at fair value through profit or loss

	2018 US $000	2017 US $000
Non-current assets		
Fixed income investments (CLO Income Notes)	97,081	97,235
	97,081	97,235
Current assets		
Fixed income investments	39,590	26,647
Public equity investments	1,477	1,965
	41,067	28,612

For description of each of the above categories, refer to note 6.

The above investments represent financial assets that are mandatorily measured at fair value through profit or loss.

The Company treats its investments in the loan market through CLOs as non-current investments as the Company generally intends to hold such investments over a period longer than twelve months.

5. Financial assets at fair value through other comprehensive income

	2018 US $000	2017 US $000
Non-current assets		
Private equities	6,387	7,129
Current assets		
Hedge funds	1,117	1,118

For description of each of the above categories, refer to note 6.

The above investments are non-trading equity investments that have been designated at fair value through other comprehensive income.

6. Financial assets at fair value

The Company allocates its non-derivative financial assets at fair value (notes 4 and 5) as follows:

- Fixed income investments relate to fixed and floating rate bonds, perpetual bank debt, investments in the loan market through CLOs, and investments in open warehouse facilities.
- Private equities relate to investments in the form of equity purchases in both high growth opportunities in emerging markets and deep value opportunities in mature markets. The Company generally invests directly in prospects where it can exert influence. Main investments under this category are in the fields of real estate.
- Hedge funds relate to equity investments in funds managed by sophisticated investment managers that pursue investment strategies with the goal of generating absolute returns.
- Public equity investments relate to investments in shares of companies listed on public stock exchanges.

7. Fair value measurements of financial assets and liabilities

The following table (note 7.2) presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement.

7.1 Valuation of financial assets

- Fixed Income Investments and Public Equity Investments are valued per their closing market prices on quoted exchanges, or as quoted by market maker. Investments in open warehouse facilities that have not yet been converted to CLOs, are valued based on an adjusted net asset valuation.

  The Company values the CLOs based on the valuation reports provided by market makers. CLOs are typically valued by market makers using discounted cash flow models. The key assumptions for cash flow projections include default and recovery rates, prepayment rates and reinvestment assumptions on the underlying portfolios (typically senior secured loans) of the CLOs.

  Default and recovery rates: The amount and timing of defaults in the underlying collateral and the amount and timing of recovery upon a default are key to the future cash flows a CLO will distribute to the CLO equity tranche. All else equal, higher default rates and lower recovery rates typically lead to lower cash flows. Conversely, lower default rates and higher recoveries lead to higher cash flows.

  Prepayment rates: Senior loans can be pre-paid by borrowers. CLOs that are within their reinvestment period may, subject to certain conditions, reinvest such prepayments into other loans which may have different spreads and maturities. CLOs that are beyond their reinvestment period typically pay down their senior liabilities from proceeds of such pre-payments. Therefore, the rate at which the underlying collateral prepays impacts the future cash flows that the CLO may generate.

  Reinvestment assumptions: A CLO within its reinvestment period may reinvest proceeds from loan maturities, prepayments, and recoveries into purchasing additional loans. The reinvestment assumptions define the characteristics of the loans that a CLO may reinvest in. These assumptions include the spreads, maturities, and prices of such loans. Reinvestment into loans with higher spreads and lower prices will lead to higher cash flows. Reinvestment into loans with lower spreads will typically lead to lower cash flows.

  Discount rate: The discount rate indicates the yield that market participants expect to receive and is used to discount the projected future cash flows. Higher yield expectations or discount rates lead to lower prices and lower discount rates lead to higher prices for CLOs.

- Private Equities are valued using market valuation techniques as determined by the Directors, mainly on the basis of valuations reported by third-party managers of such investments. Real Estate entities are valued by independent qualified property valuers with substantial relevant experience on such investments. Underlying property values are determined based on their estimated market values.

- Hedge Funds are valued per reports provided by the funds on a periodic basis, and if traded, per their closing bid market prices on quoted exchanges, or as quoted by market maker.

- Derivative instruments are valued at fair value as provided by counter parties (banks) of the derivative agreement.

- Investments in subsidiaries are valued at fair value as determined on an adjusted net asset valuation basis.

7.2 Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	2018 US$000 Level 1	2018 US$000 Level 2	2018 US$000 Level 3	2018 US $000 Total	2017 US$000 Level 1	2017 US$000 Level 2	2017 US$000 Level 3	2017 US $000 Total
Assets								
Fixed income investments	1,100	97,081	38,490	136,671	1,132	97,235	25,515	123,882
Private equities	-	-	6,387	6,387	-	-	7,129	7,129
Public equity investments	1,477	-	-	1,477	1,965	-	-	1,965
Hedge funds	-	1,117	-	1,117	-	1,118	-	1,118
Investments in subsidiaries	-	-	5,205	5,205	-	-	5,426	5,426
	2,577	98,198	50,082	150,857	3,097	98,353	38,070	139,520
Liabilities	-	-	-	-	-	-	-	-

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting year.

No financial assets or liabilities have been transferred between different levels.

Financial assets within level 3 can be reconciled from beginning to ending balances as follows:

	At fair value through OCI – Private equities US $000	At fair value through profit or loss – Fixed Income investments US $000	Investments in subsidiaries US $000	Total US $000
As at 1 January 2017	5,634	17,251	4,339	27,224
Purchases	-	83,500	1,200	84,700
Settlement	(124)	(75,500)	-	(75,624)
Gains / (losses) recognised in:				
-Profit or loss	-	264	(113)	151
-Other comprehensive income	1,619	-	-	1,619
As at 1 January 2018	7,129	25,515	5,426	38,070
Purchases	-	75,000	-	75,000
Settlement	(1,055)	(62,500)	-	(63,555)
Gains / (losses) recognised in:				
-Profit or loss	-	475	(221)	254
-Other comprehensive income	313	-	-	313
As at 31 December 2018	6,387	38,490	5,205	50,082

The above gains and losses recognised can be allocated as follows:

2017	At fair value through OCI – Private equities US $000	At fair value through profit or loss – Fixed Income investments US $000	Investments in subsidiaries US $000	Total US $000
Profit or loss				
- Financial assets held at year-end	-	264	(113)	151
Other comprehensive income				
- Financial assets held at year-end	1,619	-	-	1,619
Total gains / (losses) for 2017	1,619	264	(113)	1,770

2018	At fair value through OCI – Private equities US $000	At fair value through profit or loss – Fixed Income investments US $000	Investments in subsidiaries US $000	Total US $000
Profit or loss				
- Financial assets held at year-end	-	990	(221)	769
- Financial assets not held at year-end	-	(515)	-	(515)
Other comprehensive income				
- Financial assets held at year-end	313	-	-	313
Total gains / (losses) for 2018	313	475	(221)	567

The Company has not developed any quantitative unobservable inputs for measuring the fair value of its level 3 financial assets at 31 December 2018 and 2017. Instead the Company used prices from third-party pricing information without adjustment.

Fixed income investments within level 3 represent open warehouses that have been valued based on their net asset value. The net asset value of a warehouse is primarily driven by the fair value of its underlying loan asset portfolio (as determined by the warehouse's manager) plus received and accrued interest less the nominal value of the financing and accrued interest on the financing. In all cases, due to the nature and the short life of a warehouse, the carrying amounts of the warehouses' underlying assets and liabilities are considered as representative of their fair values.

Private equities within level 3 represent investments in private equity funds. Their value has been determined by each fund manager based on the funds' net asset value. Each fund's net asset value is primarily driven by the fair value of its underlying investments. In all cases, considering that such investments are measured at fair value, the carrying amounts of the funds' underlying assets and liabilities are considered as representative of their fair values.

Investments in subsidiaries have been valued based on their net asset position. The main assets of the subsidiaries represent investments measured at fair value and receivables from the Company itself. Their net asset value is considered as a fair approximation of their fair value.

A reasonable change in any individual significant input used in the level 3 valuations is not anticipated to have a significant change in fair values as above.

8. Investments in subsidiaries

Unconsolidated subsidiaries	2018 US $000	2017 US $000
As at 1 January	5,426	4,339
Additions	-	1,200
Fair value loss	(221)	(113)
As at 31 December	5,205	5,426

Additions in 2017 relate to the fair value of receivable amounts from two of the Company's unconsolidated subsidiaries, that have been waived by the Company. The nominal amount of these balances was a total of USD 4.143m (Livermore Properties Ltd: USD 3.103m, and Sandhirst Ltd: USD 1.040m).

Details of the investments in which the Company has a controlling interest as at 31 December 2018 are as follows:

Name of Subsidiary	Place of incorporation	Holding	Proportion of voting rights and shares held	Principal activity
Consolidated subsidiaries				
Livermore Capital AG	Switzerland	Ordinary shares	100%	Administration services
Livermore Investments Cyprus Limited	Cyprus	Ordinary shares	100%	Administration services
Unconsolidated subsidiaries				
Livermore Properties Limited	British Virgin Islands	Ordinary shares	100%	Holding of investments
Mountview Holdings Limited	British Virgin Islands	Ordinary shares	100%	Investment vehicle
Sycamore Loan Strategies Ltd	Cayman Islands	Ordinary shares	100%	Investment vehicle
Livermore Israel Investments Ltd	Israel	Ordinary shares	100%	Holding of investments
Sandhirst Limited	Cyprus	Ordinary shares	100%	Holding of investments

9. Trade and other receivables

	2018 US $000	2017 US $000
Financial items		
Accrued interest and distribution income	1	2
Amounts due by related parties (note 23)	3,104	5,577
	3,105	5,579
Non-financial items		
Prepayments	60	130
VAT receivable	3	10
	3,168	5,719
Allocated as:		
Current assets	3,168	3,166
Non-current assets (note 23(2))	-	2,553
	3,168	5,719

Allowance for impairment

The allowance related to amounts due by subsidiaries, which were regarded as credit-impaired and had been assessed on an individual basis.

	2018 US $000	2017 US $000
As at 1 January	-	2,940
Eliminated upon waiver of balances (notes 8 and 23)	-	(2,940)
As at 31 December	-	-

For the remaining receivables of a financial nature, no lifetime expected credit losses and no corresponding allowance for impairment have been recognised, as their default rates have been determined to be close to 0%.

No receivable amounts have been written-off during either 2018 or 2017.

10. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following at the reporting date:

	2018 US $000	2017 US $000
Cash at bank	26,214	34,175
Cash and cash equivalents	26,214	34,175

11. Share capital

Authorised share capital

The Company has authorised share capital of 1,000,000,000 ordinary shares with no par value, and no restrictions.

Issued share capital	**Number of shares**	**Share premium arising US $000**
Ordinary shares with no par value		
As at 1 January 2017	304,120,401	215,499
Cancellation of shares	(129,306,403)	(46,312)
As at 31 December 2017 and 31 December 2018	174,813,998	169,187

Treasury shares	**Number of shares**	**Share premium arising US $000**
As at 1 January 2017	129,306,403	46,312
Cancellation of shares	(129,306,403)	(46,312)
As at 31 December 2017 and 31 December 2018	-	-

In 2017, the Company cancelled 129,306,403 treasury shares registered in the name of the Company, as a capital reduction.

12. Share options

The Company had a share option scheme under which it granted share options to employees for acquiring ordinary shares of the Company. The options lapsed at the earliest of the expiry date of exercise period or the termination of the corresponding employee's service. The last tranche of options lapsed unexercised during the year.

Outstanding and exercisable options	**Number of options**	**Exercise price GBP**
As at 1 January and 31 December 2017	500,000	0.30
Options expired	(500,000)	0.30
As at 31 December 2018	-	

The Company has no outstanding share options at the end of the period.

13. Trade and other payables

	2018 US $000	**2017 US $000**
Financial items		
Trade payables	44	50
Amounts due to related parties (note 23)	3,731	2,828
Accrued expenses	2,152	1,099
	5,927	3,977

14. Dividends

At 15 January 2018, the Board announced an interim dividend of USD 8m (USD 0.04576 per share) to members on the register on 26 January 2018. The dividend was paid on 23 February 2018.

15. Net asset value per share

Net asset value per share has been calculated by dividing the net assets attributable to ordinary shareholders by the closing number of ordinary shares (net of treasury shares) in issue during the relevant financial periods.

Diluted net asset value per share is calculated after taking into consideration any potentially dilutive shares in existence as at 31 December 2018 and 31 December 2017.

	2018	**2017**
Net assets attributable to ordinary shareholders (USD 000)	174,333	175,445
Closing number of ordinary shares in issue	174,813,998	174,813,998
Basic net asset value per share (USD)	1.00	1.00
Net assets attributable to ordinary shareholders (USD 000)	174,333	175,445
Dilutive share options – exercise amount	-	203
Net assets attributable to ordinary shareholders including the effect of potentially diluted shares (USD 000)	174,333	175,648

Closing number of ordinary shares in issue	174,813,998	174,813,998
Dilutive share options	-	500,000
Closing number of ordinary shares including the effect of potentially diluted shares	174,813,998	175,313,998
Diluted net asset value per share (USD)	1.00	1.00

The Share options (note 12) had a dilutive effect on the net asset value per share for 2017, given that their exercise price was lower than the net asset value per share at 31 December 2017.

16. Segment reporting

The company's activities fall under a single operating segment.

The Company's investment income and its investments are divided into the following geographical areas:

Investment Income	**2018 US $000**	**2017 US $000**
Other European countries	(217)	156
United States	13,327	22,255
India	(89)	(68)
Asia	(944)	(218)
	12,077	22,125
Investments		
Other European countries	2,209	3,047
United States	138,310	125,407
India	712	1,600
Asia	9,626	9,466
	150,857	139,520

Investment income, comprising interest and distribution income as well as gains or losses on investments, is allocated on the basis of the issuer's location. Investments are also allocated based on the issuer's location.

The Company has no significant dependencies, in respect of its investment income, on any single issuer.

17. Interest and distribution income

	2018 US $000	**2017 US $000**
Interest from investments	101	115
Distribution income	31,440	27,928
	31,541	28,043

Interest and distribution income is analysed between the Company's different categories of financial assets, as follows:

	2018			2017		
Financial assets at fair value through profit or loss	**Interest from investments US $000**	**Distribution income US$000**	**Total US$000**	**Interest from investments US$000**	**Distribution income US$000**	**Total US$000**
Fixed income investments	75	29,728	29,803	75	27,826	27,901
Public equity investments	-	868	868	-	6	6
	75	30,596	30,671	75	27,832	27,907
Financial assets at fair value through other comprehensive income						
Private equities	-	844	844	-	96	96
Financial assets at amortised cost						
Loan receivable (note 23)	26	-	26	40	-	40
	101	31,440	31,541	115	27,928	28,043

The Company's distribution income derives from multiple issuers. The Company does not have any concentration to any single issuer.

18. Changes in value of investments

	2018 US $000	2017 US $000
Fair value losses on financial assets through profit or loss	(17,159)	(5,699)
Fair value loss on investment in subsidiaries	(221)	(113)
Bank custody fees	(104)	(106)
	(17,484)	(5,918)

The investments disposed of had the following cumulative (i.e. from the date of their acquisition up to the date of their disposal) financial impact in the Company's net asset position:

	Disposed in 2018			Disposed in 2017		
	Realised (losses)/ gains* US $000	**Cumulative distribution or interest US$000**	**Total financial impact US$000**	**Realised (losses)/ gains* US$000**	**Cumulative distribution or interest US$000**	**Total financial impact US$000**
Financial assets at fair value through profit or loss						
Fixed income investments	(7,703)	31,875	24,172	(11,567)	19,686	8,119
Public equities	622	1	623			
	(7,081)	31,876	24,795	(11,567)	19,686	8,119
Financial assets at fair value through OCI						
Private equities	(16,051)	1,777	(14,274)	35	-	35
	(23,132)	33,653	10,521	(11,532)	19,686	8,154

** difference between disposal proceeds and original acquisition cost*

19. Administrative expenses

	2018 US $000	2017 US $000
Directors' fees and expenses	5,730	3,608
Other salaries and expenses	156	152
Professional fees	1,896	1,385
Legal expenses	27	19
Office costs	382	409
Depreciation	8	7
Other operating expenses	588	512
Audit fees	82	112
	8,869	6,204

Throughout 2018 the Company employed 4 members of staff (2017: 4). Two of those members are the Company's executive Directors.

Other salaries and expenses include USD 13,445 of social insurance and similar contributions (2017: USD 13,212), as well as USD 3,252 of defined contributions plan costs (2017: USD 3,223).

20. Finance costs and (income)

	2018 US $000	2017 US $000
Finance costs		
Bank interest expense	30	19
Foreign exchange loss	215	-
	245	19
Finance income		
Bank interest income	(233)	(91)
Foreign exchange gain	-	(397)
	12	(469)

21. Taxation

	2018 US $000	2017 US $000
Current tax charge	14	18

The Company is a British Virgin Islands (BVI) international business company and, under the BVI laws, was not subject to corporation tax for either 2018 or 2017. The current tax charge relates to the results of the Company's consolidated subsidiaries in Switzerland and Cyprus (note 8).

22. Earnings per share

Basic earnings per share has been calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue of the Company during the relevant financial year.

Diluted earnings per share is calculated after taking into consideration other potentially dilutive shares in existence during the relevant financial year.

	2018	2017
Profit for the year attributable to ordinary shareholders of the parent (USD 000)	5,162	16,372
Weighted average number of ordinary shares outstanding	174,813,998	174,813,998
Basic earnings per share (USD)	0.03	0.09
Weighted average number of ordinary shares outstanding	174,813,998	174,813,998
Dilutive effect of share options	-	183,891
Weighted average number of ordinary shares including the effect of potentially dilutive shares	174,813,998	174,997,889
Diluted earnings per share (USD)	0.03	0.09

The Share options (note 12) had a dilutive effect on the weighted average number of ordinary shares only for 2017, given that their exercise price was lower than the average market price of the Company's shares on the London Stock Exchange (AIM division) during the year ended 31 December 2017.

23. Related party transactions

The Company is controlled by Groverton Management Ltd, an entity owned by Noam Lanir, which at 31 December 2018 held 76.62% (2017: 76.62%) of the Company's effective voting rights.

	2018 US $000	2017 US $000	
Amounts receivable from unconsolidated subsidiaries			
Sandhirst Limited	104	24	(1)
Amounts receivable from key management			
Directors' current accounts	3,000	3,000	(1)
Loan receivable	-	2,553	(2)
	3,000	5,553	
Amounts payable to unconsolidated subsidiaries			
Livermore Israel Investments Ltd	(3,522)	(2,603)	(3)
Amounts payable to other related party			
Loan payable	(149)	(149)	(4)
Amounts payable to key management			
Directors' current accounts	(48)	(69)	(3)
Other key management personnel	(12)	(7)	(5)
	(60)	(76)	
Key management compensation			
<u>Short term benefits</u>			
Executive Directors' fees	795	795	(6)
Executive Directors' reward payments	4,804	2,728	
Non-executive Directors' fees	60	59	
Non-executive Directors' reward payments	71	26	
Other key management fees	1,084	994	(7)
	6,814	4,602	

(1) The amounts receivable from unconsolidated subsidiaries and the Director's current accounts with debit balances are interest free, unsecured, and have no stated repayment date.

(2) A loan of USD 2.500m was made to a key management employee, during 2016, for the acquisition of shares in the Company. Interest was payable on the loan at 6-month US LIBOR plus 0.25% per annum and the loan is secured on the shares acquired. The loan, including interest accrued, was repayable on the earlier of the employee leaving the Company or August 2019. The loan including interest accrued was settled during 2018. For 2017, the loan was included within trade and other receivables (note 9).

(3) The amounts payable to unconsolidated subsidiaries and Director's current accounts with credit balances are interest free, unsecured, and have no stated repayment date.

(4) A loan with a balance at 31 December 2018 of USD 0.149m (31 December 2017: USD 0.149m) has been received from a related company (under common control), Chanpak Ltd. The loan is free of interest, is unsecured and is repayable on demand. This loan is included within trade and other payables (note 13).

(5) The amount payable to other key management personnel relates to a payment made on behalf of the Company for investment purposes and accrued consultancy fees.

(6) These payments were made directly to companies which are related to the Directors.

(7) Other key management fees are included within professional fees (note 19).

During 2017, the Company waived receivable amounts from its subsidiaries Livermore Properties Limited (USD: 3.103m) and Sandhirst Limited (USD: 1.040m) as a means of capital contribution to the subsidiaries (note 8).

No social insurance and similar contributions nor any other defined benefit contributions plan costs were incurred for the Company in relation to its key management personnel in either 2018 or 2017.

Noam Lanir, through an Israeli partnership, is the major shareholder of Babylon Limited, an Israel based Internet Services Company. The Company as of 31 December 2018 held a total of 1.941m shares at a value of USD 0.618m (2017: 1.941m shares at a value of USD 0.845m) which represents 4% of its effective voting rights. The investment in Babylon Ltd is held through the subsidiary Livermore Israel Investments Ltd.

24. Provisions

The movement in provisions for the year is as follows:

	2018 US $000	2017 US $000
As at 1 January	-	385
Settlements	-	(385)
As at 31 December	-	-

25. Litigation

Fairfield Sentry Ltd vs custodian bank and beneficial owners

One of the custodian banks that the Company used faces a contingent claim up to USD 2.1m, and any interest as will be decided by a US court and related legal fees, with regards to the redemption of shares in Fairfield Sentry Ltd, which were bought in 2008 at the request of Livermore and on its behalf. If the claim proves to be successful Livermore will have to compensate the custodian bank since the transaction was carried on Livermore's behalf. The same case was also filed in BVI where the Privy Council ruled against the plaintiffs.

As a result of the surrounding uncertainties over the existence of any obligation for Livermore, as well as for the potential amount of exposure, the Directors cannot form an estimate of the outcome for this case and therefore no provision has been made.

No further information is provided on the above case as the Directors consider it could prejudice its outcome.

26. Commitments

The Company has expressed its intention to provide financial support to its subsidiaries, where necessary to enable them to meet their obligations as they fall due.

Other than the above, the Company has no capital or other commitments as at 31 December 2018.

27. Events after the reporting date

One of the two warehouse facilities that the Company invested in, during 2018, with a carrying amount as at 31 December 2018 of USD 15.0m, was closed in May 2019. For the closed warehouse, Livermore's investment amount plus net carry amounting to a total of USD 15.3m became receivable in May 2019.

After a successful application the Company became a tax resident in the republic of Cyprus as at 18 January 2019.

There were no other material events after the end of the reporting year, which have a bearing on the understanding of these financial statements.

28. Financial risk management objectives and policies

Background

The Company's financial instruments comprise financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets and liabilities at amortised cost that arise directly from its operations. For an analysis of financial assets and liabilities by category, refer to note 29.

Risk objectives and policies

The objective of the Company is to achieve growth of shareholder value, in line with reasonable risk, taking into consideration that the protection of long-term shareholder value is paramount. The policy of the Board is to provide a framework within which the investment manager can operate and deliver the objectives of the Company.

Risks associated with financial instruments

Foreign currency risk

Foreign currency risks arise in two distinct areas which affect the valuation of the investment portfolio, 1) where an investment is denominated and paid for in a foreign currency; and 2) where an investment has substantial exposure to non-US Dollar underlying assets or cash flows denominated in a foreign currency. The Company in general does not hedge its currency exposure. The Company discretionally and partially hedges against foreign currency movements affecting the value of the investment portfolio based on its view on the relative strength of certain currencies. Any hedging transactions represent economic hedges; the Company does not apply hedge accounting in any case. Management monitors the effect of foreign currency fluctuations through the pricing of the investments. The level of financial instruments denominated in foreign currencies held by the Company at 31 December 2018 is the following:

	2018 US $000 Financial assets	2018 US $000 Financial liabilities	2018 US $000 Net value	2017 US $000 Financial assets	2017 US $000 Financial liabilities	2017 US $000 Net value
British Pounds (GBP)	2,690	(140)	2,550	1,587	(111)	1,476
Euro	482	(27)	455	994	(211)	783
Swiss Francs (CHF)	3,507	(50)	3,457	4,757	(774)	3,983
Israel Shekels (ILS)	5,814	(3,522)	2,292	6,253	(2,603)	3,650
Total	12,493	(3,739)	8,754	13,591	(3,699)	9,892

Also, some of the USD denominated investments are backed by underlying assets which are invested in non-USD assets. For instance, investments in certain emerging market private equity funds are denominated in USD but the funds in turn have invested in assets denominated in non-USD currencies.

A 10% increase of the following currency rates against the rate of United States Dollar (USD) at 31 December 2018 would have the following impact. A 10% decrease of the following currencies against USD would have an approximately equal but opposite impact.

	2018 US $000 Profit or loss	2018 US $000 Other comprehensive income	2017 US $000 Profit or loss	2017 US $000 Other comprehensive income
British Pounds (GBP)	184	71	93	55
Euro	46	-	78	-
Swiss Francs (CHF)	346	-	398	-
Israel Shekels (ILS)	229	-	365	-
Total	805	71	934	55

The above analysis assumes that all other variables in particular, interest rates, remain constant.

Interest rate risk

The Company is exposed to interest rate risk on its interest-bearing instruments which are affected by changes in market interest rates.

As at 31 December 2018 the Company had no financial liabilities that bore an interest rate risk.

Interest rate changes will also impact equity prices. The level and direction of changes in equity prices are subject to prevailing local and world economics as well as market sentiment all of which are very difficult to predict with any certainty.

The Company has fixed and floating rate financial assets including bank balances that bear interest at rates based on the banks floating interest rates. In particular, the fair value of the Company's fixed rate financial assets is likely to be negatively impacted by an increase in interest rates. The interest income of the Company's floating rate financial assets is likely to be positively impacted by an increase in interest rates.

The Company has exposure to US bank loans through CLO equity tranches as well as through warehousing facilities. An investment in the CLO equity tranche or first loss tranche of a warehouse represents a leveraged investment into such loans. As these loans (assets of a CLO) and the liabilities of a CLO are floating rate in nature (typically 3 month LIBOR as the base rate), the residual income to CLO equity tranches and warehouse first loss tranches is normally linked to the floating rate benchmark and thus normally do not carry substantial interest rate risk.

The Company's financial assets and liabilities affected by interest rate changes are as follows:

	2018 US $000	2017 US $000
Financial assets – subject to:		
- fair value changes	1,100	1,132
- interest changes	26,214	34,175
Total	**27,314**	**35,307**

An increase of 1% (100 basis points) in interest rates would have the following impact. An equivalent decrease would have an approximately equal but opposite impact.

	2018 US $000 Profit or loss	2018 US $000 Other comprehensive income	2017 US $000 Profit or loss	2017 US $000 Other comprehensive income
Financial assets				
- fair value changes	(160)	-	(148)	-
- interest changes	262	-	342	-
	102	-	194	-

The above analysis assumes that all other variables, in particular currency rates, remain constant.

Market price risk

By the nature of its activities, most of the Company's investments are exposed to market price fluctuations. The Board monitors the portfolio valuation on a regular basis and consideration is given to hedging or adjusting the portfolio against large market movements.

The Company had no single major financial instrument that in absolute terms and as a proportion of the portfolio could result in a significant reduction in the NAV and share price. Due to the very low exposure of the Company to public equities, and having no specific correlation to any market, the equity price risk is low. The portfolio as a whole does not correlate exactly to any Index.

Management of risks is primarily achieved by having a diversified portfolio to spread the market price risk. The Company mainly has investments in CLO equity tranches as well as first loss tranches of warehouse facilities. Investments in the equity tranche of US CLOs represent a levered exposure to senior secured corporate loans in the US, and are thus subject to many risks including but not limited to lack of liquidity, credit or default risk, and risks related to movements in market prices as well as the variations of risk premium in the market.

Prices of these CLO investments may be volatile and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in prevailing credit spreads and yield expectations, interest rates, underlying portfolio credit quality and market expectations of default rates on non-investment grade loans, general economic conditions, financial market conditions, legal and regulatory developments, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors that constitute the underlying portfolio.

A 10% uniform change in the value of the Company's portfolio of financial assets (excluding level 3 investments) would result in a 7.99% change in the net asset value as at 31 December 2018 (2017: 7.24%), and would have the following impact (either positive or negative, depending on the corresponding sign of the change):

	2018 US $000 Profit or loss	2018 US $000 Other comprehensive income	2017 US $000 Profit or loss	2017 US $000 Other comprehensive income
Financial assets at fair value through other comprehensive income	-	112	-	112
Financial assets at fair value through profit or loss	13,815	-	12,585	-
	13,815	112	12,585	112

Derivatives

The Investment Manager may use derivative instruments in order to mitigate market risk or to take a directional investment. These provide a limited degree of protection and would not materially impact the portfolio returns if a large market movement did occur.

Credit risk

The Company invests in a wide range of securities with various credit risk profiles including investment grade securities and sub investment grade positions. The investment manager mitigates the credit risk via diversification across issuers. However, the Company is exposed to a migration of credit rating, widening of credit spreads and default of any specific issuer.

The Company only transacts with regulated institutions on normal market terms which are trade date plus one to three days. The levels of amounts outstanding from brokers are regularly reviewed by the management. The duration of credit risk associated with the investment transactions is the period between the date the transaction took place, the trade date and the date the stock and cash are transferred, the settlement date. The level of risk during the period is the difference between the value of the original transaction and its replacement with a new transaction.

The Company is mainly exposed to credit risk in respect of its fixed income investments (mainly CLOs) and to a lesser extend in respect of its financial assets at amortised cost, and other instruments held for trading (perpetual bonds).

The Company's maximum credit risk exposure at 31 December 2018 is as follows:

	2018 US $000	2017 US $000
Financial assets:		
At amortised cost:		
Trade and other receivables	3,105	5,579
Cash at bank	26,214	34,175
	29,319	39,754
Financial assets at fair value through profit or loss	136,671	123,884
	165,990	163,638

No collaterals are held by the Company itself in relation to the Company's financial assets subject to credit risk.

The fair values of the above financial assets at fair value through profit or loss are also affected by the credit risk of those instruments. However, it is not practical to provide an analysis of the changes in fair values due to the credit risk impact for the year or previous periods, nor to provide any relevant sensitivity analysis.

The Company has exposure to US senior secured loans and to a lesser degree emerging market loans through CLO equity tranches as well as warehouse first loss tranches. These loans are primarily non-investment grade loans or interests in non-investment grade loans, which are subject to credit risk among liquidity, market value, interest rate, reinvestment and certain other risks. It is anticipated that these non-investment grade loans generally will be subject to greater risks than investment grade corporate obligations.

A non-investment grade loan or debt obligation or an interest in a non-investment grade loan is generally considered speculative in nature and may become a defaulted security for a variety of reasons. A defaulted security may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such defaulted security. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted security. Bank loans have historically experienced greater default rates than has been the case for investment grade securities.

The Company has no investment in sovereign debt as at 31 December 2018 or 2017.

At 31 December the credit rating distribution of the Company's asset portfolio subject to credit risk was as follows:

Rating	2018 Amount **US $000**	Percentage	2017 Amount **US $000**	Percentage
AA	18,632	11.2%	16,563	10.1%
A	2,703	1.6%	9,768	6.0%
A-	3,570	2.2%	7,111	4.4%
B	2,073	1.2%	-	-
BB+	1,101	0.7%	1,132	0.7%
BBB	1,309	0.8%	734	0.4%
Not Rated	136,602	82.3%	128,330	78.4%
	165,990	100%	163,638	100%

Included within "not rated" amounts are investments in loan market through CLOs (equity tranches) of USD 97.080m and open warehouses of USD 38.490m (2017: CLOs of USD 97.237m and open warehouses of USD 25.139m).

The modelled IRRs on the CLO portfolio as well as the warehouse first loss tranches are in low teens percentage points.

Liquidity risk

The following table summarizes the contractual cash outflows in relation to the Company's financial liabilities according to their maturity.

31 December 2018	Carrying amount **US $000**	Less than 1 year **US $000**	Between 1 and 2 years **US $000**	Between 2 and 5 years **US $000**	Over 5 years **US $000**
Trade and other payables	5,927	5,927	-	-	-
Total	5,927	5,927	-	-	-

31 December 2017	Carrying amount	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	3,977	3,977	-	-	-
Total	3,977	3,977	-	-	-

A small proportion of the Company's portfolio is invested in mid-term private equity investments with low or no liquidity. The investments of the Company in publicly traded securities are subject to availability of buyers at any given time and may be very low or non-existent subject to market conditions.

There is currently no exchange traded market for CLO securities and they are traded over-the-counter through private negotiations or auctions subject to market conditions. Currently the CLO market is liquid, but in times of market distress the realization of the investments in CLOs through sales may be below fair value.

Warehouse facilities are private negotiated financing facilities and are not traded and have no active market. The Company, however, can opt to terminate such facility.

Management takes into consideration the liquidity of each investment when purchasing and selling in order to maximise the returns to shareholders by placing suitable transaction levels into the market.

At 31 December 2018, the Company had liquid investments totalling USD 127.0m, comprising of USD 26.2m in cash and cash equivalents, USD 97.1m in investments in loan market through CLOs, USD 1.1m in other fixed income investments, USD 1.5m in public equities and USD 1.1m in hedge funds. Management structures and manages the Company's portfolio based on those investments which are considered to be long term, core investments and those which could be readily convertible to cash, are expected to be realised within normal operating cycle and form part of the Company's treasury function.

Capital management

The Company considers its capital to be its issued total equity (i.e. its share capital and all of its reserves).

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the balance between its net debt and equity.

Net debt to equity ratio is calculated using the following amounts as included on the consolidated statement of financial position, for the reporting periods under review:

	2018 US $000	**2017 US $000**
Cash at bank	(26,214)	(34,175)
Net Debt	(26,214)	(34,175)
Total equity	174,333	175,445
Net debt to equity ratio	(0.15)	(0.19)

29. Financial assets and liabilities by class

	Note	**2018 US $000**	**2017 US $000**
Financial assets:			
Financial assets at amortised cost	9,10	29,382	39,754
Financial assets at fair value through profit or loss	4	138,148	125,847
Financial assets designated at fair value through other comprehensive income	5	7,504	8,247
		175,034	173,848
Financial liabilities:			
Financial liabilities at amortised cost	13	5,927	3,977

The carrying amount of the financial assets and liabilities at amortised cost approximates to their fair value.