CHANNEL ISLANDS PROPERTY FUND

CHANNEL ISLANDS PROPERTY FUND LIMITED

REPORT & AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2017

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For the year ended 31 October 2017

GENERAL INFORMATION

DIRECTORS:	Shelagh Mason	
	Paul Bell	
	Richard Wilson	
	Steve Le Page	(appointed 1 April 2017)
	Brian O'Mahoney	(resigned 1 April 2017)

REGISTERED OFFICE:
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

ADMINISTRATOR, SECRETARY AND REGISTRAR:
Vistra Fund Services (Guernsey) Limited
PO Box 91, 11 New Street
St Peter Port
Guernsey, GY1 3EG

PRINCIPAL BANKERS:
Royal Bank of Scotland International Limited
PO Box 62, Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey, GY1 4BQ

PROPERTY ASSET MANAGER:
Savills 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

GENERAL INFORMATION (continued)

INDEPENDENT AUDITOR:	PricewaterhouseCoopers CI LLP PO Box 321, Royal Bank Place 1 Glategny Esplanade St Peter Port Guernsey, GY1 4ND	*(from 21 August 2017)*
	KPMG Channel Islands Limited Glategny Court Glategny Esplanade St Peter Port Guernsey, GY1 1WR	*(until 16 August 2017)*
INDEPENDENT VALUER:	Montagu Evans 5 Bolton Street London W1J 8BA	

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 148,500,000 (2016: 135,000,000) ordinary shares were admitted to the Official List of The International Stock Exchange as at the year end.

Date Admitted	Shares Issued	Total Shares in Issue
17 November 2010	26,225,000	26,225,000
19 July 2013	8,000,000	34,225,000
8 August 2014	41,775,000	76,000,000
12 May 2015	14,000,000	90,000,000
16 September 2016	45,000,000	135,000,000
11 August 2017	13,500,000	148,500,000

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 2017

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

During the period the Company completed three acquisitions totalling £60.65 million resulting in the value of properties now held by the Company reaching almost a quarter of a billion pounds.

The first acquisition took place on 26 May 2017 when the Company acquired the newly developed Vicarage House, Isle of Man Business Park, Douglas, a freehold Grade 'A' headquarters office building fully let to Zurich Financial Services (Isle of Man) Group Services Limited with a parent guarantee from Zurich International Life Limited. The property totals 30,000 sq.ft. and has 225 car parking spaces. It is let on a 15 year lease with a tenant's break at 10 years subject to 6 months' notice and 12 months' rent penalty. The commencing rent is £772,500 per annum and rent reviews are every three years to the higher of Open Market Rental Value or RPI with a cap at 3% per annum. The tenant benefits from an 18 months rent free period with rent commencement in November 2018. The purchase price of £11.8 million reflects a net initial yield of 6.5%.

On 9 June 2017 the Company acquired First Names House at Summerhill Business Park in Douglas, Isle of Man in a sale and leaseback from First Names Group Limited, one of the top 10 employers on the Island. The property is a fully refurbished freehold Grade 'A' headquarters office building totalling 23,462 sq.ft. together with 106 car parking spaces. It is let on a 21 year lease with a tenant's break after 18 years subject to 12 months notice at a commencing rental of £486,266 per annum and rent reviews every three years to UK CPI collared at 1% per annum and capped at 3% per annum. The purchase price was £6.55 million and the net initial yield 7.25%.

Finally in the year on 20 September 2017, the Company completed the acquisition of Royal Chambers and the Rotunda, St Julian's Avenue, St Peter Port, Guernsey from the Liquidators of Jubilee Scheme 2 LP (in dissolution), part of the Long Port Group. The buildings total 72,508 sq.ft. together with 75 car parking spaces. There are 4 tenants; Terra Firma Capital Management Limited, International Private Equity Services Limited, Ernst & Young LLP and Mourant Ozannes LP. 28% of the rental income benefits from guaranteed uplifts at rent reviews of between 2.5% p.a. and 3.25% p.a. The purchase price of £42.3 million reflected a net initial yield of 6.75%. This flagship Guernsey acquisition is a great addition to our portfolio.

Funding of these acquisitions has been managed utilising a combination of debt and new equity to allow us to remain within our stated aims for levels of loan to value. To fund both of the Isle of Man acquisitions the Company utilised undrawn headroom in its banking facilities, taking the total debt to £79.5 million, a loan to value of 39.28%. On 11 August 2017, a fully subscribed offering of 13.5 million shares was admitted to the Official List of The International Stock Exchange, raising £13.5 million. Of this, £13.0 million was used to reduce the debt to £66.5 million, a loan to value of 32.85%.

During the course of the fundraise, the Company entered into conditional heads of terms for the acquisition of Royal Chambers. To fund the purchase the Royal Bank of Scotland International agreed to an increase in the total available debt to £120.0 million. On 19 December 2017, the Company raised a further £11,392,798 by way of a share placing. The board has agreed to utilise £11.0m from the fundraise to part repay the outstanding bank debt. There are now 159,892,798 shares in issue.

The independent year-end valuation undertaken by Montagu Evans LLP shows a portfolio value of £249.065 million (reduced by £1.0 million until the roof works at Liberty Wharf are completed and these are due to commence shortly). The NAV per share at 31 October 2017 was £0.936.

CHAIRMAN'S STATEMENT (continued)
For the year ended 31 October 2017

The UK regional office markets, to which the Channel Islands and Isle of Man markets are closely aligned, have shown little sign of nerves through the to-ing and fro-ing of the Brexit negotiations with record level prices being paid for quality assets let on long leases to good tenants. We have seen this reflected in our year end valuation with yields coming in marginally although still at a healthy discount to the UK.

This gap between yields paid for properties in the UK and in the Channel Islands particularly has led to increased interest from UK and overseas investors in property investments in Guernsey and Jersey. Dandara's 37 Esplanade is understood to be under offer to capital from the Middle-East at a price in excess of £40.0 million and Royal Bank Place in Guernsey, home to RBSI, was sold in November by long-time owners, Charles Street, to a syndicate of local and UK investors for £26.0 million. We are also aware of a number of smaller investments having been sold to UK syndicate investors, new to the Islands. This bodes well for capital values in the Islands.

Market demand is likely to be tested in the forthcoming months with a number of larger multi-let office buildings expected to be offered for sale. In total, over £200.0 million could be available as early as the first half of 2018.

As well as higher returns, compared with the UK, we have also seen sustained rental growth in the Guernsey and Jersey office markets, with the settlement of a number of rent reviews at levels higher than the passing rent.

Interest from tenants in our market is also on the increase, with a potential 42,000 sq.ft. of Grade 'A' space rumoured to be under offer in Guernsey and around 50,000 sq.ft. in Jersey. If these requirements come to fruition it will certainly be good news for both markets, keeping the supply of quality space low and fuelling future rental growth.

CIPF's portfolio continues to be well placed in the current cycle, comprising, as it does, a diverse mix of defensive assets, let on long leases to good covenants with upward only rent reviews and a comparatively low loan to value.

The Board and the Investment Manager continue to review potential asset management opportunities within the existing portfolio with a view to increasing the level of rental income, 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 successful year in 2018.

Shelagh Mason
January 2018

INVESTMENT MANAGER'S REPORT
For the year ended 31 October 2017

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

During the year the Company acquired three new properties; Vicarage House (Zurich Insurance) and First Names House (First Names Group), both in the Isle of Man and Royal Chambers & the Rotunda in Guernsey (Terra Firma, Ernst & Young, International Private Equity Services and Mourant Ozannes). The Company also raised £24.892 million of equity from existing and new shareholders and negotiated an increase in the Company's banking facilities to £120.0 million to facilitate the acquisitions.

In line with the Company's objective at the beginning of the year, it has paid shareholders 6.6p in dividends, a 10% increase on the previous year.

The Company now owns 13 properties let to 28 tenants across all main financial, regulatory and support sectors. The total floorspace now exceeds 515,000 sq.ft. Annual rent receivable stands at just over £17.78 million (c. £2.0 million of this is in rent free periods).

The year end valuation (net of Liberty Wharf roof repairs) stood at £248.065 million and current debt is £112.0 million, although some proceeds from the recent fundraise will be used to reduce this debt level. Consideration will be given to fixing a further proportion of the debt over the course of the next few months to hedge against interest rate volatility.

At the last year-end there were 14 outstanding rent reviews across the portfolio to be settled in 2016 and 2017. The Board and Investment Manager have been working hard to bring these reviews to a conclusion and we are pleased to report that 13 have been agreed during the course of the year at Regency Court, Glategny Court and Liberty Wharf. All reviews have been settled at higher than the passing rents. In 2018 a further tranche of reviews will provide opportunities to increase the Company's rent roll. [Note: the 14 reviews outstanding included the 2017 reviews – only Carey Olsen of these hasn't yet been agreed]

The portfolio continues to generate a number of potential asset management initiatives and the Investment Manager is in active discussions with tenants regarding the removal of certain tenant's break options, agreement of lease extensions, sub-lettings and other accretive opportunities.

The tender process in relation to the refurbishment works at Liberation House and Windward House in Jersey is almost complete and it is expected that works will commence in the first half of 2018.

The Channel Islands' market remains active in terms of investment sales, with new buyers entering the fray, and new lettings, in the main to indigenous companies seeking to expand and consolidate operations. We expect this trend to continue over the next 12 months. The Isle of Man market has been less active in terms of letting and investment activity however remains stable with no over-supply of new office space.

The focus of the Investment Manager over the next 12 months, under the direction from the Board, will be to progress the asset management opportunities, continue to actively monitor the market in all three islands and seek to deliver further opportunities to the Company in line with the investment guidelines to maintain and enhance the dividend.

Ravenscroft Limited
January 2018

DIRECTORS' REPORT

For the year ended 31 October 2017

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 "Consolidated Financial Statements") of the Group for the year ended 31 October 2017, 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.

In previous accounting periods, the Directors have requested an external valuation report from the Valuer, Montagu Evans LLP, London, which has included a "special assumption" for the deduction of purchaser's costs of 1.5%, reflecting a hypothetical negotiated price that the Directors believe could be achieved on a sale of the company holding the relevant property (as opposed to a direct conveyance of the property). The Directors now understand that the use of the special assumption is inconsistent with the market based approach of IFRS 13 and RICS Red Book valuation principles, which require the deduction of purchaser's costs that would be incurred on the sale of the property itself.

As a result, the valuation of investment properties in the financial statements for the year ended 31 October 2016 was based upon a method of calculation inconsistent with the interim and annual valuation and accounting approach to be taken by the Company going forward. This difference between the previous method and the current market based approach is highlighted in Note 3 to the financial statements, and the results and financial position of the Company in the prior year have been adjusted as required by IFRS.

Investors should be aware that there is a notable difference between the two methods of valuation and that on the basis of the valuation method to be used for financial reporting purposes going forward, the value of the investment properties does decrease. However, because the directors believe that a higher price will be achieved on sale of any property (because the company holding the relevant property will be sold not the property itself), the Directors intend to continue to publish a net asset value calculated quarterly on the "special assumption basis".

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

The Consolidated 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.

DIRECTORS' REPORT (continued)
For the year ended 31 October 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)
In preparing these Consolidated 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 Consolidated Financial Statements; and
- prepare the Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Consolidated 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 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, Vicarage House and First Names House, both located in Isle of Man and Royal Chambers & the Rotunda located in Guernsey, taking the number of properties owned by the Group to 13 (Six in Jersey, four in Guernsey and three in the Isle of Man).

DIVIDENDS
Interim dividends paid during the year were:

Dividend period	Date paid	Dividend per share	Total dividend
31 October 2016	30 December 2016	£0.0165	£2,227,500
31 January 2017	31 March 2017	£0.0165	£2,227,500
30 April 2017	30 June 2017	£0.0165	£2,227,500
31 July 2017	30 September 2017	£0.0165	£2,450,250

DIRECTORS' REPORT (continued)
For the year ended 31 October 2017

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 22.

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

	Year end	Report Date
Mr P. Bell	2,000,000	2,000,000
Mr R. Wilson	4,000,000	4,000,000
Mrs S. Mason	-	13,500
Mr S. Le Page	-	100,000

Mr Wilson's, Mrs Mason's and Mr Le Page's interests are all held indirectly. At no point during the period did any of the Directors hold an interest in any material contract or contract for provision of services to which the Company, or any subsidiary undertaking, is a party.

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

Cash flow projections are reviewed on a regular basis and the risk of the covenants being breached is considered to be low.

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

DISCLOSURE OF INFORMATION TO THE AUDITOR
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 they ought to have taken as a Director to make themself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITOR
During the year, the Directors tendered the position of Auditor and after a two stage process, PricewaterhouseCoopers CI LLP (the "auditor") was appointed as auditor of the Group on 21 August 2017. KPMG Channel Islands Limited, the previous auditor, resigned with effect from 16 August 2017. PricewaterhouseCoopers CI LLP 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.

DIRECTORS' REPORT (continued)
For the year ended 31 October 2017

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")

The Company is considered an Alternative Investment Fund ("AIF") as it is an Authorised Closed-ended Investment Scheme, which raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors.

The Company has elected to be a self managed AIF and so, the Company is also the Alternative Investment Fund Manager ("AIFM").

Pursuant to Article 22(1) of the Alternative Investment Fund Managers Directive ("AIFMD"), an AIFM must, where appropriate for each AIF it manages, make an annual report available to the AIF's investors.

The Annual Report must contain, amongst other items, the total amount of the remuneration paid by the AIFM to its staff for the financial year, split into fixed and variable remuneration, including, where relevant, any carried interest paid by the AIF, along with the aggregate remuneration awarded to senior management and members of staff whose actions have a material impact on the risk profile of the AIF.

The quantitative AIFM remuneration disclosures for the year ended 31 October 2017 (comparative: year to 31 October 2016) are presented below:

31 October 2017 Remuneration	**Number of beneficiaries**	**Fixed Remuneration £**	**Variable Remuneration £**	**Total Remuneration Paid £**
Total remuneration paid by the AIFM during the financial year	5	137,875	33,060	**170,935**
Remunerarion paid to senior management of the AIFM who have a material impact on the risk profile of the AIF				
Directors (senior management)	5	137,875	33,060	**170,935**

31 October 2016 Remuneration	**Number of beneficiaries**	**Fixed Remuneration £**	**Variable Remuneration £**	**Total Remuneration Paid £**
Total remuneration paid by the AIFM during the financial year	4	123,500	11,250	**134,750**
Remunerarion paid to senior management of the AIFM who have a material impact on the risk profile of the AIF				
Directors (senior management)	4	123,500	11,250	**134,750**

For the years ending 31 October 2017 and 2016, the Company had no staff and there were no amounts of carried interest paid by the AIF.

Approved by the Board of Directors on 18 January 2018 and signed on its behalf by:

Shelagh Mason **Steve Le Page**

INDEPENDENT AUDITORÕS REPORT TO THE MEMBERS OF CHANNEL ISLANDS PROPERTY FUND LIMITED

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements (hereafter referred to as the ñfinancial statementsò) give a true and fair view of the consolidated financial position of Channel Islands Property Fund Limited (the ñCompanyò) and its subsidiaries (together ñthe Groupò) as at 31 October 2017, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

What we have audited

The Groupõs financial statements comprise:

ŏ the consolidated statement of financial position as at 31 October 2017;
ŏ the consolidated statement of comprehensive income for the year then ended;
ŏ the consolidated statement of changes in equity for the year then ended;
ŏ the consolidated statement of cash flows for the year then ended; and
ŏ the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ñISAsò). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountantsõ Code of Ethics for Professional Accountants (ñIESBA Codeò). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Materiality

- Overall Group materiality was £2.4 million which represents 1% of Group total assets

Audit scope

- We conducted our audit of the consolidated financial statements based on information provided by the appointed service providers to the Group to whom the board of directors has delegated the provision of certain functions, including Vistra Fund Services (Guernsey) Limited (the "Administrator"), Ravenscroft Limited (the "Investment Manager"), Savills Channel Islands Limited and BNP Paribas Real Estate (Jersey) Limited (the "Property Asset Managers") and Montagu Evans LLP (the "External Property Valuer" or the ñValuerò).
- Our audit opinion covers the financial statements of the Group. We have not been engaged to provide individual statutory opinions on the subsidiaries of Company.
- We engaged with our own Real Estate expert to challenge the valuations of the investment properties based on market information and knowledge.
- We carried out our audit work in Guernsey. We tailored the scope of our audit taking into account the types of investments within the Group, the accounting processes and controls and the industry in which the Group operates.

Key audit matters

- Valuation of Investment Properties
- Revenue Recognition

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our understanding of the controls environment was informed by our review of the controls report available for the Administrator and inquiries made of management, however our approach remained predominantly substantive in nature.

The Group is based in Guernsey and the financial statements are a consolidation of the parent company and its subsidiaries. The Group holds investment property through its subsidiaries in the Crown Dependencies of Guernsey, Jersey and the Isle of Man. The scope of our audit opinion covers the financial statements of the Group and not the separate financial statements of the individual subsidiaries.

We engaged our own Real Estate expert to assist with our review of the valuation of investment properties. Their findings are documented in the Key Audit Matter *Valuation of Investment Properties* below.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	£2.4 million
How we determined it	1% of Total Assets
Rationale for the materiality benchmark	We believe that Total Assets is the primary measure used by the shareholders in assessing the performance of the Group. We did not apply a separate specific materiality to the statement of comprehensive income. Our overall materiality was of a level considered to be sufficient to address the risk of material misstatement in the statement of comprehensive income.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.12 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHANNEL ISLANDS PROPERTY FUND LIMITED (CONTINUED)

Key audit matter	How our audit addressed the Key audit matter
Valuation of Investment Properties The Group's Investment Properties comprise of office buildings in the Crown Dependencies of Guernsey, Jersey and the Isle of Man and, at £233,638,216, represent the majority of the assets as at 31 October 2017. Please see Note 9 to the financial statements. The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income for that particular property. The valuation of the investment properties is therefore an area of significant judgement and includes a number of assumptions including capitalisation yields and future rental values. The valuation of the Group's property portfolio was carried out by the External Property Valuer. The Valuer was engaged by the Group, and performed its work in accordance with the Global RICS Valuation Professional Standards January 2014 and the RICS UK valuation standards, appendices and guidance notes December 2014. The Valuer used by the Group is a well-known chartered surveyor, with experience in the markets in which the Group operates. In determining each property's valuation, the Valuer took into account property specific current information such as the current tenancy agreements and rental income earned by the property. The Valuer then applied assumptions in relation to capitalisation rates and current market rent and growth, based on available market data and transactions, to arrive at a range of valuation outcomes, from which they derived a point estimate. Due to the unique nature of each property, the assumptions take into consideration the individual property characteristics at a tenant level, as well as the qualities of the property as a whole. The Group adopted the assessed values determined by the Valuers., adjusted for certain items as disclosed in Note 23 to the financial statements.	***Objectivity and experience of the Valuer*** We assessed the Valuer's qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We found no evidence to suggest that the objectivity of the Valuer in their performance of the valuations was compromised. ***External valuation report*** We read the valuation report for all properties and discussed the reports with the Valuer. We confirmed that the valuation report had been prepared in accordance with professional valuation standards and was suitable for use in determining the fair value of Investment Properties at 31 October 2017. We reconciled the property specific data supplied to the Valuers by the Group, on a sample basis, to determine whether it reflected the underlying property records held by the Group. No issues were identified. ***Assumptions*** Our work over the assumptions encompassed all properties in the portfolio. We engaged our own internal valuation expert to critique and challenge the work performed and assumptions used by the Valuer. In particular, we compared the valuation metrics used by the Valuer to recent comparable market activity and industry indices. We challenged management on significant movements in the valuations. During our work we noted that due to the limited levels of market activity in the Crown Dependencies of Guernsey, Jersey and the Isle of Man, the Valuer had utilised and adjusted comparable UK regional industry benchmarks in determining appropriate market rental yields. We consider this approach to be appropriate. Due to the subjectivity involved in determining valuations for individual properties and the existence of alternative assumptions and valuation methods, we determined a range of values that were considered reasonable to evaluate the independent property valuations used by management. We determined that the assumptions used in the valuations were supportable in light of the available and comparable market evidence.
Revenue Recognition Revenue for the Group consists primarily of rental income. Rental income is based on tenancy agreements where there is a standard process in place for recording revenue. There are however, certain transactions within revenue that have an increased inherent risk of error due to them being impacted by the specific terms and conditions of the relevant tenancy agreements. These include lease incentives and we have focused our revenue risk in this area.	We obtained a sample of lease agreements and checked that the associated revenue recognised in the financial statements was consistent with the contractual terms therein. We reperformed the accuracy of rent straight-lining calculations resulting from rent free periods and other lease incentives.

Key audit matter	How our audit addressed the Key audit matter
Revenue Recognition (continued)	We tested manual journal entries made in the preparation of the financial statements at year end and manual journals to revenue nominal accounts throughout the year by agreeing them to supporting documentation to check the accuracy and validity of each journal entry selected. No material exceptions were noted that were indicative of fraud or error.

Other information

The directors are responsible for the other information. The other information comprises the ChairmanÕs statement, the Investment managerÕs report, the DirectorÕs report, Notice of Annual General Meeting and Form of Proxy (but does not include the financial statements and our auditorÕs report thereon).

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the GroupÕs ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the GroupÕs financial reporting process.

AuditorÕs responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditorÕs report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GroupÕs internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditorõs responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the directorõs use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Groupõs ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditorõs report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditorõs report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Elizabeth Burne
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands

18 January 20188

CHANNEL ISLANDS PROPERTY FUND

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2017

	Note	Year to 31 October 2017	Year to 31 October 2016 RESTATED
		£	£
INCOME			
Rental income	**6**	13,755,622	9,862,838
Service charge recharged to tenants	**12**	1,076,876	1,007,637
Other income	**6**	7,807	28,816
Total operating Income		14,840,305	10,899,291
Unrealised loss on revaluation of investment property	**3, 9**	(3,627,793)	(5,964,299)
EXPENSES			
Service charge costs	**12**	(1,076,876)	(1,007,637)
Property operating expenses	**11**	(160,828)	(84,888)
Management expenses	**21**	(1,215,794)	(895,410)
Other operating expenses	**14**	(1,359,976)	(921,508)
Total operating expenses		(3,813,474)	(2,909,443)
PROFIT BEFORE FINANCE COSTS AND TAX		**7,399,038**	**2,025,549**
FINANCING			
Interest income	**6**	375	4,621
Interest expense	**7**	(2,064,694)	(1,893,126)
Realised loss on swap termination		-	(156,230)
Total finance costs (net)		(2,064,319)	(2,044,735)
PROFIT / (LOSS) BEFORE TAX		**5,334,719**	**(19,186)**
Current tax	**8**	(407,453)	(352,946)
PROFIT / (LOSS) FOR THE YEAR		**4,927,266**	**(372,132)**
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	**19**	295,645	151,850
Movement in interest swap value recycled to profit or loss		-	156,230
TOTAL COMPREHENSIVE INCOME / (EXPENSE), NET OF TAX		**5,222,911**	**(64,052)**
Basic and diluted earnings/(deficit) per share	**3, 13**	0.04	(0.00)

The notes on pages 22 to 57 form an integral part of these Consolidated Financial Statements.

CIPF | CHANNEL ISLANDS PROPERTY FUND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2017

	Note	31 October 2017	31 October 2016	31 October 2015
			RESTATED	RESTATED
		£	£	£
NON-CURRENT ASSETS				
Investment properties	**3, 9**	233,638,216	175,114,138	133,547,809
Receivable on rental incentives	**9**	4,202,087	3,483,475	3,203,624
Interest rate swap	**19**	496,503	200,858	-
Total non-current assets		238,336,806	178,798,471	136,751,433
CURRENT ASSETS				
Trade and other receivables	**16**	134,792	473,076	39,051
VAT receivable		-	2,599,811	-
Receivable on rental incentives	**9**	329,697	252,387	327,275
Cash and cash equivalents	**15**	4,692,478	4,484,474	3,865,718
Total current assets		5,156,967	7,809,748	4,232,044
TOTAL ASSETS		**243,493,773**	**186,608,219**	**140,983,477**
EQUITY				
Share capital	**20**	142,899,351	129,669,351	87,333,351
Hedging reserve	**20**	496,503	200,858	(107,222)
Retained earnings	**3**	(14,368,882)	(10,163,398)	(1,916,266)
TOTAL EQUITY		129,026,972	119,706,811	85,309,863
NON-CURRENT LIABILITIES				
Loans and borrowings	**18**	110,740,847	60,674,048	25,651,765
Interest rate swap	**19**	-	-	55,138
Total non-current liabilities		110,740,847	60,674,048	25,706,903
CURRENT LIABILITIES				
Loans and borrowings	**18**	-	2,660,000	27,812,643
Interest rate swap	**19**	-	-	52,084
Rent received in advance		2,269,284	1,994,686	1,285,522
Other payables	**17**	1,456,670	1,572,674	816,462
Total current liabilities		3,725,954	6,227,360	29,966,711
TOTAL LIABILITIES		114,466,801	66,901,408	55,673,614
TOTAL EQUITY AND LIABILITIES		**243,493,773**	**186,608,219**	**140,983,477**
Restated Net Asset Value per share	**26**	0.869	0.887	0.948
Published Net Asset Value	**26**	0.936	0.940	1.005

The Consolidated Financial Statements on pages 17 to 57 were approved by the Board of Directors on 18 January 2018 and are signed on its behalf by:

Shelagh Mason **Steve Le Page**

The notes on pages 22 to 57 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 October 2017

	Note	Year to 31 October 2017 £	Year to 31 October 2016 RESTATED £
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,334,719	(19,186)
Adjusted for:			
Interest expense		2,064,694	1,893,126
Unrealised loss on investment properties	9	3,627,793	5,964,299
Movement in trade and other receivables		2,938,095	(3,033,836)
Movement in rental incentives		(795,922)	(204,963)
Movement in rent received in advance		274,598	709,164
Movement in other payables		(36,422)	207,274
Taxation paid		(439,378)	148,590
NET CASH INFLOW FROM OPERATING ACTIVITIES		**12,968,177**	**5,664,468**
INVESTING ACTIVITIES			
Property acquisitions	9	(62,151,871)	(47,530,628)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(62,151,871)**	**(47,530,628)**
FINANCING ACTIVITIES			
Net proceeds from issue of Ordinary Shares	20	13,230,000	42,336,000
Net loans received	18	64,376,799	69,429,640
Loan repayments	18	(16,970,000)	(59,560,000)
Interest paid		(2,012,681)	(1,946,399)
Dividends paid		(9,232,420)	(7,774,325)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**49,391,698**	**42,484,916**
NET CASH INFLOW FOR THE YEAR		**208,004**	**618,756**
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	**15**	4,484,474	3,865,718
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**15**	**4,692,478**	**4,484,474**

The notes on pages 22 to 57 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2017

	Note	Share Capital £	Hedging Reserve £	Retained Earnings £	Total £
Balance at 31 October 2015		**87,333,351**	**(107,222)**	**2,953,734**	**90,179,863**
Prior period adjustment to unrealised loss, pre 31 October 2015	**3**	-	-	(4,870,000)	(4,870,000)
Restated balance at 31 October 2015		**87,333,351**	**(107,222)**	**(1,916,266)**	**85,309,863**
Loss for the year, as restated		-	-	(372,132)	(372,132)
Amounts recycled to profit or loss		-	156,230	-	156,230
Total other comprehensive income, as restated		-	151,850	-	151,850
Total comprehensive expense for the year, as restated		-	308,080	(372,132)	(64,052)
Dividend	**27**	-	-	(7,875,000)	(7,875,000)
Amounts received on issue of shares	**20**	43,200,000	-	-	43,200,000
Issue costs	**20**	(864,000)	-	-	(864,000)
Restated balance at 31 October 2016		**129,669,351**	**200,858**	**(10,163,398)**	**119,706,811**
Profit for the year		-	-	4,927,266	4,927,266
Total other comprehensive income		-	295,645	-	295,645
Total comprehensive income for the year		-	295,645	4,927,266	5,222,911
Dividend	**27**	-	-	(9,132,750)	(9,132,750)
Amounts received on issue of shares	**20**	13,500,000	-	-	13,500,000
Issue costs	**20**	(270,000)	-	-	(270,000)
Restated balance at 31 October 2017		**142,899,351**	**496,503**	**(14,368,882)**	**129,026,972**

The notes on pages 22 to 57 form an integral part of these Consolidated Financial Statements.

1 REPORTING ENTITY

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 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 "Consolidated Financial Statements") of the Group as at and for the year ended 31 October 2017 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 Consolidated 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. 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 Consolidated Financial Statements, and as such it is appropriate to adopt the going concern basis in preparing the Consolidated 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 2016.

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

- Annual Improvements 2012-2014 Cycle.
- IAS 1 Presentation of Financial Statements: Disclosure Initiative

There was no impact on the Consolidated 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 2016 that have 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 Consolidated Financial Statements, the following standards and interpretations, which may become relevant to the Group but have not been applied in these Consolidated Financial Statements, were in issue but not yet effective and the Group does not plan to adopt these standards early:

- IFRS 9: Financial Instruments - Classification and Measurement – effective for accounting periods on or after 1 January 2018. IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 requires financial assets to be classified into three measurement categories: those measured as at fair value through profit or and loss, those measured at fair value through other comprehensive income, and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This standard also introduces a new general hedge accounting model. The objective is to more closely align the accounting treatment with risk management. As such it will allow entities to reduce profit and loss and balance sheet volatility by applying hedge accounting in more circumstances. However, when an entity first applies this IFRS, it may choose, as an accounting policy choice under this IFRS, to continue to apply the hedge accounting requirements of IAS 39.
- IFRS 15: Revenue from Contracts with Customers – effective for periods commencing on or after 1 January 2018. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.
- IFRS 16: Leases – effective for periods commencing on or after 1 January 2019. The objective of IFRS 16 is to establish the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor').
- IAS 7: Statement of Cash Flows - Disclosure Initiative (effective for periods commencing on or after 1 January 2017);

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 Consolidated Financial Statements.

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

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 Consolidated Financial Statements as the Group already utilises a similar measurement policy.

The adoption of the other two standards noted above is not anticipated to have any significant bearing on the Group's Consolidated Financial Statements.

Basis of measurement

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

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as disclosed in Note 24. Control is achieved where the Company has the power over the investee; is exposed, or has the rights, to variable 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.

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 Consolidated 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

Rental 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.

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.

Income and expenses (continued)

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 relate to the cost of managing the properties and their tenants on a day to day baiss and other non-recoverable costs.

Any fees relating to arranging new lettings are amortised over the life of the arranged lease. During the year, there were no new lettings that incurred letting costs.

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 4, 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 or inducement fees, can on occasion be offered to tenants. The value of any such lease incentive, being, for example, 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.

Financial assets and financial liabilities

Financial assets and financial liabilities comprise trade and other receivables, cash and cash equivalents, loans and borrowings, interest rate swaps 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 – Derivatives

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.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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 Consolidated 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 the prevalling rates on its rental income net of tax allowable expenses. Pursuant to the exemption granted under the above mentioned Ordinance, the Company is subject to an annual fee, currently £1,200 (2016: £1,200), payable to the Guernsey Authorities.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

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; 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 presentation currency

The Directors consider Sterling to be the functional and presentation currency of the Company as it is the currency that most faithfully represents the economic effect of the Company's underlying transactions, events 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 Company is compared to other Crown Dependency investment products. The Group currently has no exposure to any foreign currencies.

3 PRIOR PERIOD ACCOUNTING RESTATEMENTS

Investment Property Valuation

In previous accounting periods, the Directors had requested an external valuation report from Montagu Evans LLP, London, which included a special assumption for the deduction of purchaser's costs of 1.5%, reflecting a hypothetical negotiated price that the Director's believed could be achieved on a sale of the Subsidiary holding the property. The inclusion of this special assumption is inconsistent with the market based approach of IFRS 13 and RICS Red Book valuation principles, which require the deduction of purchaser's costs that would be incurred on the sale of the property itself. As a result, the valuation of investment properties in the Consolidated Financial Statements for the year ended 31 October 2016 was overstated and has been restated in these Consolidated Financial Statements in accordance with IAS 8.

The intention of the Group is that, on the potential future sale of an Investment Property, the Holding Subsidary would be sold as a going concern to whomever wished to acquire the property. As a result of this transaction, there would be no stamp duty chargeable as it does not apply on the sale of shares. This share disposal would incur costs, estimated to be approximately 1.5% of the property value.

3 PRIOR PERIOD ACCOUNTING RESTATEMENTS (continued)

Interest Rate Swap

As at the year end, 31 October 2016, an accounting error was noted in relation to the Interest Rate Swap ("IRS") valuation. The IRS had previously been shown and reported in the 31 October 2016 annual Consolidated Financial Statements as a liability with a fair value of (£200,858).

On restatement, the IRS has been correctly valued as an asset with a fair value of £200,858. The effect of this change has been detailed in the table overleaf. The Earnings Per Share calculation was not effected by this restatement as the effective portion of the IRS is valued through Other Comprehensive Income and the IRS was 99.45% effective in the year ended 31 October 2016.

Lease Incentive

During the year, it was identified that two lease incentives, in relation to tenants of 17 ½ - 18 Esplanade and Commerce House had been granted at the commencement of the letting but had not been accounted for on the Company's acquisition of the properties. There is no effect to the Company's Statement of Financial Position as a result of the inclusion of these incentives as the introduction of the lease incentive asset is offset by the reduction in the unrealised movement on the property revaluation. There is also no effect on the Company's Statement of Comprehensive Income as the amortisation of the asset through rental income is also offset by the increase in unrealised movement on revaluation shown through the profit or loss.

The overall effect to the Statement of Financial Position, of these changes as at 31 October 2016 is detailed below:

	31 October 2016	Investment Property / Lease Incentive Adjustments	Interest Rate Swap Adjustment	31 October 2016 RESTATED
	£	£	£	£
NON-CURRENT ASSETS				
Investment properties	**181,809,938**	(6,695,800)	-	**175,114,138**
Receivable on rental incentives	**3,095,174**	388,301	-	**3,483,475**
Interest rate swap	**(200,858)**	-	401,716	**200,858**
TOTAL NON-CURRENT ASSETS	**184,704,254**	(6,307,499)	401,716	**178,798,471**
Receivable on rental incentives	**224,888**	27,499	-	**252,387**
Other current assets	**7,557,361**	-	-	**7,557,361**
CURRENT ASSETS	**7,782,249**	27,499	-	**7,809,748**
TOTAL ASSETS	**192,486,503**	**(6,280,000)**	**401,716**	**186,608,219**
EQUITY				
Share capital	**129,669,351**	-	-	**129,669,351**
Hedging reserve	**(200,858)**	-	401,716	**200,858**
Retained earnings	**(3,883,398)**	(6,280,000)	-	**(10,163,398)**
TOTAL EQUITY	**125,585,095**	(6,280,000)	401,716	**119,706,811**
TOTAL LIABILITIES	**66,901,408**	**-**	**-**	**66,901,408**
TOTAL EQUITY AND LIABILITIES	**192,486,503**	**(6,280,000)**	**401,716**	**186,608,219**
Net Asset Value per share	0.93	(0.05)	0.00	0.89

3 PRIOR PERIOD ACCOUNTING RESTATEMENTS (continued)

The overall effect to the Statement of Comprehensive Income, of these changes as at 31 October 2016 is detailed below:

	31 October 2016	Investment Property / Lease Incentive Adjustments	31 October 2016 RESTATED
	£	£	£
Rental income	9,890,337	(27,499)	9,862,838
Other income	1,036,453	-	1,036,453
Total Income	**10,926,790**	(27,499)	**10,899,291**
Unrealised loss on revaluation of investment property	**(4,581,798)**	(1,382,501)	**(5,964,299)**
Total Expenses	**(2,909,443)**	-	**(2,909,443)**
PROFIT BEFORE FINANCE COSTS AND TAX	**3,435,549**	(1,410,000)	**2,025,549**
Total Finance Costs (net)	**(2,044,735)**	-	**(2,044,735)**
PROFIT / (LOSS) BEFORE TAX	**1,390,814**	(1,410,000)	**(19,186)**
Current Tax	**(352,946)**	-	**(352,946)**
PROFIT / (LOSS) FOR THE YEAR	**1,037,868**	(1,410,000)	**(372,132)**
Earnings per share	0.01	(0.01)	(0.00)

The overall effect of these changes to the opening balances, per the Statement of Financial Position as at 31 October 2015 is detailed below:

	31 October 2015	Investment Property / Lease Incentive Adjustments	31 October 2015 RESTATED
	£	£	£
NON-CURRENT ASSETS			
Investment properties	**138,861,108**	(5,313,299)	**133,547,809**
Receivable on rental incentives	**2,787,824**	415,800	**3,203,624**
TOTAL NON-CURRENT ASSETS	**141,648,932**	(4,897,499)	**136,751,433**
Receivable on rental incentives	**299,776**	27,499	**327,275**
Other current assets	**3,904,769**	-	**3,904,769**
CURRENT ASSETS	**4,204,545**	27,499	**4,232,044**
TOTAL ASSETS	**145,853,477**	**(4,870,000)**	**140,983,477**

3 PRIOR PERIOD ACCOUNTING RESTATEMENTS (continued)

	31 October 2015	Investment Property / Lease Incentive Adjustments	31 October 2015 RESTATED
	£	£	£
EQUITY			
Share capital	**87,333,351**	-	**87,333,351**
Hedging reserve	**(107,222)**	-	**(107,222)**
Retained earnings	**2,953,734**	(4,870,000)	**(1,916,266)**
TOTAL EQUITY	**90,179,863**	(4,870,000)	**85,309,863**
TOTAL LIABILITIES	**55,673,614**	**-**	**55,673,614**
TOTAL EQUITY AND LIABILITIES	**145,853,477**	**(4,870,000)**	**140,983,477**
Net Asset Value per share	1.00	(0.05)	0.95

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Use of estimates and judgements

The preparation of Consolidated 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 Consolidated Financial Statements are as follows:

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 have been prepared, with the exception of Regency Court, Guernsey, 17-21 Seaton Place, Jersey, 11-15 Seaton Place, Jersey, 40 Esplanade, Jersey and Glategny Court, Guernsey 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, 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 Managers, who report back to the Directors on a regular basis.

Significant estimates (continued)

Valuation of investment property (continued)

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.

Equivalent yield on the estimated rental value ("ERV") of each property has been used in arriving at the valuation of each 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 24 outlines the impact of Equivalent yield and ERV on property valuations and the significant unobservable inputs included in the valution of the investment properties.

Fair value of derivatives

During the year and at the year end the fair value of 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 incidental 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 main factors to consider in determining whether the lease is an operating or finance lease are:

- 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
- which party owns the title to the asset once the agreement is in place
- which party is responsible for the maintenance of the property

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

Significant judgements (continued)

Lease Classification (continued)

Based on these criteria, the Directors are of the opinion that all of the Group's leases are operating leases as the title is held by a Group company and that company is responsible to maintain the property under the lease agreements. Whilst at the inception of the lease, the present value of the minimum lease payments usually amounts to at least substantially all of the fair value of the leased asset, this is as a result of long lease terms and on completion of the lease, the tenant has no further right to the use of the asset.

Business combinations

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

- The number of items of land and buildings owned by the subsidiary;
- The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the subsidiary; and
- 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.

5 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 for ensuring that adequate resources of the Group are directed in accordance with their decisions. The operating activities of the Investment Manager are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Board.

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

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

5 SEGMENTAL INFORMATION (continued)

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 Crown Dependencies.

The Board of Directors are considered to be the Chief Operating Decision Maker of the Group.

6 INCOME

	Year to 31 October 2017 £	Year to 31 October 2016 £
Bank deposit interest	375	4,621
Rental income	13,755,622	9,890,337
Other income	7,807	28,816
	13,763,804	**9,923,774**

7 INTEREST EXPENSE

	Year to 31 October 2017 £	Year to 31 October 2016 £
Interest payable at amortised cost		
HSBC	-	90,893
RBSI	2,064,694	1,802,143
	2,064,694	**1,893,036**

The payments to RBSI (2016: RBSI and HSBC) are in relation to the interest charged on the Facility Agreement and Swap Agreement for the year (see Note 18 and Note 19).

8 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 (2016: £1,200). The amount of tax charged for the year for each entity are listed below:

	31 October 2017	31 October 2016
	£	£
Guernsey subsidiaries		
Regency Court Properties Limited	135,404	179,331
Glategny Holdings Limited	-	-
Commerce Holdings Limited	10,446	1,353
Guernsey Property No 4. Limited	35,208	-
	181,058	180,684
Jersey subsidiaries		
Seaton Place Property Limited	63,287	33,966
Seaton Investments Limited	32,712	35,883
St Helier Investments Limited	-	(600)
M&R Properties Limited	23,903	16,484
Liberty Wharf 4 Limited	(23,868)	64,363
	96,034	150,096
Isle of Man subsidiaries		
Fort Anne Holdings Limited	129,385	22,166
Vicarage House Limited	976	-
FN House Limited	-	-
	130,361	22,166
Total Tax expense for the year	**407,453**	**352,946**

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, a 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 ended 31 October 2017. No further deferred tax assets are recognised.

8 TAXATION (continued)

	31 October 2017	31 October 2016
	£	£
Subsidiary profits for the year	344,145	-
Subsidiary losses for the year	(3,471,470)	(6,766,959)
Net profit/loss	**(3,127,325)**	**(6,766,959)**
Income tax using an effective tax rate of 20%	(625,465)	(1,353,393)
Interest income	(2,001)	(1,104)
Fair value movement on investment property	215,773	677,283
Disallowed expenses	1,013,253	2,229,184
Annual allowances	(81,567)	(947,587)
Prior year provisions	(44,081)	-
Tax payable by vendor	(68,459)	(251,437)
Current tax expense in the year	**407,453**	**352,946**

Total taxable loss is derived from the income and expenses of the property holding companies which are the only entitites within the Group liable to tax. As a result of the annual allowances charged, additional profits have been created which have caused the effective rate of tax on all profits to diverge from the 20% charged on rental income.

In order to reconcile the Group profit before tax of £5,334,719 to the total taxable loss shown above, certain adjustments have to be made. The main adjustments required are detailed below:

- Exclusion of the Company's and Mid level subsidiary's profit/loss for the year as the Company and those subsidiaries are all tax exempt.
- Restatement of intercompany balances, such as management fees and interest expenses charged within the group as these are either fully or partly allowable expenses at the property holding company for tax purposes. These balances are removed from the Consolidated Financial Statements under IFRS 10 – Consolidated Financial Statements.

9 INVESTMENT PROPERTIES

LEVEL 3 RECONCILIATION	31 October 2017	31 October 2016 RESTATED
	£	£
Fair value at beginning of year	175,114,138	133,547,809
Additions at cost	62,151,871	47,530,628
Unrealised loss on revaluation	(3,627,793)	(5,964,299)
Fair value at end of the year	**233,638,216**	**175,114,138**

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

Appraised Value	238,170,000	178,850,000
Lease incentives held as debtors	(4,531,784)	(3,735,862)
Carrying value at the end of the year	**233,638,216**	**175,114,138**

In line with the investment strategy detailed on page 4, the investment portfolio consists only of commercial property predominantly in the Channel Islands. During the year, two new subsidiaries were acquired by the Group, Vicarage House Limited, Isle of Man and FN House Limited, Isle of Man. A further company was incorporated called Guernsey Property No.4 Limited. It was set up to acquire Royal Chambers, Guernsey.

100% of the share capital of CIPF (IOM) Limited, an investment holding company, was acquired on its incorporation on 17 May 2017, which in turn acquired 100% of the share capital in both Vicarage House Limited and FN House Limited, both property investment companies, on 25 May 2017 and 8 June 2017 respectively. 100% of the share capital of Guernsey Property No.4 Limited, a property investment company, was acquired on 5 September 2017 by Carey House Holdings Limited.

On commencement of the lease for Vicarage House, a lease incentive in the form of a rent free period and an inducement fee were granted. The rent free period is for 18 months from the commencement of the lease on 15 May 2017.

An inducement fee of £750,000 was paid to the tenant of Vicarage House under the agreement to lease signed on 4 April 2017 and was granted to secure the tenant prior to the commencement of the lease agreement.

A lease for Royal Chambers, Guernsey is due to commence on 1 November 2017 for which a rent free period of 3 years and 2 months has been granted.

The value of these lease incentives is being recognised in the profit or loss over the period of each lease.

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 which the vendor of the property is to cover. This was 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.

9 INVESTMENT PROPERTIES (continued)

In previous years, the valuations had been prepared using the special assumption that no stamp duty would be payable on a property disposal (as the entity holding the property will be sold as opposed to the property itself) and purchase costs being 1.5% on a share transfer would be incurred.

Under IFRS 13, purchase costs must be accounted for in the valuation of property and the intention to sell the property holding company, rather than the property itself, has no bearing on the valuation of the investment property. This is detailed above in Note 3.

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 4. 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 (2016: None).

An increase in passing rent or ERV would increase valuations of the investment properties. A decrease in the rental yield, net initial yield or equivalent yield would increase the valuation. The effect of this sensitivity is detailed in Note 24. An Equivalent yield of between 6.53% and 7.57% (Restated 2016: 6.51% and 7.57%) has been used in determining the ERV as at 31 October 2017.

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 held by the subsidiaries, as detailed in note 10, are also subject to individual bonds in favour of RBSI. Further details of the loan are provided in Note 18.

10 OPERATING LEASES

The below table details the minimum lease receipts of the operating leases of the Group:

	31 October 2017	**31 October 2016**
	£	**£**
Within 1 Year	15,469,626	12,913,812
1 to 5 Years	61,348,308	48,589,384
After 5 Years	98,459,847	66,867,513
Total	**175,277,781**	**128,370,709**

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 a 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 a 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.

17 ½-18 Esplanade

17 ½ -18 Esplanade is a single tenant property located in Jersey which is leased on a 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.

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.

Glategny Court & Bucktrout House

Glategny 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 24 years, ending between September 2034 and September 2038. 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 a fixed term agreement of 21 years ending in February 2029. The lease relates to both the building and car park associated with the property.

10 OPERATING LEASES (continued)

Significant agreements (continued)

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 a 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

Fort Anne is a single tenant property located in Isle of Man which is leased on a fixed term agreement of 21 years ending in August 2037. The current lease includes a break clauses which can be enacted in August 2019.

Vicarage House

Vicarage House is a single tenant property located in Isle of Man which is leased on a fixed term agreement of 15 years ending in May 2032.

First Names House

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

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. During the year, several of the outstanding rent reviews from 2016 were concluded and implemented.

During the year, no tenants contributed greater than 10% of the rental income of the Group. The single largest was 8.82% (2016: 13.5%). This tenant currently has a tenancy in Regency Court.

11 PROPERTY OPERATING EXPENSES

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

	31 October 2017	31 October 2016
	£	£
Agent Fees	160,828	84,888

There were no property operating expenses that would not generate rental income (2016: Nil). There were no fees, relating to new lettings, to be amortised during the year.

12 SERVICE CHARGE COSTS

Regency Court Property Limited, M&R Properties Limited, Glategny Holdings Limited and Liberty Wharf 4 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 2017 an amount of £1,076,876 (2016: £1,007,637) 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, M&R Properties Limited, Glategny Holdings Limited and Liberty Wharf 4 Limited in a proportion to the rental income received. No such event took place during the year.

13 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

The basic and diluted earnings per share for the Group is based on the profit for the year of £6,223,466 (Restated 2016: Loss £426,832) and the weighted average number of Ordinary Shares in issue during the year of 138,032,877 (2016: 95,917,808).

14 OTHER OPERATING EXPENSES

	31 October 2017	31 October 2016
	£	£
Administration fees	257,820	117,746
Insurance	32,416	16,889
Audit fees	76,534	57,671
Legal and professional fees	693,913	525,913
Regulatory fees	32,314	34,501
Directors' fees and expenses	172,640	134,750
Marketing expenses	15,000	5,000
Sundry expenses	79,339	29,038
	1,359,976	**921,508**

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, 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.

15 CASH AND CASH EQUIVALENTS

Included in the cash of £4,692,478 (2016: £4,484,474) is £989,239 (2016: £3,374,196) of cash held under the security terms of the loan facility with RBSI. 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 facility are disclosed in Note 18.

16 TRADE AND OTHER RECEIVABLES

	31 October 2017	31 October 2016
	£	£
Sundry debtors	30,395	21,434
Rent due	76,970	52,536
Amounts due from Vendor of Liberty Wharf	-	355,168
Tax receivable	-	600
Prepayments	27,427	43,338
	134,792	**473,076**

17 OTHER PAYABLES

	31 October 2017	31 October 2016
	£	£
Administration fees	27,464	11,000
Audit fees	60,000	57,000
Investment manager fees	345,708	459,606
Legal & professional fees	132,092	-
Directors' fees	25,916	27,620
Other creditors	3,447	111,821
Loan interest payable - RBSI	115,882	63,869
Acquisition expenses payable RE: Liberty Wharf	-	45,581
Deferred income	590	-
GST / VAT payable	80,989	-
Taxation payable	663,577	695,502
Dividend payable	1,005	100,675
	1,456,670	**1,572,674**

18 LOANS AND BORROWINGS

	31 October 2017	31 October 2016
Due after 1 year:	£	£
HSBC:		
Net loan liability at beginning of year	-	5,151,717
Loan principal repayment	-	(5,176,768)
Amortisation of set up costs	-	25,051
Net loan liability due after 1 year	-	-
RBSI:		
Net loan liability at beginning of year	60,674,048	20,500,048
Loan principal drawndown	64,810,000	67,180,000
Loan principal repayment	(14,310,000)	(26,560,000)
Set up costs	(648,141)	(1,010,173)
Amortisation of set up costs	214,940	564,173
Net loan liability due after 1 year	110,740,847	60,674,048
TOTAL NET LOAN LIABILITY DUE AFTER 1 YEAR	**110,740,847**	**60,674,048**
Due within 1 year:		
HSBC:		
Net loan liability at beginning of year	-	27,812,643
Loan principal repayment	-	(27,823,232)
Amortisation of set up costs	-	10,589
Net loan liability due after 1 year	-	-
RBSI:		
Net loan liability at beginning of year	2,660,000	-
Loan principal drawndown	-	2,660,000
Loan principal repayment	(2,660,000)	-
Amortisation of set up costs	-	-
Net loan liability due after 1 year	-	2,660,000
TOTAL NET LOAN LIABILITY DUE WITHIN 1 YEAR	**-**	**2,660,000**
TOTAL NET LOAN LIABILITY AT YEAR END	**110,740,847**	**63,334,048**

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.

The facility was further extended to a maximum drawdown of £120,000,000 on 18 September 2017 in order to facilitate the purchase of Royal Chambers, Guernsey.

18 LOANS AND BORROWINGS (continued)

A charge is 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 £112,000,000 (2016: £64,160,000) was drawndown.

Per the Amortisation Schedule that accompanies the Amended Facility Agreement, if the drawndown balance exceeds £110,000,000 on 1 October 2018 an amount of principal will be due to be repaid on the next interest payment date, being the 15 October 2018. The amount of principal to be repaid is determined by a formula, agreed by the Group and RBSI, and will continue to be repaid on each interest payment date until the balance of the loan has returned below £110,000,000.

The loan facility was 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 ratio at 31 October 2017 was 47% (2016: 34%).

Security has been provided by way of a charge over the Group's investment properties under the facility agreement. Interest is charged at the aggregate of the margin and LIBOR and is payable quarterly in arrears. As a result of the amended facility agreement, the margin rate is dependant on the principal value of the loan drawndown.

If the loan principal amount exceeds £90,000,000, the margin rate is 2.25%. If the loan value is less than, or equal to £90,000,000, the margin rate is determined by the loan to value ratio ("LTV"). If the LTV is greater than 40%, the margin is 1.95%, otherwise, the margin is 1.75%.

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 rate of interest charged was 2.36% (2016: 2.15%) on the outstanding loan.

19 INTEREST RATE SWAP

An interest rate swap was entered into on 15 July 2016 between the Company and RBSI. The Group hedged the 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.

Interest on the swap was receivable at a variable rate calculated on the same LIBOR basis as for the bank loan (as detailed in note 18) and payable quarterly.

The fair value of the asset in respect of the interest rate swap contract was based on the marked to market value. The interest rate swap is classified as Level 2 under the hierarchy of fair value measurements required by IFRS 13, further details of which are disclosed in Note 24.

19 INTEREST RATE SWAP (continued)

Derivatives primarily held for risk management purposes

	Assets / (Liabilities) RESTATED	Notional Amount
	£	£
HSBC:		
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	(1,799)	4,680,000
Swap contracts opened	-	40,000,000
Swap contracts repaid	-	(4,680,000)
Unrealised gain in revaluation	202,657	-
As at 31 October 2016	200,858	40,000,000
Net swap asset at beginning of year	200,858	40,000,000
Unrealised gain in revaluation	295,645	-
As at 31 October 2017	496,503	40,000,000
TOTAL SWAP POSITION AT 31 OCTOBER 2017	**496,503**	**40,000,000**
TOTAL SWAP POSITION AT 31 OCTOBER 2016	**200,858**	**40,000,000**

20 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.

20 SHARE CAPITAL AND RESERVES (continued)

Issued and Fully Paid

	No. of Shares	£
Ordinary Shares		
Balance as 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 as at 31 October 2016	**135,000,000**	**129,669,351**
Issued during the year	13,500,000	13,500,000
Issue costs	-	(270,000)
Balance as at 31 October 2017	**148,500,000**	**142,899,351**

Hedging Reserve

	Year to 31 October 2017 £	Year to 31 October 2016 RESTATED £
Balance at start of year	200,858	(107,222)
Recycle to profit or loss	-	107,222
Movement during the year	295,645	200,858
Balance at end of year	**496,503**	**200,858**

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

21 MATERIAL AGREEMENTS

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 pays 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 2017, there were nine (2016: six) additional investment properties, three of which were acquired during the year, Vicarage House, Isle of Man; First Names House, Isle of Man and Royal Chambers, Guernsey. The total annual fee due as at 31 October 2017 is £168,000 (2016: £132,000) per annum.

21 MATERIAL AGREEMENTS (continued)

Fees Payable to the Administrator (continued)

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.

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 £257,817 (2016: £117,746), of which £27,464 remained unpaid at 31 October 2017 (2016: £11,000).

Fees Payable to the Property Asset Manager

The Property Asset Manager is entitled to receive a fee for each property they manage. Where this property is multi-let, the full amount of the fee is recoverable via the service charge. Should any tenant from a multi-let property vacate their lease, the Group would be responsible for their share of the management fee.

Property	Agent	Type	Fee (p.a)
Regency Court	Savills	Multi-let	49,000
17-21 Seaton Place	Savills	Single let	10,000
Aztec House, 11-15 Seaton Place	Savills	Single let	10,000
17½-18 Esplanade	Savills	Single let	12,000
40 Esplanade	Savills	Multi-let	15,000
Glategny Court	Savills	Multi-let	55,000
Carey House	Savills	Single let	10,000
Royal Chambers and the Rotunda	Self managed	Multi-let	-
Liberation House & Windward House	BNP Paribas	Multi-let	35,000
Fort Anne	Self managed	Single let	-
Vicarage House	Self managed	Single let	-
First Names House	Self managed	Single let	-

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.

21 MATERIAL AGREEMENTS (continued)

Fees payable to the Investment Manager (continued)

Management fee (continued)

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 £1,215,794 (2016: £895,410), of which £345,708 remains unpaid at year end (2016: £459,606).

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 £159,000 were charged in relation to the acquisition of Vicarage House, £98,250 was charged in relation to the acquisition of First Names House and £634,500 was charged in relation to Royal Chambers (2016: £199,500 in relation to the acquisition of Fort Anne and £510,000 in relation to the acquisition of Liberation House and Windward House).

This fee has been capitalised as part of the property acquisition costs. No acquisition fees were outstanding at the year end (2016: £Nil).

22 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.

Directors

During the year the directors were entitled to the following fees:

	Until 31 July 2017	From 1 August 2017
	£	£
Shelagh Mason	45,000	50,500
Paul Bell	25,000	31,000
Richard Wilson	25,000	31,000
Brian O'Mahoney	33,000	-
Steve Le Page	33,000	37,000

On 1 April 2017, Brian O'Mahoney resigned as a Director and Steve Le Page was appointed.

Directors' fees are subject to annual review by the Board of Directors and it was agreed that from the 1 August 2017 that the fees for each director would be increased as per the table above.

22 RELATED PARTY TRANSACTIONS (continued)

Shelagh Mason is also entitled to additional fees on a time spent basis of which £25,050 (2016: £11,250) fees were charged for the year ended 31 October 2017.

Mr. Paul Bell holds 2,000,000 shares (2016: 2,000,000) in the Company and is also a shareholder of the Investment Manager.

Mr. Richard Wilson has an interest of 4,000,000 shares (2016: 1,500,000) in the Company both directly and indirectly.

Mr. Jon Ravenscroft holds 1,000,000 shares (2016: 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.

23 AUDITOR'S REMUNERATION

During the year, the Directors tendered the position of Auditor and after a two stage process, PricewaterhouseCoopers CI LLP (the "auditor") was appointed as auditor of the Group on 21 August 2017.

During the year, the audit fee charged to the profit or loss was £76,534 (2016: £57,671).

24 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES

Market price risk

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

The Board manages and monitors this risk by reviewing periodic updates from the Property Asset 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.

Market price risk (continued)

The performance of the Group would be adversely affected by a downturn in the commercial property market of the Channel Islands or the 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. As the main input to the valuation of the properties is Estimated Rental Value (“ERV”) a reduction in the level of rent would result in a reduction in the value of the property.

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.

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

The Group’s sensitivity to movements in the key valuation inputs is detailed below:

	31 October 2017	31 October 2016
	£	£
Increase in Estimated Rental Value of 5%	10,737,732	8,161,772
Decrease in Estimated Rental Value of 5%	(10,761,224)	(7,834,172)
Increase in Gross Initial Yield of 0.25%	(8,741,932)	(6,386,880)
Decrease in Gross Initial Yield of 0.25%	9,450,735	6,863,248

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 their 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 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 CASHFLOWS			
	Carrying Amount	Total	Less than 1 year	Between 1 and 5 years	Over 5 years
31 October 2017					
Other payables (excluding rent received in advance)	(1,456,670)	**(1,456,670)**	(1,456,670)	-	-
Borrowings	(110,740,847)	**(119,545,937)**	(2,577,272)	(116,968,665)	-
Interest rate swaps used for hedging	496,503	**496,503**	-	496,503	-
	(111,701,014)	**(120,506,104)**	(4,033,942)	(116,472,162)	-
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 - RESTATED	200,858	**200,858**	-	200,858	-
	(64,705,864)	**(70,598,904)**	(2,949,327)	(67,649,577)	-

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 8.82% (2016: 13.51%) of the Group's rental income with the next largest generating 7.39% (2016: 11.5%).

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. The majority of the Group's cash is held at RBSI, who have a Fitch rating of BBB+.

Credit risk (continued)

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 2017	31 October 2016
	£	£
Trade and other receivables (excluding prepayments)	107,365	429,738
Cash and cash equivalents - RBSI	4,677,974	4,474,493
Cash and cash equivalents - HSBC	14,504	9,981
	4,799,843	**4,914,212**

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 by the Investment Manager on a regular basis.

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

	Variable rate financial assets	Variable rate financial liabilities	Fixed rate financial liabilities
	£	£	£
At 31 October 2017	4,692,478	(70,740,847)	(40,000,000)
At 31 October 2016	4,484,474	(24,160,000)	(40,000,000)

At 31 October 2017, if interest rates had moved by 1% with other variables remaining constant, the change in equity and profit or loss for the year would amount to approximately +/- £660,484 (2016 : +/- £196,755).

The variable rate financial assets comprise the cash held on account with RBSI, interest on which is received based on the respective base rate. The Group hedged £40,000,000 of its borrowings with RBSI via an Interest Rate Swap Agreement to reduce the risk to the Group.

24 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Interest rate risk (continued)

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 Consolidated Financial Statements. The following summarises the main methods and assumptions used in estimating the fair values of financial instruments.

	31 October 2017	31 October 2016 RESTATED
	£	£
Financial assets not measured at fair value		
Trade and other receivables	134,792	473,076
VAT receivable	-	2,599,811
Receivable on rental incentives	4,531,784	3,735,862
Cash and cash equivalents	4,692,478	4,484,474
	9,359,054	**11,293,223**
Financial assets measured at fair value		
Interest rate swap	**496,503**	**200,858**
Financial liabilities not measured at fair value		
Loans and borrowings	110,740,847	63,334,048
Other payables	1,456,670	1,572,674
	112,197,517	**64,906,722**

Derivatives

The fair value for the interest rate swap is provided by RBSI, the counterparty to the deal, 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 (2016: None).

Fair values (continued)

Interest bearing loans and borrowings

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

Trade and other receivables/payables

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

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.

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 note 18 offset by cash and cash equivalents, and equity of the Group, being issued capital, reserves and retained earnings.

25 INVESTMENT IN SUBSIDIARIES

Subsidiary	Date of incorporation / acquisition	Domicile
Regency 1 Limited	21 September 2010	Guernsey
↳ *Regency Court Property Limited*	30 November 2010	Guernsey
Seaton 1 Limited	1 December 2010	Guernsey
↳ *Seaton Place Property Limited*	1 December 2010	Guernsey
Seaton 2 Limited	9 November 2011	Guernsey
↳ *Seaton Investments Limited*	9 December 2011	Jersey
Esplanade 1 Limited	1 May 2013	Guernsey
↳ *St Helier Investments Limited*	19 July 2013	Jersey
Esplanade 2 Limited	27 May 2014	Guernsey
↳ *M&R Properties Limited*	8 August 2014	Jersey
Glategny 1 Limited	16 July 2014	Guernsey
↳ *Glategny Holdings Limited*	8 August 2014	Guernsey
Carey House Holdings Limited	19 March 2015	Guernsey
↳ *Commerce Holdings Limited*	12 May 2015	Guernsey
↳ *Guernsey Property No.4 Limited* *	1 July 2016	Guernsey
Liberty Wharf Holdings Limited	7 January 2016	Guernsey
↳ *Liberty Wharf 4 Limited*	16 September 2016	Jersey
Fort Anne Holdings Limited	1 July 2016	Guernsey
CIPF Holdings (IOM) Limited	17 May 2017	Isle of Man
↳ *Vicarage House Limited*	15 December 2015	Isle of Man
↳ *FN House Limited*	18 May 2017	Isle of Man

↳ *- Indicates direct ownership of company*

* On 7 August 2017, Vicarage House Holdings Limited ("VHHL") was renamed to Guernsey Property No.4 Limited. It was originally set up to acquire Vicarage House. As a result of a share purchase by CIPF Holdings (IOM) Limited of Vicarage House Limited, VHHL was left dormant until it was repurposed to acquire Royal Chambers.

All companies listed above are 100% owned and were originally setup to acquire properties.

25 INVESTMENT IN SUBSIDIARIES (continued)

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

	Vicarage House Limited £	FN House Limited £	Royal Chambers £	TOTAL £
Acquisition date:	25 May 2017	8 Jun 2017	20 Sep 2017	
Investment property	11,800,000	6,550,000	46,700,000	**65,050,000**
VAT payable on acquisition	-	1,310,000	-	**1,310,000**
Purchase price	**11,800,000**	**7,860,000**	**46,700,000**	66,360,000
Less: Rent free lease incentive	(1,138,644)	-	(4,346,819)	**(5,485,463)**
Less: Contribution to legal fees	(30,000)	-	-	**(30,000)**
Acquisition fees paid	-	37,335	-	**37,335**
Rent due to vendor	-	(36,770)	(46,092)	**(82,862)**
Consideration settled in cash	**10,631,356**	**7,860,565**	**42,307,089**	**60,799,010**

No cash or cash equivalents were acquired as a result of the above acquisitions. Included in the £42,307,089 consideration settled for Royal Chambers, an amount of £500,000 was paid to Collas Crill but held back in escrow, as a retention amount in relation to the management shares in Jubilee Management Limited, acquired as part of the Royal Chambers acquisition.

26 NET ASSET VALUE PER SHARE

The below table reconciles the difference between the published net asset value for the 31 October 2017 and the net asset value calculated as part of these annual audited financial statements. The variances detailed have resulted from disparities between the valuation processes used and those required under IFRS.

Details of the adjustment made to the fair value of investment property are detailed in note 3.

There are also sometimes variances in the accruals recorded between the valuation and the financial statements. These tend to arise as a result of the differing time frames between the preparation of each report. Should additional information become available after the publication of the quarterly valuation, these changes would be reflected in the annual financial statements but not the published valuation.

26 NET ASSET VALUE PER SHARE (continued)

	31 October 2017	31 October 2016 RESTATED
	£	£
Net asset value attributable to Ordinary Shares per consolidated financial statements	**129,026,972**	**119,706,811**
Adjustments:		
Adjustments to accruals	18,989	(24,972)
Adjustment to tax accruals	-	353,546
Adjustment to Liberty Wharf property valuation	-	1,000,000
Adjustment to Interest rate swap value	-	(401,716)
Adjustment to fair value of investment property	9,895,000	6,280,000
Published net asset value per valuation report	**138,940,961**	**126,913,669**
Shares in issue	148,500,000	135,000,000
Published Net Asset Value	0.936	0.940
Restated Net Asset Value per share	0.869	0.887

27 DIVIDENDS

During the year dividends totalling 6.6 pence per share (£9,132,750) (2016: 8.0 pence per share) have been declared and £675 (2016: £100,675) remains outstanding at year end, to ordinary shareholders, with a further dividend of 1.65 pence per share paid post year end on 30 December 2017.

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

28 CONTROLLING PARTY

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

29 EVENTS AFTER REPORTING DATE

An interim dividend of £2,450,250 (£0.0165 per share) was declared on 12 December 2017 and was paid on 29 December 2017.

On 19 December 2017, the Company placed an additional 11,082,798 ordinary shares on The International Stock Exchange at a price of £1.00 per share, resulting in an increase in share capital of £10,854,942 after placing costs of £227,886 were paid. The total number of shares in issue after this placing is 159,082,798.

Shelagh Mason and Steve Le Page, directors of the Company, both participated in the share raising on 19 December 2017, by acquiring 13,500 shares and 100,000 shares respectively. Neither director holds any other shares in the Company then those detailed.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventh Annual General Meeting of Channel Islands Property Fund Limited (the ñCompanyò) will be held at the St Pierre Park Hotel & Golf Resort, Rohais, St Peter Port, Guernsey GY1 1FD on Thursday 22 March 2018 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 2017.

2. To re-appoint PricewaterhouseCoopers CI LLP as auditor of the Company until the conclusion of the next general meeting at which accounts are laid before the Company.

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

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

5. To authorise that the Directorsô remuneration shall not exceed in aggregate £200,000 per annum.

6. To authorise, for the purpose of section 315 of the Companies (Guernsey) Law, 2008, as amended (the ñLawò), 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 International Stock Exchange) for such shares for the five business days immediately preceding the date of purchase;
    d. The authority shall expire at the conclusion of the eighth 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.

FORM OF PROXY

for use at the seventh Annual General Meeting of Channel Islands Property Fund Limited (the ñCompanyò) to be held on Thursday 22 March 2018 at 11:00 a.m. GMT.

We, é

of é

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

é (See note 2)

as our proxy to attend represent and vote for us on our behalf on the taking of a poll at the seventh Annual General Meeting of the Company to be held on Thursday 22 March 2018 at 11:00 GMT and at any adjournment thereof.

Please indicate with an ñXò 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 2017.	**( )**	**( )**	**( )**
2. Re-appoint PricewaterhouseCoopers CI LLP as auditor of the Company until the conclusion of the next general meeting at which accounts are laid before the Company.	**( )**	**( )**	**( )**
3. Authorise the Directors of the Company to determine the remuneration of the auditor.	**( )**	**( )**	**( )**
4. Re-elect Mr Steve Le Page as a Director of the Company	**( )**	**( )**	**( )**

5. To authorise that the Directorsô remuneration shall not exceed in aggregate £200,000 per annum.			
6. Authorise, for the purpose of section 315 of the Companies (Guernsey) Law, 2008, as amended (the ñLawò), 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 International Stock Exchange) for such shares for the five business days immediately preceding the date of purchase; d. The authority shall expire at the conclusion of the eighth 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:é é

Date:é é é é é é é é é

Number of Shares:é é é é é é é é é é é

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.