CHANNEL ISLANDS PROPERTY FUND LIMITED

REPORT & AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2015

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For the year ended 31 October 2015

GENERAL INFORMATION

DIRECTORS:	Shelagh Mason Paul Bell Brian O'Mahoney (appointed 21 January 2015) Richard Wilson (appointed 16 April 2015) Peter Tom, CBE (resigned 27 February 2015)	
REGISTERED ADDRESS:	11 New Street St. Peter Port Guernsey, GY1 2PF	
INVESTMENT MANAGER:	Ravenscroft Limited Level 5, The Market Buildings Fountain Street St. Peter Port Guernsey, GY1 4JG	
INVESTMENT ADVISOR:	Riverside Capital Group Limited 16 Old Bond Street London, W1S 4PS	
ADMINISTRATOR, SECRETARY AND REGISTRAR:	Orangefield Legis Fund Services Limited 11 New Street St. Peter Port Guernsey, GY1 2PF	
PRINCIPAL BANKERS:	HSBC Bank Plc PO Box 31, Arnold House St. Julian's Avenue St. Peter Port Guernsey, GY1 3AT	
INDEPENDENT AUDITOR:	KPMG Channel Islands Limited Glategny Court Glategny Esplanade St. Peter Port Guernsey, GY1 1WR	
PROPERTY ASSET MANAGERS:	Montagu Evans Channel Islands Limited 22 Smith Street St. Peter Port Guernsey, GY1 2JQ	*In relation to 40 Esplanade until 28 February 2015:* BNP Paribas Real Estate (Jersey) Limited 3rd Floor, Dialogue House 2-6 Anley Street Jersey, JE2 3QE

THE COMPANY

Channel Islands Property Fund Limited (the "Company" and together with its subsidiaries the "Group") was registered as an Authorised Closed-ended Collective Investment Scheme by the Guernsey Financial Services Commission under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, on 26 October 2010. A total of 90,000,000 ordinary shares are admitted to the Official List of the Channel Islands Securities Exchange Authority. 26,225,000 ordinary shares of the Company were admitted on 17 November 2010, a further 8,000,000 ordinary shares admitted on 19 July 2013, a further 41,775,000 ordinary shares admitted on 8 August 2014 and further 14,000,000 ordinary shares admitted on 12 May 2015.

On 28 March 2020, the Directors will consider the performance of the Company and the prevailing market conditions and will make recommendations to the Shareholders as to whether, in their opinion, the Company should continue or be wound up.

INVESTMENT SUMMARY

The Company has been established with the objective of providing an investment opportunity that aims to provide a total return from a combination of capital growth and an appropriate dividend policy through the acquisition and active management of commercial property predominantly in the Channel Islands. Target properties are intended to be fully or partially let and provide a core income which may offer opportunities to add value through active asset management across all sectors of the property market.

Subject thereto there are no geographical or other limitations or restrictions to which investment by the Company is subject. The Company may invest in derivatives, investments, funds, companies owning property and financial indices which are property related including, but not limited to, property development.

CHAIRMAN'S STATEMENT
For the year ended 31 October 2015

I am very pleased to report on another active year for the Channel Islands Property Fund (the "Company").

In May 2015 the Company acquired Carey House, a 26,814 sq ft Grade 'A' office building at Admiral Park in St Peter Port for a price of £16.75 million which reflected a net initial yield of 6.75%. The property is occupied in its entirety by Carey Olsen on a lease which expires in 2029. To fund the acquisition the Company issued 14 million new shares at £1.00 per share and borrowed £3.6 million from Royal Bank of Scotland International. The total number of shares in issue now stands at 90 million.

With the addition of Carey House the annual rent received by the Company is now in excess of £8.8 million and with four rent reviews currently outstanding there will be opportunities to increase this further in the forthcoming months.

The portfolio has been independently valued by Montagu Evans LLP at £142.42 million at the financial year end, a like for like increase of £3.145 million compared with the 2014 year end.

The higher valuation has been reflected through to the Net Asset Value which at 31 October 2015 was 100p per share.

Immediately post the year end the Company completed a refinance of its entire portfolio with Royal Bank of Scotland International which increased the term of the loan from a weighted average of 3.24 years to 5.5 years and reduced the average interest rate from 3.69% to 2.31% resulting in an estimated saving in interest payments of £750,000 per annum. The debt of £53.88 million is at a loan to value of 37.83%. The Company incurred breakage costs of £161,650 as a result of the refinancing.

The last 12 months has seen a substantial rise in the volume of property investment transactions in the United Kingdom, a large proportion of which, by value, have been focussed on central London office property. This has been partially fuelled by demand of overseas investors who consider the location to be a safe haven. More recently, however, investor confidence has increased in all sectors outside of London, including the regional markets. Demand in the regions is being driven by UK institutional funds, opportunity funds and increasingly, overseas investors.

In addition the cost of debt has reduced considerably at the same time as higher loan to value ratios are being offered by the main clearing banks and alternative non-bank lenders. Increasing demand and cheaper debt are combining to have a positive impact on pricing. It is expected that whilst the low interest rate environment prevails this trend will continue.

CHAIRMAN'S STATEMENT (continued)
For the year ended 31 October 2015

Historically property pricing and demand for real estate investment in the Channel Islands follows the direction of the UK regional market, and the board has noted the increase in property transactions in the Channel Islands from both UK and overseas investors over the last 12 months. In Jersey, Gatehouse Bank, acting on behalf of Middle Eastern investors acquired Mourant Ozanne's headquarters in Grenville Street. 26 New Street, occupied by law firm Bedell Crispin was purchased by a private family office, and Standard Life Investments bought 44 Esplanade, principally occupied by Ogier and Elian. In Guernsey, Trafalgar Court was sold to Stenprop, a South African listed real estate fund and Dorey Court and Martello Court were sold by ABN Amro to a fund managed by London based Brockton Capital. Together these transactions total around £175 million of investment all from buyers who did not already own commercial property in the Islands.

Buyers are attracted to the Islands due to the discount in yield at which they can acquire quality properties compared with the UK, occupied by good covenants on long leases with no breaks and three yearly upward only rent reviews in comparison with the standard five year provisions in the UK.

The lack of supply is also a positive when comparing the Channel Islands with regional UK office markets. There is no Grade 'A' space currently available in St Peter Port, either new or second hand and nothing currently in the pipeline which is capable of being delivered in the next few years. In Jersey, occupational demand is increasing with UBS reportedly having agreed to take space in the Jersey Financial Centre and a number of other requirements emanating from the banking and trust/administration sectors have yet to be satisfied. This stands in broad contrast to the majority of regional centres where significant levels of development activity have taken place in recent years mostly on a speculative basis and tenants have a wide variety of choice when seeking new premises.

The board anticipates further investment into the Guernsey and Jersey property markets in the forthcoming year with competition resulting in increasing prices which is likely, together with the asset management initiatives and rent reviews undertaken by the Investment Manager, to result in further increases in capital values in the portfolio.

In a continuing low interest rate environment the Company continues to perform in line with its objectives and has paid 6p in dividends in the year, from a lowly geared and well let property portfolio.

May I take this opportunity to thank shareholders for their support throughout the year as we look forward to another solid year for 2016.

Shelagh Mason
February 2016

INVESTMENT MANAGER'S REPORT
For the year ended 31 October 2015

The Manager is pleased to be able to report that the Channel Islands Property Fund (the "Company") is performing in line with its objectives.

During the year the Company made one acquisition, raising £14 million of equity from existing and new shareholders, settled a number of outstanding rent reviews and implemented various asset management initiatives to enhance the rental income stream from the portfolio. Shortly after the year end the Manager refinanced the Company's entire borrowings on more favourable terms.

As a result of the new acquisitions the Company now owns 7 properties with a broad and diversified tenant base comprising a total of 16 companies operating in such areas as accounting, banking, legal, trust administration, wealth management, regulatory and hedge fund areas. Tenants include Bank of Butterfield, Carey Olsen, Aztec Group, SG Hambros, KPMG, Investec Bank, Schroders, Deloitte, Union Bancaire and Collas Crill.

Portfolio rental income has increased 54% over the year to £8,828,447 through a combination of acquisition and rent reviews. In October the Manager agreed a lease surrender with Bluecrest which had relocated its operations from Guernsey to Jersey and subsequently announced that it was closing its funds to external investors. The surrender premium is in part being used to refurbish the property in order that it can be re-let. Other than this space, which represents less than 1% of the Company's rental income, the portfolio is fully let.

During the year leases were extended and reviews settled. The Manager anticipates further lease extensions in the following year which will incrementally add value to the properties concerned and through settling outstanding reviews, particularly at Regency Court, where 85% of the space is due for review in 2016, the portfolio rental income will continue to grow on a sustainable basis.

The year-end valuation across the portfolio, at £142,420,000, represents a 2.83% increase on the like for like figure for the previous year, with the average weighted unexpired lease term (to lease expiries) now standing at 14.72 years.

In the forthcoming year the Manager is hopeful of securing further opportunities for the Company, however recognises that the landscape is becoming more competitive in terms of the number of investors deploying funds into the Channel Islands property markets.

The criteria for assessing the suitability of an individual investment for the Company are very strict and the enhancement of shareholder value is of greatest importance.

The Manager continues to monitor the market in both Islands and will seek to deliver further opportunities to the Company in line with the investment guidelines.

Ravenscroft Limited
February 2016

DIRECTORS' REPORT
For the year ended 31 October 2015

Channel Islands Property Fund Limited (the "Company" and together with its subsidiaries the "Group") was incorporated on 25 August 2010 and registered on 26 October 2010 as an Authorised closed-ended investment company registered in Guernsey pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Authorised Closed-ended Investment Scheme Rules 2008.

The Directors submit their Report and the Audited Consolidated Financial Statements (the "Financial Statements") of the Group for the year ended 31 October 2015, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"), and in accordance with any relevant enactment for the time being in force; and are in agreement with the accounting records, which have been properly kept in accordance with section 244 of The Companies (Guernsey) Law, 2008.

The investment objective of the Group is to provide a total return from a combination of capital growth and an appropriate dividend policy through the acquisition and active management of commercial property predominantly in the Channel Islands.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards as issued by the IASB, and applicable law.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

DIRECTORS' REPORT (continued)
For the year ended 31 October 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect 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 Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CORPORATE GOVERNANCE
The Board has undertaken a detailed review of the effectiveness of its corporate governance practices for the Company. In the context of the nature, scale and complexity of the Company the Directors are satisfied with the level of their governance oversight for the Company and their degree of compliance with the Finance Sector Code of Corporate Governance issued by the Guernsey Financial Services Commission on 30th September 2011.

ACTIVITY
The Group's principal activity is that of investment in commercial properties predominately in the Channel Islands. As discussed in the Investment Manager's Report one new property acquisition was made during the year, Carey House, Guernsey, taking the number of properties owned by the Group to seven.

DIVIDENDS
Interim dividends of £0.015 per share were paid on 31 March 2015 (£1,140,000), 30 June 2015 (£1,350,000), 30 September 2015 (£1,350,000) and 31 December 2015 (£1,350,000) in relation to the year ended 31 October 2015. In relation to the period ended 31 October 2014 a dividend of £1,140,000 (£0.015 per share) was paid on 31 December 2014.

DIRECTORS
The Directors during the year and to the date of this Report are as stated on page 2. During the year the Directors received remuneration in the form of fees as stated in note 21.

DIRECTORS INTERESTS
At the year end, Directors held the following shares in the Company:

Mr P. Bell – 1,000,000
Mr B. O'Mahoney – 100,000
Mr R. Wilson – 1,500,000
Mrs S. Mason – Nil

DIRECTORS' REPORT (continued)
For the year ended 31 October 2015

DIRECTORS INTERESTS (continued)
Mr Wilson has an interest of 1,500,000 shares which are held both directly and indirectly. At no point during the year did any of the Directors hold an interest in any material contract or contract for provision of services to which the Company, or any subsidiary undertaking, is a party and in which any director is or was materially interested.

GOING CONCERN
The Board have examined significant areas of possible financial risk, in particular cash requirements and the on-going obligations of the banking covenants.

Cash flow projections are reviewed on a regular basis and the risk of the covenants being breached is considered to be low. In addition, all loans have been successfully refinanced with RBSI following the year end with one loan held by the Company.

After due consideration the Directors believe that the Group has adequate resources to continue in operational existence for a period of not less than twelve months from the date of the approval of the Financial Statements, and as such it is appropriate to adopt the going concern basis in preparing the Financial Statements.

DISCLOSURE OF INFORMATION TO AUDITORS
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS
The Directors re-appointed KPMG Channel Islands Limited (the "auditor") as auditor of the Group on 23 February 2015. KPMG Channel Islands Limited have expressed their willingness to continue in office as auditor and a resolution to re-appoint them as auditors will be put to the members at the next Annual General Meeting.

Approved by the Board of Directors on 23 February 2016 and signed on its behalf by:

Shelagh Mason	Brian O'Mahoney
Director	Director

Independent auditor's report to the members of Channel Islands Property Fund Limited

We have audited the consolidated Financial Statements (the "Financial Statements") of Channel Islands Property Fund Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 October 2015 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

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

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 7 and 8, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 October 2015 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards as issued by the IASB; and
- comply with the Companies (Guernsey) Law, 2008.

Independent auditor's report to the members of Channel Islands Property Fund Limited (continued)

Matters on which we are required to report by exception

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

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

KPMG Channel Islands Limited
Chartered Accountants

Guernsey

25 February 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 October 2015

	Notes	Year to 31 October 2015 £	Year to 31 October 2014 £
Income			
Rental income	5	8,828,447	5,723,088
Service charge recharged to tenants	10	857,317	575,479
Other income	5	380,253	-
Total operating income		10,066,016	6,298,567
Gains and losses on investments			
Unrealised gain/(loss) on revaluation of investment property	8	3,585,315	(1,388,585)
Total gain/(loss) on investments		3,585,315	(1,388,585)
Expenses			
Service charge costs	10	(860,255)	(575,479)
Property operating expenses	10	(45,122)	(36,071)
Management expenses	21	(802,205)	(510,852)
Other operating expenses	13	(689,020)	(536,739)
Total operating expenses		(2,396,602)	(1,659,141)
Profit before finance costs and tax		11,254,730	3,250,841
Financing			
Interest income	5	11,917	869
Interest expense	6	(2,237,939)	(1,965,534)
Total finance costs (net)		(2,226,022)	(1,964,665)
Profit before tax		9,028,708	1,286,176
Taxation	7	(161,144)	(56,922)
Deferred tax	7	(139,663)	258,910
Total taxation		(300,807)	201,988
Profit for the year		8,727,901	1,488,164
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit and loss			
Effective portion of changes in fair value of interest rate swap	18	501,269	473,879
Total comprehensive income net of tax		9,229,170	1,962,043
Basic and diluted earnings per share	12	0.11	0.03

The notes on pages 16 to 52 form an integral part of these consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2015

	Note	31 October 2015 £	31 October 2014 £
Assets			
Investment properties	8	138,861,108	118,192,168
Deferred tax	7	-	139,663
Non-current assets		138,861,108	118,331,831
Trade and other receivables	15	39,051	163,234
Receivable on rental incentives	8	3,087,600	2,561,513
Cash and cash equivalents	14	3,865,718	3,505,854
Current assets		6,992,369	6,230,601
Total assets		145,853,477	124,562,432
Equity			
Share capital	19	87,333,351	73,757,350
Reserves	19	(107,222)	(608,491)
Retained earnings		2,953,734	(794,167)
Total equity		90,179,863	72,354,692
Liabilities			
Loans and borrowings	17	25,651,765	49,648,027
Interest rate swap	18	55,138	608,491
Non-current liabilities		25,706,903	50,256,518
Loans and borrowings	17	27,812,643	-
Interest rate swap	18	52,084	-
Other payables	16	2,101,984	1,951,222
Current liabilities		29,966,711	1,951,222
Total liabilities		55,673,614	52,207,740
Total equity and liabilities		145,853,477	124,562,432

The consolidated Financial Statements on pages 12 to 52 were approved by the Board of Directors on 23 February 2016 and are signed on its behalf by:

Shelagh Mason
Director

Brian O'Mahoney
Director

The notes on pages 16 to 52 form an integral part of these consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 October 2015

	Note	Year to 31 October 2015 £	Year to 31 October 2014 £
Reconciliation of Total Return to Net Cashflow			
Operating Activities			
Profit before tax		9,028,708	1,286,176
Adjusted for:			
Interest income		(11,917)	(869)
Interest expense		2,237,939	1,965,534
Interest received		11,917	869
Interest paid		(1,944,090)	(1,683,702)
Unrealised (gain)/loss on investment properties	8	(3,585,315)	1,388,585
Decrease/(increase) in trade and other receivables		(401,904)	(105,240)
Increase in other payables		41,724	685,080
Lease incentive for Regency Court		-	(300,000)
Taxation paid		(33,116)	9,016
Net cash inflow from operating activities		5,343,946	3,245,449
Investing Activities			
Property acquisition		(17,083,625)	(46,581,620)
Net cash outflow from investing activities		(17,083,625)	(46,581,620)
Financing Activities			
Net proceeds from issue of Ordinary Shares	19	13,576,001	35,521,100
Net loans received	17	3,503,542	12,425,000
Dividends paid	26	(4,980,000)	(2,680,125)
Net cash inflow from financing activities		12,099,543	45,265,975
NET CASH INFLOW FOR THE YEAR		359,864	1,929,804
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		3,505,854	1,576,050
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	3,865,718	3,505,854

The notes on pages 16 to 52 form an integral part of these consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2015

	Note	Share Capital £	Hedging Reserve £	Retained Earnings £	Total £
Balance at 31 October 2013		33,236,250	(1,082,370)	397,794	32,551,674
Profit for the year		-	-	1,488,164	1,488,164
Total other comprehensive income	18	-	473,879	-	473,879
Total comprehensive income for the year		33,236,250	(608,491)	1,885,958	34,513,717
Dividend paid	26	-	-	(2,680,125)	(2,680,125)
Amounts received on issue of shares	19	41,775,000	-	-	41,775,000
Issue costs	19	(1,253,900)	-	-	(1,253,900)
Balance at 31 October 2014		73,757,350	(608,491)	(794,167)	72,354,692
Profit for the year		-	-	8,727,901	8,727,901
Total other comprehensive income	18	-	501,269	-	501,269
Total comprehensive income for the year		73,757,350	(107,222)	7,933,734	81,583,862
Dividend paid	26	-	-	(4,980,000)	(4,980,000)
Amounts received on issue of shares	19	14,000,000	-	-	14,000,000
Issue costs	19	(423,999)	-	-	(423,999)
Balance at 31 October 2015		87,333,351	(107,222)	2,953,734	90,179,863

The notes on pages 16 to 52 form an integral part of these consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2015

1 REPORTING ENTITY

Channel Islands Property Fund Limited (the "Company" and together with its subsidiaries the "Group") was registered on 25 August 2010 and registered on 26 October 2010 as an Authorised closed-ended investment company in Guernsey pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Authorised Closed-ended Investment Scheme Rules 2008. The consolidated Financial Statements of the Group as at and for the year ended 31 October 2015 comprise the Company and its subsidiaries. The Group's principal activity is that of investment in commercial properties predominately in the Channel Islands.

2 PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's Financial Statements.

Statement of compliance

The consolidated Financial Statements, which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB"), and comply with the Companies (Guernsey) Law, 2008.

The consolidated Financial Statements have been prepared on a going concern basis. The Board have examined significant areas of possible financial risk, in particular cash requirements and the on-going obligations of the banking covenants. Several of the subsidiary facility loans are due for renewal within the next 12 months and as a result, the Company is now in a net current liability position. Following the year end, all loans have been successfully refinanced with RBSI and this has restored the Company to a net current asset position. After due consideration the Directors believe that the Group has adequate resources to continue in operational existence for a period of not less than twelve months from the date of the approval of the Financial Statements, and as such it is appropriate to adopt the going concern basis in preparing the Financial Statements.

The accounting policies applied in the year are consistent with those of the previous financial period with the exception of new standards effective and adopted during the year. In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, that are relevant to its operations and effective for annual reporting periods beginning on or after 1 November 2014. The standards adopted which are relevant to these Financial Statements are:

- Investment Entities (Amendments to IFRS 10, 12 and IAS 27) - IFRS 10 provides an exemption from consolidation of subsidiaries for entities that meet the definition of an 'investment entity'. The Company has determined that it does not meet the definition of an investment entity, as it is involved in the active management of investment properties for both rental income return and capital appreciation.
- Amendments to IFRS 13: Fair value measurement, and IAS 32: Financial instruments: Disclosure and presentation.
- Annual Improvements 2010-2012 Cycle.
- Annual Improvements 2011-2013 Cycle.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Statement of compliance (continued)

There was no impact on the Financial Statements from adopting these standards other than enhancing disclosures. There are no other IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning 1 November 2014 that had a material impact on the Group's performance or results.

New IFRS accounting standards and interpretations not yet adopted

At the date of authorisation of these Financial Statements, the following standards and interpretations, which may become relevant to the Group but have not been applied in these Financial Statements, were in issue but not yet effective and the Group does not plan to adopt these standards early:

- IFRS 9: Financial Instruments - Classification and Measurement – effective for accounting periods on or after 1 January 2018. IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 requires financial assets to be classified into three measurement categories: those measured as at fair value through profit or and loss, those measured at fair value through other comprehensive income, and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This standard also introduces a new general hedge accounting model. The objective is to more closely align the accounting treatment with risk management. As such it will allow entities to reduce profit and loss and balance sheet volatility by applying hedge accounting in more circumstances. However, when an entity first applies this IFRS, it may choose, as an accounting policy choice under this IFRS, to continue to apply the hedge accounting requirements of IAS 39.
- IFRS 15: Revenue from Contracts with Customers – effective for periods commencing on or after 1 January 2018. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.
- IFRS 16: Leases – effective for periods commencing on or after 1 January 2019. The objective of IFRS 16 is to establish the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor').

2 PRINCIPAL ACCOUNTING POLICIES (continued)

New IFRS accounting standards and interpretations not yet adopted (continued)

- IAS 1 Presentation of Financial Statements: Disclosure Initiative (effective for periods commencing on or after 1 January 2016);
- Annual Improvements 2012 - 2014 Cycle (effective for periods commencing on or after 1 January 2016).

With the exception of IFRS 9, the adoption of the above standards is not anticipated to have any significant bearing on the Group's financial statements. The Directors are considering, but have not yet concluded, on what the impact of IFRS 9 will be on the Group's Consolidated Statement of Financial Position but do not anticipate that, on adoption, the standard will have any significant bearing on the Group's Financial Statements.

Basis of measurement

The consolidated Financial Statements have been prepared on the historical cost basis except for Investment Properties and Interest Rate Swaps that are measured at fair value.

Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) as disclosed in Note 24. Control is achieved where the Company has the power over the investee; is exposed, or has the rights, to variable return from its involvement with the investee; and has the ability to use its powers to affect its returns. In assessing control, potential voting rights that presently are exercisable are taken into account.

The results of subsidiaries acquired during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition. Where necessary, adjustments are made to the Financial Statements of subsidiaries on consolidation to bring their accounting policies into line with those used by other members of the Group.

Where properties are acquired by the Group through corporate acquisitions but the acquisition does not meet the definition of a business combination, the acquisition has been treated as an asset acquisition.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Income and expenses

Income and expenses are included in the Consolidated Statement of Comprehensive Income on an accruals basis. All of the Group's income and expenses are derived from continuing operations. Rental income and lease incentives from investment property leased out are recognised in the Consolidated Statement of Comprehensive Income on a straight line basis over the term of the lease.

The lease term is the full life of the lease or up to the lease break date if at the inception of the lease, the Directors have a reasonable expectation that the tenant will exercise their break option. Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured.

Property operating costs include the costs of professional fees on letting and other non-recoverable costs.

Fees and expenses relating to the establishment of the subsidiaries will be borne by the Group. The Group will also incur on-going operational expenses. These expenses include audit costs, taxes, costs of valuing and pricing assets, expenses of publishing any reports or notices, bank charges and any other expenses relating to the making of any capital or income distributions, insurance premiums, legal and professional expenses which the Group incurs, whether in litigation on behalf of the Group or in connection with the on-going administration of the Group or otherwise and any other costs of a similar nature.

The income charged to tenants for property service charges and the costs associated with such service charges are shown separately in the Consolidated Statement of Comprehensive Income to reflect that the ultimate risk for paying and recovering these costs rests with the property owner.

Interest income is generated from cash and cash equivalents. Interest income is recognised on an accruals basis.

Interest expense comprises interest expense on loans and borrowings, and any ineffective portion of interest rate swaps. Attributable transaction costs incurred in establishing the Group's credit facilities are deducted from the fair value of borrowings on initial recognition and are amortised over the lifetime of the facilities through the Consolidated Statement of Comprehensive Income. Interest expenses are accounted for on an effective interest basis.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Investment property

Properties which are held for the long term, to earn rentals and / or for capital appreciation are accounted for under IAS 40: Investment Property. Such properties are initially stated at cost, including any related transaction costs. After initial recognition, investment properties are carried at their fair value based on professional valuations. Property acquisitions and disposals are recognised at the point of unconditional exchange of contracts.

The professional valuation of the investment property is largely based on estimates using property appraisal techniques and other valuation methods. Such estimates, further disclosed in Note 3, are inherently subjective and actual values can only be determined in a sales transaction.

Gains or losses arising from changes in the fair value of, or disposal of, investment properties are included in the Consolidated Statement of Comprehensive Income in the period in which they arise.

Formation expenses

Formation expenses are taken to the Consolidated Statement of Comprehensive Income in full in the year in which they are incurred.

Lease incentives

Lease incentives, generally in the form of rent free periods, can on occasion be offered to tenants. The value of any such lease incentive, being the value of the rent forgone, will be recognised in the Consolidated Statement of Comprehensive Income over the period of the lease or when at the inception of the lease, the Directors have a reasonable expectation that the tenant will exercise their break option, in which case the incentive is accounted for from the inception of the lease to the break option date.

Share capital

Ordinary shares are classified as equity. Incremental costs and placing fees directly attributable to the issue of Ordinary shares are recognised as a deduction from equity.

Financial assets and financial liabilities

Financial assets and financial liabilities comprise trade and other receivables, cash and cash equivalents, loans and borrowings, interest rate swap liability and other payables. These are recognised initially at fair value plus any directly attributable transaction costs. Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument.

The Group classifies financial assets and financial liabilities into the following categories:

Financial assets at amortised cost – This incorporates cash and cash equivalents and all trade receivables.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities (continued)

Financial Liabilities at amortised cost – This incorporates loans and borrowings and all other payables including trade payables.

Financial Liabilities at fair value – Interest rate swap liability.

The amortised cost of a financial asset or liability is the amount at which the financial assets or liability is measured at initial recognition adjusted for any impairment, and amortised over the useful economic life of the asset in the Consolidated Statement of Comprehensive Income.

The Group derecognises a financial asset when it no longer bears the risk, nor is entitled to the rewards, of ownership. On derecognition the difference between the carrying amount of the asset and the consideration received is recognised in the Consolidated Statement of Comprehensive Income. The Group derecognises a financial liability when its contractual obligations are discharged or expire.

Interest rate swaps

The Group uses interest rate swaps to hedge its exposure to interest rate fluctuations. It is not the Group's policy to trade in derivative financial instruments.

Interest rate swaps are recognised initially at fair value and subsequently re-measured to fair value at each reporting date. Fair value is determined by the counterparties to the contracts using observable market data, this is usually the estimated amount that the Group would receive/ pay to terminate the swap at the reporting date.

Hedge accounting

The Group designates certain financial instruments (principally interest rate swaps) as cash flow hedges, subject to the satisfaction of the criteria set out in IAS 39: Financial Instruments: Recognition and Measurement. For qualifying cash flow hedges, the effective portion of any change in fair value is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of the change in fair value is recognised immediately in interest expense in profit or loss.

On maturity, or early redemption, of the hedged item the realised gains or losses arising are taken to profit and loss, with a matching transfer from the amounts in other comprehensive income in respect of previously recognised unrealised gains or losses arising in the fair value of these instruments.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition interest bearing loans and borrowings are subsequently measured at amortised cost. There is no material difference between amortised cost and amortised cost using the effective interest rate method. Set up costs associated with any borrowings are capitalised and charged to the Consolidated Statement of Comprehensive Income over the period of the borrowings.

Distributions

Dividends paid during the year are disclosed as a movement in equity. Final dividends proposed by the Board and approved by the Shareholders prior to the year end are disclosed as a liability. Dividends proposed but not approved are disclosed in the notes to the Financial Statements.

Operating leases

The Group leases out investment properties on operating leases. A property held under an operating lease is classified and accounted for as an investment property where the Group holds it to earn rentals, capital appreciation, or both.

Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. It should be noted, however, that the Group is subject to Guernsey or Jersey taxation at 20% on its net rental income. Pursuant to the exemption granted under the above mentioned Ordinance, the Company is subject to an annual fee, currently £1,200 (2014: £600), payable to the Guernsey Authorities.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on initial recognition of assets and liabilities in a transaction that is not a business combination, and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that it is likely that they will remain for the foreseeable future; and
- Taxable temporary differences arising on the recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Deferred tax

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period such a determination is made.

Functional and presentational currency

The Directors consider Sterling the currency that most faithfully represents the economic effect of the Group's underlying transactions, event and conditions. Sterling is the currency in which the Group measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. This determination also considers the competitive environment in which the Group is compared to other Channel Island property investment products. The Group currently has no exposure to any foreign currencies.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Use of estimates and judgements

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The most significant estimates and judgements made in preparing these financial statements are as follows:

Valuation of property

In accordance with the accounting standards adopted by the Group, investment property is stated at fair value as at the Consolidated Statement of Financial Position date. Fair value is defined as the estimated amount for which the property could be exchanged which would reflect its highest and best use between knowledgeable, willing parties in an arm's length transaction and should reflect the actual market state and circumstances as at the reporting date.

As at the year end desktop valuations of all properties have been prepared by Montagu Evans LLP, London, in accordance with the definition of Market Value as set out in the Royal Institute of Chartered Surveyors ("RICS") Professional Standards (Global and UK edition).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Valuation of property

The Directors have elected that full valuations are prepared on acquisition, and then every three years, with desktop valuations performed for all other years. The Directors believe that as the valuation of properties is primarily based on rental income and yields, that desktop valuations will represent the fair valuations of the properties. The Directors believe there will be no significant deterioration to the buildings between inspections, as they are inspected by the Property Manager, who report back to the Directors on a regular basis.

The fair value of investment property is based on valuations provided as described above. These values are determined by using recognised valuation techniques and taking into consideration any recent market transactions for similar properties in similar locations to the investment properties held by the Group and the anticipated future cash flows from rental income that the properties are expected to generate.

Initial yield on the estimated rental value ("ERV") of each property has been used in arriving at the valuation of property. This yield has been arrived at using comparable evidence, where available, and taking account of the nature of the individual investments including the occupational tenants, income stream and lease lengths. Note 8 outlines the impact of Initial Yield and ERV on property valuations.

Refer to Note 8 for details of the significant unobservable inputs included in the valution of the investment properties.

Fair value of derivatives

During the year and at the year end the fair value of interest rate swaps being the only derivatives held, is based on valuation models run by the counterparties to the contracts, HSBC Bank plc. ("HSBC") and Royal Bank of Scotland International Limited ("RBSI"). The object of the valuation models are to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The valuation models used for interest rate swaps are widely recognised as using only observable market data. As such they significantly reduce the level of management judgement and estimation required.

Lease Classification

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Lease Classification

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form. There are a number of factors to consider in arriving at a conclusion as to whether a lease is a finance lease or operating lease. Management is of the opinion that the investment properties are leased out on operating leases.

The majority of factors to consider clearly indicate that the leases are operating leases. One significant factor which has required specific management judgement in arriving at this conclusion is:

- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

This would normally indicate that a lease be classified as a finance lease.

Management however have deemed that by obtaining tenants of a high quality and securing those tenants for a long term provides the Group with a stronger base from which to achieve their investment objective of providing shareholders with a consistent and attractive level of income, with the potential for capital growth. In addition, the Directors have considered the life of the properties and are of the opinion that the economic capacity of the properties is substantially longer than the terms of the leases, and have therefore determined that the leases meet the definition of operating leases.

Business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, the following criteria are considered:

- The number of items of land and buildings owned by the subsidiary
- The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the subsidiary
- Whether the subsidiary has allocated its own staff to manage the property and/or to deploy any processes, including provision of all relevant administration and information to the entity's owners

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Business combinations

The Board have considered the nature and activities of the subsidiaries acquired and have concluded that they do not represent the acquisition of a business and as such the cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

4. SEGMENTAL INFORMATION

The Board is charged with setting the Group investment strategy in accordance with the Group investment policy and overall objectives. They have delegated the day to day implementation of this strategy to the Investment Manager but retain responsibility to ensure that adequate resources of the Group are directed in accordance with their decisions. The operating activities of the Investment Manager are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Board.

The Investment Manager has been given full authority to act on behalf of the Group in certain situations. Under the terms of the Investment Management Agreement, subject to the overall supervision of the Board, the Investment Manager advises on the investment strategy of the Group, advises the Group on its borrowing policy and advises on the use of, and management of, derivatives and hedging by the Company.

Whilst the Investment Manager may make operational decisions on a day to day basis regarding the property investments, any changes to the investment strategy or major allocation decisions have to be approved by the Board, even though they may be proposed by the Investment Manager.

The Board therefore retains full responsibility for investment policy and strategy. The Investment Manager will always act under the terms of the Investment Management Agreement which cannot be changed without the approval of the Board. The Board has considered the requirements of IFRS 8 “Operating Segments”. The Board is of the opinion that the Group is organised into one main business segment, focusing on achieving long-term total returns through acquisition and holding of commercial property interests and for which information is provided based on IFRS accounting policies. The Group's secondary segment is the geographical segment, based on the one main location of the investments, in the Channel Islands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2015

5. INCOME

	Year to 31 October 2015 £	Year to 31 October 2014 £
Bank deposit interest	11,917	869
Rental income	8,828,447	5,723,088
Other income	380,253	-
	9,220,617	5,723,957

Other income includes an amount of £250,000 paid as a surrender fee by the former tenant of Bucktrout House (see note 9).

6. INTEREST EXPENSE

	Year to 31 October 2015 £	Year to 31 October 2014 £
Interest payable at amortised cost		
HSBC	1,600,611	1,622,926
RBSI	637,328	342,608
	2,237,939	1,965,534

The payments to HSBC and RBSI are in relation to the interest charged on the Facility Agreements and Swap Agreements for the year (see Note 17 and Note 18).

7. TAXATION

The Company is exempt from income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. The Company pays an annual fee to the States of Guernsey Income Tax Office, presently set at £1,200 (2014: £600).

Regency Court Property Limited, Glategny Holdings Limited and Commerce Holdings Limited are subject to Guernsey income tax on rental income arising after the deduction of allowable debt financing costs and allowable expenses. For the current year taxation of £80,352 is payable in relation to rental income received on Commerce Holdings Limited (2014: N/A), and £66,963 in relation to Regency Court Property Limited (2014: Nil). No taxation is payable in relation to Glategny Holdings Limited (2014: Nil).

7. TAXATION (continued)

Seaton Place Property Limited, Seaton Investments Limited, St Helier Investments Limited and M & R Properties Limited are subject to Jersey income tax on rental income arising after the deduction of allowable debt financing costs and allowable expenses. For the current year no tax is payable by Seaton Place Property Limited (2014: Nil), or St Helier Investments Limited (2014: £600) in relation to rental income received. Seaton Investments Limited has a charge of £16,124 for 2015 for rental income received (2014: £26,684), and M&R Properties Limited has a credit of £2,295 (expense for 2014: £29,638).

The Guernsey Income Tax Office has confirmed that a 20% tax credit can be attached to the dividends of the Company on the basis that tax has been previously paid by the subsidiaries in respect of their Guernsey and Jersey rental income. Therefore, dividends paid by the Company can be treated as net dividends.

The amounts of deferred taxation provided in the Financial Statements are:

	31 October 2015	**31 October 2014**
	£	£
Unutilised annual allowances carried forward	-	(139,663)
	-	(139,663)

The movement in the deferred tax balance is as follows:

	Year to 31 October 2015	**Year to 31 October 2014**
	£	£
At the beginning of the year	(139,663)	119,247
Debit/(credited) to the Consolidated Statement of Comprehensive Income	139,663	(258,910)
(Asset)/liability at end of year	-	(139,663)

This provision for deferred tax is recognised on annual allowances carried forward which can be utilised in future years to reduce assessable profits. No further deferred tax assets are recognised.

7. TAXATION (continued)

Reconciliation of accounting profit to tax expense

	31 October 2015	31 October 2014
	£	£
Tax Expense in the year	161,144	56,922
Reconciliation of effective tax rate		
Profit before tax	9,028,708	1,286,176
Income tax using an effective tax rate of 20% on rental income	1,805,742	257,235
Revaluation gain not taxable	(717,063)	277,717
Other tax deductible expenses	(1,249,823)	(591,874)
Current tax expense in the year	161,144	56,922

8. INVESTMENT PROPERTIES

	31 October 2015	31 October 2014
	£	£
Fair value at beginning of year	118,192,168	69,947,392
Additions at cost	17,083,625	49,633,361
Unrealised gain/(loss) on revaluation	3,585,315	(1,388,585)
Fair value at end of year	138,861,108	118,192,168

The carrying value of investment properties reconciles to the Appraised Value as follows:

	31 October 2015	31 October 2014
	£	£
Appraised Value	142,420,000	121,975,000
Lease incentives held as debtors	(3,087,600)	(2,561,513)
Remaining rent free period	(471,292)	(1,221,319)
Carrying value at the end of the year	138,861,108	118,192,168

The investment portfolio, in line with the investment strategy detailed on page 3, consists only of commercial property in the Channel Islands. During the year two new subsidiaries joined the Group, Carey House Holdings Limited and Commerce Holdings Limited. 100% of the share capital of Carey House Holdings Limited, an investment holding company, was acquired on its incorporation on 19 March 2015, which in turn acquired 100% of the share capital in Commerce Holdings Limited, a property investment company, on 12 May 2015.

8. INVESTMENT PROPERTIES (continued)

When the Group acquired Seaton Investment Limited during the year ended 31 October 2012, as disclosed below, a lease incentive in the form of a rent free period had already been granted by the previous owner to the existing tenant. The value of this lease incentive is being recognised in the Consolidated Statement of Comprehensive Income over the period of the lease. When the Group acquired Glategny Holdings Limited and M & R Properties Limited during the year ended 31 October 2014, as disclosed below, lease incentives in the form of a rent free period had already been granted by the previous owner to an existing tenant in each property. The value of these lease incentives are being recognised in the Consolidated Statement of Comprehensive Income over the period of the leases.

The valuations of Glategny Court and 40 Esplanade have been based on a Special Assumption, that the income from the tenants on rent-free periods is receivable, and have been adjusted accordingly. The valuation of these properties at the time of acquisition was £51,710,000.

The valuation has also used the special assumption of purchaser's costs being 1.5% on share transfer costs.

During 2014, the Group agreed to a change in the terms of a lease in Regency Court Properties Limited, whereby the Group paid the tenant for the removal of a break clause in the lease. The value of this lease incentive is being recognised in the Consolidated Statement of Comprehensive income over the remaining period of the lease. Further details are in Note 9.

The property valuations have incorporated the future cash flows of these leases in arriving at the market value and as such an accounting adjustment, being an adjustment to the value of the investment property, has to be made to take into consideration the lease incentives.

All investment properties are valued at year end by Montagu Evans LLP, London, who is a member of the Royal Institution of Chartered Surveyors. Fees for the valuer are fixed, and agreed on an annual basis. Valuations are reviewed and approved by the Directors.

The basis of the valuations is as described in Note 3. All investment properties are categorised as level 3 in the IFRS 13 fair value hierarchy. Transfers between levels are deemed to occur at the end of the reporting period. There have been no transfers of properties between levels 1, 2 and 3 during the year (2014: nil).

An increase in passing rent or ERV would increase valuations of the investment properties. A decrease in the rental yield, initial yield or equivalent yield would increase the valuation. An Initial yield of between 6.59% and 7.39% (2014: 6.59% and 8.17%) has been used in determining the ERV.

8. INVESTMENT PROPERTIES (continued)

There are interrelationships between all these unobservable inputs as they are determined by market conditions. The existence of an increase in more than one unobservable input would be to magnify the impact on the valuation. The impact on the valuation will be mitigated by the interrelationship of the two unobservable inputs moving in the same direction, e.g. an increase in rent may be offset by an increase in rental yield, resulting in no net impact on the valuation.

The entire issued share capital of Regency Court Property Limited, Seaton Place Property Limited and Seaton Investments Limited are subject to security agreements in favour of HSBC in respect of loans advanced by HSBC to Regency 1 Limited, Seaton 1 Limited and Seaton 2 Limited. The obligations of Seaton 1 Limited, Seaton Place Property Limited, Regency 1 Limited and Regency Court Property Limited to HSBC are also the subject of a guarantee and indemnity between these parties in favour of HSBC. The properties at Regency Court, Guernsey, 11-15 Seaton Place, Jersey and 17-21 Seaton Place, Jersey are also subject to individual bonds in favour of HSBC.

The entire issued share capital of Esplanade 1 Limited and St Helier Investments Limited are subject to security agreements in favour of RBSI in respect of loans advanced by RBSI to Esplanade 1 Limited. The entire issued share capital of Glategny Holdings Limited and Commerce Holdings Limited are subject to a security agreements in favour of RBSI in respect of loans advanced by RBSI to Glategny 1 Limited and Carey House Holdings Limited.

The obligations of Esplanade 1 Limited, St Helier Investments Limited, Glategny Holdings Limited and Commerce Holdings Limited to RBSI are also the subject of a guarantee and indemnity between these parties in favour of RBSI. The properties at 17a-18 Esplanade, Jersey, Glategny Court, Guernsey and Carey House, Guernsey are also subject to individual bonds in favour of RBSI. Further details of the loan are provided in Note 17.

9. OPERATING LEASES

Future minimum lease rentals are as follows:

	31 October 2015	**31 October 2014**
	£	**£**
Within 1 Year	9,467,280	8,246,388
1 to 5 Years	37,354,507	32,107,381
After 5 Years	96,470,585	82,095,191
Total	143,292,372	122,448,960

9. OPERATING LEASES (continued)

Agreements

Regency Court

The tenancy agreements for the ground floor consist of a twenty one year agreement ending October 2026, with a break clause in October 2020, generating £96,218 per quarter with a 2.5% increase compounded each third year; and a fifteen year agreement ending June 2021 generating £54,176 per quarter with a review every three years; upon completion the next rent review will be effective from March 2016.

The tenancy agreements for the first floor consist of a twenty one year agreement ending June 2025 generating £91,431 per quarter with a review every three years, upon completion the next rent review will be effective from June 2016; and a twenty one year agreement ending June 2025 generating £81,756 per quarter with a review every three years, upon completion the next rent review will be effective from June 2016, and a break clause in June 2019.

The tenancy agreement for the second and third floors consists of a twenty one year agreement ending May 2025 generating £340,940 per quarter* with a review every three years, upon completion the next rent review will be effective from May 2016. A break clause in May 2019 had been cancelled as at 31 October 2014, with payment to the tenant of £300,000.

The tenancy agreement for the tennis court consists of a twenty one year agreement ending May 2025 generating £132 per annum increasing by the Guernsey Retail Price Index every three years; the next increase being due in May 2016.

11-15 Seaton Place

The tenancy agreement is a 15 year agreement ending March 2024, generating £170,086 per quarter*. The next rent review is effective March 2015 and is outstanding as at 31 October 2015.

17-21 Seaton Place

The tenancy agreement is a 24 year agreement generating £198,692 per quarter* ending November 2033, with break clauses in August 2021, 2025 and 2029. Upon completion the next rent review will be effective from November 2015.

17a-18 Esplanade

The tenancy agreement is a 42 year agreement generating £205,000 per quarter* ending November 2045 with break clauses in October 2024, 2031 and 2038. A rent review completed in October 2015, increasing rental income to £221,307 per quarter commencing 1 November 2015.

9. OPERATING LEASES (continued)

Agreements (continued)

40 Esplanade

The tenancy agreement which covers occupancy of the ground floor, first floor and second floor front is a 15 year agreement ending March 2024 generating £59,939 per quarter with a rent review every three years, upon completion the next rent review will be effective from March 2015, and is outstanding as at 31 October 2015.

The tenancy agreement for the first floor rear consists of a nine year agreement ending November 2019 generating £28,181 per quarter, with a break clause in November 2016. Rent reviews are every three years, and upon completion the next rent review will be effective from March 2015 and is outstanding as at 31 October 2015.

The tenancy agreement for the second floor rear consists of a nine year agreement ending February 2023 generating £24,355 per quarter, with a break clause in February 2020. Rent reviews are every three years, and upon completion the next rent review will be effective February 2017.

The tenancy agreements for the third floor consist of a nine year agreement ending March 2018 generating £30,694 per quarter, with a break clause in March 2016, and rent reviews every three years, the next rent review will be effective from March 2015 and is outstanding as at 31 October 2015; and a nine year agreement ending March 2020 generating £15,688 per quarter, with a break clause in March 2016, and with a rent review every three years. Upon completion the next rent review will be effective March 2017.

Glategny Court & Bucktrout House

The tenancy agreement which covers occupancy of Bucktrout House is a 15 year agreement ending August 2026 generating £35,875 per quarter, with a break clause in August 2016. The tenant of this building surrendered their tenancy on 28 September 2015, paying a surrender charge of £250,000.

The tenancy agreement for the ground floor Glategny Court consists of a twenty four year agreement ending September 2034 generating £163,797 per quarter. The next rent review is due September 2016.

The tenancy agreement for the first floor Glategny Court consists of a twenty four year agreement ending January 2035 generating £167,038 per quarter, with a break clause in January 2032. Rent reviews are every three years, with the next rent review due September 2016.

The tenancy agreement for the second floor Glategny Court consists of a twenty four year nine months agreement ending September 2038 generating £176,735 per quarter, with a break clause in September 2029. Rent reviews are every three years, and upon completion the next rent review will be effective January 2017.

9. OPERATING LEASES (continued)

Agreements (continued)

The tenancy agreement for third floor Glategny Court consists of a twenty four year agreement ending April 2035 and generating £156,960 per quarter, with rent reviews every three years, once complete, the next rent review will be effective from April 2014, and is outstanding as at 31 October 2015.

Carey House

The tenancy agreement which covers the occupany of Carey House consists of a twenty one year agreement ending February 2029, generating £248,405 per quarter. The next rent review is due September 2017.

The tenancy agreement also covers the use of carparking spaces at Carey House on a twenty one year agreement ending February 2029, generating £37,538 per quarter. The next rent review is due September 2017.

*The tenants of these properties have each contributed more than 10% of the rental income during the year. The largest single tenant has contributed 16% of the Group total rental income for the year (2014: 24%).

10. PROPERTY OPERATING EXPENSES

Tabled below are the amounts of property operating expenses arising from investment properties that generated rental income during the year:

Income generating expenses

	Year to 31 October 2015 £	Year to 31 October 2014 £
Agents fees	48,060	36,071

There were no property operating expenses that would not generate rental income (2014: Nil).

Re-charged expenses

Regency Court Property Limited and Glategny Holdings Limited invoice tenants for service charges quarterly in advance based upon a budgeted amount for each year. These monies are held in a client account with the Property Manager and are used to settle electricity, water, rates, maintenance, etc. During the year to 31 October 2015 an amount of £860,255 (year ended 31 October 2014: £575,479) had been incurred in relation to these services.

10. PROPERTY OPERATING EXPENSES (continued)

If one of the tenants was to vacate the property at the end of its lease term an amount of these expenses would become the responsibility of Regency Court Property Limited or Glategny Holdings Limited in a proportion to the rental income received. This has occurred in Glategny Holdings Limited on the vacation by one of the tenants resulting in an amount of £2,938 being expensed to the subsidiary.

11. PROVISIONS

	Year to 31 October 2015 £	Year to 31 October 2014 £
Opening balance	-	25,000
Settlement	-	(11,500)
Write off of provision	-	(13,500)
Closing balance	-	-

As at 31 October 2013, the Group had provided for a sum of £25,000 for service charge invoices that have been received and may be required to be borne by Seaton Investments Limited. This had arisen as a result of certain pre let agreements. During 2014, the dispute was settled, with a sum of £11,500 being payable by the Group, and the remaining provision being written off.

The Company, on acquisition of Commerce Holdings Limited, has recognised that there is a possible obligation to fund a tax liability in relation to Commerce Holdings Limited, to an estimated value of £390,000, in relation to periods prior to acquisition. As per the Sale and Purchase Agreement, any such liabilities relating to pre-acquisition would be covered by the seller. As there is no present obligation, this has been defined as a contingent liability, and therefore no provision has been recognised in the Statement of Financial Position. A balance of £390,000 is held in escrow as part of the acquisition, and can be drawn by the Company should this obligation become realised. As a result, this has been determined a contingent asset, and has not been recognised on the Statement of Financial Position.

12. BASIC AND DILLUTED EARNINGS PER SHARE

The basic and diluted earnings per share for the Group is based on the net profit for the year of £8,727,901 (2014: £1,488,164) and the weighted average number of Ordinary Shares in issue during the year of 82,597,260 (2014: 43,838,973).

13. OTHER OPERATING EXPENSES

Other operating expenses are made up as follows:

	Year to 31 October 2015 £	Year to 31 October 2014 £
Administration fees	142,634	102,395
Insurance	4,511	17,137
Audit fees	61,466	36,200
Legal and professional fees	297,381	223,554
Regulatory fees	33,750	32,856
Directors fees and expenses	110,981	85,000
Marketing expenses	8,539	14,540
Sundry expenses	29,758	25,057
	689,020	536,739

14. CASH AND CASH EQUIVALENTS

Included in the cash of £3,865,718 (2014: £3,505,854) is £2,104,603 (2014: £1,396,455) of cash held under the security terms of the loan facilities with HSBC and RBSI. These funds can only be drawn down by the counterparties in the event of a liquidity shortfall within the Group for the sole purpose of paying the principal loan interest. Further details of the loan facilities are disclosed in Note 17.

15. TRADE AND OTHER RECEIVABLES

	31 October 2015 £	31 October 2014 £
Accrued income	-	14,443
Sundry debtors	28,034	111,082
Prepayments	11,017	37,709
	39,051	163,234

16. OTHER PAYABLES

	31 October 2015	31 October 2014
	£	£
Administration fees	10,306	11,317
Rent received in advance	1,285,522	1,188,933
Audit fees	44,602	38,953
Investment manager fees	217,593	181,838
Rent review fees	-	15,362
Directors' fees	25,370	-
Other creditors	207,483	312,749
Loan interest payable – HSBC	97,968	120,040
Loan interest payable – RBSI	19,174	16,092
Taxation payable	193,966	65,938
	2,101,984	1,951,222

17. LOANS AND BORROWINGS

Due after 1 year:	31 October 2015	31 October 2014
	£	£
HSBC :		
Net loan liability at beginning of year	32,754,426	32,544,796
Transferred to less than 1 year	(27,625,286)	-
Amortisation of set up costs	22,577	209,630
HSBC - Net loan liability due after 1 year	5,151,717	32,754,426
RBSI :		
Net loan liability at beginning of year	16,893,601	4,401,509
Loan principal drawndown	3,600,000	12,600,000
Set up costs	(96,458)	(175,000)
Amortisation of set up costs	102,905	67,092
RBSI - Net loan liability due after 1 year	20,500,048	16,893,601
Total net loan liability due after 1 year	**25,651,765**	**49,648,027**

17. LOANS AND BORROWINGS (continued)

Due within 1 year:	31 October 2015	31 October 2014
	£	£
HSBC :		
Net loan liability at beginning of year	27,625,286	-
Amortisation of set up costs	187,357	-
HSBC - Net loan liability due within 1 year	27,812,643	-
Total net loan liability due within 1 year	**27,812,643**	**-**

The loan facilities were drawn to assist with the purchase of the properties. In accordance with the loan facility agreements the Group has various non-financial and financial covenants that are required to be met. These are reviewed and confirmed to HSBC and RBSI on a quarterly basis. The covenants include a maximum loan to value ratio of 70% for each of Regency 1, Seaton 1 and Seaton 2 facilities with HSBC. The facilities for Esplanade 1, Glategny 1 and Carey House Holdings Limited with RBSI have a maximum loan to value ratio of 50%.

The actual loan to value ratios at 31 October 2015 are 55% for Regency 1 (2014: 56%), 63% for Seaton 1 (2014: 61%), 54% for Seaton 2 (2014: 54%), 37% for Esplanade 1 (2014: 39%), 28% for Glategny 1 (2014: 29%) and 21% for Carey House Holdings Limited (2014: N/A).

Security has been provided by way of a charge over the Group's investment properties for each facility (see Note 8). Interest is charged at the aggregate of the margin, LIBOR and the mandatory cost and is payable quarterly in arrears. As at the year end the following rates of interest were charged on the outstanding loans:

	31 October 2015	31 October 2014
Regency 1 Limited	2.73	2.71
Seaton 1 Limited	2.63	2.61
Seaton 2 Limited	2.73	2.71
Esplanade 1 Limited	2.25	3.90
Glategny 1 Limited	2.68	2.65
Carey House Holdings Limited	2.68	-

The Regency 1 loan facility of £21,000,000 is repayable on 2 December 2015, the Seaton 1 loan facility of £7,000,000 is repayable on 22 December 2015, and the Seaton 2 loan facility of £5,000,000 is repayable on 8 December 2016. The Esplanade 1 loan facility is repayable on 20 July 2018 and the Glategny 1 loan facility of £12,600,000 is repayable on 6 August 2019. The Carey House Holdings loan facility of £3,600,000 is repayable on 11 May 2020. All set up costs related to each of these loans are amortised evenly over the period from drawdown to maturity.

As further discussed in note 28, the loans facilities for Regency 1, Seaton 1 and Seaton 2 are repayable within one year, and following the year end, the Directors have agreed to refinance all loan facilities, with one facility made between the Company with RBSI.

17. LOANS AND BORROWINGS (continued)

The Group hedges the Regency Court loan for interest rate risk via a £21,000,000 interest rate swap with HSBC, fixed at 2.24% per annum. The interest rate swap is due to expire on 2 December 2015.

The Group hedges the Seaton 1 loan for interest rate risk via a £6,500,000 interest rate swap with HSBC, fixed at 2.25% per annum and a further £500,000 interest rate swap with HSBC, fixed at 1.72% per annum. Both interest rate swaps are due to expire on 7 January 2016.

The Group hedges the Seaton 2 loan for interest rate risk via a £5,000,000 interest rate swap with HSBC, fixed at 1.7% per annum. The interest rate swap is due to expire on 9 December 2016.

The Group hedges the Esplanade 1 loan for interest rate risk via a £4,680,000 interest rate swap with RBSI, fixed at 1.0% per annum. The interest rate swap is due to expire on 26 July 2018.

18. INTEREST RATE SWAP

Derivatives primarily held for risk management purposes

Interest rate swaps	**Liabilities**	**Notional amount**
HSBC:	**£**	**£**
Net swap liability at beginning of year	(991,273)	33,000,000
Unrealised gain on revaluation	457,089	-
As at 31 October 2014	**(534,184)**	**33,000,000**
Net swap liability at beginning of year	(534,184)	33,000,000
Unrealised gain on revaluation	428,761	-
As at 31 October 2015	**(105,423)**	**33,000,000**
RBSI:	**£**	**£**
Net swap liability at beginning of year	(91,097)	4,680,000
Unrealised gain on revaluation	16,790	-
As at 31 October 2014	**(74,307)**	**4,680,000**
Net swap liability at beginning of year	(74,307)	4,680,000
Unrealised gain on revaluation	72,508	-
As at 31 October 2015	**(1,799)**	**4,680,000**
Total Swap position at 31 October 2015	**(107,222)**	**37,680,000**

Interest on the swaps is receivable at a variable rate calculated on the same LIBOR basis as for the bank loan (as detailed in Note 17) and payable quarterly.

18. INTEREST RATE SWAP (continued)

The fair value of the liability in respect of the interest rate swap contracts at 31 October, as stated above, is based on the marked to market value. The interest rate swaps are classified as Level 2 under the hierarchy of fair value measurements required by IFRS 13, further details of which are disclosed in Note 23.

After the year end, the interest rate swap contracts for Regency 1, Seaton 1, Seaton 2 and Esplanade 1 were all terminated, incurring breakage costs of £62,000 for Regency 1, £31,650 for Seaton 1 and £68,000 for Seaton 2. No breakage costs were payable on termination of the interest rate swap for Esplanade 1.

As both the loan facility and interest rate swaps were terminated at the same time, there was no effect on the hedge effectiveness of the swaps.

19. SHARE CAPITAL AND RESERVES

Authorised

The Company has an unlimited number of Ordinary shares of no par value.

Issued and Fully Paid

	No. of shares	£
Ordinary Shares		
Balance at 31 October 2013	**34,225,000**	**33,236,250**
Issued during the year	41,775,000	41,775,000
Issue costs	-	(1,253,900)
Balance at 31 October 2014	**76,000,000**	**73,757,350**
Issued during the year	14,000,000	14,000,000
Issue costs		(423,999)
Balance at 31 October 2015	**90,000,000**	**87,333,351**

Of the 41,775,000 shares issued in 2014, 5,000,000 of ordinary shares were issued to the vendor of Glategny Holdings Limited, to the value of £5,000,000, and formed part of the total consideration paid.

19. SHARE CAPITAL AND RESERVES (continued)

The rights attaching to the Ordinary Shares are as follows:-

- As to income — the holders of Ordinary Shares shall be entitled to receive, and participate in, any dividends or other distributions attributable to the Ordinary Shares and available for dividend or distribution and resolved to be distributed in respect of any accounting period or any other Income or right to participate therein.
- As to capital — the holders of Ordinary Shares shall be entitled on a winding up, to participate in the distribution of capital.
- As to voting — the holders of the Ordinary Shares shall be entitled to receive notice of and to attend and vote at general meetings of the Company.

Hedging Reserve

	Year to 31 October 2015 £	Year to 31 October 2014 £
Balance at start of year	(608,491)	(1,082,370)
Movement during the year	501,269	473,879
Balance at end of year	(107,222)	(608,491)

Movements relating to the interest rate swap arrangements accounted for as a cash flow hedge are recognised in this reserve.

20. MATERIAL AGREEMENTS

Fees Payable to the Property Asset Manager

The Property Asset Manager is entitled to receive a fee at the rate of £49,000 per annum payable quarterly in advance in relation to Regency Court. As this property is multi-let, the full amount is recoverable from the tenants via the service charge. No amounts are outstanding at year end (31 October 2014: £nil)

The Property Asset Manager is entitled to receive a fee at the rate of £10,000 per annum payable quarterly in advance in relation to 11-15 Seaton Place. As this property is single-let, the full amount is payable by the Group. No amounts are outstanding at year end (31 October 2014: £nil)

The Property Asset Manager is entitled to receive a fee at the rate of £10,000 per annum payable quarterly in advance in relation to 17-21 Seaton Place. As this property is single-let, the full amount is payable by the Group. No amounts are outstanding at year end (31 October 2014: £nil)

The Property Asset Manager is entitled to receive a fee at the rate of £12,000 per annum payable in advance in relation to 17a-18 Esplanade. As this property is single-let, the full amount is payable by the Group. No amounts are outstanding at year end (31 October 2014: £nil).

20. MATERIAL AGREEMENTS (continued)

Fees Payable to the Property Asset Manager (continued)

Until 28 February 2015, the Property Asset Manager, BNP Paribas Real Estate (Jersey), was entitled to receive a fee at the rate of £8,000 per annum payable in advance in relation to 40 Esplanade. Montagu Evans CI Limited was appointed Property Asset Manager with effect from 1 March 2015, and is entitled to receive a fee at the rate of £15,000 per annum. As this property is multi-let, the full amount is recoverable from tenants via the service charge. No amounts are outstanding at year end.

The Property Asset Manager is entitled to receive a fee at the rate of £55,000 per annum payable in advance in relation to Glategny Court and Bucktrout House. As this property is multi-let, the full amount is recoverable from tenants via the service charge. No amounts are outstanding at the year end (31 October 2014: £nil).

The Property Asset Manager is entitled to receive a fee at the rate of £10,000 per annum payable in advance in relation to Carey House. As this property is single-let, the full amount is payable by the Group. No amounts are outstanding at year end.

Fees Payable to the Administrator

The Administrator is entitled to receive a fixed fee dependent upon the number of investment properties held within the Group. When the Group held two investments the annual fee was £50,000 per annum. This increased to £60,000 per annum on acquisition of a third investment property on 9 December 2011. Once the Company holds more than three investments, the Administrator will receive an additional administration fee, payable quarterly in arrears of £12,000 per annum per additional investment group, and this fee came into effect on 19 July 2013 on the completion of the acquisition of St Helier Investments Limited, and on 8 August 2014 on the completion of the acquisition of M & R Properties Limited and Glategny Holdings Limited, and also on 12 May 2015 on the acquisition of Commerce Holdings Limited.

In addition, shareholder transaction fees are charged at £100 for each initial subscription and £50 for each redemption, transfer, switch and further subscription from an existing Shareholder.

The Administrator is also entitled to receive an accounting fee of £1,000 for the preparation of the Annual Financial Statement of the Company's subsidiaries Regency 1 Limited, Seaton 1 Limited, Seaton 2 Limited, Esplanade 1 Limited, Esplanade 2 Limited, Glategny 1 Limited and Carey House Holdings Limited. The Administrator has the right to be reimbursed from the Company for any reasonable out of pocket expenses incurred in carrying out its responsibilities.

Total fees charged by the Administrator during the year were £142,634 (year ended 31 October 2014: £102,395), of which £10,306 remained unpaid at 31 October 2015 (31 October 2014: £11,317).

21. RELATED PARTY TRANSACTIONS

The following transactions have been entered into with parties deemed to be related to the Company. The terms of these transactions are disclosed below and are equivalent to those that would prevail in an arms length transaction.

Fees payable to the Investment Manager

Management fee

Pursuant to the Investment Management Agreement, the Company pays the Investment Manager an annual fee equal to 0.6 per cent. per annum of the Gross Asset Value of the Company (which shall include assets that were purchased with leverage) calculated by reference to the Gross Asset Value as at the end of each quarter and payable quarterly in arrears. To the extent that there is a capital raising during a quarter, an adjustment shall be made to Gross Asset Value on a time apportioned basis.

Where the completion date of the acquisition of an investment is made part way through a quarter, the portion of the fee paid relating to that investment shall be apportioned pro rata in accordance with the period from the completion date to the end of that quarter.

Fees charged by the Investment Manager during the year were £802,205 (year ended 31 October 2014: £510,852), of which £217,593 remains unpaid at year end (31 October 2014: £181,838).

Performance fee

On 6 August 2014, the Investment Manager agreed to waive their entitlement to any performance fee due under the Investment Management Agreement.

Acquisition fee

Pursuant to the Investment Management Agreement the Company pays the Investment Manager an acquisition fee which will not exceed 1.5 per cent of the purchase price of each Investment upon completion of such purchase.

During the year, fees of £167,500 were paid in relation to the acquisition of Carey House (year ended 31 October 2014: £725,000 in relation to the acquisition of Glategny Court and 40 Esplanade). The Investment Manager reduced this fee to 1.0 per cent of the purchase price for this transaction, as the Investment Manager is a related party to the vendor. This fee has been capitalised as part of the property acquisition costs. No acquisition fees were outstanding at the year end (31 October 2014: Nil).

Directors

Shelagh Mason is entitled to a fee of £45,000 per annum. Paul Bell, Brian O'Mahoney and Richard Wilson each receive a fee of £25,000 per annum subject to annual review by the Board of Directors. During the year ended 31 October 2014, Peter Tom and Shelagh Mason were each entitled to a fee of £30,000 and Paul Bell received a fee of £25,000.

21. RELATED PARTY TRANSACTIONS (continued)

Brian O'Mahoney holds 100,000 shares in the Company and is also a shareholder of the Investment Manager.

Mr. Paul Bell holds 1,000,000 shares in the Company and is also a shareholder of the Investment Manager.

Mr. Richard Wilson has an interest of 1,500,000 shares in the Company both directly and indirectly.

Mr. Jon Ravenscroft holds 500,000 shares in the Company indirectly and is the Group Chief Executive Officer of the Investment Manager.

Details of the Directors shareholdings in the Company are disclosed on page 8 of the Directors' Report.

22. AUDITOR'S REMUNERATION

The audit fee for the reporting year is £61,466 (year ended 31 October 2014: £38,900) plus any additional disbursements.

KPMG Channel Islands Limited were previously engaged to provide tax services to the Group. No tax fees were payable to KPMG during the year ended 31 October 2015, and no fees remained payable. During the year ended 31 October 2014, tax advisory fees of £22,000, and fees of £5,000 in relation to advice on the Alternative Investment Fund Managers Directive ("AIFMD") were paid to KPMG.

23. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES

Market price risk

The Group's exposure to market price risk is comprised mainly of movements in the value of the Group's investment properties and are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where the sale occurs shortly after valuation date.

The Board manages and monitors this risk by reviewing periodic updates from the Property Manager and ensures that if future properties are to be acquired property acquisition values will be below fair market value where possible.

The performance of the Group would be adversely affected by a downturn in the commercial property market of the Channel Islands in terms of market value. In the event of default by a tenant or during any other void period, the Group may suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs, re-letting, refurbishment or upgrading costs, maintenance costs, insurances, rates and marketing costs.

23. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Market price risk (continued)

Any future property market recession could materially affect the market value of properties. Returns from an investment in properties depend largely upon the amount of rental income generated from the property and the expenses incurred in the development or redevelopment and management of the property, as well as upon changes in its market value.

Rental income and the market value of properties are generally affected by overall conditions in the relevant local economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact on the demand for premises.

Both rental income and market values may also be affected by other factors specific to the commercial property market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair and re-lease space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

Any change to the laws and regulations relating to the Guernsey or Jersey commercial property market may have an adverse effect on the market value of the property portfolio and/or the rental income of the property portfolio.

The Board aims to minimise the rental income risk through careful selection and thorough due diligence on prospective/existing tenants.

At 31 October 2015, if market prices for properties had moved by 5% with other variables remaining constant, the change in net assets attributable to shareholders for the year would amount to approximately, +/- £7,121,000 (31 October 2014: £6,098,750).

Liquidity risk

The Group's main assets are property assets which are traded in an environment where deal timescales can take place over months. As a result, the Group may not be able to liquidate quickly some of its properties at an amount close to its fair value in order to meet liquidity requirements. The Board monitors this risk by reviewing future cash flow projections of the Group on a regular basis to ensure that future liabilities can be met as and when they fall due. The facilities in place for Regency 1 Limited and Seaton 1 Limited are due to mature within one year of signing these Financial Statements. The liquidity risk that the Group may not have sufficient resources to settle these facilities as they mature has been mitigated by the refinancing of all loan facilities prior to maturity, following the year end, as discussed in note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2015

23. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Liquidity risk (continued)

The table below analyses the Group's assets and liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period at the Consolidated Statement of Financial Position date to the current contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The fair value of balances due within 12 months, equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Over 5 years
	£	£	£
31 October 2015			
Investment properties	-	138,861,108	-
Cash and cash equivalents	3,865,718	-	-
Trade receivables	3,126,651	-	-
Other payables and provisions	(2,101,984)	-	-
Borrowings	(28,768,326)	(27,397,604)	-
Interest rate swaps used for hedging	(127,503)	(40,279)	-
	£	£	£
31 October 2014			
Investment properties	-	118,192,168	-
Cash and cash equivalents	3,505,854	-	-
Trade receivables	2,724,747	-	-
Other payables and provisions	(1,951,222)	-	-
Borrowings	(1,403,406)	(52,424,149)	-
Interest rate swaps used for hedging	(548,536)	(745,497)	-

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. In the event of a default by a tenant, the Group will suffer a rental income shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. The Group's largest tenant generated 15.28% (2014: 23.6%) of the Group's rental income with the next largest generating 12.7% (2014: 14.5%). An amount of £43,695 was due from Aztec at the end of the year. In 2014, £14,000 was outstanding, which was the result of completion of a rent review, effective May 2013, but agreed in September 2014.

Credit risk in respect of other financial assets is reflected in the carrying value of these assets being set to their fair value.

23. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Credit rate risk (continued)

The Board monitors the placement of cash balances on an ongoing basis. All cash is placed with a reputable institutions. HSBC has a Fitch rating of AA- and a Moody's rating of Aa3. RBSI has a Fitch rating of A and a Moody's rating of Baa1.

The following table analyses the Group's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of netting at the reporting date:

	31 October 2015 £	31 October 2014 £
Trade and other receivables	39,051	163,234
Cash and cash equivalents - HBSC	1,992,625	2,410,009
Cash and cash equivalents - RBSI	1,873,093	1,095,845
	3,904,769	3,669,088

Interest rate risk

The Group is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates on its cash and debt positions. Management review market interest rates, cash and bank balances on a regular basis to take advantage of the best rates offered at any time.

In an attempt to minimise risk and smooth cash flows the Group has entered into interest rate swaps in which the Group agrees to exchange, at specified intervals, the difference between the fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount in an effort to manage these risks. The continuance of the interest rate hedging instruments is a requirement of the loan agreements entered into with HSBC and RBSI, and their acceptability is monitored by both the Banks, through the completion of compliance certificates on a quarterly basis, and the Investment Manager on a regular basis.

The interest rate profile of the financial assets and liabilities, after the impact of hedging, as at the Consolidated Statement of Financial Position date is as follows:

	Variable rate financial assets £	Variable rate financial liabilities £	Fixed rate financial liabilities £
At 31 October 2015	3,865,718	(16,200,000)	(37,680,000)
At 31 October 2014	3,505,854	(12,600,000)	(37,680,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2015

23. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Interest rate risk (continued)

At 31 October 2015, if interest rates had moved by 5% with other variables remaining constant, the change in net assets attributable to shareholders for the year would amount to approximately +/- £616,714 (Year ended 31 October 2014 : +/- £454,700).

The variable rate financial assets comprise the cash held on account with HSBC and RBSI, interest on which is received based on the respective base rate. As at 31 October 2015 and 2014, all of the amounts outstanding to HSBC and all amounts with RBSI, with the exception of the £12,600,000 with Glategny 1 Limited and the £3,600,000 with Carey House Holdings Limited, have been hedged via Interest Rate Swap Agreements to reduce the risk to the Group. The interest charged on the interest rate swap is a fixed rate and therefore not subject to interest rate fluctuation. The amounts outstanding to RBSI by Glategny 1 Limited and Carey House Holdings Limited have not been hedged, and are therefore sensitive to interest rate fluctuations.

Fair values

The Board considers that the fair values of financial assets and liabilities are not materially different from their carrying values in the Financial Statements. The following summarises the main methods and assumptions used in estimating the fair values of financial instruments.

Derivatives

The fair value for interest rate swaps are provided by HSBC and RBSI, the counterparties to the deals, using valuation models. In the fair value hierarchy interest rate swaps are classified as level 2 as the inputs to the valuation models are observable.

The fair value hierarchy levels are as follows:

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

There have been no transfers between Levels 1, 2 and 3 during the year (2014: nil).

Interest bearing loans and borrowings

The carrying value of interest bearing loans and borrowing approximate fair value due to the floating rate nature of the instruments. As such these values are based on the amounts which are to be repaid, less any costs incurred in obtaining the borrowings. These costs are then amortised over the period of the borrowings.

23. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Interest rate risk (continued)

Trade and other receivables/payables

All trade receivables and trade payables are deemed to be due within one year and as such the carrying amount is considered to reflect the fair value.

Capital risk management

The Board's policy is to maintain a strong capital base so as to ensure that entities within the Group will be able to continue as going concerns while maintaining investor, creditor and market confidence and to sustain future development of the business.

The Board carefully considers the balance between the higher levels of return that may be available from higher levels of borrowing and the security provided by a strong equity base. The Board then monitors the level of dividends payable to shareholders who provide this base. There were no changes in the Group's approach to capital management during the year.

The capital structure consists of net debt, being borrowings as disclosed in notes 17 and 18 offset by cash and cash equivalents, and equity of the Group, being issued capital, reserves and retained earnings.

Subsidary companies within the Group must seek approval from their loan facility providers prior to paying any dividend to the parent. Assuming that all banking covenants continue to be met, as they have been to date, and the solvency test is also met, then there is no reason to believe that the facility providers would not provide such approval.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2015

24. INVESTMENT IN SUBSIDIARIES

Subsidiary	Date of incorporation / acquisition	Domicile	Ownership
Regency 1 Limited	21 September 2010	Guernsey	100%
Regency Court Property Limited	30 November 2010	Guernsey	100%
Seaton 1 Limited	01 December 2010	Guernsey	100%
Seaton Place Property Limited	01 December 2010	Jersey	100%
Seaton 2 Limited	09 November 2011	Guernsey	100%
Seaton Investments Limited	09 December 2011	Jersey	100%
Esplanade 1 Limited	01 May 2013	Guernsey	100%
St Helier Investments Limited	19 July 2013	Jersey	100%
Esplanade 2 Limited	27 May 2014	Guernsey	100%
M & R Properties Limited	08 August 2014	Jersey	100%
Glategny 1 Limited	16 July 2014	Guernsey	100%
Glategny Holdings Limited	08 August 2014	Guernsey	100%
Carey House Holdings Limited	19 March 2015	Guernsey	100%
Commerce Holdings Limited	12 May 2015	Guernsey	100%

All companies were setup to acquire properties.

Regency 1 Limited owns 100% of the issued share capital of Regency Court Property Limited. Seaton 1 Limited owns 100% of the issued share capital of Seaton Place Property Limited. Seaton 2 Limited owns 100% of the issued share capital of Seaton Investments Limited. Esplanade 1 Limited owns 100% of the issued share capital of St Helier Investments Limited. Esplanade 2 Limited owns 100% of the issued share capital of M & R Properties Limited. Glategny 1 Limited owns 100% of the issued share capital of Glategny Holdings Limited. Carey House Holdings Limited owns 100% of the issued share capital of Commerce Holdings Limited.

Carey House Holdings Limited is a subsidiary set up by the Company for the purposes of acquiring 100% of the share capital of Commerce Holdings Limited. Carey House Holdings Limited paid £17,025,788 to acquire this share capital. At acquisition the Group acquired Investment Property valued at £16,750,000, and net current assets of £94,639. Cash of £251,019 was held in Commerce Holdings Limited at the date of acquisition.

25. NET ASSET VALUE PER SHARE

	31 October 2015	31 October 2014
	£	£
Net asset value attributable to Ordinary Shares per consolidated financial statements	90,179,863	72,354,692
Adjustments		
Interest rate swap at fair value	-	608,491
Formation expenses	-	27,172
Adjustment to property valuation	-	190,000
Adjustments to accruals	247,989	268,687
Net asset value per unaudited valuation report	90,427,852	73,449,042
Shares in issue	90,000,000	76,000,000
Unaudited Reported Net Assets per share	1.0048	0.9664
Audited Net Assets per share	1.0020	0.9520

26. DIVIDENDS

During the year dividends totalling 6.0 pence per share (£4,980,000) have been paid (year ended 31 October 2014: 6.0 pence per share) to ordinary shareholders, with a further dividend of 1.5 pence per share paid post year end on 31 December 2015.

As a condition of the loan facility agreements with both HSBC and RBSI, Regency 1 Limited, Seaton 1 Limited, Seaton 2 Limited, Esplanade 1 Limited, Glategny 1 Limited and Carey House Holdings Limited are restricted on paying dividends to the Company without obtaining prior written consent.

As a solvency test will be required before each dividend payment, the Board cannot see any reason why this consent should be withheld so long as the solvency test is met.

27. CONTROLLING PARTY

Due to the nature of the ownership of the shares in the Company, in the Directors opinion there is no ultimate controlling party.

28. EVENTS AFTER REPORTING DATE

An interim dividend of £1,350,000 (£0.015 per share) was declared on 14 December 2015 and was paid on 31 December 2015.

On 27 November 2015, the Group settled all of its existing loan facilities and interest rate swaps with RBSI and HSBC, and the Company entered into a new loan facility arrangement with RBSI for £53,880,000, with a charge held over each of the properties in the Group, in favour of RBSI on 25 November 2015. The new facility terminates on 31 March 2021. Breakage costs and any unamortised set up costs will be expensed in financial year 2016.

After the year end, the interest rate swap contracts for Regency 1, Seaton 1, Seaton 2 and Esplanade 1 were all terminated, incurring breakage costs of £62,000 for Regency 1, £31,650 for Seaton 1 and £68,000 for Seaton 2. No breakage costs were incurred for Esplanade 1.

Currently, no new interest rate swap has been entered into following the year end.

On 11 February 2016, the Company announced it has reached heads of terms to purchase Liberty Wharf 4 Limited, which owns Liberation House and Windward House in St Helier, Jersey, for the consideration of £34,000,000.

CIPF | CHANNEL ISLANDS PROPERTY FUND

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifth Annual General Meeting of Channel Islands Property Fund Limited (the "Company") will be held at the Duke of Richmond Hotel, St Peter Port, Guernsey on Wednesday 23 March 2016 at 11:00 a.m. GMT to transact the business set out in the following Resolutions.

All resolutions will be passed as ordinary resolutions:

ORDINARY RESOLUTIONS:

1. To approve the Report and Audited Financial Statements for the year ended 31 October 2015.

2. To re-appoint KPMG Channel Islands Limited as auditor of the Company until the conclusion of the next general meeting at which accounts are laid before the Company.

3. To authorise the Directors of the Company to determine the remuneration of the auditor.

4. Mr Paul Bell, being eligible and having offered himself for re-election, to be re-elected as a Director of the Company.

5. Mr Richard Wilson, being eligible and having offered himself for re-election, be re-elected as a Director of the Company.

6. To authorise, for the purpose of section 315 of the Companies (Guernsey) Law, 2008, as amended (the "Law"), for the Company to make market acquisitions of its shares for all and any purposes, provided that:

    a. The maximum number of shares authorised to be purchased shall be 14.99% of the shares in issue;
    b. The minimum price which may be paid for any share in issue shall be £0.01;
    c. The maximum price (exclusive of expenses) which may be paid for any share in issue from time to time shall be 105% of the average of the middle market quotations (as derived from the official List of the Channel Islands Stock Exchange, LBG) for such shares for the five business days immediately preceding the date of purchase;
    d. The authority shall expire at the conclusion of the fifth Annual General meeting of the Company or unless such authority is renewed, varied or revoked prior to such time save that the Company may, prior to such expiry, enter into a contract to purchase any such shares pursuant to any such contract which would or might be executed wholly or partly after the expiry of such authority; and
    e. The purchase price may be paid by the Company to the fullest extent permitted by the Law.

By Order of the Board

Orangefield Legis Fund Services Limited
Company Secretary

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NOTES

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. Such proxy need not be a member of the Company.

2. A form of proxy is enclosed and to be valid must be lodged with the Secretary at the Company's registered office, c/o Orangefield Legis Fund Services Limited, PO Box 91, 11 New Street, St Peter Port, Guernsey, GY1 3EG, not less than 48 hours before the time fixed for the meeting.

If you do not intend to attend the meeting please complete and return the form of proxy as soon as possible.

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FORM OF PROXY
for use at the fifth Annual General Meeting of Channel Islands Property Fund Limited (the "Company") to be held on Wednesday 23 March 2016 at 11:00 GMT.

We, ……

of ……

being the Registered Member(s) of the above named Company hereby appoint the Chairman of the Meeting or

…… (See note 2)

as our proxy to attend represent and vote for us on our behalf on the taking of a poll at the fourth Annual General Meeting of the Company to be held on Wednesday 23 March 2016 at 11:00 GMT and at any adjournment thereof.

Please indicate with an "X" in the spaces below how you wish your votes to be cast in respect of the 6 resolutions which are set out in the Notice convening the Meeting. If no specific direction as to voting is given, your proxy will vote or abstain at his or her discretion.

ORDINARY RESOLUTIONS	**For**	**Against**	**Abstain**
1. Approve the Report and Audited Financial Statements for the year ended 31 October 2015.	( )	( )	( )
2. Re-appoint KPMG Channel Islands Limited as auditor of the Company until the conclusion of the next general meeting at which accounts are laid before the Company.	( )	( )	( )
3. Authorise the Directors of the Company to determine the remuneration of the auditor.	( )	( )	( )
4. Re-elect Mr Paul Bell as a Director of the Company	( )	( )	( )
5. Re-elect Mr Richard Wilson as a Director of the Company.	( )	( )	( )

6. Authorise, for the purpose of section 315 of the Companies (Guernsey) Law, 2008, as amended (the "Law"), for the Company to make market acquisitions of its shares for all and any purposes, provided that: a. The maximum number of shares authorised to be purchased shall be 14.99% of the shares in issue; b. The minimum price which may be paid for any share in issue shall be £0.01; c. The maximum price (exclusive of expenses) which may be paid for any share in issue from time to time shall be 105% of the average of the middle market quotations (as derived from the official List of the Channel Islands Stock Exchange) for such shares for the five business days immediately preceding the date of purchase; d. The authority shall expire at the conclusion of the fifth Annual General meeting of the Company or unless such authority is renewed, varied or revoked prior to such time save that the Company may, prior to such expiry, enter into a contract to purchase any such shares pursuant to any such contract which would or might be executed wholly or partly after the expiry of such authority; and e. The purchase price may be paid by the Company to the fullest extent permitted by the Law.	( )	( )	( )

Signature:……

Date:……

Number of Shares:……

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NOTES

1. A member entitled to attend, speak and vote is entitled to appoint one or more proxies to attend, speak and vote instead of him. A proxy need not be a member of the Company.

2. If this form is returned without any indication as to the identity of the proxy, the proxy will be deemed to be the chairman of the meeting.

3. The "Abstain" option is provided to enable you to abstain on any particular resolution, however it should be noted that an election to "Abstain" is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.

4. If this form is returned without any indication as to how the proxy should vote, the proxy will be free to vote on any particular matter as he or she thinks fit, or to abstain from voting.

5. Any instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.

6. In the case of joint holders of a share, such persons shall not have the right of voting individually but shall elect one of their number to represent them and vote in their names, in default of which the vote of the first named who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose "first named" shall be determined by the order in which the names stand in the register of shareholders.

7. Any corporation which is a member of the Company may authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of members of the Company and the person so authorised shall be entitled to exercise the same power on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company.

8. This form of proxy, duly executed, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be received at the registered office of the Company, being 11 New Street, St. Peter Port, Guernsey, GY1 2PF, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof at which the person named in the form of proxy proposes to vote and in default the form of proxy shall not be treated as valid.

10. Appointing a proxy shall not preclude a member from attending, speaking and voting in person at the meeting.

11. To appoint more than one proxy to vote on a poll in relation to different shares within your holding, you may photocopy this form. Please indicate on each copy of the form the proxy's name and number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the appointment of a proxy is one of multiple appointments being made. All such forms should be signed and returned in the same envelope.