CHANNEL ISLANDS PROPERTY FUND

CHANNEL ISLANDS PROPERTY FUND LIMITED

REPORT & AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2016

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For the year ended 31 October 2016

GENERAL INFORMATION

DIRECTORS:	Shelagh Mason Paul Bell Brian O'Mahoney Richard Wilson	
REGISTERED ADDRESS:	11 New Street St. Peter Port Guernsey, GY1 2PF	
INVESTMENT MANAGER:	Ravenscroft Limited Level 5, The Market Buildings Fountain Street St. Peter Port Guernsey, GY1 4JG	
INVESTMENT ADVISOR:	Riverside Capital Group Limited (until 30 September 2016) 16 Old Bond Street London, W1S 4PS	
ADMINISTRATOR, SECRETARY AND REGISTRAR:	Vistra Fund Services (Guernsey) Limited (Formerly Orangefield Legis Fund Services Limited) 11 New Street St. Peter Port Guernsey, GY1 2PF	
PRINCIPAL BANKERS:	RBS International (from 18 February 2016) PO Box 62, Royal Bank Place 1 Glategny Esplanade St. Peter Port Guernsey, GY1 4BQ	HSBC Bank Plc (until 18 February 2016) PO Box 31, Arnold House St. Julian's Avenue St. Peter Port Guernsey, GY1 3AT
INDEPENDENT AUDITOR:	KPMG Channel Islands Limited Glategny Court Glategny Esplanade St. Peter Port Guernsey, GY1 1WR	
PROPERTY ASSET MANAGERS:	Savills Channel Islands Limited (Formerly Montagu Evans Channel Islands Limited) 22 Smith Street St. Peter Port Guernsey, GY1 2JQ	*In relation to Liberty Wharf 4 Limited:* BNP Paribas Real Estate (Jersey) Limited 3rd Floor, Dialogue House 2-6 Anley Street Jersey, JE2 3QE

THE COMPANY

Channel Islands Property Fund Limited (the "Company" and together with its subsidiaries the "Group") was registered as an Authorised Closed-ended Collective Investment Scheme by the Guernsey Financial Services Commission under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, on 26 October 2010. A total of 135,000,000 (2015: 90,000,000) ordinary shares are admitted to the Official List of the Channel Islands Securities Exchange Authority. 26,225,000 ordinary shares of the Company were admitted on 17 November 2010, a further 8,000,000 ordinary shares admitted on 19 July 2013, a further 41,775,000 ordinary shares admitted on 8 August 2014 and a further 14,000,000 ordinary shares admitted on 12 May 2015. On 16 September 2016, 45,000,000 additional ordinary shares were also admitted to the Official List.

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 2016

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

During the period the Company completed three acquisitions and announced that it had entered an exclusivity period to acquire a fourth in the summer of 2017.

In August 2016 the Company made its first investment in the Isle of Man when it purchased Fort Anne, Douglas, a 45,989 sq.ft. Grade 'A' office building with 154 car parking spaces. The property is fully let to Döhle (IOM) Ltd for a term of 21 years with a tenant only break option at year 15, on a full repairing and insuring basis with the lease obligations of the tenant being guaranteed by Peter Döhle Group. The passing rent is £920,000 per annum and is subject to three yearly upward only rent reviews linked to the UK Consumer Prices Index (CPI), collared and capped at 1% and 4% per annum respectively. The purchase price was £13.3 million which reflects a gross initial yield of 6.92%.

In September 2016 the Company acquired Liberation House and Windward House at Liberty Wharf in St Helier, Jersey. Liberation House totals 61,476 sq.ft. with 51 car parking spaces and is let to Ernst & Young, Moore Management and CPA Holdings. The annual passing rental is £1,816,722 with a number of rent reviews outstanding. Windward House totals 23,501 sq.ft. with 13 car parking spaces and is let to Sea Thrift Limited, a BDO wholly owned company. The annual passing rent is £706,948. The purchase price of £34.0 million reflects a gross initial yield of 7.63%.

These acquisitions took place against the backdrop of the United Kingdom's European Union Membership Referendum on 23 June 2016. The vote to leave the EU had an immediate and dramatic impact on a number of open ended property funds in the UK, including M&G, Aviva Investors and Columbia Threadneedle, which were forced to 'gate' investors to prevent redemptions en-masse or to introduce pricing discounts of between 5% and 17%.

It was at this time that the Company was obtaining commitments for a share placing to fund the new acquisitions and the board took the decision to have the portfolio revalued to ensure that existing and potential shareholders were in receipt of the most up to date information. As a result of the prevailing sentiment in the market at the time the Company's valuers, Montagu Evans LLP reduced the value of the portfolio by 5% to £135.32 million. This reduction resulted in a drop in the Net Asset Value ("NAV") of the Company to 91p per share as at 31 July 2016.

45 million new shares were admitted to the Official List of the Channel Islands Securites Exchange on 16 September 2016 at 96p per share to raise £43.2 million to fund the acquisitions alongside debt provided by the Royal Bank of Scotland International. The total number of shares now in issue stands at 135 million.

At the year end the valuation of the portfolio increased by £3.51 million on a like for like basis and with the new acquisitions the combined value of the investment portfolio stands at £185.13 million with the NAV increasing to 93p per share.

CHAIRMAN'S STATEMENT (continued)
For the year ended 31 October 2016

The volatility in the UK real estate market which was experienced over the summer months of 2016 has eased and the sharp falls in asset prices predicted at the time have not come to fruition. Whilst it is recognised that demand for Central London offices may be impacted if a large number of financial services firms opt to relocate staff as a result of 'Brexit' it is clear that regional locations are, at present, largely unaffected, with prices for long let properties to good covenants, particularly those with inflation related rent review provisions increasing as a result of investor competition, both from the UK and overseas partly as a result of the weakening of sterling in the aftermath of the vote.

During the year the Company extended its banking facilities with Royal Bank of Scotland International which has provided a total available facility of £90.0 million of which £64.1 million has been utilised to date leaving headroom to facilitate the acquisition of other properties with or without an accompanying share placing. It will allow the Company to move quickly to secure quality properties where the opportunity arises.

Additionally, the Company took advantage of the fall in the cost of 5 year debt during the weeks following the Brexit vote, to fix £40.0 million of borrowings until March 2021 at an all in rate of 2.29% with the balance floating on 3 Month LIBOR.

In August 2016 the Company paid a 2p per share Special Dividend to shareholders on the register on the 12th of the month taking total dividends to those shareholders to 8p per share for the year. This is in line with the board's objective to pay surplus funds to shareholders whilst maintaining a sensible level of cash headroom within the business.

CIPF's portfolio is well positioned in the current environment, comprising, as it does, mainly defensive assets, let on long leases to good covenants with upward only rent reviews, with a comparatively low loan to value (which currently stands at 33.0%) and a recently announced increase in the target dividend payment from 6.0p per share to 6.6p per share.

As noted above the Company has made its first acquisition in the Isle of Man during the period. The property market in Douglas shares many similar characteristics with St Helier and St Peter Port; favourable supply and demand dynamics with new properties developed in the main with an element of pre-let in place, tenants willing to enter into long leases, quality covenants and rent reviews on a three yearly pattern on an upwards only basis. The Investment Manager has reviewed a number of opportunities on the Island and the Company believes there may be scope to increase its investments in this location over time. As announced previously the Company is in talks to acquire a newly developed property to be let to a very high quality covenant on a long lease in the summer of 2017.

In Guernsey, Mourant Ozannes has leased all of the remaining space at Royal Chambers which has further reduced the availability of Grade 'A' space to potential occupiers. Corporate activity is likely to lead to space being released to the market at Admiral Park over the course of the next 12 months, however no new supply is imminent. In the investment market there has been a marked reduction in the volume of transactions compared with the previous year and this reflects the lack of stock offered for sale. It is expected that there will be at least one major sale in the pipeline in 2017 which will set a benchmark for Grade 'A' office yields on the Island and the Company is monitoring this situation with interest.

CHAIRMAN'S STATEMENT (continued)
For the year ended 31 October 2016

In Jersey a number of new lettings have been announced during 2016, most notably at the Jersey International Finance Centre where building 4 is nearing completion. Gaspé House, the new headquarters building for the Royal Bank of Canada has attracted some quality sub-tenants and the market in St Helier is currently highly dynamic. It is likely that a number of investment sales will be offered to the market in the next 12 months as a result of this letting activity again providing a good indication of what pricing the top tier office market can command in the current environment.

The board and Investment Manager continue to review potential opportunities which could be accretive to the Company in addition to implementing where possible asset management opportunities within the existing portfolio with a view to increasing the level of rental income and the length of leases and capital value.

May I take this opportunity to thank shareholders for their continued support throughout the year as we look forward to another busy year in 2017.

Shelagh Mason
March 2017

INVESTMENT MANAGER'S REPORT
For the year ended 31 October 2016

The Investment Manager is pleased to report that the Channel Islands Property Fund ("CIPF" or "the Company") is performing broadly in line with its objectives.

During the year the Company acquired three properties including its first property in Douglas, Isle of Man, raised £43.2 million of equity from existing and new shareholders, negotiated an increase in the Company's banking facilities to facilitate potential future acquisitions, fixed the interest rate on 65% of current debt taking advantage of the inversion in the cost of 3 Month debt versus 5 year debt in the weeks following the UK's Brexit vote, and settled a number of outstanding rent reviews to increase the rental income from the portfolio. It has also agreed in principle and announced the acquisition of a further property in the Isle of Man in June 2017.

The Company now owns 10 properties let to over 21 tenants across all main financial and support sectors. The total floorspace now exceeds 375,000 sq.ft. acquired at an average capital value of £490 p.s.f.

Annual rent stands at just over £13.0 million and during the course of the next 12 months three quarters of the leases by value will be subject to rent review providing opportunities for the Company to increase its income.

There are a number of potential asset management initiatives arising within the portfolio including lease extensions, lease surrenders and re-grants direct with sub-tenants, break options and re-lettings. The aim of these initiatives is to increase the level and tenor of income. A substantial capital expenditure programme is intended over the forthcoming 12 months at the Liberty Wharf properties to maintain the fabric of the buildings and enhance the environment for occupiers. The cost of the works was factored into the acquisition price for both buildings.

Valuation at the year-end of £185.13 million represents an uplift of 2.6% on a like for like portfolio basis compared with the last valuation undertaken in July 2016 after the UK's Brexit vote. There have been very few transactional comparisons to support a 5% reduction imposed by the valuers at that time and the Manager notes the continuing strength of the UK real estate investment market.

In the forthcoming year the Investment Manager is hopeful of completing on the previously announced potential acquisition in the Isle of Man and of identifying further opportunities to present to the board. A key focus for 2017 is completing the outstanding rent reviews and a number of the identified asset management plans across individual properties. A key element of shareholder value lies in the ability to increase rental income and lengthen the rent profile over the portfolio as a whole.

A number of Grade 'A' office investments are likely to be offered to the market in both Guernsey and Jersey in the next 12 months and the Manager is watching these with interest as pricing achieved on these sales will be correlated to the value of the existing portfolio.

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

Ravenscroft Limited
February 2017

DIRECTORS' REPORT

For the year ended 31 October 2016

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

The Directors submit their Report and the Audited Consolidated Financial Statements (the "Financial Statements") of the Group for the year ended 31 October 2016, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"), and in accordance with any relevant enactment for the time being in force; and are in agreement with the accounting records, which have been properly kept in accordance with section 244 of The Companies (Guernsey) Law, 2008.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

DIRECTORS' REPORT (continued)
For the year ended 31 October 2016

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

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

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

ACTIVITY
The Group's principal activity is that of investment in commercial properties predominately in the Channel Islands. As discussed in the Investment Manager's Report three new property acquisitions were made during the year, Fort Anne located in Isle of Man and Liberty Wharf & Windward House located in Jersey, taking the number of properties owned by the Group to nine.

DIVIDENDS
Interim dividends of £0.015 per share were paid on 31 March 2016 (£1,350,000), 30 June 2016 (£1,350,000), 30 September 2016 (£2,025,000) and an interim dividend of £0.0165 per share was paid on 30 December 2016 (£2,227,500) in relation to the year ended 31 October 2016. In relation to the year ended 31 October 2015 a dividend of £1,350,000 (£0.015 per share) was paid on 31 December 2015. A special interim dividend of £0.02 per share was paid on 17 August 2016 (£1,800,000).

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' REPORT (continued)
For the year ended 31 October 2016

DIRECTORS INTERESTS
At the year end and up to the date of this report the Directors held the following shares in the Company:

Mr P. Bell – 2,000,000
Mr B. O'Mahoney – 150,000
Mr R. Wilson – 1,500,000
Mrs S. Mason – Nil

Mr B. O'Mahoney is a director of the Investment Manager of the Company for which he holds a shareholding of 0.63% of the shares of the Investment Manager.

At no point during the year did any other Director 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. During the year, all loans were successfully refinanced with RBSI, with one loan held by the Company.

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

DISCLOSURE OF INFORMATION TO AUDITORS
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is 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 auditor is aware of that information.

DIRECTORS' REPORT (continued)
For the year ended 31 October 2016

AUDITORS
The Directors re-appointed KPMG Channel Islands Limited (the "auditor") as auditor of the Group on 23 March 2016. 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 3 March 2017 and signed on its behalf by:

Shelagh Mason	Brian O'Mahoney
Director	Director

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

We have audited the consolidated financial statements (the "Financial Statements") of Channel Islands Property Fund Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 October 2016 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the 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 8 and 9, 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 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 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 the 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 2016 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

6 March 2017

CIPF | CHANNEL ISLANDS PROPERTY FUND

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 October 2016

	Note	Year to 31 October 2016 £	Year to 31 October 2015 £
Income			
Rental income	5	9,890,337	8,828,447
Service charge recharged to tenants	10	1,007,637	857,317
Other income	5	28,816	380,253
Total operating income		10,926,790	10,066,016
Gains and losses on investments			
Unrealised (loss) / gain on revaluation of investment property	8	(4,581,798)	3,585,315
Total (loss)/gain on investments		(4,581,798)	3,585,315
Expenses			
Service charge costs	10	(1,007,637)	(860,255)
Property operating expenses	10	(84,888)	(45,122)
Management expenses	21	(895,410)	(802,205)
Other operating expenses	13	(921,508)	(689,020)
Total operating expenses		(2,909,443)	(2,396,602)
Profit before finance costs and tax		3,435,549	11,254,730
Financing			
Interest income	5	4,621	11,917
Interest expense	6	(1,893,126)	(2,237,939)
Realised loss on swap termination	18	(156,230)	-
Total finance costs (net)		(2,044,735)	(2,226,022)
Profit before tax		1,390,814	9,028,708
Current tax	7	(352,946)	(161,144)
Deferred tax	7	-	(139,663)
Total taxation		(352,946)	(300,807)
Profit for the year		1,037,868	8,727,901
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of interest rate swap	18	(249,866)	501,269
Movement in interest swap value recycled to profit or loss	18	156,230	-
Total comprehensive income net of tax		944,232	9,229,170
Basic and diluted earnings per share	12	0.01	0.11

The notes on pages 18 to 55 form an integral part of these consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2016

	Note	31 October 2016 £	31 October 2015 £
Non-current assets			
Investment properties	8	181,809,938	138,861,108
Current assets			
Trade and other receivables	15	473,076	39,051
VAT receivable	24	2,599,811	-
Receivable on rental incentives	8	3,320,062	3,087,600
Cash and cash equivalents	14	4,484,474	3,865,718
		10,877,423	6,992,369
Total assets		192,687,361	145,853,477
Equity			
Share capital	19	129,669,351	87,333,351
Hedging reserve	19	(200,858)	(107,222)
Retained earnings		(3,883,398)	2,953,734
Total equity		125,585,095	90,179,863
Non-current liabilities			
Loans and borrowings	17	60,674,048	25,651,765
Interest rate swap	18	200,858	55,138
		60,874,906	25,706,903
Current liabilities			
Loans and borrowings	17	2,660,000	27,812,643
Interest rate swap	18	-	52,084
Other payables	16	3,567,360	2,101,984
		6,227,360	29,966,711
Total liabilities		67,102,266	55,673,614
Total equity and liabilities		192,687,361	145,853,477
Net asset value per Share	25	0.93	1.00

The consolidated Financial Statements on pages 14 to 55 were approved by the Board of Directors on 3 March 2017 and are signed on its behalf by:

Shelagh Mason
Director

Brian O'Mahoney
Director

The notes on pages 18 to 55 form an integral part of these consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 October 2016

	Note	Year to 31 October 2016 £	Year to 31 October 2015 £
Cash flows from Operating Activities			
Profit before tax		1,390,814	9,028,708
Adjusted for:			
Interest income		(4,621)	(11,917)
Interest expense		1,893,126	2,237,939
Interest received		4,621	11,917
Unrealised loss/(gain) on investment properties	8	4,581,798	(3,585,315)
Increase in trade and other receivables		(3,033,836)	(401,904)
Increase in rental incentives		(232,462)	-
Increase in other payables		916,438	41,724
Interest paid		(1,946,399)	(1,944,090)
Taxation paid		148,590	(33,116)
Net cash inflow from operating activities		3,718,069	5,343,946
Investing Activities			
Property acquisition	8	(47,530,628)	(17,083,625)
Net cash outflow from investing activities		(47,530,628)	(17,083,625)
Financing Activities			
Net proceeds from issue of Ordinary Shares	19	42,336,000	13,576,001
Net loans received	17	69,429,640	3,503,542
Loan repayments	17	(59,560,000)	-
Dividends paid	26	(7,774,325)	(4,980,000)
Net cash inflow from financing activities		44,431,315	12,099,543
NET CASH INFLOW FOR THE YEAR		618,756	359,864
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		3,865,718	3,505,854
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	4,484,474	3,865,718

The notes on pages 18 to 55 form an integral part of these consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2016

	Note	Share Capital	Hedging Reserve	Retained Earnings	Total
		£	£	£	£
Balance at 31 October 2014		**73,757,350**	**(608,491)**	**(794,167)**	**72,354,692**
Profit for the year		-	-	8,727,901	8,727,901
Total other comprehensive income	18	-	501,269	-	501,269
Total comprehensive income for the year		73,757,350	(107,222)	7,933,734	81,583,862
Dividend	26	-	-	(4,980,000)	(4,980,000)
Amounts received on issue of shares	19	14,000,000	-	-	14,000,000
Issue costs	19	(423,999)	-	-	(423,999)
Balance at 31 October 2015		**87,333,351**	**(107,222)**	**2,953,734**	**90,179,863**
Profit for the year		-	-	1,037,868	1,037,868
Amounts recycled to profit or loss		-	156,230	-	156,230
Total other comprehensive income	18	-	(249,866)	-	(249,866)
Total comprehensive income for the year		87,333,351	(200,858)	3,991,602	91,124,095
Dividend	26	-	-	(7,875,000)	(7,875,000)
Amounts received on issue of shares	19	43,200,000	-	-	43,200,000
Issue costs	19	(864,000)	-	-	(864,000)
Balance at 31 October 2016		**129,669,351**	**(200,858)**	**(3,883,398)**	**125,585,095**

The notes on pages 18 to 55 form an integral part of these consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

1 REPORTING ENTITY

Channel Islands Property Fund Limited (the “Company” and together with its subsidiaries the “Group”) was registered on 25 August 2010 and registered on 26 October 2010 as an Authorised closed-ended investment company in Guernsey pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Authorised closed-ended Investment Scheme Rules 2008. The consolidated Financial Statements (the “Financial Statements”) of the Group as at and for the year ended 31 October 2016 comprise the Company and its subsidiaries. The Group’s principal activity is that of investment in commercial properties predominately in the Channel Islands.

Statement of compliance

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

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.

Going concern

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. During the year end, all loans have been successfully refinanced with RBSI and this has restored the Company to a net current asset position. After due consideration the Directors believe that the Group has adequate resources to continue in operational existence for a period of not less than twelve months from the date of the approval of the Financial Statements, and as such it is appropriate to adopt the going concern basis in preparing the Financial Statements.

Accounting policies effective and adopted

The accounting policies applied in the year are consistent with those of the previous financial period with the exception of new standards effective and adopted during the year. In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB, that are relevant to its operations and effective for annual reporting periods beginning on or after 1 November 2015.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Accounting policies effective and adopted (continued)

The standards adopted which are relevant to these Financial Statements are:

- Annual Improvements 2011-2013 Cycle.

There was no impact on the Financial Statements from adopting these standards other than enhancing disclosures. There are no other IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning 1 November 2015 that had a material impact on the Group's performance or results.

New IFRS accounting standards and interpretations not yet adopted

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

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

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

- IFRS 15: Revenue from Contracts with Customers – effective for periods commencing on or after 1 January 2018. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.
- IFRS 16: Leases – effective for periods commencing on or after 1 January 2019. The objective of IFRS 16 is to establish the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor').
- IAS 1 Presentation of Financial Statements: Disclosure Initiative (effective for periods commencing on or after 1 January 2016);
- IAS 7: Statement of Cash Flows - Disclosure Initiative (effective for periods commencing on or after 1 January 2017);
- Annual Improvements 2012 - 2014 Cycle (effective for periods commencing on or after 1 January 2016).

With the exception of IFRS 9, the adoption of the above standards is not anticipated to have any significant bearing on the Group's Financial Statements. The Directors are considering, but have not yet concluded, on what the impact of IFRS 9 will be on the Group's Consolidated Statement of Financial Position but do not anticipate that, on adoption, the standard will have any significant bearing on the Group's Financial Statements. IFRS 16 prescribes generally the same basis as its predecessor IAS 17 in which a lessor, such as the subsidiaries, must allocate leases dependent on whether they qualify as a finance or operating lease. As all subsidiaries are the ultimate lessor of each property, no material effect is expected on the Group's Financial Statements as the Group already utilises a similar measurement policy.

Basis of measurement

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

Basis of consolidation

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

Cash and cash equivalents

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

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 profit or loss on a straight line basis over the term of the lease.

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Income and expenses (continued)

The income charged to tenants for property service charges and the costs associated with such service charges are shown separately in the profit or loss as service charges recharged to tenants 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 and is recognised on an accruals basis. Interest expense comprises interest expense on loans and borrowings, and any ineffective portion of interest rate swaps. Attributable transaction costs incurred in establishing the Group's credit facilities are deducted from the fair value of borrowings on initial recognition and are amortised over the lifetime of the facilities using the effective interest method.

Investment property

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

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

Gains or losses arising from changes in the fair value of, or disposal of, investment properties are included in the profit or loss 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 recognised in the profit or loss over the period of the lease or when at the inception of the lease, the Directors have a reasonable expectation that the tenant will exercise their break option, in which case the incentive is accounted for from the inception of the lease to the break option date. Rental income is shown net of any amortised lease incentives.

Share capital

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities

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

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

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

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

Financial Liabilities at fair value – Interest rate swap liability.

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

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 financial asset and the consideration received is recognised in the profit or loss. The Group derecognises a financial liability when its contractual obligations are discharged or expire.

Interest rate swaps

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

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

Hedge accounting

The Group designates certain financial instruments (principally the interest rate swap) as cash flow hedges, subject to the satisfaction of the criteria set out in IAS 39: Financial Instruments: Recognition and Measurement.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Hedge accounting (continued)

For qualifying cash flow hedges, the effective portion of any change in fair value is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of the change in fair value is recognised immediately in interest expense in profit or loss.

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

Loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs such as set up costs. After initial recognition interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Set up costs associated with any borrowings are charged to the profit or loss over the period of the borrowings.

Distributions

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

Operating leases

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

Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. It should be noted, however, that the Group is subject to Guernsey, Jersey or Isle of Man taxation at 20% on its net rental income. Pursuant to the exemption granted under the above mentioned Ordinance, the Company is subject to an annual fee, currently £1,200 (2015: £1,200), payable to the Guernsey Authorities.

Deferred tax

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

- Temporary differences on initial recognition of assets and liabilities in a transaction that is not a business combination, and that affects neither accounting nor taxable profit or loss;

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Deferred tax (continued)

- 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.

Functional and presentational currency

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Use of estimates and judgements

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The most significant estimates and judgements made in preparing these Financial Statements are as follows:

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

Significant estimates

Valuation of investment property

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

As at the year end, desktop valuations of all properties had been prepared, with the exception of 17a-18 Esplanade, Jersey for which a full valuation was conducted, 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 Directors have elected that full valuations are prepared on acquisition, and then every three years, with desktop valuations performed for all other years. The Directors believe that as the valuation of properties is primarily based on rental income and yields, that desktop valuations will represent the fair valuations of the properties. The Directors believe there will be no significant deterioration to the buildings between inspections, as they are inspected by the Property Manager, who report back to the Directors on a regular basis.

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

Initial yield on the estimated rental value (“ERV”) of each property has been used in arriving at the valuation of property and is considered to be the most significant unobservable input that affects the valuation of the investment properties. This yield has been arrived at using comparable evidence, where available, and taking account of the nature of the individual investments including the occupational tenants, income stream and lease lengths. Note 8 outlines the impact of Initial Yield and ERV on property valuations. Refer to Note 8 for details of the significant unobservable inputs included in the valution of the investment properties.

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

Significant estimates (continued)

Fair value of derivatives

During the year and at the year end the fair value of the interest rate swap, being the only derivative held, is based on valuation models run by the counterparty to the contract, Royal Bank of Scotland International Limited ("RBSI"). The object of the valuation model is 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 model 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.

Significant judgements

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.

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

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

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

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

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

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

Significant judgements (continued)

<u>Business combinations</u>

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

4 SEGMENTAL INFORMATION

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 location of the investments within the British Isles.

5 INCOME

	Year to 31 October 2016	Year to 31 October 2015
	£	£
Bank deposit interest	4,621	11,917
Rental income	9,890,337	8,828,447
Other income	28,816	380,253
	9,923,774	9,220,617

For the year ended 31 October 2015, other income included an amount of £250,000 paid as a surrender fee by the former tenant of Bucktrout House (see Note 9).

6 INTEREST EXPENSE

	Year to 31 October 2016	Year to 31 October 2015
	£	£
Interest payable at amortised cost		
HSBC	90,983	1,600,611
RBSI	1,802,143	637,328
	1,893,126	2,237,939

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

6 INTEREST EXPENSE (continued)

On 27 November 2015, the Company refinanced its loan arrangements on behalf of the Group, repaying all of the existing loans with HSBC and RBSI and replacing them with one loan between RBSI and the Company.

7 TAXATION

The Company is exempt from income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. The Company pays an annual fee to the States of Guernsey Income Tax Office, presently set at £1,200 (2015: £1,200).

Regency Court Property Limited, Glategny Holdings Limited and Commerce Holdings Limited are subject to Guernsey income tax on rental income arising after the deduction of allowable debt financing costs and allowable expenses. For the year ended 31 October 2016, tax charged to the profit or loss for the year amounted to £179,331 (2015: £66,963) for Regency Court and £1,353 (2015: 81,079) for Commerce Holdings. No amount of tax was due for Glategny Holdings during the year (2015: Nil).

Seaton Place Property Limited, Seaton Investments Limited, St Helier Investments Limited, M & R Properties Limited and Liberty Wharf 4 Limited are subject to Jersey income tax on rental income arising after the deduction of allowable debt financing costs and allowable expenses. For the year ended 31 October 2016, tax charged to the profit or loss for the year amounted to £33,966 (2015: Nil) for Seaton Place, £35,883 (2015: 16,124) for Seaton Investments, £16,484 (2015: Credit £2,295) for M&R Properties and £64,363 (2015: Nil) for Liberty Wharf 4 Limited. St Helier Investments was due a tax credit of £600 (2015: Nil) for the year.

Fort Anne Holdings Limited is subject to Isle of Man income tax on rental income arising after the deduction of allowable debt financing costs and allowable expenses. For the year ended 31 October 2016, tax charged to the profit or loss for the year amounted to £22,166 (2015: Nil).

Until September 2016, 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. From September 2016, tax credit will only be applied to Guernsey resident shareholders, at the effective rate of tax paid in the underlying companies.

There were no amounts of deferred taxation during the year or for the year ended 31 October 2016.

7 TAXATION (continued)

The movement in the deferred tax balance is as follows:

	Year to 31 October 2016	Year to 31 October 2015
	£	£
At the beginning of the year	-	(139,663)
Debit to the Consolidated Statement of Comprehensive Income	-	139,663
(Asset) / liability at end of year	-	-

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

Reconciliation of accounting profit to tax expense

	31 October 2016	31 October 2015
	£	£
Tax expense in the year	352,946	161,644
Reconciliation of effective tax rate		
Profit on ordinary activities	1,390,814	9,028,708
Income tax using an effective tax rate of 20% on rental income	278,163	1,805,742
Fair value movement on investment property	916,360	(717,063)
Other tax deductible expenses	-	(927,035)
Non allowable expenses	(590,140)	-
Tax payable by vendor	(251,437)	-
Current tax expense in the year	352,946	161,644

8 INVESTMENT PROPERTIES

Level 3 Reconciliation	**31 October 2016**	**31 October 2015**
	£	**£**
Fair value at beginning of year	138,861,108	118,192,168
Additions at cost	47,530,628	17,083,625
Unrealised (loss)/gain on revaluation	(4,581,798)	3,585,315
Fair value at end of year	181,809,938	138,861,108

8 INVESTMENT PROPERTIES (continued)

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

Appraised Value	185,130,000	142,420,000
Lease incentives held as debtors	(3,320,062)	(3,087,600)
Remaining rent free period	-	(471,292)
Carrying value at the end of the year	181,809,938	138,861,108

In line with the investment strategy detailed on page 3, the investment portfolio consists only of commercial property predominantly in the Channel Islands. During the year, two new subsidiaries were acquired by the Group, Liberty Wharf Holdings Limited and Fort Anne Holdings Limited. 100% of the share capital of Liberty Wharf Holdings Limited, an investment holding company, was acquired on its incorporation on 7 January 2016, which in turn acquired 100% of the share capital in Liberty Wharf 4 Limited, a property investment company, on 16 September 2016. 100% of the share capital of Fort Anne Holdings Limited, a property investment company, was acquired on 26 August 2016.

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

Prior to 2016, the valuations of Glategny Court and 40 Esplanade had been based on a Special Assumption, that the income from the tenants on rent-free periods was receivable, and had been adjusted accordingly. The valuation of these properties at the time of acquisition was £51,710,000.

As the rent-free periods are now complete, future valuations for these properties will be based on the same assumptions as all other properties as detailed below.

In 2016, the valuation of Liberation House and Windward House has been based on the special assumption that the outstanding repair work being undertaken to the roof is completed. The estimated costs of the repair are £970,000 of which the vendor of the property is to cover the costs. This has been achieved by an allowance against the purchase price of £1,000,000, resulting in the payment of £33,000,000 to the vendor upon completion.

8 INVESTMENT PROPERTIES (continued)

The valuation has also used the special assumption that no stamp duty will be payable on a property disposal (as the entity holding the property will be sold as opposed to the property itself) and purchaser costs being 1.5% on share transfer costs. This assumption was also applied in the previous year.

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

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

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

The basis of the valuations is as described in Note 3. All investment properties are categorised as level 3 in the IFRS 13 fair value hierarchy. Transfers between levels are deemed to occur at the end of the reporting period. There have been no transfers of properties between levels 1, 2 and 3 during the year (2015: nil).

An increase in passing rent or ERV would increase valuations of the investment properties. A decrease in the rental yield, initial yield or equivalent yield would increase the valuation. An Initial yield of between 6.59% and 7.94% (2015: 6.59% and 7.39%) has been used in determining the ERV.

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

The entire share capital of the companies listed in Note 24 are the subject of a guarantee and indemnity between these parties in favour of RBSI. The properties at Regency Court, Guernsey, 11-15 Seaton Place, Jersey, 17-21 Seaton Place, Jersey, 17a-18 Esplanade, Jersey, 40 Esplanade, Jersey, Glategny Court, Guernsey, Carey House, Guernsey, Liberation House and Windward House, Jersey and Fort Anne, Isle of Man are also subject to individual bonds in favour of RBSI. Further details of the loan are provided in Note 17.

9 OPERATING LEASES

	31 October 2016	31 October 2015
	£	£
Within 1 Year	12,913,812	9,426,292
1 to 5 Years	48,589,384	36,038,738
After 5 Years	66,867,513	55,441,874
Total	128,370,709	100,906,904

Significant agreements

Regency Court

Regency Court is a fully-let, multi-tenant property located in Guernsey which is leased on fixed term agreements. The majority of agreements are for a lease period of 21 years, ending between May 2025 and October 2026, with the exception of a 15 year agreement ending in June 2021.

Three of the tenants have break clauses ranging from June 2019 to October 2020.

11-15 Seaton Place

11-15 Seaton Place is a single tenant property located in Jersey which is leased on fixed term agreement of 15 years ending in March 2024.

17-21 Seaton Place

17-21 Seaton Place is a single tenant property located in Jersey which is leased on fixed term agreement of 24 years ending in November 2033.

The current lease includes three break clauses which can be enacted in August 2021, 2025 and 2029.

17a-18 Esplanade

17a-18 Esplanade is a single tenant property located in Jersey which is leased on fixed term agreement of 42 years ending in November 2045.

The current lease includes three break clauses which can be enacted in October 2024, 2031 and 2038. During the year, a rent review was conducted, increasing the rent with effect from November 2016.

40 Esplanade

40 Esplanade is a fully-let, multi-tenant property located in Jersey which is leased on fixed term agreements. The length of the agreements varies from 9 to 15 years, ending between March 2018 and March 2024.

Two of the tenants have break clauses both of which can be enacted in 2020.

9 OPERATING LEASES (continued)

Significant agreements (continued)

Glategny Court & Bucktrout House

Glategny Court is a multi-tenant property located in Guernsey which is leased on fixed term agreements. The majority of agreements are for a lease period of 24 years, ending between September 2034 and September 2038. Other than a vacancy on the Third Floor, the remainder of the property is fully-let.

One of the tenants has break clauses which can be enacted in September 2029.

Bucktrout House is currently vacant as the tenant surrendered their tenancy in September 2015, paying a surrender charge of £250,000.

Carey House

Carey House is a single tenant property located in Guernsey which is leased on fixed term agreement of 21 years ending in February 2029. The lease relates to both the building and car park associated with the property.

Windward House & Liberation House

Liberation House is a fully-let, multi-tenant property located in Jersey which is leased on fixed term agreements. The majority of agreements are for a lease period of 24 years, ending between December 2031 and January 2032. The remaining leases are for 21 years and 9 years ending in January 2028 and March 2022 respectively.

Windward House is a single tenant property located in Jersey which is leased on fixed term agreement of 24 years ending in September 2032.

Four of the tenants have break clauses ranging from December 2021 to August 2024.

Fort Anne

For Anne is a single tenant property located in Isle of Man which is leased on fixed term agreement of 21 years ending in August 2037.

The current lease includes a break clauses which can be enacted in August 2019.

All tenants undergo rent reviews every three years, with the date of each review based on the inception date of the lease. Increases are agreed in line with market values at the time of the review. As at the year end, several reviews remain outstanding while the property manager awaits the result of an external rent agreement within the market, which will have an impact on the future negotiations between the Group and the tenants.

During the year, two tenants contributed greater than 10% of the rental income of the Group. The single largest was 13.5% (2015: 16.1%). These tenants currently have a tenancy within Regency Court and Carey House.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

10 PROPERTY OPERATING EXPENSES

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

Income generating expenses	**Year to 31 October 2016**	**Year to 31 October 2015**
	£	**£**
Agents fees	84,888	48,060

There were no property operating expenses that would not generate rental income (2015: Nil).

Service charge costs
Regency Court Property Limited and Glategny Holdings Limited invoice tenants for service charges quarterly in advance based upon a budgeted amount for each year. These monies are held in a client account with the Property Manager and are used to settle electricity, water, rates, maintenance, etc. During the year to 31 October 2016 an amount of £1,007,637 (2015: £860,255) 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 or Glategny Holdings Limited in a proportion to the rental income received. This occurred during the year ended 31 October 2015 in Glategny Holdings Limited on the vacation by one of the tenants resulting in an amount of £2,938 being expensed to the subsidiary. No such event took place during the year.

11 PROVISIONS

On acquisition of Liberty Wharf, the Company has recognised an amount for a tax liability payable of £178,440. This amounts relates to a liability incurred by the previous owners and as a result, the amount is to be reimbursed by the previous owners once the liability has been settled. As a result of the present obligation to pay the liabilities, these have been included in the Statement of Financial Position. An equal amount has been included within the assets of the Group in order to reflect the future economic inflow due as reimbursement of these liabilities.

During the year ended 31 October 2015, the Company, on acquisition of Commerce Holdings Limited, had recognised that there was a possible obligation to fund a tax liability in relation to Commerce Holdings Limited, to an estimated value of £390,000, in relation to periods prior to acquisition. As per the Sale and Purchase Agreement, any such liabilities relating to pre-acquisition would be covered by the seller. On 11 May 2016, the potential tax liability expired and as such both contingent liability and contingent asset remained unrealised with no financial effect being made to these Financial Statements.

12 BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share for the Group is based on the profit for the year of £1,037,868 (2015: £8,727,901) and the weighted average number of Ordinary Shares in issue during the year of 95,917,808 (2015: 82,597,260).

13 OTHER OPERATING EXPENSES

	Year to 31 October 2016 £	Year to 31 October 2015 £
Administration fees	117,746	142,634
Insurance	16,889	4,511
Audit fees	57,671	61,466
Legal and professional fees	525,913	297,381
Regulatory fees	34,501	33,750
Directors fees and expenses	134,750	110,981
Marketing expenses	5,000	8,539
Sundry expenses	29,038	29,758
	921,508	689,020

14 CASH AND CASH EQUIVALENTS

Included in the cash of £4,484,474 (2015: £3,865,718) is £3,374,196 (2015: £2,104,603) of cash held under the security terms of the loan facilities with RBSI (2015: HSBC). Under the terms of the agreement, RBSI release income into the general accounts of each entity in order to fund the ongoing activities of the underlying subsidiary. Further details of the loan facilities are disclosed in Note 17.

15 TRADE AND OTHER RECEIVABLES

	31 October 2016 £	31 October 2015 £
Sundry debtors	21,434	28,034
Rent due	52,536	-
Amounts due from Vendor of Liberty Wharf	355,168	-
Tax receivable	600	-
Prepayments	43,338	11,017
	473,076	39,051

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16 OTHER PAYABLES

	31 October 2016	31 October 2015
	£	£
Administration fees	11,000	10,306
Rent received in advance	1,994,686	1,285,522
Audit fees	57,000	44,602
Investment manager fees	459,606	217,593
Directors' fees	27,620	25,370
Other creditors	111,821	207,483
Loan interest payable – HSBC	-	97,968
Loan interest payable – RBSI	63,869	19,174
Acquisition expenses payable RE: Liberty Wharf	45,581	-
Taxation payable	695,502	193,966
Dividend payable	100,675	-
	3,567,360	2,101,984

17 LOANS AND BORROWINGS

Due after 1 year:	31 October 2016	31 October 2015
	£	£
HSBC :		
Net loan liability at beginning of year	5,151,717	32,754,426
Transferred to less than 1 year	-	(27,625,286)
Amortisation of set up costs	25,051	22,577
Loan principal repayment	(5,176,768)	
HSBC - Net loan liability due after 1 year	-	5,151,717
RBSI :		
Net loan liability at beginning of year	20,500,048	16,893,601
Loan principal drawndown	67,180,000	3,600,000
Loan principal repayment	(26,560,000)	-
Set up costs	(1,010,173)	(96,458)
Amortisation of set up costs	564,173	102,905
RBSI - Net loan liability due after 1 year	60,674,048	20,500,048
Total net loan liability due after 1 year	**60,674,048**	**25,651,765**

Due within 1 year:		
HSBC :		
Net loan liability at beginning of year	27,812,643	27,625,286
Amortisation of set up costs	10,589	187,357
Loan principal repayment	(27,823,232)	-
HSBC - Net loan liability due within 1 year	-	27,812,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

17 LOANS AND BORROWINGS (continued)

Due within 1 year (continued):	31 October 2016	31 October 2015
	£	£
RBSI :		
Net loan liability at beginning of year	-	-
Loan principal drawndown	2,660,000	-
Amortisation of set up costs	-	-
RBSI - Net loan liability due within 1 year	2,660,000	-
Total net loan liability due within 1 year	**2,660,000**	**27,812,643**

On 27 November 2015, the Group settled all of its existing loan facilities and interest rate swaps with RBSI and HSBC. The Company entered into a new loan facility arrangement with RBSI for £53,880,000 which, on 26 August 2016, was increased to a maximum drawdown of £90,000,000, with a charge held over each of the properties in the Group, in favour of RBSI. The new facility is due to terminate on 31 March 2021. As at the year end, an amount of £64,160,000 (2015: £Nil) was drawndown.

Of the £64,160,000, an amount of £2,660,000 was drawndown on a short term basis in order to cover cash flow until the VAT could be recovered from the purchase of Fort Anne. As this loan forms part of the total £90,000,000 drawdown the terms of the loan are as mentioned below.

Per the Amortisation Schedule that accompanies the Amended Facility Agreement, if the balance of the drawndown balance exceeds £65,000,000 on 31 March 2018, an amount of £250,000 of the loan principal must be repaid, each quarter, on the Interest Payment Date, until the balance is reduced to below £65,000,000.

The loan facilities were drawn to assist with financing the purchase of the properties. In accordance with the loan facility agreement the Group has various non-financial and financial covenants that are required to be met. These are reviewed and confirmed to RBSI on a quarterly basis. The covenants include a maximum Group loan to value ratio of 50%. The actual loan to value ratios at 31 October 2016 was 34%. As at 31 October 2015, the covenants of the previous facilities include a maximum loan to value ratio of 70% for each of Regency 1, Seaton 1 and Seaton 2 facilities with HSBC, and the facilities for Esplanade 1, Glategny 1 and Carey House Holdings with RBSI had a maximum loan to value ratio of 50%. The actual loan to value ratios at 31 October 2015 were 55% for Regency 1, 63% for Seaton 1, 54% for Seaton 2, 37% for Esplanade 1, 28% for Glategny 1, and 21% for Carey House Holdings.

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 and LIBOR and is payable quarterly in arrears. The margin rate is dependant on the loan to value of the Group.

17 LOANS AND BORROWINGS (continued)

If the loan to value is below 40% the margin is 1.75%, however, if the loan to value exceeds this level the margin increase to 1.95%. Per the facility agreement, 3 month LIBOR is added to this rate in order to arrive at the interest rate for the facility.

As at the year end the following rates of interest were charged on the outstanding loans:

	31 October 2016	31 October 2015
Channel Islands Property Fund Limited	2.15	-
Regency 1 Limited	-	2.73
Seaton 1 Limited	-	2.63
Seaton 2 Limited	-	2.73
Esplanade 1 Limited	-	2.25
Glategny 1 Limited	-	2.68
Carey House Holdings Limited	-	2.68

18 INTEREST RATE SWAP

The Group previously hedged its interest rate risk on the loans which have subsequently been refinanced with interest rate swaps. The Group hedged the Regency 1 loan for interest rate risk via a £21,000,000 interest rate swap with HSBC, fixed at 2.24% per annum. The Group hedged 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. The Group hedged 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 Group hedged the Esplanade 1 loan for interest rate risk via a £4,680,000 interest rate swap with RBSI, fixed at 1.0% per annum.

On 27 November 2015, the interest rate swap contracts for Regency 1, Seaton 1, Seaton 2 and Esplanade 1 were all terminated, incurring breakage costs of £62,000 for Regency 1, £31,750 for Seaton 1 and £62,580 for Seaton 2. No breakage costs were incurred for Esplanade 1. The subsidiaries have not entered into any new interest rate swaps during the year.

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

A new interest rate swap was entered into on 15 July 2016 between the Company and RBSI. The Group hedged for interest rate risk via a £40,000,000 interest rate swap with RBSI, fixed at 0.54% per annum. The new facility is due to terminate on 31 March 2021.

18 INTEREST RATE SWAP (continued)

Derivatives primarily held for risk management purposes

Interest rate swaps	**Liabilities**	**Notional amount**
HSBC:	**£**	**£**
Net swap liability at beginning of year	(534,184)	33,000,000
Unrealised gain on revaluation	428,761	-
As at 31 October 2015	**(105,423)**	**33,000,000**
Net swap liability at beginning of year	(105,423)	33,000,000
Revaluation movement at termination	(50,807)	-
Swap contracts repaid	-	(33,000,000)
Termination of contract	156,230	-
As at 31 October 2016	**-**	**-**
RBSI:		
Net swap liability at beginning of year	(74,307)	4,680,000
Unrealised gain on revaluation	72,508	-
As at 31 October 2015	**(1,799)**	**4,680,000**
Net swap liability at beginning of year	(1,799)	4,680,000
Revaluation movement at termination	1,799	-
Swaps contracts opened	-	40,000,000
Swap contracts repaid	-	(4,680,000)
Unrealised gain on revaluation	(200,858)	-
As at 31 October 2016	**(200,858)**	**40,000,000**
Total swap position at 31 October 2016	**(200,858)**	**40,000,000**
Total swap position at 31 October 2015	**(107,222)**	**37,680,000**

Interest on the swaps was 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 was based on the marked to market value. The interest rate swaps are classified as Level 2 under the hierarchy of fair value measurements required by IFRS 13, further details of which are disclosed in Note 23.

19 SHARE CAPITAL AND RESERVES

Authorised

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

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.

Issued and Fully Paid

	No. of shares	£
Ordinary Shares		
Balance at 31 October 2014	**76,000,000**	**73,757,350**
Issued during the year	14,000,000	14,000,000
Issue costs	-	(423,999)
Balance at 31 October 2015	**90,000,000**	**87,333,351**
Issued during the year	45,000,000	43,200,000
Issue costs	-	(864,000)
Balance at 31 October 2016	**135,000,000**	**129,669,351**

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

19 SHARE CAPITAL AND RESERVES (continued)

Hedging Reserve

	Year to 31 October 2016 £	Year to 31 October 2015 £
Balance at start of year	(107,222)	(608,491)
Recycle to profit or loss	107,222	-
Movement during the year	(200,858)	501,269
Balance at end of year	(200,858)	(107,222)

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

20 MATERIAL AGREEMENTS

Fees Payable to the Property Asset Manager

The Property Asset Manager is entitled to receive a fee at the rate of £49,000 per annum payable quarterly in advance in relation to Regency Court. As this property is multi-let, the full amount is recoverable from the tenants via the service charge. No amounts are outstanding at year end (2015: £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 (2015: £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 (2015: £Nil)

The Property Asset Manager is entitled to receive a fee at the rate of £12,000 per annum payable in advance in relation to 17a-18 Esplanade. As this property is single-let, the full amount is payable by the Group. No amounts are outstanding at year end (2015: £Nil).

Savills Channel Islands Limited (formerly Montagu Evans CI Limited) was appointed Property Asset Manager of 40 Esplanade, and is entitled to receive a fee at the rate of £15,000 per annum. As this property is multi-let, the full amount is recoverable from tenants via the service charge. No amounts are outstanding at year end. (2015: £Nil)

20 MATERIAL AGREEMENTS (continued)

Fees Payable to the Property Asset Manager (continued)

The Property Asset Manager is entitled to receive a fee at the rate of £55,000 per annum payable in advance in relation to Glategny Court and Bucktrout House. As this property is multi-let, the full amount is recoverable from tenants via the service charge. No amounts are outstanding at the year end (2015: £Nil).

The Property Asset Manager is entitled to receive a fee at the rate of £10,000 per annum payable in advance in relation to Carey House. As this property is single-let, the full amount is payable by the Group. No amounts are outstanding at year end (2015: £Nil).

BNP Paribas Real Estate ("BNP") were appointed the Property Asset Manager of Liberation House and Windward House, with effect from 16 September 2016, and are entitled to receive a fee at the rate of £35,000 per annum payable in advance. As this property is multi-let, the full amount is recoverable from tenants via the service charge. No amounts are outstanding at year end.

Fort Anne, the Isle of Man property, is self managed.

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. The Group is due a fee of £60,000 per annum in relation to the first three investment properties acquired with an additional fee of £12,000 per annum due on any additional investment property acquired.

As of 31 October 2016, there were six (2015: four) additional investment properties, two of which were acquired during the year, Fort Anne Holdings Limited on 26 August 2016 and Liberty Wharf 4 Limited on 16 September 2016. The total annual fee due as at 31 October 2016 is £132,000 (2015: £108,000) per annum.

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

The Administrator is also entitled to receive an accounting fee of £1,000 for the preparation of the Annual Financial Statement of the Company's subsidiaries Regency 1 Limited, Seaton 1 Limited, Seaton 2 Limited, Esplanade 1 Limited, Esplanade 2 Limited, Glategny 1 Limited, Carey House Holdings Limited, Liberty Wharf Holdings Limited and Fort Anne Holdings Limited. The Administrator has the right to be reimbursed from the Company for any reasonable out of pocket expenses incurred in carrying out its responsibilities. Total fees charged by the Administrator during the year were £117,746 (2015: £142,634), of which £11,000 remained unpaid at 31 October 2016 (2015: £10,306).

21 RELATED PARTY TRANSACTIONS

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

Fees payable to the Investment Manager

Management fee

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

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

Fees charged by the Investment Manager during the year were £895,410 (2015: £802,205), of which £459,606 remains unpaid at year end (2015: £217,593).

Performance / Exit fee

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

During the year, the Investment Management Agreement was amended and the performance fee was replaced with an exit fee due to the Investment Manager should a property be sold from the group.

On 4 October 2016, the Investment Manager also agreed to waive their entitlement to any exit fee due under the amended Investment Management Agreement.

Acquisition fee

Pursuant to the Investment Management Agreement the Company pays the Investment Manager an acquisition fee which will not exceed 1.5 per cent of the purchase price of each Investment upon completion of such purchase. During the year, fees of £199,500 were paid in relation to the acquisition of Fort Anne and fees of £510,000 were paid in relation to the acquisition of Liberation House and Windward House (2015: £167,500 in relation to the acquisition of Carey House). This fee has been capitalised as part of the property acquisition costs. No acquisition fees were outstanding at the year end (2015: £Nil).

21 RELATED PARTY TRANSACTIONS (continued)

Directors

Shelagh Mason is entitled to a fee of £45,000 per annum. Until 31 July 2016, Paul Bell, Brian O'Mahoney and Richard Wilson were entitled to a fee of £25,000 per annum. With effect from 1 August 2016, Brian O'Mahoney's fee increased to £33,000 per annum while Paul Bell and Richard Wilson's fees increased to £28,000 per annum. Directors' fees are subject to annual review by the Board of Directors.

Shelagh Mason is also entitled to additional fees on a time spent basis of which £11,250 fees were charged for the year ended 31 October 2016.

Brian O'Mahoney holds 150,000 shares (2015: 100,000) in the Company and is also a shareholder of the Investment Manager.

Mr. Paul Bell holds 2,000,000 shares (2015: 1,000,000) in the Company and is also a shareholder of the Investment Manager.

Mr. Richard Wilson has an interest of 1,500,000 shares (2015: 1,500,000) in the Company both directly and indirectly.

Mr. Jon Ravenscroft holds 500,000 shares (2015: 500,000) in the Company indirectly and is the Group Chief Executive Officer of the Investment Manager.

Details of the Directors shareholdings in the Company are disclosed on page 10 of the Directors' Report.

22 AUDITOR'S REMUNERATION

The audit fee for the reporting year is £57,671 (2015: £61,466) plus any additional disbursements.

During the year, KPMG Channel Islands Limited did not provide any additional, non audit services to the Group (2015: Nil).

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.

23 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES

Market price risk (continued)

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.

Until such time as the terms of the UK exit from the European Union are known it is difficult to make a prediction on the trajectory of the real estate market. However in an environment where bond and treasury yields have turned negative, properties let on long leases to good covenants offer significantly higher yields to investors and it is expected that, in the event of a downturn, these types of properties will hold value compared to those where the income stream is less certain.

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

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, Jersey or Isle of Man 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

23 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Market price risk (continued)

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

At 31 October 2016, if market prices for properties had moved by 5% with other variables remaining constant, the change in equity for the year would amount to approximately, +/- £9,256,000 (2015: £7,121,000).

Liquidity risk

The Group's main assets are property assets which are traded in an environment where deal timescales can take place over months. As a result, the Group may not be able to liquidate quickly some of its properties at an amount close to its fair value in order to meet liquidity requirements. The Board monitors this risk by reviewing future cash flow projections of the Group on a regular basis to ensure that future liabilities can be met as and when they fall due.

The 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.

		Contractual cash flows			
	Carrying Amount	Total	Less than 1 year	Between 1 and 5 years	Over 5 years
			£	£	£
31 October 2016					
Other payables (excluding rent received in advance)	(1,572,674)	**(1,572,674)**	(1,572,674)	-	-
Borrowings	(63,334,048)	**(69,227,088)**	(1,376,653)	(67,850,435)	-
Interest rate swaps used for hedging	(200,858)	**(200,858)**	-	(200,858)	-
	(65,107,580)	**(71,000,620)**	(2,949,327)	(68,051,293)	-
31 October 2015					
Other payables (excluding rent received in advance)	(816,462)	**(816,462)**	(816,462)	-	-
Borrowings	(53,464,408)	**(59,208,340)**	(29,494,768)	(29,713,572)	-
Interest rate swaps used for hedging	(107,222)	**(107,222)**	(52,084)	(55,138)	-
	(54,388,092)	**(60,132,024)**	(30,363,314)	(29,768,710)	-

23 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. In the event of a default by a tenant, the Group will suffer a rental income shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. The Group's largest tenant generated 13.5% (2015: 16.11%) of the Group's rental income with the next largest generating 11.5% (2015: 12.7%).

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

The Board monitors the placement of cash balances on an ongoing basis. All cash is placed with reputable institutions. RBSI has a Fitch rating of BBB+ and a Moody's rating of Ba1.

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 2016 £	31 October 2015 £
Trade and other receivables	473,076	39,051
Cash and cash equivalents - HBSC	-	1,992,625
Cash and cash equivalents - RBSI	4,484,474	1,873,093
	4,957,550	3,904,769

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 an interest rate swap 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 RBSI and previously with HSBC, and their acceptability is monitored by RBSI (previously also HSBC), 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:

23 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Interest rate risk (continued)

	Variable rate financial assets	Variable rate financial liabilities	Fixed rate financial liabilities
	£	£	£
At 31 October 2016	4,484,474	(24,160,000)	(40,000,000)
At 31 October 2015	3,865,718	(16,200,000)	(36,768,000)

At 31 October 2016, if interest rates had moved by 5% with other variables remaining constant, the change in equity and profit or loss for the year would amount to approximately +/-£983,776 (2015 : +/- £616,714).

The variable rate financial assets comprise the cash held on account with RBSI, interest on which is received based on the respective base rate. During the year to 31 October 2016, the Group refinanced it’s borrowings with RBSI and as a result, £40,000,000 has been hedged with RBSI via Interest Rate Swap Agreements to reduce the risk to the Group. The interest charged on the interest rate swap is a fixed rate and therefore not subject to interest rate fluctuation. The excess, unhedged amount held with RBSI is therefore still sensitive to interest rate fluctuations.

Fair values

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

	31 October 2016	31 October 2015
	£	£
Financial assets not measured at fair value		
Trade and other receivables	473,076	39,051
VAT receivable	2,599,811	-
Receivable on rental incentives	3,320,062	3,087,600
Cash and cash equivalents	4,484,474	3,865,718
	10,877,423	6,992,369

23 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

	31 October 2016	31 October 2015
	£	£
Financial liabilities measured at fair value		
Interest rate swap	200,858	107,222
Financial liabilities not measured at fair value		
Loans and borrowings	63,334,048	53,464,408
Other payables	3,567,360	2,101,984
	66,901,408	55,566,392

Derivatives

The fair value for the interest rate swap is provided by RBSI (previously also HSBC to 27 November 2015), 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 (2015: £Nil).

Interest bearing loans and borrowings

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

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.

Cash and cash equivalents

Cash and cash equivalents are deemed to be due within one year and as such the carrying amount is considered to reflect the fair value.

23 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

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.

24 INVESTMENT IN SUBSIDIARIES

Subsidiary	Date of incorporation / acquisition	Domicile	Ownership
Regency 1 Limited	21 September 2010	Guernsey	100%
Regency Court Property Limited	30 November 2010	Guernsey	100%
Seaton 1 Limited	01 December 2010	Guernsey	100%
Seaton Place Property Limited	01 December 2010	Jersey	100%
Seaton 2 Limited	09 November 2011	Guernsey	100%
Seaton Investments Limited	09 December 2011	Jersey	100%
Esplanade 1 Limited	01 May 2013	Guernsey	100%
St Helier Investments Limited	19 July 2013	Jersey	100%
Esplanade 2 Limited	27 May 2014	Guernsey	100%
M & R Properties Limited	08 August 2014	Jersey	100%
Glategny 1 Limited	16 July 2014	Guernsey	100%
Glategny Holdings Limited	08 August 2014	Guernsey	100%
Carey House Holdings Limited	19 March 2015	Guernsey	100%
Commerce Holdings Limited	12 May 2015	Guernsey	100%
Liberty Wharf Holdings Limited	07 January 2016	Guernsey	100%
Liberty Wharf 4 Limited	16 September 2016	Jersey	100%
Fort Anne Holdings Limited	01 July 2016	Guernsey	100%
Vicarage House Holdings Limited	01 July 2016	Guernsey	100%

All companies were setup to acquire properties.

24 INVESTMENT IN SUBSIDIARIES (continued)

Regency 1 Limited owns 100% of the issued share capital of Regency Court Property Limited. Seaton 1 Limited owns 100% of the issued share capital of Seaton Place Property Limited. Seaton 2 Limited owns 100% of the issued share capital of Seaton Investments Limited. Esplanade 1 Limited owns 100% of the issued share capital of St Helier Investments Limited. Esplanade 2 Limited owns 100% of the issued share capital of M & R Properties Limited. Glategny 1 Limited owns 100% of the issued share capital of Glategny Holdings Limited. Carey House Holdings Limited owns 100% of the issued share capital of Commerce Holdings Limited. Liberty Wharf Holdings Limited owns 100% of the issued share capital of Liberty Wharf 4 Limited.

Liberty Wharf Holdings Limited is a subsidiary set up by the Company on 7 January 2016 for the purposes of acquiring 100% of the share capital of Liberty Wharf 4 Limited purchased on 16 September 2016. Liberty Wharf Holdings Limited paid £33,000,000 to acquire this share capital. At acquisition the Group acquired Investment Property valued at £34,000,000, and net current liabilities of £316,500. Cash of £524,100 was held in Liberty Wharf Holdings Limited at the date of acquisition.

Fort Anne Holdings Limited was incorporated on 1 July 2016 and is a subsidiary set up by the Company for the purposes of acquiring Investment Property. The group acquired Fort Anne on 26 August 2016, valued at £13,300,000, for consideration of £13,300,000.

A VAT amount of £2,680,969 was paid on the acquisition of the Fort Anne property and the related costs of acquisition. Total VAT of £2,617,325 is recoverable, specifically for Fort Anne, from HMRC as Fort Anne Holdings Limited has registered to the VAT regime with an effective date of 1 July 2016.

Reconciliation of Fort Anne VAT	**£**
Amount due on purchase of Fort Anne (including VAT on other acquisition costs)	2,680,969
Rent due on rental income received	(63,644)
VAT / GST due on other Subsidiaries	(17,514)
Total VAT receivable	**2,599,811**

Vicarage House Holdings Limited was incorporated on 1 July 2016 and is a subsidiary set up by the Company for the purpose of acquiring Investment Property. As at the year end, no property had been acquired and the Company was still in the initial stages of finalising an acquisition.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

24 INVESTMENT IN SUBSIDIARIES (continued)

	31 October 2016
Fort Anne Holdings Limited (property acquired on 16 September 2016)	**£**
Investment Property	13,300,000
VAT refund receivable	2,660,000
VAT repayable to CIPF	(2,660,000)
Total identifiable net assets acquired	**13,300,000**
Consideration settled in cash	**15,960,000**

Liberty Wharf 4 Limited (acquired on 16 September 2016)	**£**
Investment Property	34,000,000
Less: Deduction for Roof Repairs	(1,000,000)
Amounts due from Vendor	327,825
Loan acquired	(26,277,998)
Taxation accrual	(251,437)
Deferred Income	(78,997)
Total identifiable net assets acquired	**6,719,393**
Consideration settled in cash	**33,000,000**

25 NET ASSET VALUE PER SHARE

	31 October 2016	31 October 2015
	£	£
Net asset value attributable to Ordinary Shares per consolidated financial statements	**125,585,095**	**90,179,863**
Adjustments:		
Adjustments to accruals	(24,972)	(52,818)
Adjustment to tax accruals	353,546	300,807
Adjustment to Liberty Wharf Property Valuation	1,000,000	-
Net asset value per unaudited valuation report	**126,913,669**	**90,427,852**
Shares in issue	135,000,000	90,000,000
Unaudited Reported Net Assets per share	0.94	1.00
Audited Net Assets per share	0.93	1.00

26 DIVIDENDS

During the year dividends totalling 8.0 pence per share (£7,875,000) have been declared and £100,675 remains outstanding at year end, (2015: 6.0 pence per share) to ordinary shareholders, with a further dividend of 1.65 pence per share paid post year end on 30 December 2016.

At the year end an amount of £100,675 was payable in relation to a dividend payment that had been returned to the Company.

Under the Facility Agreement between RBSI and the Company, no dividends may be declared or paid without the consent of RBSI.

27 CONTROLLING PARTY

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

28 EVENTS AFTER REPORTING DATE

An interim dividend of £2,227,500 (£0.0165 per share) was declared on 14 December 2016 and was paid on 30 December 2016.

During December 2016, the Company registered as an Alternative Investment Fund Manager with the Financial Conduct Authority and will commence reporting under Article 22 as of the next annual report prepared, being to 31 October 2017.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixth Annual General Meeting of Channel Islands Property Fund Limited (the "Company") will be held at the Duke of Richmond Hotel, St Peter Port, Guernsey on Thursday 23 March 2017 at 11:00 a.m. GMT to transact the business set out in the following Resolutions.

All resolutions will be passed as ordinary resolutions:

ORDINARY RESOLUTIONS:

1. To approve the Report and Audited Consolidated Financial Statements for the year ended 31 October 2016.

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. Mrs Mason, being eligible and having offered herself 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 Securities Exchange Authority Limited for such shares for the five business days immediately preceding the date of purchase;
   d. The authority shall expire at the conclusion of the seventh 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

Vistra Fund Services (Guernsey) Limited
Company Secretary

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 Vistra Fund Services (Guernsey) 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.

CIPF | CHANNEL ISLANDS PROPERTY FUND

FORM OF PROXY
for use at the sixth Annual General Meeting of Channel Islands Property Fund Limited (the "Company") to be held on Thursday 23 March 2017 at 11:00 GMT.

We, ……

of ……

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

……………………………………………………………………………………… (See note 2)

as our proxy to attend represent and vote for us on our behalf on the taking of a poll at the fourth Annual General Meeting of the Company to be held on Thursday 23 March 2017 at 11:00 GMT and at any adjournment thereof.

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

ORDINARY RESOLUTIONS	**For**	**Against**	**Abstain**
1. Approve the Report and Audited Consolidated Financial Statements for the year ended 31 October 2016.	( )	( )	( )
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 Mrs 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 Securities Exchange Authority for such shares for the five business days immediately preceding the date of purchase; d. The authority shall expire at the conclusion of the seventh Annual General meeting of the Company or unless such authority is renewed, varied or revoked prior to such time save that the Company may, prior to such expiry, enter into a contract to purchase any such shares pursuant to any such contract which would or might be executed wholly or partly after the expiry of such authority; and e. The purchase price may be paid by the Company to the fullest extent permitted by the Law.	**( )**	**( )**	**( )**

Signature:……………………………………………………………

Date:………………………

Number of Shares:……………………………

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.