CIPF

CHANNEL ISLANDS PROPERTY FUND

CHANNEL ISLANDS PROPERTY FUND LIMITED

ANNUAL REPORT & AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2018

TABLE OF CONTENTS

For the year ended 31 October 2018

GENERAL INFORMATION

DIRECTORS:	Shelagh Mason	
	Paul Bell	
	Steve Le Page	
	Paul Le Marquand	(appointed 1 December 2018)
	Richard Wilson	(resigned 1 December 2018)
REGISTERED OFFICE:	11 New Street St Peter Port Guernsey Channel Islands GY1 2PF	
INVESTMENT MANAGER:	Ravenscroft Limited Level 5, The Market Buildings Fountain Street St Peter Port Guernsey Channel Islands GY1 4JG	
ADMINISTRATOR, SECRETARY AND REGISTRAR:	Vistra Fund Services (Guernsey) Limited PO Box 91, 11 New Street St Peter Port Guernsey Channel Islands GY1 3EG	
PRINCIPAL BANKERS:	Royal Bank of Scotland International Limited PO Box 62, Royal Bank Place 1 Glategny Esplanade St Peter Port Guernsey Channel Islands GY1 4BQ	
INDEPENDENT AUDITOR:	PricewaterhouseCoopers CI LLP PO Box 321, Royal Bank Place 1 Glategny Esplanade St Peter Port Guernsey Channel Islands GY1 4ND	

GENERAL INFORMATION (CONTINUED)

PROPERTY ASSET MANAGER:	D2 Real Estate (Jersey) Limited (appointed on 12/13 February 2018) (1) Ground Floor, Dialogue House 2-6 Anley Street, St Helier Jersey Channel Islands JE2 3QE
	Savills Channel Islands Limited (resigned on 13 February 2018) 22 Smith Street St Peter Port Guernsey Channel Islands GY1 2JQ
	In relation to Liberty Wharf 4 Limited: BNP Paribas Real Estate (Jersey) Limited (resigned on 13 February 2018) 3rd Floor, Dialogue House 2 – 6 Anley Street Jersey Channel Islands JE2 3QE

(1) Appointed on 12 February 2018 for Isle of Man property holding subsidiaries and 13 February 2018 for Guernsey and Jersey property holding subsidiaries.

INDEPENDENT VALUER:	Montagu Evans LLP 5 Bolton Street London England W1J 8BA

COMPANY SUMMARY

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 159,892,798 (2017: 148,500,000) ordinary shares were admitted to the Official List of The International Stock Exchange ('TISE') 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
19 December 2017	11,392,798	159,892,798

The Directors were originally due to make recommendations to the Shareholders concerning the continuation of the Company in March 2020. However, a Special Resolution was passed by the members of the Company at an EGM held on 28 September 2018, that the term of the Company be extended indefinitely, subject to the ability for shareholders who together hold at least 15% in number of the shares in the Company, to place a continuation vote on the agenda of the 2023 AGM and each AGM falling on every fifth anniversary thereafter, to be voted on as an ordinary resolution.

INVESTMENT OBJECTIVE & POLICY

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 Crown Dependencies.

There are no geographical or other limitations or restrictions to which investment by the Company is subject. The Company may invest directly or indirectly in commercial property including property development. Investment in property related funds, derivatives and financial indices is also permitted.

CHAIRMAN'S STATEMENT
For the year ended 31 October 2018

Where property values are stated within the Chairman's Statement, they are based on the assumption of disposals of properties by share transfer rather than conveyance, such that document duty or stamp duty as applicable is not payable, rather than in line with International Financial Reporting Standards (''IFRS''). This includes references to Loan to Values, and therefore figures may be different to those stated in the consolidated financial statements. Where Net Asset Value ("NAV") is referenced, it is in line with those published by the Company on TISE. Further detail of how this NAV can be reconciled back to the IFRS NAV can be found in Note 24 of the consolidated financial statements.

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

In contrast with previous years and in line with our strategy outlined at the 2018 Annual General Meeting, the focus of activity has been firmly on the asset management of the portfolio with a view to increasing the rental income and extending the average lease lengths on the properties. This has been achieved by removing lease breaks and achieving increases in rental at rent reviews with the tenants.

Partly as a consequence of these activities the independent year end portfolio valuation undertaken by Montagu Evans LLP increased from £248,065,000 to £253,230,000.

Following a strategic review of the portfolio three properties were offered for sale during the year; 17-21 Seaton Place and 11-15 Seaton Place (which were acquired in 2010 and 2011 respectively) and 40 Esplanade, a multi-let property acquired in 2014. In each case the average lease lengths were considerably lower than the portfolio as a whole and the Investment Manager ("IM") had already removed lease breaks and agreed outstanding rent reviews, maximising the asset management potential for each property.

These properties were therefore felt to no longer fit the asset profile which CIPF targets to maintain its return to shareholders and a disposal, by way of share transfer of the companies owning these 3 properties, was completed post the year-end on 21 December 2018 to a private investment fund managed by Ravenscroft at a price representing a small premium to the year end valuation.

The sale was negotiated on an arms length basis and it should be noted that Paul Bell, one of the Directors of the Company has been appointed to the board of the purchaser. Paul was excluded from all discussions and decision making throughout the sale process.

As a result of the disposal the Company is seeking to reinvest the sale proceeds into one or more properties which fit the investment criteria.

At the same time as the portfolio sale was in progress, CIPF received approval from its shareholders to extend the life of the Company indefinitely. The approach was made by the board following a review of the portfolio, the stated objectives of continuing to provide good dividend returns to shareholders and the availability of debt in the market and in particular the offer of new funding from the Company's existing lender, RBSI. The new facility is for 6 years on an interest only basis at £103,000,000 and was completed in October 2018.

The Company also took this opportunity to rationalise its structure to provide for a single holding company for each of the islands, which in turn own the property owning companies in the respective jurisdictions resulting in more streamlined administration and future cost savings.

CHAIRMAN'S STATEMENT (CONTINUED)
For the year ended 31 October 2018

The Company also joined the AIC during the period to further enhance its governance and reporting and to provide access to this valuable industry body.

In February 2018 the Company appointed a new property manager, D2 Real Estate, across the whole portfolio and in September, following a competitive tender process, Montagu Evans' valuation contract was renewed for a further 3 years.

Post year end the board also welcomed a new Director, Paul Le Marquand, a real estate specialist based in Jersey, who replaced Richard Wilson on 1 December 2018. Richard stepped down from the board to focus on other business interests in the UK, US and Europe and I would like to thank Richard for his valuable contribution to the Company over the years.

During the year a major capital expenditure programme at Liberation House was given the go-ahead, which involves removing plant and equipment, replacing the roof and updating ventilation systems. This year long project is expected to complete in late spring 2019.

To put the portfolio in the context of the property market in the Crown Dependencies, two significant sales of office buildings in Jersey have recently completed. JDC sold its first completed development at IFC1, where tenants include BNP Paribas and UBS, for a price of £43,700,000 reflecting a sub 6% yield for the first time in the Islands since 2007. The investment was acquired by Klesch Family Office.

In a record breaking transaction, Dandara sold Gaspe House, the Royal Bank of Canada's new Jersey headquarters to a syndicate of investors for £90,000,000 reflecting a yield of just above 6%. This is by far the largest office transaction to take place in the Channel Islands, eclipsing the £61,500,000 paid by Stenprop for Trafalgar Court in 2015 by some distance.

It is also understood that IFC2, where the major tenant is Sanne Group, is under offer at a similar level to IFC1 and that in the next six months both Dorey Court and Martello Court in Guernsey will come to the market following recent lettings to Royal Bank of Canada and AON.

These two latter lettings have soaked up the majority of the balance of available Grade A space in the Guernsey market in 2018 however it is expected that a couple of half floors may become available in prime buildings and these are anticipated to command premium rent rates given the lack of available supply.

Take-up in the Jersey office market continues to be brisk with the overall level of supply falling albeit with a handful of potential new buildings in the pipeline.

In the Isle of Man the market remains stable with little in the way of new development either in town or in the main business parks. Rents remain broadly flat other than those which are linked to inflation, such as the leases in the CIPF portfolio, and growth is expected where there are reviews in the next 12 months.

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 aim is to further enhance this position with the investment of the proceeds of the recent sales in the coming months.

CHAIRMAN'S STATEMENT (CONTINUED)
For the year ended 31 October 2018

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 2019.

Shelagh Mason
7 February 2019

INVESTMENT MANAGER'S REPORT
For the year ended 31 October 2018

Where property values are stated within the Investment Manager's Report, they are based on the assumption of disposals of properties by share transfer rather than conveyance, such that document duty or stamp duty as applicable is not payable, rather than in line with International Financial Reporting Standards (''IFRS''). This includes references to Loan to Values, and therefore figures may be different to those stated in the consolidated financial statements. Where Net Asset Value ("NAV") is referenced, it is in line with those published by the Company on TISE. Further detail of how this NAV can be reconciled back to the IFRS NAV can be found in Note 24 of the consolidated financial statements.

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 and in line with the Company's objective at the beginning of the year, it has paid shareholders 6.6p per share in dividends.

During the year the Company has been busy across all aspects of the portfolio, from re-structuring the group to extending bank debt, selling properties which were acquired in the early days of the Company's life, to agreeing rent reviews, removing lease breaks to raising new equity and major capex works at Liberation House.

In December 2017, the Company raised £11,392,798 by way of a share placing to part pay down debt which funded the acquisition of Royal Chambers earlier that year. As a result there are 159,892,798 shares in issue.

Three Jersey properties were sold in December 2018 for a price of £30,000,000 compared to a year end valuation of £28,520,000. Prior to the sale, the average weighted lease length across the portfolio was 8.84 years (to breaks) and 13.18 years to expiry at year end. As a result of the disposal this has increased to 9.14 years and 14.29 years respectively.

Following the sale the Company now owns 10 properties let to 21 tenants across all main financial, regulatory and support sectors. The total floorspace now stands at 436,162 sq.ft. Annual contracted rent is just under £15,500,000 million (of which a proportion remains within rent free periods). The portfolio (by value) is now split; Guernsey 65.11%, Jersey 20.81% and Isle of Man 14.08%.

A new 6 year term loan has been agreed with RBSI for £103,000,000 on an interest only basis at a margin of 2.12%. £40,000,000 is hedged with the remainder floating.

As a result of various asset management initiatives and a general increase in values of property in Jersey following sales of Grade 'A' properties by Jersey Development Corporation and Dandara, the Red Book valuation for the portfolio at the year end was up. However, as a result of the sale the value of properties has reduced overall after the year end. NAV per share increased by 2.0p from 93.6p at year end 2017 to 95.6p at 2018.

The Company has placed the proceeds of the sale with RBSI pending the intended acquisition of one or more properties which fit the investment criteria.

During the course of 2019 there are rent reviews scheduled for 9 of the 21 tenants with one yet to be settled from 2018. The majority of these are for Guernsey properties and rental growth is expected.

The portfolio continues to generate a number of potential asset management initiatives as a result of tenant expansion or contraction and the Investment Manager is actively discussing these opportunities which include removal of certain tenant's break options and lease extensions in addition to rental growth at reviews.

INVESTMENT MANAGER'S REPORT (CONTINUED)
For the year ended 31 October 2018

In Guernsey the market continues to be strong with some significant new letting activity at Admiral Park and a number of as yet unsatisfied tenant requirements in the offing.

The roof replacement programme of works is well underway at Liberation House and is expected to complete in May 2019.

In the Isle of Man the rent free period for Vicarage House has expired with the tenant now paying full rent and there is a rent review at Fort Anne which is scheduled for later in the year.

The Channel Islands' market has been very active in terms of both investment sales and 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 secure a new acquisition using proceeds of the recent sale, 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
7 February 2019

BOARD OF DIRECTORS
For the year ended 31 October 2018

Shelagh Mason (Chairman)
Appointed to the Board 14 October 2010

Mrs. Shelagh Mason, LLB, is an English property solicitor. Mrs. Mason was Senior Partner of Spicer and Partners Guernsey LLP until November 2014 and is now a consultant with Collas Crill LLP, specialising in commercial property both in the UK and Guernsey. She is also the Chairman of Riverside Capital PCC and Non Executive Director of The Renewables Infrastructure Group Limited a FTSE 250 company, recently appointed to the Board of Skipton International Limited and she also holds other non-executive positions. Previously she was Chief Executive of a property development company active throughout the United Kingdom and the Channel Islands and was a member of the board of directors of Standard Life Investments Property Income Trust, a property fund listed on the London Stock Exchange for 10 years until December 2014. She retired from the board of Medicx Fund Limited, a main market listed investment company investing in primary healthcare facilities in 2017 after 10 years on the board. Shelagh is a past Chairman of the Guernsey Branch of the Institute of Directors and a member of the Chamber of Commerce, the Guernsey International Legal Association and she also holds the IOD Company Direction Certificate and Diploma with distinction. Mrs. Mason is resident in Guernsey.

Paul Bell (Director)
Appointed to the Board 14 October 2010

Mr. Paul Bell has over thirty years' experience in the building and property industry and has been a director of Persimmon, Wain Homes and Taylor Woodrow. Paul is a major shareholder and chairman of two property companies in the Channel Islands and UK and has speculative development interests in New York, Antigua and Mallorca. Mr. Bell is resident in Jersey.

Richard Wilson (Director)
Appointed to the Board 16 April 2015 / Resigned from the Board 1 December 2018

Mr. Richard Wilson is a Chartered Surveyor with a long family history of involvement in real estate and development. An alumni of the University of Reading, Mr. Wilson has a breadth of experience across commercial and residential property incorporating asset management and development and is a shareholder and Director of Davidsons Group, a private property company with interests throughout the UK. He has numerous other privately held property interests and is also an investor in new and emerging technology companies with offices in London & New York. Mr. Wilson is resident in London.

BOARD OF DIRECTORS (CONTINUED)
For the year ended 31 October 2018

Steve Le Page (Audit Committee Chairman)
Appointed to the Board 1 April 2017

Mr. Stephen Le Page is a Chartered Accountant and a Chartered Tax Advisor. Mr. Le Page was a Partner with PwC in the Channel Islands from 1994 until his retirement in September 2013. During his career, his main role was as an audit partner working with a wide variety of financial services businesses and structures, including many listed investment funds. Mr. Le Page also led PwC's Audit and Advisory businesses for approximately ten years, and for five of those years was the Senior Partner (equivalent to Executive Chairman) for the Channel Islands firm. Since his retirement, Mr. Le Page has built a small portfolio of non-executive director roles, including the London listed funds MedicX Fund Limited, Highbridge Multi-Strategy Fund Limited, Volta Finance Limited, Princess Private Equity Holding Limited and Tufton Oceanic Assets Limited, all of which he serves as chairman of the audit committee. He is a past Chairman of the Guernsey International Business Association and a past president of the Guernsey Association of Chartered and Certified Accountants. Mr. Le Page is resident in Guernsey.

Paul Le Marquand (Director)
Appointed to the Board 1 December 2018

Mr Paul Le Marquand is a Chartered Surveyor and an experienced non-executive director with extensive experience in dealing with commercial property investment and asset management. Prior to returning to Jersey in 2001 he was head of Property Management for Heathrow Airport Limited. Since 2001 he has been involved in the establishment, operation and administration of offshore property fund and holding structures working with both Mourant International Financial Services and Sanne Group. He holds the IOD Certificate and Diploma in Company Direction and is now regulated by the Jersey Financial services Commission to provide Director Services and has a portfolio of non-executive roles for companies involved with real estate investment and fund management.

DIRECTORS' REPORT
For the year ended 31 October 2018

The Directors submit their Annual Report and Audited Consolidated Financial Statements (the "Consolidated Financial Statements") of Channel Islands Property Fund (the "Company") and its subsidiaries (together the "Group") for the year ended 31 October 2018, 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 238 of The Companies (Guernsey) Law, 2008.

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 Group and of the profit or loss of the Group for that period.

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 Group 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 Group 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 Group 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 Ravenscroft'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 Group. In the context of the nature, scale and complexity of the Group the Directors are satisfied with the level of their governance oversight for the Group and their compliance with the Finance Sector Code of Corporate Governance issued by the Guernsey Financial Services Commission on 30 September 2011 ("the Guernsey Code").

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 October 2018

CORPORATE GOVERNANCE (CONTINUED)

The Company joined the Association of Investment Companies (the "AIC") on 9 July 2018, and so the Board of the Company has applied the principles and recommendations of the AIC Code of Corporate Governance Guide for Investment Companies in the preparation of this Annual Report & the Audited Consolidated Financial Statements. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company.

The Board considers that reporting in accordance with the principles and recommendations of the AIC code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide the best information to shareholders. In future, the Board will ensure that the AIC Code is complied with on an ongoing basis and will thereby also ensure compliance with the Guernsey Code.

As detailed in the Viability Statement below, the Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

ACTIVITY

The Group's principal activity is that of investment in commercial properties located in the Crown Dependencies. No new property acquisitions have been made in the reporting year. Three properties were sold post year end on 21 December 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks are those which the Directors consider to either have the greatest chance of materially impacting the Group's objectives or those which whilst considered remote in occurrence would have a very significant impact if they did occur. The Board has adopted a "controls" based approach to its risk monitoring requiring each of the relevant service providers including the Investment Manager to establish the necessary controls to ensure that all known risks are monitored and controlled in accordance with agreed procedures. The Directors receive periodic updates at their Board meetings on key risks and have adopted their own control review to ensure, where possible, risks are monitored appropriately. Occurrences of principal risks may have a number of underlying causes, and it is with respect to those causes that the Directors have implemented controls or mitigation as follows. Please note that risk or uncertainty cannot be eliminated. The principal risk and uncertainties along with the control or mitigation implemented by the board are detailed as follows:

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 October 2018
PRINCIPAL RISKS AND UNCERTAINTIES(CONTINUED)

Risk (in what way)	**Underlying cause of risk or uncertainty**	**Control or mitigation implemented**
Asset Risk (Operational)	Tenant default -causes voids, less revenue, impacts dividend rate. Loan repayment and interest payments are not met and borrowing covenants are broken.	Tenants are subjected to extensive credit worthiness checks prior to contracting with them. Several different tenants exist, providing a diversification mitigation to the impact of any individual failure. In the event of default by a tenant, the desirable nature of the properties should enable alternatives to be found, although possibly at lower rentals.
Credit (Loss of Funding)	Failure or inability to renew financing before expiry	The Investment Manager negotiates re-financing options with various parties well in advance of expiry of current funding. Quarterly reports for board meetings detail the financing and termination date and any communication with the financing party.
Failure by the financing parties (counter-party risk)	Credit and liquidity concentration risk	The Investment Manager is the main point of contact with financing parties and negotiates the facilities. The Board relies greatly on their expertise. The Board decides if to proceed with proposed financing and providers. The Treasury Policy dictates the credit rating the financing parties must have.
Non compliance with laws and regulations (Operational)	GFSC loses confidence in administrator or the Investment Manager	This risk cannot be directly controlled but the Board and its Audit Committee receive quarterly reports from its Service Providers. The administrator, the investment manager and the Group's legal advisers have close contacts with the regulator and the tax advisers. Vistra has extensive experience and has an independent annual review of its internal controls.
Political/Jurisdictional (Market risk)	Negative impact on the Group as a result of political actions e.g. changes in taxation, BREXIT and government.	The Board relies on advice from its advisers but also keeps up to date with news in the relevant jurisdictions that may impact the Group. Strategy Days - the Board will consider and plan for potential outcomes.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 October 2018

VIABILITY STATEMENT

The Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. The Directors present the following viability statement which summarises the results of their assessment of the Group's current position, its principal risks and prospects over a period of three years. The prospects were assessed over a three year period for the following reasons:

(i) the Group's long-term forecast covers a three-year period;
(ii) the Group normally establishes certainty over its rent reviews over a period of between one and three years;
(iii) the Group is exposed to movements in interest rates and inflation which are more uncertain beyond a three-year period; and
(v) the Directors believe that a typical investor in an investment company has an investment horizon of at least three years.

The Group's three-year cash flow forecast incorporates assumptions related to the Group's investment strategy and principal risks, from which performance results and cash flows are output.

These principal risks which are detailed on page 15 are mitigated by the Group's risk management and internal control processes which function on an ongoing basis. The Board, via delegation to the Audit Committee, monitors the effectiveness of the Group's risk management and internal control processes on an ongoing basis.

The monitoring activities include direct review and challenge of the Group's documented risks, risk ratings and controls and of the performance and compliance reports prepared by the Group's service providers, including its Investment Manager.

Where appropriate, the Group's forecasts are subject to sensitivity analysis which involves applying severe but plausible conditions and flexing a number of assumptions simultaneously. The underlying three year forecast makes assumptions about the rate of investment rental growth, expenditure, dividend levels and the resulting levels and timing of debt and equity capital required.

Based on the results of their assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 October 2018

SUBSEQUENT EVENTS

Details of events that have occurred after the date of the Consolidated Statement of Financial Position are provided in Note 27 to these Consolidated Financial Statements.

DIVIDENDS

Interim dividends paid up to the date of this report were:

Dividend period	Date paid	Dividend per share	Total dividend
31 October 2017	29 December 2017	£0.0165	£2,638,231
31 January 2018	29 March 2018	£0.0165	£2,638,231
30 April 2018	29 June 2018	£0.0165	£2,638,231
31 July 2018	28 September 2018	£0.0165	£2,638,231
31 October 2018	31 December 2018	£0.0165	£2,638,231

DIRECTORS

The Directors during the year and to the date of this Report are as stated on page 3. During the year, the Directors received remuneration in the form of fees, as stated in Note 20.

DIRECTORS' INTERESTS

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

	31 October 2018	6 February 2019	31 October 2017
Mr P. Bell	2,000,000	1,000,000	2,000,000
Mr R. Wilson	4,000,000	4,000,000	4,000,000
Mrs S. Mason	13,500	13,500	-
Mr S. Le Page	100,000	100,000	-
Mr P. Le Marquand	-	-	-

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

BOARD AND COMMITTEE MEETING ATTENDANCE

The Board met fifteen times during the year whilst the Audit Committee met 8 times during the year. Individual attendance at the Board and Audit Committee meetings is set out below.

	Board	Audit Committee
Shelagh Mason	15	8
Paul Bell	14	7
Richard Wilson	9	5
Steve Le Page	15	8

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 October 2018

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 themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITOR
PricewaterhouseCoopers CI LLP (the "auditor") was reappointed as auditor of the Group at the last AGM for the year. The auditor has expressed their willingness to continue in office as auditor and a resolution to re-appoint them as auditor will be put to the members at the next Annual General Meeting.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")
The AIFMD, which was introduced as from 22 July 2014, aims to harmonise the regulation of Alternative Investment Fund Managers ("AIFMs") and imposes obligations on managers who manage or distribute Alternative Investment Funds ("AIFs") in the EU or who market shares in such Funds to EU investors.

The Company is considered an Alternative Investment Fund ("AIF") as its shares are distributed to investors resident in the EU, specifically the UK. 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 whose actions have a material impact on the risk profile of the AIF.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 October 2018

The quantitative AIFM remuneration disclosures for the year ended 31 October 2018 (comparative: year to 31 October 2017) are presented below:

31 October 2018 Remuneration	**Number of beneficiaries**	**Fixed Remuneration £**	**Variable Remuneration £**	**Total Remuneration Paid £**
Total remuneration paid by the AIFM during the financial year	4	154,520	40,938	**195,458**
Remuneration paid to senior management of the AIFM who have a material impact on the risk profile of the AIF				
Directors (senior management)	4	154,520	40,938	**195,458**

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**
Remuneration 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**

For the years ending 31 October 2018 and 2017, the Company had no staff and there were no amounts of carried interest paid by the Company.

US FOREIGN ACCOUNT TAX COMPLIANCE ACT ("FATCA") AND THE OECD COMMON REPORTING STANDARDS ("CRS")

US FATCA became effective on 1 January 2013 and is being gradually implemented internationally. The legislation is aimed at determining assets held by US citizens in non-US accounts and improving US Tax compliance with respect to those assets. Additionally, more than 90 jurisdictions, including 33 member countries of the Organisation of Economic Co-operation and Development ("OECD") and all the G20 members, have committed to implement the Common Reporting Standard for automatic exchange of tax information ("CRS"). Building on the model created by FATCA, the CRS creates a global standard for the annual automatic exchange of financial account information between the relevant tax authorities.

The Board in conjunction with the Company's service providers and advisers have ensured the Company's compliance with both the FATCA and the CRS requirements to the extent relevant to the Company.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 October 2018

CONSTRUCTIVE USE OF THE AGM

The Notice of AGM is sent out at least 20 working days in advance of the meeting. All shareholders will have the opportunity to put questions to the Board or the Investment Manager, either formally at the Company's Annual General Meeting on 21 March 2019, informally following the meeting, or in writing at any time during the year via the Company Secretary.

Approved by the Board of Directors on 7 February 2019 and signed on its behalf by:

Shelagh Mason **Steve Le Page**

REPORT OF THE AUDIT COMMITTEE
For the year ended 31 October 2018

The Board is supported by the Audit Committee, which comprises all of the Directors including the Chairman to enable a greater understanding of the issues facing the Group. The Board has considered the composition of the Committee and is satisfied that the Members have sufficient skills and relevant expertise.

ROLES AND RESPONSIBILITIES

The primary role and responsibilities of the Audit Committee are outlined in the Committee's Terms of Reference, available at the registered office, which includes;

- Monitoring the integrity of the financial statements and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements and estimates contained therein;

- Reviewing the Group's quarterly accounts, cash flow forecasts and relevant sensitivities to those forecasts;

- Reviewing the Group's internal financial controls and, unless expressly addressed by the Board itself, the Group's internal control and risk management systems and mandatory effectiveness review;

- Making recommendations to the Board for a resolution to be put to the shareholders, for their approval in general meeting, on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;

- Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the auditor and audit process, taking into consideration relevant professional and regulatory requirements;

- Developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm; and

- Reporting to the Board on how the Committee discharged all relevant responsibilities, undertaken by the Chairman at each Board Meeting.

FINANCIAL REPORTING

The primary role of the Audit Committee in relation to the financial reporting is to review with the Administrator, Investment Manager and Auditor the appropriateness of the Annual Report and Audited Consolidated Financial Statements concentrating on, amongst other matters:

- The quality and acceptability of accounting policies and practices;

- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;

REPORT OF THE AUDIT COMMITTEE (CONTINUED)
For the year ended 31 October 2018

FINANCIAL REPORTING (CONTINUED)

- Material areas in which significant judgements and estimates have been applied or there has been discussion with the auditor;
- Whether the Annual Report and Audited Consolidated Financial Statements are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Group's performance, business model and strategy; and
- Any correspondence from regulators in relation to the Group's financial reporting.

ACTIVITIES OF THE COMMITTEE

The Committee met 8 times during the year under review; individual attendance of the Directors is outlined on page 17. The main matters discussed at the meetings were:

- Review of auditor independence;
- Review and approval of the audit plan and external auditor;
- Discussion and approval of the fee for external audit;
- Review of the Group's key risks and internal controls;
- Consideration of the Board's adherence to the Guernsey Code of Corporate Governance, Guidance on Audit Committees and other regulatory guidelines, and the subsequent impact on the Group; and
- Adoption of the AIC Code of Corporate Governance for the preparation of and the disclosures in this Annual Report & Audited Consolidated Financial Statements and on an ongoing basis from the start of the new financial year.

The Committee has also reviewed and considered the whistleblowing policies in place for the Investment Manager and Administrator and is satisfied that the relevant staff can raise concerns in confidence about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Group.

ANNUAL GENERAL MEETING
The Audit Committee Chairman, or other members of the Audit Committee appointed for the purpose, shall attend each Annual General Meeting of the Company, prepared to respond to any shareholder questions on the Audit Committee's activities.

INTERNAL AUDIT

The Audit Committee considers at least once a year whether there is the need for an internal audit function. Currently, the Audit Committee does not consider there to be a need given that there are no employees in the Group and all outsourced functions are with parties who have their own internal controls and procedures. This is evidenced by the reports provided by those parties, including an ISAE3402 report from the Company's Administrator, which give sufficient assurance that a sound system of internal controls is maintained.

REPORT OF THE AUDIT COMMITTEE (CONTINUED)
For the year ended 31 October 2018

SIGNIFICANT RISKS IN RELATION TO THE FINANCIAL STATEMENTS

Throughout the year, the Audit Committee identifies significant issues and areas of risk in respect of the Annual Report and Consolidated Financial Statements. The key risk to arise is the valuation of the Investments due to, among other factors, the individual nature of each property, its location and the tenant profile for that particular property. The Company has engaged Independent Valuers to provide the Board with a valuation of each property as at the reporting date. The Audit Committee reviews the valuations, including interim valuations for the purposes of determining the published net asset value of the Company's shares, on a regular basis and in addition to its own determination receives confirmation from both the Investment Manager and the Independent Valuers that the basis of the valuation is appropriate and in line with relevant accounting standards. The Committee is satisfied that this work is sufficient to enable them to conclude as to the appropriateness of the valuation for financial reporting purposes. The Audit Committee also reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Group had been identified and suitable audit procedures had been put in place in response.

AUDIT TENURE AND OBJECTIVITY

The Company's auditor, PricewaterhouseCoopers CI LLP ('PwC'), was selected during 2017 and has been appointed to act pursuant to an Engagement Letter signed on 6 November 2018. The Committee reviews the auditor's performance on a regular basis with a detailed formal review conducted on an annual basis to ensure the Company receives an optimal service. The re-appointment of the auditor will be subject to annual shareholder approval at the Annual General Meeting. There are no contractual obligations restricting the choice of external auditor and the Company will consider putting the audit services contract out to tender at least every ten years.

PwC will regularly update the Committee on the rotation of audit partners, staff, level of fees in proportion to overall fee income from the Company, details of relationships between parties and overall confirmation from the auditor of their independence and objectivity.

The Audit Committee undertook a formal review of the auditor for the year ended 31 October 2017, with no issues arising. As a result of their review, the Committee is satisfied that PwC is independent of the Group, the Investment Manager and other service providers and recommends the continuing appointment of the auditor to the Company. There are currently no plans to retender the audit.

CONCLUSIONS IN RESPECT TO THE FINANCIAL STATEMENTS

The production and the audit of the Company's Annual Report and Consolidated Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion as to whether the Company's financial statements are fair, balanced and understandable, the Board has requested the Committee advises on whether it considers that the Annual Report and Consolidated Financial Statements fulfils these requirements. In outlining their advice, the Committee has considered the following:

CONCLUSIONS IN RESPECT TO THE FINANCIAL STATEMENTS (CONTINUED)

- The comprehensive documentation that is in place outlining the controls in place for the production of the Annual Report, including the verification processes in place to confirm the factual content; and

- The detailed reviews undertaken at various stages of the production process by the Investment Manager, Administrator and the Committee that are intended to ensure consistency and overall balance; and the controls enforced by the Investment Manager, Administrator and other third-party service providers to ensure complete and accurate financial records.

As a result of the work performed in the year, the Audit Committee has concluded it has acted in accordance with its terms of reference and ensured the independence and objectivity of the auditor and that the Annual Report for the year ended 31 October 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Steve Le Page
Audit Committee Chairman

7 February 2019

INDEPENDENT AUDITOR'S 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 give a true and fair view of the consolidated financial position of Channel Islands Property Fund Limited (the "Company") and its subsidiaries (together "the Group") as at 31 October 2018, 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 Group's Consolidated Financial Statements comprise:

- the Consolidated Statement of Financial Position as at 31 October 2018;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended; and
- the Notes to the Consolidated Financial Statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Consolidated Financial Statements* section of our report.

We 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 Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Materiality

- Overall Group materiality was £2.5 million, which represents 1% of the Total Assets of the Group.

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 to the directors have delegated the provision of certain functions, including Vistra Fund Services (Guernsey) Limited (the "Administrator"), Ravenscroft Limited (the "Investment Manager"), D2 Real Estate (Jersey) Limited (the "Property Asset Manager") and Montagu Evans LLP (the "External Property Valuer")
- Our audit opinion covers the Consolidated Financial Statements of the Group only. We have not been engaged to provide individual statutory opinions on the financial statements of the Company nor the subsidiaries of the Company.
- We engaged with our own real estate expert to challenge the valuations of the investment properties based on market information and industry knowledge and expertise.
- We have carried out our audit work in Guernsey. We have 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.
- The Company is a Guernsey incorporated company listed on The International Stock Exchange.

Key audit matters

- Valuation of Investment Properties
- Risk of Fraud in Revenue Recognition

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Consolidated 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.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Consolidated 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 Consolidated 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 Consolidated Financial Statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the Consolidated 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 Consolidated Financial Statements as a whole.

Overall Group materiality	£2.5 million (2017: £2.4 million)
How we determined it	1% of Total Assets (2017: 1% of Total Assets)
Rationale for the materiality benchmark	We believe that Total Assets is a primary measure used by the shareholders in assessing the performance of the Group. We did not apply a separate specific materiality to the Consolidated Statement of Comprehensive Income. Our overall materiality was of a level considered to be sufficient to address the risk of material misstatement in the Consolidated Statement of Comprehensive Income.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.13 million (2017: £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 Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 £238.6 million, represent the majority of the assets as at 31 October 2018. Please see Note 8 to the Consolidated Financial Statements. The valuation of the Group's Investment Properties are inherently subjective due to, among other factors, the individual nature of each investment property, its location and the expected future rental income for that particular investment 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 Investment Properties was carried out by the External Property Valuer. The External Property Valuer was engaged by the directors, and performed its work in accordance with the RICS – Professional Standards (Global and UK Edition). The External Property Valuer used by the Group is a well-known chartered surveyor, with experience in the markets in which the Group operates. In determining each investment property's valuation, the External Property Valuer took into account property specific current information such as the current tenancy agreements and rental income earned by the investment property. The External Property 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 investment property, the assumptions take into consideration the individual investment property characteristics at a tenant level, as well as the qualities of the investment property as a whole. The directors adopted the assessed values determined by the External Property Valuer in all cases except Liberation House, where an updated estimate of the value of capital works yet to be completed was adjusted appropriately.	**Objectivity and experience of the External Property Valuer** We assessed the External Property Valuer's qualifications and expertise and confirmed 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 the objectivity of the External Property Valuer in their performance of the valuations was compromised. **External valuation report** We read the valuation reports for all Investment Properties and discussed the reports with the External Property Valuer. We confirmed that the valuation reports had been prepared in accordance with RICS – Professional Standards (Global and UK Edition) and was suitable for use in determining the fair value of the Group's Investment Properties at 31 October 2018. We reconciled the investment property specific data supplied to the External Property Valuer by the Group on a sample basis, to determine whether it reflected the underlying investment property records held by the Group. No issues were noted. **Assumptions** Our work over the assumptions encompassed all Investment Properties in the portfolio. We engaged our own internal valuation expert to critique and challenge the work performed and assumptions used by the External Property Valuer. In particular, we compared the valuation metrics used by the External Property 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 External Property 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 Investment Properties and the existence of alternative assumptions and valuation methods, we determined a range of values that were considered reasonable to evaluate the independent investment property valuations used by the directors. We determined that the assumptions used in the valuations were supportable in light of the available and comparable market evidence. We confirmed that the valuations adopted by the directors were correctly included in the Consolidated Financial Statements and no reportable differences were noted.

Risk of Fraud in Revenue Recognition Revenue for the Group consists primarily of rental income. Please see Note 5 to the Consolidated Financial Statements. 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 fraud due to them being impacted by the specific terms and conditions of the relevant tenancy agreements. These include lease incentives and journal entries, and we have therefore focused our audit work in these areas.	We obtained a sample of lease agreements and confirmed that the associated revenue recognised in the Consolidated Financial Statements was consistent with the contractual terms therein. We re-performed the accuracy of rent straight-lining calculations resulting from rent free periods and other lease incentives. We tested manual journal entries made in the preparation of the Consolidated Financial Statements at year end and manual journals to revenue nominal accounts throughout the year by agreeing these to supporting documentation to check the accuracy and validity of each journal entry selected. No evidence of fraud or bias has been detected through our testing of journals. No reportable differences were noted.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report & Audited Consolidated Financial Statements but does not include the Consolidated Financial Statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the Consolidated 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 Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the directors are responsible for assessing the Group's 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 Group's financial reporting process.

Auditor's responsibilities for the audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves 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 Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with 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 Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Consolidated 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
8 February 2019

a. The maintenance and integrity of the Channel Islands Property Fund Limited website which is hosted on the website of the Investment Manager is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the Consolidated Financial Statements since they were initially presented on the website.
b. Legislation in Guernsey governing the preparation and dissemination of Consolidated Financial Statements may differ from legislation in other jurisdictions.

CHANNEL ISLANDS PROPERTY FUND

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 October 2018

	Note	Year to 31 October 2018	Year to 31 October 2017
		£	£
INCOME			
Rental income	**5**	17,110,467	13,755,622
Service charge income	**10**	1,352,166	1,076,876
Other income	**5**	2,679	7,807
Total operating Income		18,465,312	14,840,305
Unrealised movement on revaluation of investment property	**8**	3,066,001	(3,627,793)
Unrealised movement on revaluation of investment property classified as held for sale	**8**	372,036	-
EXPENSES			
Service charge expenses	**10**	(1,499,172)	(1,237,704)
Management expenses	**19**	(1,548,680)	(1,215,794)
Other operating expenses	**12**	(1,311,519)	(1,359,976)
Total operating expenses		(4,359,371)	(3,813,474)
PROFIT BEFORE FINANCE COSTS AND TAX		**17,543,978**	**7,399,038**
FINANCING			
Interest income	**5**	2,581	375
Interest expense	**6**	(4,003,847)	(2,064,694)
Total finance costs (net)		(4,001,266)	(2,064,319)
PROFIT BEFORE TAX		**13,542,712**	**5,334,719**
Current tax	**7**	(489,143)	(407,453)
PROFIT FOR THE YEAR		**13,053,569**	**4,927,266**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of interest rate swap	**17**	48,015	295,645
TOTAL COMPREHENSIVE INCOME		**13,101,584**	**5,222,911**
Basic and diluted earnings per share	**11**	0.08	0.04

The notes on pages 34 to 66 form an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2018

	Note	31 October 2018	31 October 2017
		£	£
NON-CURRENT ASSETS			
Investment properties	8	211,355,863	233,638,216
Receivable on rental incentives	8	2,449,827	4,202,087
Interest rate swap	17	544,518	496,503
Total non-current assets		214,350,208	238,336,806
CURRENT ASSETS			
Non-current assets classified as held for sale	8	27,200,000	-
Trade and other receivables	14	410,356	134,792
Receivable on rental incentives	8	3,568,920	329,697
Cash and cash equivalents	13	4,782,064	4,692,478
Total current assets		35,961,340	5,156,967
TOTAL ASSETS		**250,311,548**	**243,493,773**
EQUITY			
Share capital	18	154,064,292	142,899,351
Hedging reserve	18	544,518	496,503
Accumulated deficit		(11,868,237)	(14,368,882)
TOTAL EQUITY		142,740,573	129,026,972
NON-CURRENT LIABILITIES			
Loans and borrowings	16	102,357,642	110,740,847
Total non-current liabilities		102,357,642	110,740,847
CURRENT LIABILITIES			
Rent received in advance		2,574,190	2,269,284
Other payables	15	2,639,143	1,456,670
Total current liabilities		5,213,333	3,725,954
TOTAL LIABILITIES		107,570,975	114,466,801
TOTAL EQUITY AND LIABILITIES		**250,311,548**	**243,493,773**
Net Asset Value per share		0.893	0.869

The Consolidated Financial Statements on pages 30 to 66 were approved by the Board of Directors on 7 February 2019 and are signed on its behalf by:

Shelagh Mason **Steve Le Page**

The notes on pages 34 to 66 form an integral part of these Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 October 2018

	Note	Year to 31 October 2018	Year to 31 October 2017
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		13,542,712	5,334,719
Adjusted for:			
Interest expense	6	4,003,847	2,064,694
Unrealised (gain)/loss on investment properties	8	(3,066,001)	3,627,793
Unrealised gain on investment properties held for sale	8	(372,036)	-
Movement in trade and other receivables		(275,564)	2,938,095
Movement in rental incentives		(1,486,963)	(795,922)
Movement in rent received in advance		304,906	274,598
Movement in other payables		1,086,066	(36,422)
Amortisation of set up costs	16	1,099,953	-
Taxation paid		(443,931)	(439,378)
NET CASH INFLOW FROM OPERATING ACTIVITIES		**14,392,989**	**12,968,177**
INVESTING ACTIVITIES			
Property acquisitions	8	-	(62,151,871)
Capitalised expenses	8	(2,006,229)	-
Retention payments received	8	526,619	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(1,479,610)**	**(62,151,871)**
FINANCING ACTIVITIES			
Net proceeds from issue of Ordinary Shares	18	11,164,941	13,230,000
Set up costs paid	16	(483,158)	-
Net loans received		-	64,376,799
Loan repayments	16	(9,000,000)	(16,970,000)
Interest paid		(3,978,921)	(2,012,681)
Dividends paid		(10,526,655)	(9,232,420)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES		**(12,823,793)**	**49,391,698**
NET CASH INFLOW FOR THE YEAR		**89,586**	**208,004**
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR	13	4,692,478	4,484,474
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	**4,782,064**	**4,692,478**

The notes on pages 34 to 66 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2018

	Note	Share Capital £	Hedging Reserve £	Accumulated Deficit £	Total £
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	**25**	-	-	(9,132,750)	(9,132,750)
Amounts received on issue of shares	**18**	13,500,000	-	-	13,500,000
Issue costs	**18**	(270,000)	-	-	(270,000)
Balance at 31 October 2017		**142,899,351**	**496,503**	**(14,368,882)**	**129,026,972**
Profit for the year		-	-	13,053,569	13,053,569
Total other comprehensive income		-	48,015	-	48,015
Total comprehensive income for the year			48,015	13,053,569	13,101,584
Dividend	**25**	-	-	(10,552,924)	(10,552,924)
Amounts received on issue of shares	**18**	11,392,798	-	-	11,392,798
Issue costs	**18**	(227,857)	-	-	(227,857)
Balance at 31 October 2018		**154,064,292**	**544,518**	**(11,868,237)**	**142,740,573**

The notes on pages 34 to 66 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 Scheme in Guernsey pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Authorised Closed-ended Investment Scheme Rules 2008. The Consolidated Financial Statements of the Group as at and for the year ended 31 October 2018 comprise the Company and its subsidiaries as listed in Note 23. The Group's principal activity is that of investment in commercial properties in Guernsey, Jersey and the Isle of Man.

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 has examined 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 year 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 2017.

There are no new IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning 1 November 2017 that have a material impact on the Group's performance or results.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

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 statement of comprehensive income, 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.

The Directors have concluded that the treatment of the interest rate swap as at fair value recognised through profit and loss will remain the applicable method of recognition and hence that the impact of IFRS 9 on the Group's Consolidated Statement of Financial Position will not have any significant bearing on the Group's Consolidated Financial Statements due to Investment Property at fair value not being addressed by IFRS 9.

IFRS 15: Revenue from Contracts with Customers – presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts" and several revenue related interpretations, 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The Directors have concluded, due to the nature of the revenue received by the Group being rental income which is scoped out of IFRS 15 and service charge income the treatment of which is not anticipated to be materially different than under IAS 18 that the impact of IFRS 15 on the Group's Consolidated Statement of Financial Position will not have any significant bearing on the Group's Consolidated Financial Statements and there are no changes to the recognition basis as a result of the adoption of the standard.

IFRS 16 Leases – effective for periods beginning on or after 1 January 2019 was issued by the IASB on 13 January 2016 and 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. The treatment of operating leases remains materially unchanged from IAS 17. 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 board have assessed that no reclassification of operating leases to finance leases will occur as a result of the new standard.

Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for Investment Properties and Derivatives 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 23. 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 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 for subsidiaries on consolidation.

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

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

Cash and cash equivalents

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Income and expenses

Rental income is included in the Consolidated Statement of Comprehensive Income on a straight line basis and rental expenses on an accruals basis.

Income and lease incentives from investment property leased out are recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the term of the lease.

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

Service charge expenses relate to the cost of managing the properties and their tenants on a day to day basis 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. Service charge income is recognised in the period in which the income relates to. Service charge income amounts are regularly reviewed by the property manager and any amounts deemed not recoverable are written off in the same period.

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

Interest expense comprises interest expense on loans and borrowings, and any ineffective portion of interest rate swaps. Attributable transaction costs incurred in establishing the Group's credit facilities are deducted from the fair value of borrowings on initial recognition and are amortised over the lifetime of the facilities using the effective interest method.

Investment property

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Held for sale

Non-current Assets are classified as held for sale under IFRS 5 must be up for sale in its present condition and the sale must be highly probable. In order for the sale to be classed as "highly probable" there must be certain characteristics present. These include:

- Management must be committed to a plan to sell
- There must be an active programme of seeking a purchaser
- The asset must be available for immediate sale
- The sale is highly probable
- The sale is expected to complete within one year of the asset being classified as held for sale.

These properties include completed properties that are generating rent or are available for rent. Investment properties comprise freehold and leasehold properties and are first measured at cost (including transaction costs), then revalued to market value at each reporting date by independent professional valuers. Leasehold properties are shown gross of any leasehold payables (which are accounted for a finance lease obligations). Valuation gains and losses in a period are taken to the Consolidated Statement of Comprehensive Income. As the Group uses the fair value model, as per IAS 40 Investment Properties, no depreciation is provided. An asset will be classified as held for sale within investment properties, in line with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, where there is Board approval at the year-end date and the asset is expected to be disposed of within 12 months of the balance sheet date.

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 Consolidated Statement of Comprehensive Income over the period of the lease or when at the inception of the lease, the Directors expect with reasonable certainty 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.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (Continued)

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 assets / 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.

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.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (Continued)

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 prevailing 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 (2017: £1,200), payable to the Guernsey Authorities.

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 presents its performance and reports its results. Sterling is the currency in which the Company receives subscriptions from its investors. This determination also considers the competitive environment in which the Group is compared to other Crown Dependency investment products. The Group currently has no exposure to any foreign currencies.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Use of estimates and judgements

The preparation of 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, valuations of all properties have been prepared by Montagu Evans LLP, London, in accordance with the definition of Market Value as set out in the Royal Institute of Chartered Surveyors (“RICS”) Professional Standards (Global and UK edition).

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.

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.

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

Significant estimates (continued)

Valuation of investment property (continued)

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 22 outlines the impact of Equivalent yield and ERV on property valuations and the significant unobservable inputs included in the valuation 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 models used for interest rate swaps are widely recognised as using only observable market data. As such they significantly reduce the level of management judgement and estimation required.

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

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 for maintaining 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.

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

Significant judgements (continued)

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 has considered the nature and activities of the subsidiaries acquired (none in 2018) and has concluded that they do not represent the acquisition of a business and as such the cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

4 SEGMENTAL INFORMATION

The Board is charged with setting the Group investment strategy in accordance with the Group investment policy and overall objectives. The Directors 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.

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".

4 SEGMENTAL INFORMATION (CONTINUED)

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 Guernsey, Jersey and the Isle of Man. The Directors consider the portfolio to be a single geographic segment and therefore no separate information is provided for each Crown Dependency.

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

5 INCOME

	Year to 31 October 2018 £	Year to 31 October 2017 £
Bank deposit interest	2,581	375
Rental income	17,110,467	13,755,622
Other income	2,679	7,807
	17,115,727	**13,763,804**

6 INTEREST EXPENSE

	Year to 31 October 2018 £	Year to 31 October 2017 £
Interest payable at amortised cost		
RBSI	4,003,847	2,064,694
	4,003,847	**2,064,694**

The payments to RBSI (2017: RBSI) are in relation to the interest charged on the Facility Agreement and Swap Agreement for the year (see Note 16 and Note 17). The year ended 31 October 2018 amount includes £1,099,953 of amortised loan set up costs (2017: £214,940)

7 TAXATION

The Company is exempt from income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. The Company pays an annual fee to the States of Guernsey Income Tax Office, presently set at £1,200 (2017: £1,200).

Regency Court Property Limited, Glategny Holdings Limited, Commerce Holdings Limited, Seaton Place Property Limited and Guernsey Property No 4. Limited are subject to Guernsey income tax on rental income arising after the deduction of allowable debt financing costs and allowable expenses. Seaton Investments Limited, St Helier Investments Limited, M&R Properties Limited and Liberty Wharf 4 Limited are subject to Jersey income tax on rental income arising after the deduction of allowable debt financing costs and allowable expenses. Fort Anne Holdings Limited, Vicarage House Limited and FN House Limited are subject to Isle of Man income tax on rental income arising after the deduction of allowable debt financing costs and other allowable expenses.

Total tax is derived from the income and expenses of the property holding companies which are the only entities within the Group liable to tax.

	31 October 2018	31 October 2017
	£	£
Tax expense in the year	489,143	407,453
Profit before Tax	13,542,712	5,334,719
Less		
Company and Intermediary Holding Company loss for the year	(9,862,051)	(9,307,551)
Fair Value movement on Investment property	(3,438,037)	3,627,793
Restatement of Intercompany balances	926,210	(2,782,286)
Taxable Profit/loss	**1,168,834**	**(3,127,325)**
Consisting of:		
Subsidiary profits for the year	1,700,828	344,145
Subsidiary losses for the year	(531,994)	(3,471,470)
Net profit / (loss)	**1,168,834**	**(3,127,325)**
Income tax using an effective tax rate of 20%	233,767	(625,465)
Interest income	(640)	(2,001)
Disallowed expenses	548,348	1,013,253
Specific allowances	(251,930)	-
Annual allowances	(108,567)	(81,567)
Losses utilised/carried forward	(32,720)	
Prior year provisions	2,433	(44,081)
Fair value movement on investment property	-	215,773
Tax payable by vendor	98,452	(68,459)
Current tax expense in the year	**489,143**	**407,453**

7 TAXATION (CONTINUED)

*In order to reconcile the Group profit before tax of £13,542,712 to the total taxable profit/loss, the main adjustments required are detailed below:

- Exclusion of the Company's and intermediary holding company's profit/loss for the year as the Company and those subsidiaries are all tax exempt.
- Fair value Movement on Investment Property.

8 INVESTMENT PROPERTIES

LEVEL 3 RECONCILIATION	31 October 2018	31 October 2017
	£	£
Fair value at beginning of year	233,638,216	175,114,138
Additions at cost	-	62,151,871
Capitalised costs	2,006,229	-
Retention payments received	(526,619)	-
Unrealised gain / (loss) on revaluation of Investment Property	3,066,001	(3,627,793)
Unrealised gain / (loss) on revaluation of Investment Property classified as held for Sale	372,036	-
Fair value at end of the year	**238,555,863**	**233,638,216**

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

Appraised Value	244,574,610	238,170,000
Lease incentives held as debtors	(6,018,747)	(4,531,784)
Carrying value at the end of the year	**238,555,863**	**233,638,216**

Included in the Appraised Value above are 3 assets held for sale

	31 October 2018	
11-15 Seaton Place, Jersey	8,700,000	-
17-21 Seaton Place, Jersey	10,500,000	-
40 Esplanade, Jersey	8,000,000	-
	27,200,000	-

The fair value of Investment properties at the year end is £211,355,863 with Investment Properties classified as held for sale valued at £27,200,000. In line with the investment strategy detailed in the Annual Report, the investment portfolio consists only of commercial property located in the Crown Dependencies.

8 INVESTMENT PROPERTIES (CONTINUED)

Lease incentives have previously been granted to the tenants of certain properties, in the form of payments and rent-free periods. The value of these lease incentives is being recognised in the Consolidated Statement of Comprehensive Income over the period of the leases.

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.

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.

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.

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. Three properties (Royal Chambers, Glategny Court and Vicarage House) have significant unexpired lease incentives as at 31 October 2018 running on them and as a result it is the expectation of the directors that these properties will be subject to comparatively higher levels of fair value volatility. The Board have therefore determined that these properties will be externally valued on a six-monthly basis.

The basis of the valuations is as described in [Note 3]. All investment properties are categorised as level 3 in the IFRS 13 fair value hierarchy. Transfers between levels are deemed to occur at the end of the reporting period. There have been no transfers of properties between levels 1, 2 and 3 during the year (2017: None).

An increase in passing rent or ERV would increase valuations of the investment properties. A decrease in the initial yield or equivalent yield would also increase the valuation. The effect of this sensitivity is detailed in Note 22. An equivalent yield of between 6.51% and 7.54% (2017: 6.53% and 7.57%) has been used in determining the fair value as at 31 October 2018.

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 23 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 23, are also subject to individual bonds in favour of RBSI. Further details of the loan are provided in Note 16.

8 INVESTMENT PROPERTIES (CONTINUED)

Under IFRS 5, three assets are categorised as Held for Sale on the basis that there is a committed plan for management to sell, the assets are available for immediate sale, the active programme to locate a buyer has been initiated, the sales are highly probable and the assets are being actively marketed for sale at a price which is reasonable in relation to its fair value. It is also unlikely that the plan for the sales will be significantly changed or withdrawn. This is evidenced by the sales occurring post year end.

9 OPERATING LEASES

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

	31 October 2018	31 October 2017
	£	£
Within 1 Year	17,908,833	15,469,626
1 to 5 Years	63,255,364	61,348,308
After 5 Years	77,236,044	98,459,847
Total	**158,400,241**	**175,277,781**

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 May and 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.

Royal Chambers

Royal Chambers is a fully-let, multi tenanted property located in Guernsey. It is fully leased until at least 2024.

9 OPERATING LEASES (CONTINUED)

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 and 2031.

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.

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 clause 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. The current lease includes a break clause which can be enacted in May 2027.

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. The current lease includes a break clause which can be enacted in June 2035.

9 OPERATING LEASES (CONTINUED)

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, no tenants contributed greater than 10% of the rental income of the Group. The single largest was 7.75% (2017: 8.82%). This tenant currently has a tenancy in Regency Court.

10 SERVICE CHARGE EXPENSES

Regency Court Property Limited, M&R Properties Limited, Guernsey Property No 4 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 2018 an amount of £1,499,172 (2017: £1,237,704) 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, Guernsey Property No 4 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. During the year non recoverable expenses of £147,006 (2017:£160,828) were incurred.

11 BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share for the Group is based on the profit for the year of £13,101,584 (2017: Profit £5,222,911) and the weighted average number of Ordinary Shares in issue during the year of 158,394,567 (2017: 138,032,877).

12 OTHER OPERATING EXPENSES

	31 October 2018	31 October 2017
	£	£
Administration fees	245,742	257,820
Insurance	97,891	32,416
Audit fees	71,095	76,534
Legal and professional fees	633,028	693,913
Regulatory fees	16,505	32,314
Directors' fees and expenses	195,458	172,640
Marketing expenses	10,000	15,000
Sundry expenses	41,800	79,339
	1,311,519	**1,359,976**

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.

13 CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents of £4,782,064 (2017: £4,692,478) is £1,407 (2017: £989,239) 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 16.

14 TRADE AND OTHER RECEIVABLES

	31 October 2018	31 October 2017
	£	£
Sundry debtors	380,385	30,395
Rent due	11,297	76,970
Prepayments	18,674	27,427
	410,356	**134,792**

15 OTHER PAYABLES

	31 October 2018	31 October 2017
	£	£
Administration fees	36,482	27,464
Audit fees	70,741	60,000
Investment Manager fees	390,583	345,708
Legal & professional fees	90,000	132,092
Loan arrangement fee	463,500	-
Directors' fees	27,938	25,916
Other creditors	674,623	3,447
Loan interest payable - RBSI	140,807	115,882
Deferred income	-	590
GST / VAT payable	8,406	80,989
Taxation payable	708,789	663,577
Dividend payable	27,274	1,005
	2,639,143	**1,456,670**

16 LOANS AND BORROWINGS

	31 October 2018	31 October 2017
Due after 1 year:	£	£
RBSI:		
Net loan liability at beginning of year	110,740,847	60,674,048
Loan principal drawndown	-	64,810,000
Loan principal repayment	(9,000,000)	(14,310,000)
Loan set up costs	(483,158)	(648,141)
Amortisation of loan set up costs	1,099,953	214,940
Net loan liability due after 1 year	102,357,642	110,740,847
TOTAL NET LOAN LIABILITY DUE AFTER 1 YEAR	**102,357,642**	**110,740,847**
Unamortised RBSI loan set up costs	(642,358)	(1,259,153)
RBSI Loan principal liability	103,000,000	112,000,000
	102,357,642	**110,740,847**

	31 October 2018	31 October 2017
Due within 1 year:	£	£
RBSI:		
Net loan liability at beginning of year	-	2,660,000
Loan principal repayment	-	(2,660,000)
TOTAL NET LOAN LIABILITY DUE WITHIN 1 YEAR	**-**	**-**
TOTAL NET LOAN LIABILITY AT YEAR END	**102,357,642**	**110,740,847**

16 LOANS AND BORROWINGS (CONTINUED)

The table below analyses the movements in the Groups bank borrowings for the year

	Cash and Cash equivalents	Loan Set up Costs	Loan repayments	Interest paid	Total
As at 1 November 2017	4,692,478				4,692,478
Cash Flows	89,586	(483,158)	(9,000,000)	(3,978,921)	(13,372,493)
Non Cash					-
Amortisation of set up costs		1,099,953			1,099,953
As at 31 October 2018	4,782,064	616,795	(9,000,000)	(3,978,921)	(7,580,062)

The Company entered into a 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.

A charge is held over each of the properties in the Group, in favour of RBSI. On 26 October 2018, the bank finance was renegotiated under a restated and amended loan facility agreement. The amended and restated agreement was signed on 26 October 2018 to amend the terms of the facility to a maximum drawdown of £103,000,000. As at the year end, an amount of £103,000,000 (2017: £112,000,000) was drawndown.

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 dependent on the principal value of the loan drawndown.

To the 26 October 2018, the terms were that if the loan principal amount exceeds £90,000,000, the margin rate was 2.25%. If the loan value was less than, or equal to £90,000,000, the margin rate was determined by the loan to value ratio ('LTV'). If the LTV was greater than 40%, the margin was 1.95%, otherwise, the margin was 1.75%.

From 26 October 2018, the loan is split into 2 margin portions. The first portion considers the first £63,000,000 of debt with the margin being 2.12% on top of LIBOR at 0.89%. The loan term expires on 30 June 2024. The second portion is a £40m hedge at a LIBOR of 0.54% with a margin of 2.12% until 28 March 2021.

Per the Amortisation Schedule that accompanies the Amended Facility Agreement, if the drawndown balance exceeds £103,000,000 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 £103,000,000.

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 2018 was 42.27% (2017: 47%).

As at the year end, the effective rate of interest charged was 2.87% (2017: 2.36%) on the outstanding loan.

17 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 with a margin of 2.12%. This facility is due to terminate on 28 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 16) 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 22.

Derivatives primarily held for risk management purposes

	Assets / (Liabilities)	Notional Amount
	£	£
RBSI:		
Net swap asset at beginning of year	200,858	4,680,000
Swap contracts opened	-	40,000,000
Swap contracts repaid	-	(4,680,000)
Unrealised gain in revaluation	295,645	-
As at 31 October 2017	496,503	40,000,000
Net swap asset at beginning of year	496,503	40,000,000
Unrealised gain in revaluation	48,015	-
As at 31 October 2018	544,518	40,000,000
TOTAL SWAP POSITION AT 31 OCTOBER 2018	**544,518**	**40,000,000**
TOTAL SWAP POSITION AT 31 OCTOBER 2017	**496,503**	**40,000,000**

18 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.

18 SHARE CAPITAL AND RESERVES (CONTINUED)

- As to voting — the holders of the Ordinary Shares shall be entitled to receive notice of and to attend and vote at general meetings of the Company.

Issued and Fully Paid

	No. of Shares	£
Ordinary Shares		
Balance 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**
Issued during the year	11,392,798	11,392,798
Issue costs	-	(227,857)
Balance as at 31 October 2018	**159,892,798**	**154,064,292**

Hedging Reserve

	Year to 31 October 2018	Year to 31 October 2017
	£	£
Balance at start of year	496,503	200,858
Movement during the year	48,015	295,645
Balance at end of year	**544,518**	**496,503**

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

19 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 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 2018, there are no additional investment properties, three were acquired during the prior 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 2018 is £168,000 (2017: £168,000) per annum.

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

The Administrator is also entitled to receive an accounting fee of £1,000 for the preparation of the Annual Financial Statements for each of the Company's subsidiaries.

Total fees charged by the Administrator during the year were £245,742 (2017: £257,817), of which £36,482 remained unpaid at 31 October 2018 (2017: £27,464). The Administrator has the right to be reimbursed from the Company for any reasonable out of pocket expenses incurred in carrying out its responsibilities.

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	D2	Multi-let	49,000
17-21 Seaton Place	D2	Single let	10,000
Aztec House, 11-15 Seaton Place	D2	Single let	10,000
17½-18 Esplanade	D2	Single let	12,000
40 Esplanade	D2	Multi-let	15,000
Glategny Court	D2	Multi-let	55,000
Carey House	D2	Single let	10,000
Royal Chambers and the Rotunda	D2	Multi-let	-
Liberation House & Windward House	D2	Multi-let	35,000
Fort Anne	D2	Single let	-
Vicarage House	D2	Single let	-
First Names House	D2	Single let	-

19 MATERIAL AGREEMENTS (CONTINUED)

Fees payable to the Investment Manager

Management fee

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

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

Fees charged by the Investment Manager during the year were £1,548,680 (2017: £1,215,794), of which £390,583 remains unpaid at year end (2017: £345,708).

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, there were no acquisitions made. (2017: 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).

20 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 2018	From 1 August 2018
	£	£
Shelagh Mason	50,500	55,000
Paul Bell	31,000	34,500
Richard Wilson	31,000	34,500
Steve Le Page	37,000	44,500

At the year end an amount of £27,938 remained outstanding between the directors and the Company (2017: £25,916). On 1 December 2018, Richard Wilson resigned as a Director and Paul Le Marquand was appointed. As Paul Le Marquand was appointed after the year end to 31 October 2018, he was not paid a director fee for that period.

20 RELATED PARTY TRANSACTIONS (CONTINUED)

Directors' fees are subject to annual review by the Board of Directors and it was agreed that from the 1 August 2018 that the fees for each director would be increased as per the table on page 57.

Shelagh Mason is also entitled to additional fees on a time spent basis of which £41,443 (2017: £25,050) fees were charged for the year ended 31 October 2018.

Mr. Steve Le Page holds 100,000 shares (2017: Nil) in the Company indirectly and Mrs. Shelagh Mason holds 13,500 shares (2017: Nil) indirectly.

Mr. Paul Bell holds 2,000,000 shares (2017: 2,000,000) at year end indirectly in the Company and is also a shareholder of the Investment Manager. At the signing date of this report, Mr. Paul Bell held 1,000,000 shares due to selling 1,000,000 shares after the year end.

Mr. Richard Wilson has an interest of 4,000,000 shares (2017: 4,000,000) indirectly in the Company.

Mr. Jon Ravenscroft holds 750,000 shares (2017: 1,000,000) 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 17.

Post year end Disposal

Following a strategic review of the portfolio three properties were offered for sale during the year; 17-21 Seaton Place and 11-15 Seaton Place (which were acquired in 2010 and 2011 respectively) and 40 Esplanade, a multi-let property acquired in 2014. The sale was negotiated on an arms length basis and it should be noted that Paul Bell, one of the Directors of the Company has been appointed to the board of the purchaser. Paul was excluded from all discussions and decision making throughout the sale process. The three SPVs that held the properties were sold for £30,000,000 compared to a year end appraised value of £27,200,000. The Investment Manager Ravenscroft Limited will manage the new Private Investment Fund which will manage these properties.

21 AUDITOR'S REMUNERATION

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 £71,095 (2017: £76,534).

22 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 and ensures that if future properties are to be acquired then 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. Properties let on long leases to good covenants offer significantly higher yields to investors and it is expected that, in the event of a downturn, these types of properties will hold value compared to those where the income stream is less certain.

The performance of the Group would be adversely affected by a downturn in the commercial property market of the Channel Islands 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. The market value of an investment in properties depends largely on 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 the equivalent yield of the property.

Rental income and consequently 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 equivalent yields 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.

22 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Market price risk (continued)

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

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

	31 October 2018 £	31 October 2017 £
Increase in estimated rental value of 5%	11,168,356	10,737,732
Decrease in estimated rental value of 5%	(10,974,373)	(10,761,224)
Increase in equivalent yield of 0.25%	(635,240)	(8,741,932)
Decrease in equivalent yield of 0.25%	638,423	9,450,735

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 2018					
Other payables (excluding rent received in advance)	(2,639,144)	**(2,639,144)**	(2,639,144)	-	-
Borrowings	(102,357,642)	**(120,119,442)**	(2,960,300)	(11,841,200)	(105,317,942)
	(104,996,785)	**(122,758,585)**	(5,599,444)	(11,841,200)	(105,317,942)
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)	
	(112,197,517)	**(121,002,607)**	(4,033,942)	(116,968,665)	-

22 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. In the event of a default by a tenant, the Group will suffer a rental income shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. Tenant incentive debtors would also be written off. The Group's largest tenant generated 7.75% (2017: 8.82%) of the Group's rental income with the next largest generating 6.39% (2017: 7.39%).

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+.

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 2018	31 October 2017
	£	£
Trade and other receivables (excluding prepayments)	391,682	107,365
Interest rate swap	544,518	496,503
Cash and cash equivalents - RBSI	4,780,657	4,677,974
Cash and cash equivalents - Rent Accounts	1,407	14,504
	5,718,264	**5,296,346**

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.

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.

22 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Interest rate risk (continued)

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 2018	4,782,064	(62,357,642)	(40,000,000)
At 31 October 2017	4,692,478	(70,740,847)	(40,000,000)

At 31 October 2018, 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 +/- £575,756 (2017: +/- £660,484).
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 (see Note 17).

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 2018	31 October 2017
	£	£
Financial assets not measured at fair value		
Trade and other receivables (excluding prepayments)	391,682	134,792
Receivable on rental incentives	6,018,747	4,531,784
Cash and cash equivalents	4,782,064	4,692,478
	11,192,493	**9,359,054**
Financial liabilities not measured at fair value		
Loans and borrowings	102,357,642	110,740,847
Other payables	2,639,143	1,456,670
	104,996,785	**112,197,517**

22 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

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 (2017: None).

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 three months 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 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 16 offset by cash and cash equivalents, and equity of the Group, being issued capital, reserves and accumulated deficit.

23 INVESTMENT IN SUBSIDIARIES

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

On 26 October 2018, Carey House Holdings Limited was renamed to CIPF Holdings (Guernsey) Limited and Liberty Wharf Holdings Limited was renamed to CIPF Holdings Jersey Limited as part of the Group's restructure.

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

As a result of the restructure, Fort Anne Holdings Limited which was directly owned by the Company is now owned by CIPF Holdings (IOM) Limited and finally, Seaton Place Property Limited is now owned by CIPF Holdings (Guernsey) Limited formerly named as CIPF Holdings Jersey Limited.

There were no property acquisitions (2017: £60,799,010) or disposals (2017: £nil) in the year.

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 CIPF Holdings (Guernsey) Limited.

* On 7 August 2017, Vicarage House Holdings Limited ("VHHL") was renamed to Guernsey Property No4 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.

In 2017, 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.

24 NET ASSET VALUE PER SHARE

The below table reconciles the difference between the published net asset value as at 31 October 2018 and the net asset value calculated as part of these annual audited financial statements. The variances detailed have resulted from disparities between the valuation assumptions used for the purposes of the published net asset value and those required under IFRS. The Directors do not believe that they will incur Document Duty on the disposal of the SPVs which hold the individual properties.

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.

	31 October 2018	31 October 2017
	£	£
Net asset value attributable to Ordinary Shares per consolidated financial statements	**142,740,573**	**129,026,972**
Adjustments:		
Adjustments to accruals	-	18,989
Adjustment to fair value of investment property	9,530,000	9,895,000
Adjustments to capital expenditure	636,919	-
Published net asset value per RNS	**152,907,492**	**138,940,961**
Shares in issue	159,892,798	148,500,000
Published Net Asset Value per Share	0.956	0.936
IFRS Net Asset Value per share	0.893	0.869

25 DIVIDENDS

During the year dividends totalling 6.6 pence per share (£10,552,924) (2017: 6.6 pence per share (£9,132,750)) have been declared and £27,274 (2017: £675) remains outstanding at year end, to ordinary shareholders, with a further dividend of 1.65 pence per share paid post year end on 31 December 2018. Under the Facility Agreement between RBSI and the Company, no dividends may be declared or paid without the consent of RBSI.

26 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.

27 EVENTS AFTER REPORTING DATE

An interim dividend of £2,638,231 (1.65 pence per share) was declared on 24 December 2018 and was paid on 31 December 2018.

On 1 December 2018, Richard Wilson resigned as Director and Paul Le Marquand was appointed as of this date.

On 21 December 2018, M&R Properties Limited, Seaton Investments Limited and Seaton Property Place Limited were sold for £9,000,000, £9,400,000 and £11,600,000 respectively to Ravenscroft Private Investment Fund Limited for an aggregated sum of £30,000,000. Please see note 20 for further details.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eighth Annual General Meeting of Channel Islands Property Fund Limited (the "Company") will be held at the Farmhouse Hotel, Route des Bas Courtils, St Saviours, Guernsey GY7 9YF on Thursday 21 March 2019 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 2018.

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. To re-elect Mr Paul Le Marquand as a Director of the Company. Mr Le Marquand, who was appointed by the Board to fill the vacancy on the Board following the resignation of Mr Richard Wilson, being eligible has offered himself for re-election pursuant to Article 26.2 of the Company's Articles of Incorporation.

5. To authorise that the Directors' remuneration aggregate per annum be increased to £250,000 to facilitate the appointment of an additional director for an appropriate period of time to ensure an orderly succession plan for the Board to be implemented in accordance with the recommendations of the Association of Investment Companies.

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

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

By Order of the Board

Vistra Fund Services (Guernsey) Limited
Company Secretary

NOTES

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

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

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

CIPF | CHANNEL ISLANDS PROPERTY FUND

FORM OF PROXY

for use at the eighth Annual General Meeting of Channel Islands Property Fund Limited (the "Company") to be held on Thursday 21 March 2019 at 11:00 GMT.

We, ……

of ……

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

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

as our proxy to attend represent and vote for us on our behalf on the taking of a poll at the seventh Annual General Meeting of the Company to be held on Thursday 21 March 2019 at 11:00 GMT and at any adjournment thereof.

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

ORDINARY RESOLUTIONS	**For**	**Against**	**Abstain**
1. Approve the Report and Audited Consolidated Financial Statements for the year ended 31 October 2018.	( )	( )	( )
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 Paul le Marquand as a Director of the Company.	( )	( )	( )
5. Authorise that the Directors' remuneration aggregate per annum be increased to £250,000 to facilitate the appointment of an additional director for an appropriate period of time to ensure an orderly succession plan for the Board to be implemented in accordance with the recommendations of the Association of Investment Companies.	( )	( )	( )

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

Signature:…………………………………………………………

Date:………………………

Number of Shares:……………………………

NOTES

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

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

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

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

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

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

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

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

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

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