REPORT & AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2013

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For the year ended 31 October 2013

GENERAL INFORMATION

DIRECTORS:	Peter Tom, CBE Paul Bell Shelagh Mason
INVESTMENT MANAGER:	Ravenscroft Limited - formerly Cenkos Channel Islands 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
PROPERTY ASSET MANAGER:	Montagu Evans Channel Islands Limited 22 Smith Street St. Peter Port Guernsey GY1 2JQ
ADMINISTRATOR, SECRETARY AND REGISTRAR:	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 20 New Street St. Peter Port Guernsey GY1 4AN

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. 26,225,000 ordinary shares of the Company were admitted to the Official List of the Channel Islands Stock Exchange on 17 November 2010, with a further 8,000,000 ordinary shares admitted on 19 July 2013.

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 2013

The Board of the Channel Islands Property Fund Limited (the "Company") is pleased to report that it has recently acquired its fourth asset (17a – 18 Esplanade, St Helier, Jersey). The building is let in its entirety to SG Hambros on a lease with 11 years until the first break. The portfolio now produces a rental income of £4,870,825 per annum from 8 high quality tenants.

I am also pleased to confirm that the Company continues to issue quarterly dividend payments in line with its objectives, and a target net annual dividend of 6p per share was achieved. Additionally, the Company issued 2 pence worth of special dividends throughout the year, bringing the total dividend distribution to 8 pence per share.

At the time of the most recent fundraise, the life of the Company has been extended from 2016 until 2020, reflecting in part the desire of investors to continue to acquire further assets whilst maintaining the dividend in an environment of continuing low interest rates.

The Channel Islands commercial property market offers many attractive propositions for real estate investors including, long leases opportunities with the ability to increase income every three years through rent reviews, good quality covenant tenants and favourable supply and demand dynamics in terms of office space.

There are a number of outstanding rent reviews within the portfolio and the Investment Manager is working on a number of asset management initiatives in order to continue to increase total return to shareholders. I am pleased to report that the outstanding rent review for 17a – 18 Esplanade has been settled in line with expectations.

The Board continues to maintain a cautious stance when considering new investment opportunities. The protection of Shareholder value is of utmost importance to us and we have strict investment criteria which each new potential investment must meet, including the ability to meet the stated dividend criteria as a stand-alone entity.

It remains our intention, whilst meeting all of our regulatory obligations, to facilitate the growth of the Company through the acquisition of further property in the forthcoming year.

Peter Tom, CBE
30 January 2014

INVESTMENT MANAGER'S REPORT

Current Share Price Spread:	**99p**	-	**103p**

	31 October 2013	*31 October 2012*
Unaudited Reported Net Asset Value	**98p**	**104p**

The Manager is pleased to report that the Channel Island Property Fund (the "Company") continues to perform in line with its objectives. During the year a new asset was acquired (17a – 18 Esplanade, St Helier, Jersey), increasing the portfolio to four buildings, totalling 143,852 sq.ft. and producing a current rent role of £4,870,825 per annum from 8 tenants. The average weighted unexpired lease term is 16.41 years.

The July fundraise added new UK institutional investors to the share register and we are pleased to report that the pipeline of potential opportunities is strong, across both Islands.

The Board continues to implement the stated dividend policy from previous years, with 6.5 pence being paid to shareholders as at 30/09/2013. The Board recently announced a Q4 dividend of 1.5 pence taking the total dividend distribution for 2013 to 8 pence per share.

The Net Asset Value ("NAV") of the Company remained fairly stable around the 103 pence mark for the first half of the year. In July the NAV reduced to 100 pence, largely due to the special dividend paid prior to the purchase of 17a - 18 Esplanade. Year-end valuations undertaken by Montagu Evans show a reduction in the unaudited NAV to 98 pence, due, in the main, to a number of outstanding rent reviews across the portfolio which are linked to various asset management initiatives that the Investment Manager is currently working on. We envisage that the successful implementation of these will have a positive impact on the NAV.

The Channel Islands commercial property market remains stable in both rental and capital value terms. Recently we have witnessed UK institutional investor interest in acquiring larger ticket assets, particularly in Jersey, where two properties in the prime office area of St Helier have been offered to the market. The Investment Manager continues to monitor these and other assets which are potentially available for purchase.

The Channel Islands' commercial letting markets have also seen little in the way of new activity recently. Jersey has been marginally more active than Guernsey, with 37 Esplanade now fully let. Conversely Guernsey is beginning to witness a greater level of activity from existing expanding businesses seeking to consolidate or upgrade to more suitable accommodation. This trend comes against a backdrop of short supply of Grade A office space in St Peter Port. It is this supply demand dynamic, that will encourage upwards movement in rent.

INVESTMENT MANAGER'S REPORT (continued)

In the financial year, the rent review for 17a – 18 Esplanade, outstanding at the time of purchase, has been settled in line with expectations. It is our aim to complete the remaining reviews in conjunction with the asset management initiatives.

Investor appetite and pipeline remains strong.

Our target remains to continue to provide a stable, sustainable and fully covered dividend to shareholders.

Ravenscroft Limited
30 January 2014

DIRECTORS' REPORT
For the year ended 31 October 2013

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 of the Group for the year ended 31 October 2013, which have been prepared in accordance with International Financial Reporting Standards, 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 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 2013

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.

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 Managers Report a further property, 17a – 18 Esplanade, Jersey was acquired during the year, taking the number of properties owned by the Group to four.

DIVIDENDS
Interim dividends of £0.015 per share were paid on 28 February 2013 (£393,375), 31 May 2013 (£393,375), 30 September 2013 (£513,375) and 31 December 2013 (£513,375) in relation to the year ended 31 October 2013. Two special interim dividends were paid during the year. On 31 May 2013 a dividend of £0.015 per share (£393,375) was paid and on 30 September 2013 a dividend of £0.005 (£171,125) was paid. In relation to the period ended 31 October 2012 a dividend of £393,375 (£0.015 per share) was paid on 30 November 2012.

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. Tom, CBE – 450,000
Mr P. Bell – 700,000
Mrs S. Mason – Nil

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 October 2013

DIRECTORS INTERESTS (continued)
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.

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 24 January 2013. 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 30 January 2014 and signed on its behalf by:

Peter Tom, CBE	**Paul Bell**
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 2013 which comprise the Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows 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 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 2013 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

31 January 2014

The maintenance and integrity of the electronic copy available on the Channel Islands Securities Exchange website is the responsibility of Legis Fund Services Limited; the work carried out by auditors does not involve consideration of these matters and accordingly, KPMG Channel Islands Limited accepts no responsibility for any changes that may have occurred to the financial statements or our audit report since 31 January 2014. KPMG Channel Islands Limited has carried out no procedures of any nature subsequent to 31 January 2014 which in any way extends this date.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2013

	Notes	Year to 31 October 2013 £	Year to 31 October 2012 £
Income			
Rental income	5	4,237,711	3,924,043
Service charge recharged to tenants	10	494,408	494,762
Total operating income		4,732,119	4,418,805
Gains and losses on investments			
Unrealised (loss) / gain on revaluation of investment property	8	(527,395)	254,499
Total (loss) / gains on investments		(527,395)	254,499
Expenses			
Service charge costs	10	(494,408)	(494,762)
Property operating expenses	10	(24,663)	(42,783)
Management expenses	21	(387,361)	(360,907)
Other operating expenses	13	(425,474)	(274,869)
Total operating expenses		(1,331,906)	(1,173,321)
Profit before finance costs and tax		2,872,818	3,499,983
Financing			
Interest income	5	416	559
Interest expense	6	(1,694,907)	(1,614,179)
Total finance costs (net)		(1,694,491)	(1,613,620)
Profit before tax		1,178,327	1,886,363
Taxation	7	(15,884)	-
Deferred tax	7	36,905	79,837
Total taxation		21,021	79,837
Profit for the period		1,199,348	1,966,200
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	457,998	(608,322)
Total comprehensive income net of tax		1,657,346	1,357,878
Basic and diluted earnings per share	12	0.04	0.08

The notes on pages 16 to 46 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2013

	Note	Share Capital £	Hedging Reserve £	Retained Earnings £	Total £
Balance at 1 November 2011		21,073,250	(932,046)	1,539,371	21,680,575
Profit for the year		-	-	1,966,200	1,966,200
Total other comprehensive income	18	-	(608,322)	-	(608,322)
Total comprehensive income for the year		21,073,250	(1,540,368)	3,505,571	23,038,453
Dividend paid	26	-	-	(2,049,125)	(2,049,125)
Amounts received on issue of shares	19	4,500,000	-	-	4,500,000
Issue costs	19	(135,000)	-	-	(135,000)
Balance at 31 October 2012		25,438,250	(1,540,368)	1,456,446	25,354,328
Profit for the year		-	-	1,199,348	1,199,348
Total other comprehensive income	18	-	457,998	-	457,998
Total comprehensive income for the year		25,438,250	(1,082,370)	2,655,794	27,011,674
Dividend paid	26	-	-	(2,258,000)	(2,258,000)
Amounts received on issue of shares	19	8,000,000	-	-	8,000,000
Issue costs	19	(202,000)	-	-	(202,000)
Balance at 31 October 2013		33,236,250	(1,082,370)	397,794	32,551,674

The notes on pages 16 to 46 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2013

	Note	31 October 2013 £	31 October 2012 £
Assets			
Investment properties	8	69,947,392	58,485,257
Non-current assets		69,947,392	58,485,257
Trade and other receivables	15	57,994	24,778
Receivable on rental incentives	8	332,608	364,743
Cash and cash equivalents	14	1,576,050	1,453,910
Current assets		1,966,652	1,843,431
Total assets		71,914,044	60,328,688
Equity			
Share capital	19	33,236,250	25,438,250
Reserves	19	(1,082,370)	(1,540,368)
Retained earnings		397,794	1,456,446
Total equity		32,551,674	25,354,328
Liabilities			
Loans and borrowings	17	36,946,305	32,336,967
Interest rate swap	18	1,082,370	1,540,368
Deferred tax	7	119,247	156,152
Non-current liabilities		38,147,922	34,033,487
Other payables	16	1,189,448	915,873
Provisions	11	25,000	25,000
Current liabilities		1,214,448	940,873
Total liabilities		39,362,370	34,974,360
Total equity and liabilities		71,914,044	60,328,688
Net asset value per Share	25	0.95	0.97

The consolidated financial statements on pages 12 to 46 were approved by the Board of Directors on 30 January 2014 and were signed on its behalf by:

Peter Tom, CBE
Director

Paul Bell
Director

The notes on pages 16 to 46 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 October 2013

	Note	Year to 31 October 2013 £	Year to 31 October 2012 £
Reconciliation of Total Return to Net Cashflow			
Operating activities			
Profit before tax		1,178,327	1,886,363
Adjusted for:			
Interest income		(416)	(559)
Interest expense		1,694,907	1,614,179
Interest received		416	559
Interest paid		(1,474,035)	(1,375,474)
Unrealised loss/(gain) on investment properties	8	527,395	(254,499)
Increase in trade and other receivables		(1,081)	(328,469)
Deferred tax resulting from acquisition		-	64,038
Increase in other payables		264,041	85,371
Increase in provisions		-	25,000
Taxation paid		(2,564)	(1,113)
Net cash inflow from operating activities		2,186,990	1,715,396
Investment Activities			
Property acquisition	8	(11,989,530)	(8,930,758)
Net cash outflow from investment activities		(11,989,530)	(8,930,758)
Financing Activities			
Net proceeds from issue of Ordinary Shares	19	7,798,000	4,365,000
Net loans received	17	4,384,680	4,886,524
Loan repayments	17	-	(200,000)
Dividends paid	26	(2,258,000)	(2,049,125)
Net cash inflow from financing activities		9,924,680	7,002,399
NET CASH INFLOW/(OUTFLOW) FOR THE YEAR		122,140	(212,963)
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		1,453,910	1,666,873
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,576,050	1,453,910

The notes on pages 16 to 46 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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. The consolidated financial statements of the Group as at and for the year ended 31 October 2013 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 adopted by 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.

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 standards 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 2012. The only standard adopted which is relevant in these financial statements is the amendment to IAS 1: Presentation of Financial Statements. This requires additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into 2 categories, a) items that will not be reclassified subsequently to profit and loss; b) items that may be reclassified subsequently to profit and loss where specific conditions are met.

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 November 2012 that had a material impact on the Group's performance or results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

2 PRINCIPAL ACCOUNTING POLICIES (continued)

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 - for accounting periods currently no sooner than 1 January 2017 though no effective date has been set by the International Accounting Standards Board ("IASB"). IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value 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 10: Consolidated Financial Statement - replaces the consolidation guidance in IAS 27 - for accounting periods beginning on or after 1 January 2013. Under IFRS 10 there is only one basis for consolidation and that basis is control. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- 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'. If such an exemption applies, the entity would measure their investments at fair value through profit or loss in accordance with IFRS 9: Financial Instruments or IAS 39: Financial Instruments: Recognition and Measurement. The IFRS 12 amendment deals with the disclosure requirements relating to the IFRS 10 amendment. The Company has begun to assess the implications of these amendments in respect of the Investment Entity definition and will conclude this assessment in 2014. These amendments will apply in relation to the financial results for periods beginning on or after 1 January 2014.
- IFRS 12: Disclosure of Interest in Other Entities - requires enhanced disclosure for related parties (consolidated and unconsolidated entities) - for accounting periods beginning on or after 1 January 2013. IFRS 12 Establishes disclosure objectives and specifies the minimum disclosure that entities must provide to meet those objectives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

2 PRINCIPAL ACCOUNTING POLICIES (continued)

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

- IFRS 13: Fair value measurement - for accounting periods beginning on or after 1 January 2013. IFRS 13 aims to enhance fair value disclosure across all IFRS's by improving disclosure consistency and reducing disclosure complexity. It aims to do this by providing a precise definition of fair value and a single source of fair value measurement. The requirements do not extend the use of fair value accounting but merely provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

These standards and interpretations will be adopted when they become effective. The Directors anticipate that, with the exceptions of IFRS 9 the adoption of these Standards and Interpretations in future periods will not have a material impact on the financial statements of the Group. 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 adopting the standard until the period commencing November 2017.

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). Control is achieved where the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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. 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 Group will be borne by the Group. The Group will also incur on-going operational expenses. These expenses include audit costs, taxes and duties imposed by any fiscal authority and any other government fees, 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. 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 Consolidated Statement of Comprehensive Income. Interest expenses are accounted for on an effective interest basis.

Formation expenses

All placing fees have been set off against capital raised. All other formation expenses are taken to the Consolidated Statement of Comprehensive Income in full in the year in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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.

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.

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 written off over the period of the lease.

Share capital

Ordinary shares are classified as equity. Incremental costs 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 – Loans issued and receivables. This incorporates cash and cash equivalents and all trade receivables.

Financial Liabilities at amortised cost – 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial assets and financial liabilities (continued)

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 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.

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 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.

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 using the effective interest 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Taxation

The Company has applied for exemption 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 £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 in initial recognition of assets and liabilities in a transaction that it 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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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

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 between knowledgeable, willing parties in an arm's length transaction and should reflect the actual market state and circumstances as of the balance sheet date.

As at the year end a desktop valuation 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).

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 of between 6.54% and 7.38% (2012: 6.68% and 7.25%) on the estimated rental value 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.

Full valuations are prepared on acquisition with desktop valuations performed annually.

Fair value of derivatives

During the year and at the year end the fair value of derivatives, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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

Lease Classification (continued)

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 lease. 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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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

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

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 2013

5. INCOME

	Year to 31 October 2013 £	Year to 31 October 2012 £
Bank deposit interest	416	559
Rental income	4,237,711	3,924,043
	4,238,127	3,924,602

As part of the purchase of 17a – 18 Esplanade, rental income was received covering the period from acquisition on 19 July 2013 to 31 October 2013, with the amounts credited to the Consolidated Statement of Comprehensive Income over the relevant period.

6. INTEREST EXPENSE

	Year to 31 October 2013 £	Year to 31 October 2012 £
Interest payable at amortised cost		
HSBC	1,620,134	1,614,179
RBSI	74,773	-
	1,694,907	1,614,179

The payments to HSBC and RBSI are in relation to the interest charged on the Facility Agreements and Swap Agreements for the period (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 £600.

Regency Court Property Limited is subject to Guernsey 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 in relation to rental income received (2012: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

7. TAXATION (continued)

Seaton Place Property Limited and Seaton Investments 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 (2012: Nil) in relation to rental income received. Seaton Investments Limited is provisionally due a repayment of £806 in relation to rental income received in 2012 (2011: Nil) and a charge of £13,334 has been provided in relation to rental income received in 2013 (2012: £11,633).

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 2013	**31 October 2012**
	£	£
Accelerated capital allowances and unutilised management expense	119,247	156,152
	119,247	156,152

The movement in the deferred tax balance is as follows:

	Year to 31 October 2013	**Year to 31 October 2012**
	£	£
At the beginning of the year	156,152	171,951
Deferred tax on acquisition of subsidiary	-	64,038
Charged to the Consolidated Statement of Comprehensive Income	(36,905)	(79,837)
Liability at end of year	119,247	156,152

This provision for deferred tax recognises the accounting effect of the difference between the annual allowances claimed and there being no corresponding provision for depreciation in the financial statements (to the extent that taxable profits exist prior to deduction of such annual allowances).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

7. TAXATION (continued)

Reconciliation of accounting profit to tax expense

	31 October 2013	31 October 2012
	£	£
Tax Expense in the year	15,884	-
Reconciliation of effective tax rate		
Profit before tax	1,178,327	1,886,363
Income tax using 20% rate on rental income	235,665	377,273
Revaluation gain not taxable	105,479	(50,900)
Accelerated capital allowances	-	15,799
Other tax deductible expenses	(357,028)	(342,172)
Current tax expense in the year	15,884	-

8. INVESTMENT PROPERTIES

	31 October 2013	31 October 2012
	£	£
Fair value at beginning of year	58,485,257	49,300,000
Additions at cost	11,989,530	8,930,758
Unrealised (loss)/gain on revaluation	(527,395)	254,499
Fair value at end of year	69,947,392	58,485,257

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

	31 October 2013	31 October 2012
	£	£
Appraised value	70,280,000	58,850,000
Lease incentives held as debtors	(332,608)	(364,743)
Carrying value at the end of the year	69,947,392	58,485,257

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, Esplanade 1 Limited and St Helier Investments Limited. 100% of the share capital of Esplanade 1 Limited, an investment holding company, was acquired on its set up on 1 May 2013, which in turn acquired 100% of the share capital in St Helier Investments Limited, a property investment company, on 19 July 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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 written off over the period of the lease. The property valuation has incorporated the future cash flows of the lease 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 incentive.

All investment properties are valued at year end by Montagu Evans LLP, London, who is a member of the Royal Institution of Chartered Surveyors.

The basis of the valuations is as described in note 3.

The entire issued share capitals 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 obligations of Esplanade 1 Limited and St Helier Investments Limited to RBSI are also the subject of a guarantee and indemnity between these parties in favour of RBSI. The property at 17a-18 Esplanade, Jersey is also subject to a bond in favour of RBSI.

Further details are provided in note 17.

9. OPERATING LEASES

Future minimum lease rentals are as follows:

	31 October 2013	**31 October 2012**
	£	**£**
Within 1 Year	4,832,443	4,051,248
1 to 5 Years	19,462,589	16,292,190
After 5 Years	54,439,828	37,048,517
Total	78,734,860	57,391,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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 £89,348 per quarter with a 2.5% increase compounded each third year; and a fifteen year agreement ending June 2021 generating £53,215 per quarter with a review every three years; upon completion the next rent review will be effective from March 2013.

The tenancy agreements for the First Floor consist of a twenty one year agreement ending June 2025 generating £89,117 per quarter with a review every three years, upon completion the next rent review will be effective from June 2013; and a twenty one year agreement ending June 2025 generating £79,309 per quarter with a review every three years, upon completion the next rent review will be effective from June 2013, 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 £333,990 per quarter* with a review every three years, upon completion the next rent review will be effective from May 2013, and a break clause in May 2019.

The tenancy agreement for the Tennis Court consists of a twenty one year agreement ending May 2025 generating £106 per quarter increasing by GRPI every three years; the next increase being due in May 2016.

11-15 Seaton Place
The tenancy agreement is a 25 year agreement ending March 2024, generating £170,086 per quarter* (prior to 6 March 2012 £169,036 per quarter). The next rent review is due March 2015.

17-21 Seaton Place
The tenancy agreement is a 24 year agreement generating £187,368 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 2012.

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. The next rent review is due in October 2015.

*The tenants of these properties have each contributed more than 10% of the rental income during the year. The largest single tenant has contributed 32% of the Group total rental income for the year (2012: 34%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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

	1 November 2012 to 31 October 2013 £	1 November 2011 to 31 October 2012 £
Agents fees	24,663	42,783

There were no property operating expenses that would not generate rental income (2012: Nil).

Re-charged expenses

Regency Court Property Limited invoices its 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 2013 an amount of £494,408 (year ended 31 October 2012: £494,762) had been incurred in relation to these services.

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 in a proportion to the rental income received.

11. PROVISION

	Year to 31 October 2013 £	Year to 31 October 2012 £
Opening balance	25,000	-
Additions	-	25,000
Closing balance	25,000	25,000

As at year end the Group has provided 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 has arisen as a result of certain pre let agreements. The Group's lawyers are currently investigating whether these invoices are applicable, and if so to what extent these expenses will be split between Seaton Investments Limited and the former owners of the property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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 £1,199,348 (2012: £1,966,200) and the weighted average number of Ordinary Shares in issue during the year of 28,563,798 (2012: 25,745,492).

13. OTHER OPERATING EXPENSES

Other operating expenses are made up as follows:

	Year to 31 October 2013 £	Year to 31 October 2012 £
Administration fees	97,087	82,908
Insurance	12,090	9,997
Audit fees (see also note 22)	30,420	25,893
Legal and professional fees	190,399	65,629
Regulatory fees	15,386	10,881
Directors fees and expenses	75,000	70,000
Marketing expenses	1,250	4,167
Sundry expenses	3,842	5,394
	425,474	274,869

14. CASH AND CASH EQUIVALENTS

Included in the cash of £1,576,050 (2012: £1,435,910) is £724,308 (2012: £376,342) 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 2013 £	31 October 2012 £
Accrued income	40,000	-
Sundry debtors	-	10,980
Prepayments	17,994	13,798
	57,994	24,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

16. OTHER PAYABLES

	31 October 2013	31 October 2012
	£	£
Administration fees	27,983	20,000
Rent received in advance	778,905	622,417
Audit fees	30,000	15,500
Investment manager fees	107,072	90,554
Rent review fees	83,646	20,000
Other creditors	17,500	12,594
Loan interest payable – HSBC	125,376	134,808
Loan interest payable – RBSI	5,646	-
Taxation payable	13,320	-
	1,189,448	915,873

17. LOANS AND BORROWINGS

	31 October 2013	31 October 2012
	£	£
HSBC :		
Net loan liability at beginning of year	32,336,967	27,444,850
Loan principal drawndown	-	5,000,000
Loan principal repaid	-	(200,000)
Set up costs	-	(113,476)
Amortisation of set up costs	207,829	205,593
HSBC - Net loan liability at end of year	32,544,796	32,336,967

	31 October 2013	31 October 2012
	£	£
RBSI :		
Net loan liability at beginning of year	-	-
Loan principal drawndown	4,680,000	-
Set up costs	(295,320)	-
Amortisation of set up costs	16,829	-
RBSI - Net loan liability at end of year	4,401,509	-
Total net loan liability at end of year	**36,946,305**	**32,336,967**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

17. LOANS AND BORROWINGS (continued)

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 facility for Esplanade 1 with RBSI has a maximum loan to value ratio of 50%. The actual loan to value ratios at 31 October 2013 are 56% for Regency 1 (2012: 55%), 62% for Seaton 1(2012: 62%), 54% for Seaton 2 (2012: 55%) and 39% for Esplanade 1 (2012: 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 2013	31 October 2012
Regency 1 Limited	2.67	2.68
Seaton 1 Limited	2.57	2.58
Seaton 2 Limited	2.67	2.68
Esplanade 1 Limited	3.86	-

The Regency 1 loan facility is repayable on 24 November 2015, the Seaton 1 loan facility is repayable on 24 December 2015, the Seaton 2 loan facility is repayable on 8 December 2016 and the Esplanade 1 loan facility is repayable on 20 July 2018. All set up costs related to each of these loans are amortised evenly over the period from drawdown to maturity.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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	(932,046)	27,500,000
Swap contracts entered	-	5,500,000
Unrealised loss on revaluation	(608,322)	-
As at 31 October 2012	**(1,540,368)**	**33,000,000**
Net swap liability at beginning of year	(1,540,368)	33,000,000
Unrealised gain on revaluation	549,095	-
As at 31 October 2013	**(991,273)**	**33,000,000**
RBSI:	**£**	**£**
Net swap liability at beginning of year	-	-
Swap contracts entered	-	4,680,000
Unrealised loss on revaluation	(91,097)	-
As at 31 October 2013	**(91,097)**	**4,680,000**
Total Swap position at 31 October 2013	**(1,082,370)**	**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.

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 swap is classified as Level 2 under the hierarchy of fair value measurements for financial instruments required by IFRS 7, further details of which are disclosed in note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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 1 November 2011	**21,725,000**	**21,073,250**
Issued during the year	4,500,000	4,500,000
Issue costs		(135,000)
Balance at 31 October 2012	**26,225,000**	**25,438,250**
Issued during the year	8,000,000	8,000,000
Issue costs		(202,000)
Balance at 31 October 2013	**34,225,000**	**33,236,250**

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 2013 £	Year to 31 October 2012 £
Balance at start of year	(1,540,368)	(932,046)
Movement during the year	457,998	(608,322)
Balance at end of year	(1,082,370)	(1,540,368)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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 2012: £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 2012: £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 2012: £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. At year end an amount of £3,880 has been prepaid (31 October 2012: N/A).

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.

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 and Esplanade 1 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 £82,951 (year ended 31 October 2012: £82,908), of which £25,077 remained unpaid at 31 October 2013 (31 October 2012: £20,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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

During the year the Investment Manager changed its name from Cenkos Channel Islands Limited to Ravenscroft Limited.

Management fee

Pursuant to the Investment Management Agreement, the Company pays the 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 £387,361 (year ended 31 October 2012: £360,907), of which £107,072 remains unpaid at year end (31 October 2012: £90,554).

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 £175,500 were paid in relation to the acquisition of 17a-18 Esplanade (year ended 31 October 2012: £133,500 in relation to the acquisition of 11-15 Seaton Place). These have been capitalised as part of the property acquisition costs. No acquisition fees were outstanding at the year end (31 October 2012: Nil.)

Performance fee

The Manager is entitled to a performance fee equal to twenty per cent. of any returns received by Shareholders in excess of an IRR of ten per cent. per annum. The performance fee is levied on all amounts paid to investors in excess of the original amounts invested, plus the equivalent of an IRR of ten per cent per annum.

The performance fee is payable (a) on the listing of the Company on any recognised investment exchange (excluding the CISX on Admission), (b) when all the Company's Investments have been sold or (c) on the liquidation of the Company.

There is no performance fee payable for the current year (year ended 31 October 2012: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

21. RELATED PARTY TRANSACTIONS (continued)

Directors

Peter Tom is entitled to a fee of £25,000 per annum. Paul Bell and Shelagh Mason each receive a fee of £20,000 per annum subject to annual review by the Board of Directors. Additional directors fees of £10,000 (year ended 31 October 2012: £20,000) were paid as a result of the additional workload involved in property acquisitions.

The additional directors fees during the year have all been paid to Shelagh Mason (year ended 31 October 2012: £10,000 was paid to Shelagh Mason and £5,000 paid to both Peter Tom and Paul Bell). As at year end there were no director's fees outstanding (31 October 2012: £nil)

Mr. Peter Tom is a Shareholder of the Investment Manager, Ravenscroft Limited and holds 200,000 shares indirectly.

Mr. Paul Bell is a Shareholder of the Investment Manager, Ravenscroft Limited and holds 150,000 shares.

Mr Jon Ravenscroft, the Chief Executive Officer of the Investment Manager, holds 250,000 shares in the Company indirectly.

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

22. AUDITOR'S REMUNERATION

The audit fee for the reporting year is £30,000 (year ended 31 October 2012: £25,000) plus any additional disbursements.

KPMG Channel Islands Limited is also engaged to provide tax advice to the Group and received fees of £26,200 for their services (year ended 31 October 2012 £11,650).

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. This is evidenced in the recent acquisition of 17a – 18 Esplanade, in which the property cost was £11.6m but was subsequently revalued at year end at £11.93m.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

23. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Market price risk (continued)

The performance of the Group would be adversely affected by a downturn in the property market 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. In re-letting, refurbishment or upgrading costs, maintenance costs, insurances, rates and marketing costs.

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 2013, 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, +/- £3,514,000 (31 October 2012: £2,942,500).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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 2013			
Investment properties	-	69,947,392	-
Cash and cash equivalents	1,576,050	-	-
Trade receivables	390,602	-	-
Other payables and provisions	(1,214,448)	-	-
Borrowings	(1,054,148)	(39,437,148)	-
Interest rate swaps used for hedging	(563,469)	(745,497)	-
	£	£	£
31 October 2012			
Investment properties	-	58,485,257	-
Cash and cash equivalents	1,453,910	-	-
Trade receivables	389,521	-	-
Other payables	(940,873)	-	-
Borrowings	(877,862)	(34,967,878)	-
Interest rate swaps used for hedging	(536,175)	(1,190,898)	-

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. There were no outstanding rental amounts due at year end (2012: Nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

23. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Credit risk (continued)

The Board monitors the placement of cash balances on an ongoing basis. All cash is placed with a reputable institution. 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 2013	31 October 2012
	£	£
Trade and other receivables	390,602	389,521
Cash and cash equivalents - HBSC	1,221,957	1,453,910
Cash and cash equivalents - RBSI	354,093	-
	1,966,652	1,843,431

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

23. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

	Variable rate financial assets	Variable rate financial liabilities	Fixed rate financial liabilities
	£	£	£
At 31 October 2013	1,576,050	-	(37,680,000)
At 31 October 2012	1,453,910	-	(33,000,000)

At 31 October 2013, 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 +/- £79,000 (Year ended 31 October 2012 : +/- £73,000).

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 2013 and 2012, all of the amounts outstanding to HSBC and RBSI 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.

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 (2012: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

23. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Fair values (continued)

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.

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 2013

24. INVESTMENT IN SUBSIDIARIES

Subsidiary	Date of incorporation / acquisition	Domicile	Ownership
Regency 1 Limited	21 September 2010	Guernsey	100%
Seaton 1 Limited	01 December 2010	Guernsey	100%
Seaton 2 Limited	09 November 2011	Guernsey	100%
Regency Court Property Limited	30 November 2010	Guernsey	100%
Seaton Place Property Limited	01 December 2010	Jersey	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%

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 1 Limited is a subsidiary set up by the Company for the purposes of acquiring 100% of the share capital of St Helier Investments Limited. Esplanade 1 paid £11.588m to acquire this share capital. At acquisition the Group acquired Investment Property valued at £11.7m, and net current liabilities of £112,000. There was no cash held in St Helier Investments Limited at the date of acquisition.

25. NET ASSET VALUE PER SHARE

	31 October 2013	31 October 2012
	£	£
Net asset value attributable to Ordinary Shares per consolidated financial statements	32,551,674	25,354,328
Adjustments		
Interest rate swap at fair value	1,082,370	1,540,368
Formation expenses	56,337	87,474
Lease incentive adjustment	-	364,743
Adjustments to accruals	(32,091)	29,756
Net asset value per unaudited valuation report	33,658,290	27,376,669
Shares in issue	34,225,000	26,225,000
Unaudited Reported Net Assets per share	0.9834	1.0439
Audited Net Assets per share	0.9511	0.9668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

26. DIVIDENDS

During the year dividends totalling 8.0 pence per share have been paid (year ended 31 October 2012: 8.5 pence per share) to ordinary shareholders, with a further dividend of 1.5 pence per share paid post year end on 31 December 2013.

As a condition of the loan facility agreements with both HSBC and RBSI, Regency 1 Limited, Seaton 1 Limited, Seaton 2 Limited and Esplanade 1 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. EVENTS AFTER REPORTING DATE

An interim dividend of £513,375 (£0.015 per share) was declared on 9 December 2013 and was paid on 31 December 2013.

28. 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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Third Annual General Meeting of Channel Islands Property Fund Limited (the "Company") will be held at the Old Government House Hotel, St Peter Port, Guernsey on Thursday 27 February 2014 at 11:00 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 2013.

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. Ms Shelagh Mason, being eligible and having offered her for re-election, to be re-elected as a Director of the Company.

5. 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 fourth 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

Legis Fund Services Limited
Company Secretary
11 New Street, St. Peter Port, Guernsey, GY1 2PF
30 January 2014

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 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.

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

CHANNEL ISLANDS PROPERTY FUND

FORM OF PROXY

for use at the Third Annual General Meeting of Channel Islands Property Fund Limited (the "Company") to be held on Thursday 27 February 2014 at 11:00.

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 second Annual General Meeting of the Company to be held on Thursday 27 February 2014 at 11:00 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 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 2013.	( )	( )	( )
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 Ms Shelagh Mason as a Director of the Company.	( )	( )	( )

5. 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 fourth 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.	**( )**	**( )**	**( )**

Date:…… Signature:……

Number of Shares:……

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.