

This document, the Listing Document and all information announced by the Company on The International Stock Exchange Authority ("**TISEA**") website in compliance with the TISEA listing rules (the "**TISEA Listing Rules**") together form the supplemental document ("**Supplemental Document**") for the purpose of giving information with regard to Channel Islands Property Fund Limited (the "**Company**"). **This document must not be read in isolation and should be read in conjunction with all other documents which form the Supplemental Document.**

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The directors of the Company (the "**Directors**"), whose names appear on page 4 of this document, accept full responsibility for the information contained in the Supplemental Document and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in the Supplemental Document is in accordance with the facts and there are no other facts, the omission of which would make any statement in the Supplemental Document misleading.

Application has been made to TISEA for up to a further 16,500,000 ordinary shares of no par value each in the capital of the Company (the "**Placing Shares**") to be admitted to the Official List of TISEA. It is expected that admission of the Placing Shares to the Official List of TISEA will become effective, and that dealings in the Placing Shares shall commence, on or about 19 December 2017.

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CHANNEL ISLANDS PROPERTY FUND LIMITED
(an authorised closed-ended Investment company incorporated under the Companies
(Guernsey) Law, 2008 (as amended) with registered number 52324)

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in respect of the admission of up to a further 16,500,000 ordinary shares of no par value to
Official List and to trading on the International Stock Exchange

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SPONSOR TO COMPANY:
VISTRA FUND SERVICES (GUERNSEY) LIMITED

The Company is a closed-ended investment scheme authorised as an Authorised Closed-Ended Investment Scheme by the Guernsey Financial Services Commission under section 8 of The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Authorised Closed-Ended Investment Scheme Rules 2008. Neither the States of Guernsey Policy Council nor the Guernsey Financial Services Commission take any responsibility for the financial soundness of the Company or for the correctness of any statements made or opinions expressed with regard to it.

The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 8(2) of the Control of Borrowing (Jersey) Order 1958, as amended to the circulation of this Supplemental Document. The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947 against liability arising from the discharge of its function under that Law.

The Placing Shares will rank equally for all dividends declared, paid or made in respect of the ordinary shares of no par value in the capital of the Company ("**Shares**") in issue immediately prior to Admission ("**Existing Shares**") and will otherwise rank *pari passu* in all respects with the Existing Shares.

Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays and Bank and public holidays in Guernsey) free of charge to the public at the offices of Vistra Fund Services (Guernsey) Limited at 11 New Street, St. Peter Port, Guernsey, GY1 2PF for one month from the date of Admission.

The Placing is not being made, directly or indirectly, in or into, or by the use of the mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national state or other securities exchange of, a Restricted Jurisdiction and the Placing is not capable of acceptance by any such use, means, instrumentality or facilities, or from within a Restricted Jurisdiction subject to certain exceptions. Accordingly, copies of this document and any other related document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed, transmitted or sent in or into or from a Restricted Jurisdiction and persons receiving this document and any other related document (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions as doing so may invalidate any purported acceptance of the Placing. The availability of the Placing to persons who are not resident in the Channel Islands may be affected by the laws of their relevant jurisdiction.

Such persons should inform themselves about and observe any applicable legal or regulatory requirements of their jurisdiction.

Vistra Fund Services (Guernsey) Limited is acting exclusively as Sponsor for the Company and no-one else in connection with the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Vistra Fund Services (Guernsey) Limited or for giving advice in relation to the Listing.

Neither Admission nor the approval of this Supplemental Document pursuant to TISEA Listing Rules shall constitute a warrant or representation by TISEA as to the competence of the service providers to, or any other party connected with, the Company or the Placing Shares, the adequacy and accuracy of the information contained in this Supplemental Document or the suitability of the Company for investment or any other purpose.

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TISEA has been recognised by UK HM Revenue and Customs under section 841(b) of the Income and Corporation Tax Act 1988. Additionally, the UK Financial Conduct Authority has approved TISEA as a Designated Investment Exchange within the meaning of the Financial Services and Markets Act 2000.

11 December 2017

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1 DIRECTORS, MANAGER AND ADVISERS

Directors	Shelagh Mason (Non-executive Chairman) Steve Le Page (Non-executive Director) Paul Bell (Non-executive Director) Richard Wilson (Non-executive Director)	
Registered Office, Principal Place of Business of the Company and business address of the Directors	11 New Street St Peter Port Guernsey GY1 2PF	IX B Item 38
Guernsey Legal Advisers	Collas Crill LLP PO Box 140 Glategny Court Glategny Esplanade St. Peter Port Guernsey GY1 4EW	IX B Item 3
Auditor	PricewaterhouseCoopers CI LLP, Royal Bank Place, 1 Glategny Esplanade, St Peter Port, Guernsey GY1 4ND	IX B Item 4
Administrator/Registrar/Listing Sponsor/Company Secretary	Vistra Fund Services (Guernsey) Limited PO Box 91, 11 New Street, St. Peter Port Guernsey GY1 3EG	IX B Item 3 IX B Item 37 IX B Item 38
Bankers	The Royal Bank of Scotland International Limited, Guernsey branch Royal Bank Place PO Box 62 1 Glategny Esplanade St. Peter Port, Guernsey GY1 4BQ	IX B Item 3
Manager and Broker	Ravenscroft Limited P.O. Box 222 Level 5, The Market Buildings Fountain Street St. Peter Port, Guernsey GY1 4JG	IX B Item 3

2 DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

Admission	admission of the Placing Shares to the Official List of TISEA
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Appendix	an appendix to this document, which shall be deemed incorporated and set out in full within this document
Board	the board of directors of the Company
Company	Channel Islands Property Fund Limited
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the CREST Regulations
CREST Placing Shares	Placing Shares that will be held in uncertificated form through CREST
CREST Regulations	The Uncertificated Securities (Guernsey) Regulations 2009, as amended or replaced from time to time
Directors	the directors of the Company from time to time
Exchange	the Official List of The International Stock Exchange
Existing Shares	the Shares in issue immediately prior to Admission
Group	the Company and the Subsidiaries
Law	The Companies (Guernsey) Law, 2008 (as amended)
Listing Document	the original listing document issued by the Company on 26 October 2010, a copy of which is set out in Appendix 3 to this document
Manager	Ravenscroft Limited, a company registered in Guernsey with registered number 42906
Official List	the list of securities admitted to listing on TISEA which is published and maintained by the TISEA
Placing	the proposed placing of the Placing Shares
Placing Agreement	the placing agreement among (1) the Company and (2) the Manager dated on or about 11 December 2017
Placing Price	£1.00 per Placing Share
Placing Proceeds	the aggregate cash proceeds of the Placing
Placing Shares	up to 16,500,000 Shares proposed to be issued at the Placing Price pursuant to the Placing which shall rank <i>pari passu</i> with the issued Shares immediately prior to the Placing and the term " Placing Share " shall be construed accordingly
Portfolio Valuation Report	the report on the Company's investment portfolio prepared by the Valuer, a copy of which is set out in Appendix 1 to this document

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Registered Placing Shares	Placing Shares that will be held in certificated form
Registrar	Vistra Fund Services (Guernsey) Limited, PO Box 91, 11 New Street, St. Peter Port, Guernsey, GY1 3EG
Restricted Jurisdiction	any of the following territories: Australia, Canada, Japan, the United States of America and the Republic of South Africa
Shareholders	the registered holders of Shares and the term " Shareholder " shall be construed accordingly
Shares	ordinary shares of no par value in the share capital of the Company and the term " Share " shall be construed accordingly
Sponsor	Vistra Fund Services (Guernsey) Limited
Subsidiaries	Regency 1 Limited, Regency Court Property Limited, Seaton 1 Limited, Seaton 2 Limited, Seaton Investments Limited, Seaton Place Property Limited, Esplanade 1 Limited, St Helier Investments Limited, Esplanade 2 Limited, Gategny 1 Limited, Gategny Holdings Limited, M&R Properties Limited, Commerce Holdings Limited, Carey House Holdings Limited, Fort Anne Holdings Limited, Liberty Wharf Holdings Limited, Liberty Wharf 4 Limited, CIPF Holdings (IOM) Limited, Vicarage House Limited, FN House Limited and Guernsey Property No4 Limited and the term "Subsidiary" shall be construed accordingly
Supplemental Document	means this document and the Listing Document
TISEA Listing Rules	means the TISEA Listing Rules, as amended from time to time
TISEA or the Authority	means The International Stock Exchange Authority Limited
Valuer	Montagu Evans LLP, 5 Bolton Street, London, W1J 8BA

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3 PLACING STATISTICS

Placing Price per Placing Share	£1
Number of new Placing Shares being placed	16,500,000*
Number of Shares in issue immediately following the Placing	165,000,000*
Market capitalisation of the Company at the Placing Price	£165,000,000**
Estimated net proceeds of the Placing receivable by the Company	£16,145,000*

Publication of this document	11 December 2017
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Admission and commencement of dealings in Placing Shares	19 December 2017
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CREST stock accounts to be credited with the CREST Placing Shares	19 December 2017
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Issue and despatch of contract notes for Registered Placing Shares	22 December 2017
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Each of the times and dates in the above timetable is subject to change. All times are Guernsey times.

* - assumes Placing is fully subscribed

** - assumes Placing is fully subscribed and valued at the Placing Price

4 KEY INFORMATION

The following information should be read in conjunction with the full text of this Document from which it is derived and of which it forms part. Potential investors should read the whole document and the Listing Document and not just rely on the key information set out in this document.

In the event of any discrepancy between this document and any other parts of the Supplemental Document, the information contained in this document shall prevail.

4.1 The Listing Document

For full details on the rights attaching to the Shares and the investment objectives of the Company, please refer to the Listing Document, which is appended to this document as Appendix 3. The only material change in relation to the Share rights since the date of its issue is that the notice period for general meetings is now ten (10) clear days in accordance with the requirements of the Law.

At the end of 2013, the Channel Islands Stock Exchange, LBG was restructured so that the business of that company was transferred to a new company, the Channel Islands Securities Exchange Authority Limited, which became the new operator of

the investment exchange. In April 2016, the Channel Islands Securities Exchange Authority undertook a rebranding, and changed its name to The International Stock Exchange Authority Limited. As a result of these developments, all references in the Listing Document to "CISX" or "Channel Islands Stock Exchange, LBG" should be read as references to TISEA.

4.2 The Placing

The Placing Shares are being conditionally placed at the Placing Price, subject, *inter alia*, to Admission and to the Placing Agreement becoming unconditional.

The Placing is intended to raise up to sixteen million, five hundred thousand pounds sterling (£16,500,000.00) before expenses. The cash expenses of the Placing are estimated to amount to approximately 2.5 per cent. of the Placing Proceeds (which includes a placing fee of 2.0 per cent. of the Placing Proceeds payable to the Manager, plus minor associated legal fees). The minimum subscription pursuant to the Placing on which the Company may proceed to allot is £2,500,000. The Manager will receive its placing commission in cash. The Placing is not being underwritten.

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4.3 Placing Proceeds

The Placing Proceeds will mostly be utilised by the Company to prepay part of the amounts drawn down by the Company under its loan facility provided by Royal Bank of Scotland International Limited. This prepayment will help reduce the present loan to value ratio of the Royal Bank of Scotland International Limited facility.

4.4 Portfolio Valuation Report

Due to the demand for Shares, the Directors have determined that Shares should be issued at a premium and have determined there is sufficient demand for the Shares to be issued at the Placing Price representing a premium of 6.4 pence over the net asset value per Share as of 31 October 2017. This net asset value calculation was itself calculated by reference to the Portfolio Valuation Report undertaken by the Valuer on 31 October 2017 and presented to the Directors under a letter dated 14 November 2017.

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In previous accounting periods, the Directors have requested an external valuation report from the Valuer, Montagu Evans LLP, London, which has included a "special assumption" for the deduction of purchaser's costs of 1.5%, reflecting a hypothetical negotiated price that the Directors believe could be achieved on a sale of the company holding the relevant property (as opposed to a direct conveyance of the property) (the "**Special Assumption Method**").

The Directors understand that the use of the Special Assumption Method is inconsistent with the market based approach of IFRS 13 and RICS Red Book valuation principles, which require the deduction of purchaser's costs that would be incurred on the sale of the property itself.

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As a result, the valuation of investment properties in the financial statements for the year ended 31 October 2016 was based upon a method of calculation inconsistent with the interim and annual valuation and accounting approach to be taken by the Company going forward. This difference between the previous method and the market based approach is highlighted in the attached Portfolio Valuation Report. Investors will note that the values of the investment properties as at 31 October 2017 are stated at amounts set out in the column "*31 October 2017 Special Assumption*

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Share Transfer" in the attached Portfolio Valuation Report. The Market value of the investment properties factoring in the required deduction of purchaser's costs in accordance with IFRS 13 has also been included in a separate column of the Portfolio Valuation Report. Investors will note there is a material difference between the two methods of valuation and that on the basis of the valuation method to be used going forward, the value of the investment properties does decrease.

5 DIRECTORS, MANAGEMENT AND ADMINISTRATION

5.1 Board of Directors

Directors

The Board presently comprises of four Directors, all of whom are non-executive.

Name	Date of appointment	Position
Shelagh Mason	14 October 2010	Non-executive Director
Paul Bell	14 October 2010	Non-executive Director
Steve Le Page	1 April 2017	Non-executive Director
Richard Wilson	16 April 2015	Non-executive Director

Brief biographies of the Directors are set out below:

Shelagh Mason

Shelagh Mason is an English property solicitor with over 30 years' experience in commercial property. Shelagh was previously senior partner at Spicer & Partners Guernsey LLP which closed 30 November 2014. Following the closure, Shelagh joined Collas Crill LLP in Guernsey as a consultant. Prior to this she was a Senior Partner at Edge & Ellison, responsible for commercial property. For two years until 2001 she was Chief Executive of a property development company active throughout the United Kingdom and the Channel Islands. Shelagh is a non-executive director of Third Point Independent Voting Company Limited, The Renewables Infrastructure Group Limited, a FTSE 250 company, Riverside Capital PCC and Global Fixed Income Realisation Limited listed on the Irish Stock Exchange. Until recently she was on the Board of MedicX Fund Limited, a main market listed company investing in primary healthcare facilities, Leadenhall Property Company Jersey Limited which developed the Cheese Grater, Alpha German Property Income Trust, G.Res I Limited and for the 10 years ending in December 2014 she sat on the Board of Standard Life Investment Property Income Trust, a property fund listed on the London Stock Exchange. Shelagh is also a past chairman of the Guernsey branch of the Institute of Directors and a member of the Chamber of Commerce and the Guernsey International Legal Association.

Paul Bell

Paul Bell is a Jersey resident and holds a Bachelor of Arts degree in management and planning. Paul has over thirty-seven (37) years' experience in the building and property industry and has been a director/managing director of Persimmon, Wain

Homes and Taylor Woodrow. Paul is a major shareholder and chairman of two property companies in the Channel Islands and has speculative development interests in New York, Antigua and Mallorca.

Steve Le Page

Steve Le Page is a Chartered Accountant and a Chartered Tax Adviser. 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 that firm'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 listed funds Highbridge Multi-Strategy Fund Limited, MedicX Fund Limited, Volta Finance Limited (all of which he serves as Chairman of the Audit Committee) and Princess Private Equity Holding Limited. 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.

Richard Wilson

Richard is a Chartered Surveyor with a long family history of involvement in real estate and development. An old alumni of the University of Reading Richard 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. Based in London Richard has numerous other privately held property interests and is also an investor in new and emerging technology companies with offices in London & New York.

5.2 Corporate Governance

There is no applicable regime of corporate governance to which directors of a Guernsey company (other than those licensed to conduct investment, banking, insurance or fiduciary business) must adhere over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Guernsey law. The Directors, however, recognise the importance of good corporate governance and will comply with the Combined Code to the extent practicable and commensurate with the size and operations of the Company. The Company has adopted, with effect from Admission, the Listing Rules of the TISEA.

The directors have read and understood and shall comply with the European Market Abuse Regulation (596/2014) ("**MAR**") in the operations of the Company.

5.3 The Manager

The Manager was incorporated on 8 March 2005 and is listed on TISEA. The Manager is licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) to conduct investment business. Save as expressly set out below, all relevant details of the Manager's Investment Management Agreement with the Company (the "**Investment Management Agreement**") are contained in the Listing Document.

On 1 March 2016, the Company entered into an amendment agreement with the Manager (the "**Amendment Agreement**"), which included, amongst other things, the provision of a performance fee to the Manager in the form of an exit fee. The exit fee was in replacement of the performance fee provided in the original Investment Management Agreement. The purpose of the exit fee was to incentivise the Manager to achieve as high a result as possible for the Company and its investors in the ultimate sale of the Company's investment portfolio. The fee was based on 3 per cent. of the amounts achieved by the Manager in the sale of the assets of the Company.

On 5 October 2016, the Manager agreed to irrevocably waive its entitlement to the exit fee under the Amendment Agreement, given the unintended adverse impact the exit fee would have on the net asset value of the Company.

The Investment Management Agreement was further amended on 14 August 2017 to incorporate some additional minor amendments and to clarify for the avoidance of doubt that the Board of the Company makes final decisions regarding acquisitions by the Company.

5.4 The Directors

The current directors of the Manager are:

Jon Ravenscroft (Group Chief Executive Officer)

Jon Ravenscroft founded Ravenscroft Limited (formerly Cenkos Channel Islands Limited) in 2005. He has more than 30 years' experience in stockbroking, starting his career at Sheppards & Chase in 1983 in Guernsey and then the Isle of Man before returning to establish Canaccord Genuity Wealth (International) Limited (formerly Collins Stewart (CI) Limited). Jon was educated at Elizabeth College, Guernsey and Millfield School, England; he is a Fellow of the Chartered Institute for Securities & Investment.

Brian O'Mahoney (Group Finance Director & Head of Corporate Finance)

Brian joined Ravenscroft as Group Finance Director & Chief Operating Officer in July 2015 having previously worked at Legis Group where he performed a similar role. He was instrumental in steering the business through its initial management buyout and its subsequent industry sales. Prior to working at Legis, Brian worked at Kleinwort Benson for 13 years, ultimately becoming the Chief Financial Officer for the Channel Islands, a role he held for a number of years. With over 20 years' experience within the financial services sector Brian is a director of a number of companies including property, trading and financial entities. Brian is a Fellow of the Institute of Chartered Accountants in Ireland and holds a finance based MBA from Manchester Business School.

Mark Bousfield (Group Managing Director)

Mark joined Ravenscroft in 2008, having previously been head of discretionary portfolio management at Brewin Dolphin, Guernsey. Prior to that, he worked at Mathesons and Credit Suisse. Mark was educated at Elizabeth College, Guernsey and the University of Leeds where he studied geography and politics. He is a Chartered Fellow of the Chartered Institute for Securities & Investment, having completed the CISI Diploma and he is also a Chartered Wealth Manager. As well as

his role as Managing Director for the Ravenscroft group, Mark is also Managing Director of Ravenscroft Investment Management Limited.

Andrew Courtney (Group Chief Operating Officer)

Andrew joined Ravenscroft in October 2014 and was then appointed Group Chief Operating Officer in June 2017, having previously worked for 14 years at Canaccord Genuity Wealth Management (formerly Collins Stewart). Prior to that he worked at Rabobank (Guernsey) Limited as Banking Director, Bank of Bermuda (Guernsey) Limited as Head of Banking and Midland Bank Limited. Andrew was educated at Elizabeth College, Guernsey and Sheffield Hallam University where he gained a Masters degree in Business Administration; he is a Chartered Fellow of the Chartered Institute for Securities & Investment.

Stephen Lansdown CBE (Non-Executive Chairman)

Stephen Lansdown is co-founder and former Chairman of Hargreaves Lansdown PLC, the UK's biggest independent private client brokerage and a member of the FTSE 100. A Fellow of the Institute of Chartered Accountants in England and Wales, Stephen was presented with Honorary Degrees from Bristol University (Doctor of Laws) and the University of the West of England (Doctor of Business Administration) in 2012.

He moved to Guernsey in March 2010 and has become a firm supporter of local business, culture and the sporting scene. Stephen's many other business interests include investments in Africa, renewables and various sports. Stephen became a shareholder in December 2012 and was appointed as a Non-Executive Director to the Ravenscroft Board in September 2015.

Sally-Ann 'Susie' Farnon (Non-Executive Director & Senior Independent Director)

Susie Farnon qualified as a Chartered Accountant with KPMG in 1983 and was a banking and finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit KPMG Channel Islands from 1999. After leaving KPMG in 2001, she was a member of the States of Guernsey Audit Commission and formerly a Commissioner of the Guernsey Financial Services Commission. She is also a Director of local property companies and is Non-Executive Director of listed property & investment funds.

Dominic Jones (Non-Executive Director)

Dominic Jones has a degree in law from the University of Bristol and was admitted to the English Bar in 1987 and the Paris Bar in 1992. He started his career in 1988 with Slaughter and May, and after a period in investment banking with Morgan Stanley joined Mourant, where he was a partner of Mourant Equity Compensation Solutions. He also held senior group board positions at leading European private equity fund administrators IPES and Alter Domus. In 2010, he joined his family business, Jersey Pottery, as an executive director. Dominic has several voluntary positions including council member of the National Trust of Jersey and governor of Rouge Bouillon School..

6 SUMMARY OF THE PLACING

6.1 Details of the Placing

The Placing Shares are being conditionally placed at the Placing Price with investors, subject, *inter alia*, to the Placing Agreement becoming unconditional.

The Placing is conditional, *inter alia*, on (i) Admission having become effective on or before 8:00 a.m. on 19 December 2017 or such later time and/or date as the Company and the Manager may agree (being not later than 9:00 a.m. on 22 December 2017); and (ii) the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms prior to Admission. Accordingly, if the conditions are not satisfied, the Placing will not proceed and any applications will not be processed. In such circumstances application monies will be returned (at the applicant's sole risk), without payment of interest as soon as practicable thereafter.

The minimum subscription for Placing Shares is £5,000.

The Placing is intended to raise a minimum of £2,500,000 before expenses. The expenses of the Placing will include, payable out of the Placing Proceeds, a placing fee of two (2) per cent. of the Placing Proceeds payable to the Manager pursuant to the Placing Agreement.

The placing commission payable to the Manager under the Placing Agreement is to be settled in cash from the proceeds of the Placing.

It is expected that Admission will become effective and that dealings in the Placing Shares, on TISEA, will commence on 19 December 2017.

Investors will be able to receive either Registered Placing Shares or CREST Placing Shares.

Registered Placing Shares are Placing Shares that will be in certificated form. Physical share certificates will not be issued in respect of the Registered Placing Shares, instead, contract notes in respect of the Registered Placing Shares will be issued within 3 business days of the Placing. Pending the despatch of the contract notes, transfers will be certified against the Register.

CREST Placing Shares, with ISIN GG00B62DS151, are Placing Shares that will be issued as uncertificated shares and credited to investors' CREST accounts on the instruction of the Registrars as appropriate.

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6.2 Conditions of the Placing

Completion of the Placing is conditional upon Admission and the Company having fully complied with its obligations under the Placing Agreement to the extent that such obligations are required to be performed before Admission.

6.3 Placing Price

The Placing Shares are being offered at the Placing Price, which is at approximately a 6.84 per cent. premium (6.4 pence) to the net asset value per Share as of 31 October 2017 (and which has not materially changed as at the date of publication of this Document). The Board is satisfied, taking into account advice received from the Manager, that the issue of shares at the Placing Price is justified both for the purposes of avoiding any disadvantage to existing investors and due to the quality of the portfolio of the Company, which makes it a prime investment opportunity for potential investors. There is therefore a market for investors to acquire Shares at a premium to the net asset value of the Shares as of 31 October 2017.

6.4 Admission

Application has been made to TISEA for the Placing Shares to be admitted to the Official List. Admission is expected to take place and dealings in the Placing Shares are expected to commence on the Exchange at 8:00 a.m. on 19 December 2017.

6.5 Settlement and dealings

6.5.1 For Registered Placing Shares placement proceeds will, pending completion of the Placing, be held to the order of investors or their authorised agent. Upon Admission, these placement proceeds will be released by the Manager, at which time the Registered Placing Shares will be unconditionally issued.

It is expected that definitive contract notes will be despatched to investors, at the risk of the person entitled thereto, within 3 business days of the issue of Registered Placing Shares. The title to the Registered Placing Shares will be evidenced by the relevant entry on the Register. Share certificates will not be issued.

6.5.2 For CREST Placing Shares, following completion of the Placing, the CREST Placing Shares will be held via CREST. Should Placees wish for their Placing Shares to be held via CREST they can provide the Administrator with their CREST Member Account ID, their CREST Participant ID and the full name of the registered holder and any applicable account designation. CREST settlement will be conducted on a T+2 basis.

Settlement for the CREST Placing Shares will be on a delivery versus payment basis. However, in the event of any difficulties or delays in the admission of the Placing Shares to CREST or the use of CREST in relation to the Placing, the Company may determine that the CREST Placing Shares should be issued as Registered Placing Shares.

The input to CREST by a Placee of a matching or acceptance instruction will then allow delivery of the relevant CREST Placing Shares to that Placee's CREST account against payment.

7 ADDITIONAL INFORMATION

7.1 Financial and trading prospects of the Company

Save to the extent explained in this Supplemental Document there has been no change in the trend of the Issuer's business since the last audited accounts of the Company and the financial and trading prospects of the Company for at least the current financial year are unchanged as at the date of this Supplemental Document.

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7.2 Responsibility Statement

The Directors whose names, functions and addresses appear on page 4 of this document, and the Company accept responsibility for the information contained in the Supplemental Document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in the Supplemental Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

7.3 Incorporation and structure of the company

The registered office of the Company was changed to 11 New Street, St. Peter Port, Guernsey, GY1 2PF, on 10 January 2011. Statutory records of the Company are located at the registered office of the Company.

7.4 Share capital of the Company

7.4.1 The Company's share capital structure comprises a single class of shares which are admitted to the Official List and traded on the Exchange. The authorised and issued share capital of the Company: (i) as at the date of this document; and (ii) as it will be immediately following Admission is set out below:

Before Admission

Authorised number of shares	Nominal value	Issued number of Shares	Nominal value
Unlimited	No par value	148,500,000	No par value shares

Following Admission

Authorised number of shares	Nominal value	Issued number of Shares	Nominal value
Unlimited	No par value	165,000,000**	No par value shares

**assumes Placing is fully subscribed

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7.4.2 No share capital of the Company is currently under option or agreed to be put under option.

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7.4.3 As at 31 October 2017, the net asset value per Share was £0.936 (such figure has not materially changed as at the date of publication of this Document). The net asset value per Share, expressed in sterling, will be provided on a quarterly basis and will be published on TISEA website as soon as practicable after calculation.

7.4.4 The Company's memorandum and articles of incorporation provide for the issuance of C Shares, a possibility envisaged at the time the Listing Document was published. For the avoidance of doubt no C Shares have been issued and there is currently no intention to issue C Shares.

7.5 Information on Directors and Directors' interests

7.5.1 The interests of each Director (all of which are beneficial) in Shares, as at the date hereof are as follows:

Name	Number of Shares	% of Existing Shares
Mr Paul Bell	2,000,000	1.35
Richard Wilson	4,000,000	2.69

Steve Le Page intends to subscribe for up to 100,000 Placing Shares. Shelagh Mason intends to subscribe for up to 14,000 Placing Shares.

Save as set out above, none of the Directors have any interests, beneficial or otherwise, in the share capital of the Company nor does (so far as is known to, or could with reasonable diligence be ascertained by, the Directors) any person connected with the Directors have any interests in such share capital, in each case whether or not held through another party.

7.5.2 In addition to acting as Directors, the Directors hold or have held the following directorships or have been partners in the following firms within the five years prior to the date of this document:

Director	Current directorships and/or Partnerships	Past directorships and/or partnerships
Paul Bell	PB Investments Ltd PB Properties Lt Trinity Manor Farm Ltd Koltov Investments Ltd Castlemaine Investments Ltd Castlemaine Properties Ltd	Sisma Aviation Ltd (dissolved) Trinity Consultants Ltd (placed into voluntary liquidation) B&V Holdings Ltd (dissolved)
Shelagh Mason	Third Point Independent Voting Company Ltd The Renewables Infrastructure Group Limited Riverside Capital PCC Limited Global Fixed Income	G.Res 1 Limited Jersey JPUT dissolved (solvent voluntary liquidation) 17th August 2016 Wood Works Limited – voluntarily struck off Sirius Real Estate Limited Harrier Investment and Trading Corporation SA

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	Realisation Limited Spicer & Partners Guernsey LLP	Standard Life Investments Property Holdings Limited Standard Life Investments Property Income Trust Limited Leadenhall Property Co (Jersey) Limited Private JV Alpha German Property Income Trust Limited Unlisted ARSY Holdings Limited MedicX Fund Limited PFB Data Centre Fund
Steve Le Page	Aventicum Real Estate Partners Europe GP Limited BTPS Insurance ICC Limited BTPSI (No.1) IC Limited First Central Group Limited St John Ambulance & Rescue Services LBG AREP Europe CIP GP Limited Highbridge Multi- Strategy Fund Limited Volta Finance Limited MedicX Fund Limited Genesis Asset Managers, LLP Tufton Oceanic Assets Limited CS Property Club Europe ICC Limited CS Property Club Europe Cell 1 IC Limited CS Property Club Europe Cell 2 IC Limited CS Property Club Europe Cell 3 IC Limited CS Property Club Europe Cell 4 IC Limited CS Property Club Europe Cell 5 IC Limited CS Property Club Europe Cell 6 IC Limited Princess Private Equity Holding Limited	Equate Securities Holdings Limited Financial Services Opportunity Fund Limited Equate securities Limited Thames Office Holdings Limited Apax Global Alpha Limited Warsaw Residential Limited PwC Channel Islands Ltd PwC Properties (Jersey) Ltd PwC Pension Scheme Trustees Ltd PwC Tax and Treasury Services Ltd PwC Properties (Guernsey) Ltd Midhurst Properties Ltd Pembroke House Ltd PricewaterhouseCoopers Services Channel Islands Limited Pricewaterhouse Coopers CI LLP
Richard Wilson	ClickOn Media Davidsons Crossmark R2developments R2Properties 11&12 Lowndes Square	None

- 7.5.3 Save as set out in paragraph 7.5.2 above, none of the Directors has any business interests or activities outside the Company which are significant with respect to the Company.
- 7.5.4 Save as disclosed below or elsewhere in the Supplemental Document, none of the Directors:
- 7.5.4.1 has any unspent convictions in relation to indictable offences;
 - 7.5.4.2 has been made bankrupt or has made an individual voluntary arrangement with creditors or suffered the appointment of a receiver over any of his/her assets;
 - 7.5.4.3 has in the past five years been a director of any company which, whilst he was such a director or within 12 months after his ceasing to be such a director, was put into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with the company's creditors generally or with any class of creditors of the company or had an administrator or an administrative or other receiver appointed;
 - 7.5.4.4 has been a partner in any partnership which, whilst he was a partner, or within 12 months after his ceasing to be a partner, was put into compulsory liquidation or had an administrator or an administrative or other receiver appointed or entered into any partnership voluntary arrangement;
 - 7.5.4.5 has had an administrative or other receiver appointed in respect of any asset belonging either to him or to a partnership of which he was a partner at the time of such appointment or within the 12 months preceding such appointment; or
 - 7.5.4.6 has received any public criticisms by statutory or regulatory authorities (including recognised professional bodies) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 7.5.5 There are no loans or guarantees granted or provided by the Company to, or for the benefit of, any of the Directors which are now outstanding.
- 7.5.6 Paul Bell is the registered holder of 0.94 per cent. of the issued share capital of the Manager.
- 7.5.7 Save as set out in the Supplemental Document, there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested and which is significant in relation to the business of the Company.

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7.6 Remuneration of the directors

7.6.1 The aggregate remuneration paid to, and benefits in kind received by, the Directors in respect of the previous financial period ending on 31 October 2017 was £170,935.

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7.6.2 The estimated aggregate remuneration payable to, and benefits in kind receivable by, the Directors or any proposed Directors in respect of the current financial period due to end on 31 October 2018 under the arrangements in force at the date of this document is £149,500 and the Chairman is entitled to additional fees on a time spent basis.

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7.6.3 There are no arrangements under which a Director has waived or agreed to waive future emoluments during the financial year immediately preceding this document.

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7.7 Working capital

The Directors are of the opinion that after taking into account the proceeds of the Placing and the financial facilities available, the Group has sufficient working capital for its present requirements, that is, for at least the period of twelve (12) months from the date of this document.

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7.8 Share interests

As at 24 November 2017 (the latest practicable date prior to the publication of this Supplemental Document) the following parties are directly or indirectly interested in ten (10) per cent. or more of the nominal value of the Existing Shares.

Name	Number of Shares	% of share capital
Huntress (CI) Nominees Limited a/c KGCLT	115,236,872	77.60

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Huntress (CI) Nominees Limited a/c KGCLT is a nominee account through which investments are held on behalf of the Manager's discretionary portfolio clients and none of these clients hold more than ten per cent of the Company's currently issued share capital.

Huntress (CI) Nominees Limited only exercises its voting rights in respect of the Shares it holds upon the instructions of the underlying beneficial owners. As such, Huntress (CI) Nominees Limited is not considered to be a 'controlling shareholder' of the Company for the purposes of the TISEA Listing Rules.

7.9 Manager's interests

The interests of those persons discharging managerial responsibilities (all of which are beneficial) in Shares, as at 4 December 2017 were as follows:

Name	Number of Shares	% of Existing Shares
Susie Farnon	106,310	0.07

Stephen Lansdown	15,000,000	10.10
Dominic Jones	30,000	0.02
Brian O'Mahoney	150,000	0.10
Jon Ravenscroft	1,000,000	0.67
Andrew Taylor	17,250	0.01
Total Amount	16,303,560	10.97

No director of the Manager or related parties intend to participate in the Placing.

Save as set out above, none of the directors of the Manager has any interests, beneficial or otherwise, in the share capital of the Company nor does (so far as is known to, or could with reasonable diligence be ascertained by, the Manager) any person connected with its directors have any interests in such share capital, in each case whether or not held through another party.

Stephen Lansdown is an indirect shareholder of The International Stock Exchange Group Limited.

Ravenscroft Limited is an indirect shareholder of The International Stock Exchange Group Limited.

7.10 Arrangements relating to the Placing

7.10.1 The Placing Agreement

On or around 11 December 2017, (1) the Company and (2) the Manager entered into the Placing Agreement pursuant to which the Manager has agreed, conditionally upon, *inter alia*, Admission to use their reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

Under the Placing Agreement, the Manager will receive a commission of 2 per cent. of the aggregate value at the Placing Price of the Placing Shares issued to investors procured by the Manager to be paid by the Company. The Company has agreed to pay all other costs, charges and expenses of, or incidental to, the Placing and the application for Admission and related arrangements. The Manager is to receive the whole of its commission in cash payable from the proceeds of the Placing.

The Placing Agreement, which contains certain warranties, undertakings and indemnities by the Company in favour of the Manager is conditional upon: i) Admission occurring not later than 19 December 2017 (or such date as the Company and the Manager may agree not being later than 22 December 2017); (ii) none of the warranties given to the Manager prior to Admission being untrue, inaccurate or misleading in any material respect; and (iii) there has not been an adverse development or other adverse occurrence relating to the Company, any Director or subsidiary of the Company prior to Admission.

7.11 Taxation

The information below, which is of a general nature only and which relates only to the United Kingdom, Guernsey, Jersey and Isle of Man taxation, is applicable to the

Company and the Subsidiaries and to persons who are resident in the United Kingdom, Guernsey and Jersey who hold Shares as an investment. It is based on existing law and practice as at the date of this document and is subject to subsequent changes therein. Any change in the tax status of the Company or the Subsidiaries or in taxation legislation in the United Kingdom, Guernsey, Jersey and Isle of Man or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by the Company or the Subsidiaries or affect the Company's ability to achieve its investment objective for the Share or alter the post-tax returns to Shareholders. You are strongly recommended to consult your own professional adviser in relation to any investment in the Company.

7.11.1 The Company

United Kingdom taxation

It is the intention of the Directors that the affairs of the Company will be conducted so that the Company will not itself (as opposed, potentially, to certain of the Subsidiaries) be subject to tax in the United Kingdom. It is the intention that the central management and control of the Company will only be in Guernsey and the Company will not carry out any trade in the United Kingdom (whether or not through a permanent establishment situated there). On that basis, the Company will not be resident in the United Kingdom for taxation purposes and the Company should not be liable to United Kingdom tax on its income and gains, although any of the Subsidiaries resident in the United Kingdom or with United Kingdom property may well be subject to United Kingdom taxation on their income and gains.

Guernsey taxation

The Company has been granted exempt status for Guernsey tax purposes. In return for the payment of a fee, currently £1,200, a registered closed-ended investment scheme, such as the Company, is able to apply annually for exempt status for Guernsey tax purposes.

If exempt status is maintained, the Company will not be considered resident in Guernsey for Guernsey income tax purposes. A company that has exempt status for Guernsey tax purposes is exempt from tax in Guernsey on both bank deposit interest and any income that does not have its source in Guernsey.

Should exempt status not be maintained the Company will be subject to the standard rate of Guernsey income tax of 0%.

Guernsey currently does not levy taxes upon inheritances, capital gains, gifts, sales or turnover (unless the varying of investments and the turning of such investments to account is a business or part of a business), nor are there any estate duties (save for registration fees and ad valorem duty for a Guernsey Grant of Representation where the deceased dies leaving assets in Guernsey which require presentation of such a Grant).

No stamp duty or other taxes are chargeable in Guernsey on the issue, transfer, disposal, conversion or redemption of Shares.

Shareholders – Guernsey residents

Shareholders will receive dividends without deduction of Guernsey income tax.

Any beneficial owners of shares who are resident for tax purposes in the Islands of Guernsey, Alderney or Herm will be liable to Guernsey income tax on any dividends paid on Shares beneficially owned by them. Where the underlying subsidiaries have been subject to income tax on the net rental income it has been agreed with the Director of Guernsey Income Tax that shareholders resident in the Bailiwick of Guernsey will receive a tax credit equivalent to their proportion of the underlying tax paid in Guernsey, Jersey and the Isle of Man. This credit will be calculated by reference to the effective rate of tax suffered by the Company and may be less than 20%.

The Company is required to provide the Director of Guernsey Income Tax with such particulars relating to any distribution paid to Guernsey resident Shareholders as the Director of Guernsey Income Tax may require, including the names and addresses of the Guernsey resident Shareholders, the gross amount of any distribution paid and the date of the payment.

The Director of Guernsey Income Tax can require the Company to provide the name and address of every Guernsey resident who, on a specified date, has a beneficial interest in Shares in the Company, with details of the interest.

Shareholders – Jersey residents

Dividends on Shares and redemption proceeds may be paid by the Company without withholding or deduction for or on account of Jersey income tax and holders of Shares may not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Shares.

Shareholders who are resident in Jersey for income tax purposes may be liable to pay Jersey income tax on distributions received from the Company subject to the availability of double tax relief for Guernsey and Isle of Man tax payable and any tax credit relief for Jersey tax payable on underlying Guernsey, Isle of Man and Jersey sources of property income.

Jersey resident shareholders subject to Jersey income tax at the marginal rate may be subject to additional tax on any distributions from the company as the credit for tax paid by the underlying entities will be capped at 20%.

Shareholders – UK residents

Dividends paid to UK resident investors will be paid without withholding or deduction of tax. Dividends will be treated as a foreign dividend for UK resident investors and subject to their usual rates of UK tax depending on whether the shareholder is an individual or corporate entity.

7.11.2 Information Reporting in Guernsey

FATCA and related Intergovernmental Agreements

On 13 December 2013, the United States of America and the States of Guernsey entered into an intergovernmental agreement (“IGA”) which brought into effect the provisions of the Foreign Account Tax Compliance Act (“FATCA”).

The object of the FATCA regime is to require “foreign financial institutions” (“**FFIs**”) to report to the IRS US persons’ direct and indirect ownership of non-US financial accounts and non-US entities. An offshore investment fund will constitute a FFI for this purpose.

Further information is available on request from the Administrator.

Common Reporting Standards (“CRS”)

The Common Reporting Standard (CRS) is a standard developed by the Organisation for Economic Co-operation and Development (OECD) for the automatic exchange of information.

Guernsey committed to the adoption of the global CRS on Automatic Exchange of Information with effect from 1 January 2016, with first reporting taking place in 2017. As stated above the adoption of CRS by the States of Guernsey replaces any reporting obligations under EUSD and the UK IGA.

Further information is available on request from the Administrator.

7.12 Material contracts

7.12.1 Material Contracts of the Company and/or the Subsidiaries

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The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company or the Subsidiaries within the two years immediately preceding the date of publication of this document and which are, or may be, material to the Company or have been entered into by the Company at any time and contain a provision under which any member of the Company has any obligation or entitlement which is material to the Company at the date of this document:

- 7.12.1.1 this document;
- 7.12.1.2 the Placing Agreement;
- 7.12.1.3 a sale and leaseback agreement dated 8 June 2017 between the Company, CIPF Holdings (IOM) Limited, FN House Limited (as purchaser) and the vendor of an Isle of Man property known as "First Names House", Victoria Road, Douglas, Isle of Man IM2 4DF;
- 7.12.1.4 intra-group loan dated 8 June 2017 between the Company and CIPF Holdings (IOM) Limited in respect of a loan facility of up to £7,250,000;
- 7.12.1.5 Share sale agreement dated 26 May 2017 between the vendor of Vicarage House, CIPF Holdings (IOM) Limited and the Company to acquire Vicarage House Limited (an Isle of Man company);
- 7.12.1.6 intra-group loan agreement dated 26 May 2017 between the Company and CIPF Holdings (IOM) Limited in respect of a loan facility of up to £11,300,000;

- 7.12.1.7 the supplemental listing document issued by the Company and dated 9 September 2016 in respect of the placing of 45,000,000 new Shares (the "**September 2016 Placing**");
- 7.12.1.8 the placing agreement in respect of the September 2016 Placing entered into between the Company and the Manager dated 16 September 2016;
- 7.12.1.9 the Amendment Agreements amending the Investment Management Agreement between the Company and the Manager dated 1 March 2016 and 14 August 2017;
- 7.12.1.10 the share sale agreement entered into between the Company and the vendor of Liberation House and Windward House and dated on or about 16 September 2016 for the properties known as Liberation House and Windward House, St Helier, Jersey; and
- 7.12.1.11 an intra-group loan agreement entered into between Liberty Wharf Holdings Limited and the Company on 16 September 2016 in respect of a loan facility of up to £36,000,000.
- 7.12.1.12 the conveyance entered into between the Company and the vendor of Fort Anne and dated on 26 August 2016 for the property known as Fort Anne, Douglas, Isle of Man;
- 7.12.1.13 an intra-group loan agreement entered into between Fort Anne Holdings Limited and the Company on 26 August 2016 in respect of a loan facility of up to £13,300,000;
- 7.12.1.14 the supplemental listing document issued by the Company and dated 28 July 2017 in respect of the placing of 13,500,000 new Shares (the "**July 2017 Placing**");
- 7.12.1.15 the placing agreement in respect of the July 2017 Placing entered into between the Company and the Manager dated 28 July 2017;
- 7.12.1.16 an intra-group loan agreement entered into between Carey House Holdings Limited and the Company on 18 September 2017 in respect of a loan facility of up to £45,000,000; and
- 7.12.1.17 the conveyance entered into between Guernsey Property No4 Limited and the vendor of Royal Chambers and dated on 19 September 2017 for the property known as "Royal Chambers", St Julian's Avenue, St Peter Port, GY1 2HH.

7.13 Litigation and arbitration

The Company is not or has not been involved in any legal or arbitration proceedings which may have, or have had during the twelve (12) months preceding the date of this document, a significant effect on the Company's financial position or profitability, nor are there any such proceedings pending or threatened against any member of the Company of which the Company is aware.

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7.14 Valuation policy and reporting

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As noted at 4.4. above in this document, the interim and annual valuation and accounting policies of the Company have changed to be compliant with IFRS 13 and the RICS Red Book valuation policy. These will be the policies adopted by the Company and used in its interim and annual reporting going forward.

The quarterly net asset value per Share, expressed in sterling, will however continue to be determined, by the Administrator (at the end of January, April, July and October in each year), in accordance with the investment valuation policy and the accounting policies of the Company used for all previous quarterly net asset value calculations i.e. the Special Assumption Method. The Directors consider this to be the correct course of action due to their firm belief that the Special Assumption Method can and will apply in most cases of a disposal of an investment property.

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Valuations will be provided to TISEA as soon as practicable after calculation. Any suspension in the calculation of the net asset value per Share may result in suspension of the Shares from the Official List of TISEA.

Interim accounts are prepared half-yearly and the interim accounts and final accounts are provided to TISEA (and published via TISEA announcements) as soon as possible.

7.15 General

7.15.1 The total costs and expenses including commissions relating to Admission and the Placing are approximately £355,000 and are payable by the Company. The estimated net cash proceeds accruing to the Company from the Placing of the Placing Shares is £16,145,000 (assuming that the maximum number of Placing Shares are issued by the Company as part of the Placing).

7.15.2 Vistra Fund Services (Guernsey) Limited has, on the date hereof, given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name in the form and context in which it is included. Vistra Fund Services (Guernsey) Limited has no Shares or the right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, Shares.

7.15.3 The Manager has, on the date hereof, given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name in the form and context in which it is included. the Manager has no Shares or the right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, Shares.

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Items 7(a), 7(b)

7.15.4 Montagu Evans LLP has, on the date hereof, given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name in the form and context in which it is included and, further, to the inclusion of the Portfolio Valuation Report in this document. Montagu Evans

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Items 7(a), 7(b)

LLP has no Shares or the right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, Shares.

- 7.15.5 Other than the issue of 45,000,000 Shares on 15 September 2016 and the issue of 13,500,000 Shares on 14 August 2017, there have been no alterations in the capital of the Company within the twenty-four (24) months preceding the date of this document.
- 7.15.6 There are no arrangements in place under which future dividends are to be waived or agreed to be waived.
- 7.15.7 The Placing Price is payable in full in cash on Admission.
- 7.15.8 Other than the current application for Admission, the Shares have not been admitted to dealings on any recognised investment exchange (other than TISEA) nor has any application for such admission been made, or refused, nor are there intended to be any other arrangements for dealings in the Shares.
- 7.15.9 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Company's activities.
- 7.15.10 The Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are, or may be, of fundamental importance to the Company's business.
- 7.15.11 The Company has not appointed a custodian for the safekeeping of its assets but rather such role is undertaken by the Company in concert with Vistra Fund Services (Guernsey) Limited in its capacity as administrator to the Company.
- 7.15.12 The audited consolidated accounts of the Company for the period ending on 31 October 2016, together with the unaudited interim accounts of the Company for the period ending on 30 April 2017 are set out in Appendix 2 to this document.
- 7.15.13 Save as disclosed in the Supplemental Document no person (excluding the Company's professional advisers) in the twelve (12) months preceding the application for Admission received, directly or indirectly, from the Company or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on, or after, Admission any of the following:
- 7.15.13.1 fees totalling ten thousand pounds (£10,000) or more;
 - 7.15.13.2 securities in the Company with a value of ten thousand pounds (£10,000) or more calculated by reference to the Placing Price; or
 - 7.15.13.3 any other benefit with a value of ten thousand pounds (£10,000) or more at the date of Admission.
- 7.15.14 The Placing Price is payable in full in cash on acceptance. Monies received from applicants pursuant to the Placing will be held in a client account maintained by the Registrar until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not

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Item 13(c)

become unconditional in all respects by 22 December 2017, application monies will be returned to applicants at their own risk without interest.

- 7.15.15 The Company has not had any employees since its incorporation and, as at the date of this Supplemental Document, has no subsidiaries other than the Subsidiaries.
- 7.15.16 The Manager is the promoter of the Company. Save as disclosed in paragraph 6.1 above or for any amounts detailed in any supplemental listing documents issued by the Company to date, no amounts of cash, securities or other benefits have been paid, or given, to the Manager or any of its subsidiaries since the incorporation of the Company and none is intended to be paid or given.
- 7.15.17 Where information contained in this Supplemental Document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 7.15.18 The Company has adopted the code and rules relating to dealings of directors and employees and securities as set out in the TISEA Listing Rules.
- 7.15.19 The Company does not have any outstanding debt securities in issue and has never issued debt securities. IX B
Item 29(a)
- 7.15.20 The Company has entered into a facility with Royal Bank of Scotland International Limited of up to £120,000,000 to assist the financing of its acquisitions. This is secured by way of charges over the real property of the Company, the shares in its subsidiaries, certain bank accounts of its subsidiaries and certain intercompany debts. IX B Item
29(b)

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29(c)
- 7.15.21 Save as otherwise detailed in the financial statements of the Company included at Appendix 2 to this document, the Company does not have any contingent liabilities and has not granted any guarantees. IXB Item
29(d)

7.16 Documents on display

Copies of the following documents will be available for inspection at the offices of Vistra Fund Services (Guernsey) Limited at 11 New Street, St. Peter Port, Guernsey, GY1 2PF during normal business hours on any week day (except Saturdays, Sundays and public holidays in Guernsey) until 19 December 2017.

- 7.16.1 the memorandum and articles of incorporation of the Company; IX B
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- 7.16.2 this document;
- 7.16.3 the material contracts referred to in paragraph 7.11 above; IX B
Items 34 and
48(c)
- 7.16.4 the written consents referred to in paragraphs 7.14.3 and 7.15.4 above;
- 7.16.5 the Portfolio Valuation Report; and IX B
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7.16.6 the latest audited accounts of the Company.

Dated: 11 December 2017

APPENDIX 1

PORTFOLIO VALUATION REPORT

LJD/WJ/PS11862
email: liz.dovey@montagu-evans.co.uk

14 November 2017

The Directors
Channel Island Property Fund Limited
c/o Legis Fund Services Limited
11 New Street
St Peter Port
Guernsey GY1 3EG

CHARTERED SURVEYORS

5 Bolton Street
London
W1J 8BA

Tel: 020 7493 4002
Fax: 020 7312 7548

www.montagu-evans.co.uk

Dear Sirs

Channel Island Property Fund Limited

In accordance with the instructions received from Channel Island Property Fund Limited, we hereby provide our opinion of the *Market Value* of the freehold interests in the properties as described in the attached schedule as at 31 October 2017. This letter and accompanying certificate are to be read together and not in isolation.

The properties have been valued in accordance with the definition of *Market Value* as set out in the RICS – Professional Standards (Global and UK Edition).

It is understood this valuation is required for asset valuation purposes, not secured lending purposes.

In arriving at our valuation we have relied upon the information supplied to us in relation to legal title, occupying tenancies, income receivable and floor areas. In accordance with your instructions we have carried out a re-inspection of all the properties. We have been advised that there is no material change to the properties (with the exception of noted tenancy changes) and this is the basis upon which our valuation is prepared.

We have not carried out a full structural survey, nor have we tested the services supplied to the Properties as part of the valuation exercise. In accordance with your instructions, our valuation does not reflect any defects or items of disrepair unless they have a material effect on value. Insofar as high alumina cement, other deleterious materials and latent defects are concerned, we have assumed for valuation purposes that these materials have not been used in the construction or alteration of the Properties. We have also assumed that no contaminative or potentially contaminative uses are, or have been carried out so as to affect the Properties or neighbouring properties. In the event that this is not the case, we would wish to review our valuation accordingly.

We have assumed that title to the Properties is free from encumbrances, restrictions or other outgoings of an onerous nature which would affect the value. We have not seen any planning consents but have assumed the Properties have been erected and are being occupied and used in accordance with such consents and that there are no outstanding statutory notices.

The attached schedule contains the current annual rental for each of the properties and excludes any taxes and any disbursements including, if appropriate, the expense of managing the properties and allowances to maintain it in the condition to command its rent. The Schedule also includes the estimated annual rental value of each of the properties, reflecting the terms of the existing leases, as at the date of the valuation.

Purchasers Costs

Guernsey

The States of Guernsey has recently approved legislation to introduce Document Duty on conveyance transactions and also on sales of companies in circumstances where the transaction confers to the transferee a significant benefit arising from or relating to any real property in Guernsey. Document Duty of 4% is currently payable on conveyances and from 14th November 2017, Duty will also be payable at 4% on share transfers. (The Document Duty (Anti-Avoidance) (Guernsey) Law 2017).

There are some exceptions to this law and this includes Collective Investment Schemes of which CIPF qualifies. We have been provided with copies of advice given to the Fund by Collas Crill, that any sale or purchase by way of share transfer by the Fund (as a CIS) would not incur duty. That said we understand Duty was paid on the recent Royal Chambers purchase which was acquired by conveyance due to a complicated company structure.

We have as instructed, valued the properties on the basis of Market Value taking account of Document Duty at 4%, providing purchasers costs at 5.5%. We have also as requested provided a Market Value on the Special Assumption of Purchasers Costs at 1.5% based on the above advice. This Special Assumption is in line with the approach taken in previous years.

Jersey

There are currently no specific proposals for changes in legislation within Jersey. Transactions by conveyance on the Island are subject to 5% land tax. As above we have valued the properties within Jersey at Market Value based on a sale by conveyance with total purchasers costs at 6.5%. We have also as requested provided a Market Value on the Special Assumption of purchasers costs at 1.5%. This Special Assumption is in line with the approach taken in previous years.

Isle of Man

The Isle of Man properties have been valued incorporating the Conveyance Registration Fee at the prevailing rate (currently 0.57%) together with acquisition and legal fees providing total purchasers costs of 2.07%. This is in line with the approach taken in recent years.

We would also note that our valuation of Liberation House and Windward House is based on the "Special Assumption" that all the outstanding works in relation to the roof of the property have been completed. We have been advised that these costs are being covered by the vendor.

For the sake of clarity, we would confirm that we have previously carried out a valuation of the following properties on behalf of RBSI Ltd; Regency Court, Guernsey; Carey House, Guernsey; Aztec House, Jersey; 17-21 Seaton Place, Jersey; 40 Esplanade, Jersey.

This valuation has been prepared by Mrs L J Dovey MRICS and overseen by Mr Robert Bower MRICS both of whom are partners of Montagu Evans LLP and RICS Registered Valuers.

We must point out that neither the whole nor any part of this Valuation Schedule, nor any reference thereto, may be included in any published document, circular or statement, or published in any way without our written approval which may specify the form and context in which it might appear.

Furthermore, we must state that this Certificate has been prepared for the purposes of the Channel Island Property Fund Limited to whom it is addressed and without our prior consent, neither the whole nor any part shall be transmitted to any third parties to whom no responsibility is accepted.

We trust that the above and the attached are sufficient for your purposes.

Yours faithfully



L J Dovey
Partner



R V Bower
Partner

Encl.

VALUATION SUMMARY FOR CHANNEL ISLAND PROPERTY FUND LIMITED – 31 October 2017

Property	Description	Tenants	Lease Terms	Current Rent	Market Rent	Market Value as at 31 October 2017	31 October 2017 Special Assumption Share Transfer	Comments
Regency Court Gategny Esplanade St Peter Port Guernsey	The property comprises a modern office building completed in 2004 arranged over ground and three upper floors totalling 60,097 sq ft (5,585 sq m) with 202 car spaces.	Schroders (C.I.) Ltd International Administration Guernsey Limited	LE 06/10/2026 BK 07/10/2020	£2,729,567 (£36.00 - £36.75 per sq ft) £3,000 per car space	£2,712,304 (£36.00 - £36.75 per sq ft) £3,000 per car space	£35,750,000	£37,400,000	Rent reviews agreed on Butterfield, Deloitte LLP, Barclays and IAG. Schroders have 2.5% increase every 3 years. Barclays not in occupation. Valuation incorporates void period break in 2019. Sub-let to Applebys on 5 year lease.
		Barclays Wealth Guernsey Limited Deloitte LLP	LE 01/06/2025					
		Butterfield Bank International (Guernsey) Ltd	LE 27/05/2025					
		Deloitte LLP	LE 01/06/2025 BK 02/06/2019					
		International Administration Guernsey Limited	LE 05/06/2021					
17-21 Seaton Place, St Helier Jersey	The property comprises a modern office building fronting Seaton Place that forms part of a larger building which fronts the Esplanade. It is arranged over the ground to fifth floor and totals 29,676 sq ft (2,758 sq m) with 9 car spaces.	Elian Seaton Place Limited	LE 06/11/2033 BK 07/08/2021 BK 07/08/2025 BK 07/08/2029	£812,116.80 (£26.00 per sq ft)	£812,116.80 (£26.00 per sq ft)	£10,150,000	£10,650,000	Rent Review agreed with effect from Nov 2015.
Aztec House 11-15 Seaton Place, St Helier Jersey	The property comprises a modern office building constructed in 1982 and refurbished in 2008. It is arranged over ground and three upper floors and totals 23,746 sq ft (2,207 sq m) with 14 car spaces.	Aztec Group Limited	LE 05/03/2024 BK None	£695,015 (£27.50 per sq ft)	£695,015 (£27.50 per sq ft)	£8,700,000	£9,100,000	
17 ¹ / ₂ - 18 Esplanade, St Helier, Jersey	The property, a modern office building completed in 2003 part behind a retained façade. It is arranged over ground and three upper floors and totals 28,271 sq ft (3,626.6 sq m) with 22 car spaces.	S G Hambros Bank and Trust (Jersey) Limited	LE 30/10/2045 BK 31/10/2024 BK 31/10/2031 BK 31/10/2038	£848,206.24 (£27.25 per sq ft)	£848,206.24 (£27.25 per sq ft)	£11,350,000	£11,900,000	

Property	Description	Tenants	Lease Terms	Current Rent	Market Rent	Market Value as at 31 October 2017	31 October 2017 Special Assumption Share Transfer	Comments
40 Esplanade, St Helier, Jersey	The property comprises a modern building completed in the 1970s and extensively refurbished. It is arranged over ground and three upper floors and totals 23,531 sq ft.	Cazenove Capital	LE 20/03/2020	£674,910 (£21 - £28.50 per sq ft)	£683,784 (£21 - £28.50 per sq ft)	£8,050,000	£8,475,000	Rent review agreed on Reads and lease renewed on new 6 year lease with break at yr 3 from 2018. Cazenove and Aztec reviews outstanding. Passing rent reflects anticipated rent at review.
		Union Bancaire Privee	LE 24/03/2024					
		Aztec Financial Services Ltd	LE 05/03/2024					
		Aztec Financial Services Ltd	LE 05/03/2024					
		Reads & Co	LE 25/03/2018 BK 25/03/2021					
Gategny Court, Gategny Esplanade, St Peter Port, Guernsey	The property comprises a modern office building constructed in 2010 totalling circa 64,600 sq ft including an adjoining listed building. It is arranged over ground and three upper floors	Investec Bank (Channel Islands) Ltd	LE 07/04/2035	£2,841,868 (£37 - £42.50 per sq ft)	£2,975,768 (£37 - £42.50 per sq ft)	£42,820,000	£44,840,000	Rent on listed building no longer covered, void period assumed – Terms being discussed for new lease. Rent reviews agreed on GFC, Collas & KPMG.
		KPMG Channel Islands Ltd	LE 30/09/2034 BK 28/09/2029					
		Collas Day Group Services Ltd	LE 03/01/2035 BK 04/01/2032					
		Guernsey Financial Services Ltd	LE 15/09/2034					
Carey House, Les Banques, Admiral Park, St Peter Port, Guernsey	The property comprises a modern office premises substantially refurbished in 2008. It is arranged over lower ground, ground, first and second floors and totals circa 26,814 sq ft.	Carey Olsen Group Services Ltd	LE 28/2/2029	£1,143,770.42 (£34 per sq ft)	£1,143,770.42 (£34 per sq ft)	£16,150,000	£16,900,000	September 2017 review outstanding.
Liberation House & Windward House, St Helier, Jersey	The property comprises two office buildings constructed in 2006/2007 arranged over ground and two upper floors. Liberation House totals 61,476 sq ft and Winward House 24,081 sq ft with 65 car spaces.	Moore Management Leasehold Ltd	LE 30/01/2032 BK 24/01/2023	£2,665,240 (£28 - £29.00 per sq ft)	£2,673,234 (£28 - £29.00 per sq ft)	£33,300,000	£34,950,000	We understand there are works required to the roof at the property. The costs of these works have been assessed at £970,000 and we are advised that £1,000,000 has been paid by the vendor to cover these costs. Our valuation is based on the Special Assumption of completion of all the outstanding building works and wants of repair.
		Ernst & Young Property (Jersey) Ltd	LE 10/12/2031 BK 11/12/2022 BK 11/12/2027					
		CPA Holdings Ltd	LE 30/09/2028 BK 1/10/2023					
		Sea Thrift Ltd	LE 31/08/2032					
		Peter Michael Nowell & Natalie Jane Nowell	LE 24/03/2022					

Property	Description	Tenants	Lease Terms	Current Rent	Market Rent	Market Value as at 31 October 2017	31 October 2017 Special Assumption Share Transfer	Comments
Fort Anne, South Quay, Douglas, Isle of Man	The property comprises a purpose built headquarters office building constructed in 1998. The building is arranged over lower ground, ground, first and second floors and totals 35,556 sq ft of offices together with 5,758 sq ft of leisure space and 44,935 sq ft of residential (3 apartments) and 154 car spaces	Dohle (IOM) Ltd (Guarantor Peter Dogle Schiffahrts-kf)	LE 25/08/2037	£920,000 (£21.50 per sq ft)	£920,000 (£21.50 per sq ft)	£13,300,000	£13,300,000	New lease completed August 2016. Rent subject to CPI increases every 3 years with minimum and maximum multiples.
Vicarage House, Isle of Man Business Park, Braddon, Isle of Man	The property comprises a new headquarter office building arranged over ground, first and second floors and totalling 30,290 sq ft with 225 car spaces.	Zurich Financial Services (Isle of Man) Group Services Ltd (Guarantor Zurich International Life Ltd)	LE 14/05/2032 BK 15/05/2027	£0	£772,500 (£21.75 per sq ft)	£10,850,000	£10,850,000	New lease completed May 2017. Rent subject to 18 months rent free. Rent will be £772,500 per annum in November 2018. 3 yearly reviews based on IOM Retail Price Index subject to cap at 9% increase on foregoing rent.
First Names House, Summerhill Office Park, Victoria Road, Douglas, Isle of Man	The property comprises a modern office building constructed circa 1990 and extensively refurbished in 2016. It is arranged over ground, first and second floors and totals 23,642 sq ft with 106 car spaces.	First Names Management Ltd (Guarantor First Names Group Ltd)	LE 07/06/2038 BK 08/06/2035	£486,266 (£21.00 per sq ft)	£486,266 (£21.00 per sq ft)	£6,550,000	£6,550,000	New lease completed 8 th June 2017. Rent subject to 3 yearly UKCPI linked reviews. Collared and capped at 1% and 3% respectively.

Property	Description	Tenants	Lease Terms	Current Rent	Market Rent	Market Value as at 31 October 2017	31 October 2017 Special Assumption Share Transfer	Comments
Royal Chambers and The Rotunda, St Julians Avenue, St Peter Port, Guernsey	The property comprises a high quality office building constructed in 2009. Royal Chambers is arranged over basement, lower ground and 4 upper floors, totalling 62,401 sq ft. The Rotunda is a circular shaped building arranged over basement, ground and 1 st floor, totalling 10,107 sq ft. 75 car spaces are provided.	Mourant Ozannes	LE 31/10/2038 BK31/10/2031	£1,987,085 (£40 - £48.00 per sq ft)	£3,204,732 (£40 - £48.00 per sq ft)	£42,200,000	£44,150,000	New lease agreed with Mourant Ozannes on 3 rd floor, upper ground and Rotunda with effect from. 1 Nov 2017. Rent free 3 years, 2 months, Purchase price £42.2M after deduction of rent free allowance, and document duty paid. Original offer based on rent top up.
		Ernest & Young	LE 30/06/2033 BK 01/07/2027					
		Terra Firma	LE 18/11/2033 BK 19/11/2024					
		Ipes LTD	LE 07/10/2034 BK 08/10/2031					

This Certificate should only be read in conjunction with our accompanying letter dated 14 November 2017 and not considered in isolation.

APPENDIX 2

- (a) REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS
- (b) INTERIM REPORT AND UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



CHANNEL ISLANDS PROPERTY FUND LIMITED

REPORT & AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2016

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GENERAL INFORMATION

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

THE COMPANY

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

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

INVESTMENT SUMMARY

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

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

CHAIRMAN'S STATEMENT

For the year ended 31 October 2016

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

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT (continued)

For the year ended 31 October 2016

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT (continued)

For the year ended 31 October 2016

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

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

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

Shelagh Mason
March 2017

INVESTMENT MANAGER'S REPORT

For the year ended 31 October 2016

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

For the year ended 31 October 2016

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

DIRECTORS' REPORT (continued)

For the year ended 31 October 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

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

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

CORPORATE GOVERNANCE

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

ACTIVITY

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

DIVIDENDS

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

DIRECTORS

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

DIRECTORS' REPORT (continued)

For the year ended 31 October 2016

DIRECTORS INTERESTS

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

Mr P. Bell – 2,000,000

Mr B. O'Mahoney – 150,000

Mr R. Wilson – 1,500,000

Mrs S. Mason – Nil

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

At no point during the year did any other Director hold an interest in any material contract or contract for provision of services to which the Company, or any subsidiary undertaking, is a party and in which any director is or was materially interested.

GOING CONCERN

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

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

DIRECTORS' REPORT (continued)

For the year ended 31 October 2016

AUDITORS

The Directors re-appointed KPMG Channel Islands Limited (the “auditor”) as auditor of the Group on 23 March 2016. KPMG Channel Islands Limited have expressed their willingness to continue in office as auditor and a resolution to re-appoint them as auditors will be put to the members at the next Annual General Meeting.

Approved by the Board of Directors on 3 March 2017 and signed on its behalf by:

Shelagh Mason
Director

Brian O'Mahoney
Director

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

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

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

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 8 and 9, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

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

Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 October 2016 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards as issued by the IASB; and
- comply with the Companies (Guernsey) Law, 2008.

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

Matters on which we are required to report by exception

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

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

KPMG Channel Islands Limited
Chartered Accountants, Guernsey

6 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2016

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2016

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

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

Shelagh Mason
Director

Brian O'Mahoney
Director

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 October 2016

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2016

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

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

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

1 REPORTING ENTITY

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

Statement of compliance

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

2 PRINCIPAL ACCOUNTING POLICIES

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

Going concern

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

Accounting policies effective and adopted

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**2 PRINCIPAL ACCOUNTING POLICIES (continued)*****Accounting policies effective and adopted (continued)***

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

- Annual Improvements 2011-2013 Cycle.

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

New IFRS accounting standards and interpretations not yet adopted

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

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

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

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

Basis of measurement

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

Basis of consolidation

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

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

Cash and cash equivalents

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

Income and expenses

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**2 PRINCIPAL ACCOUNTING POLICIES (continued)*****Income and expenses (continued)***

The income charged to tenants for property service charges and the costs associated with such service charges are shown separately in the profit or loss as service charges recharged to tenants to reflect that the ultimate risk for paying and recovering these costs rests with the property owner.

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

Investment property

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

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

Gains or losses arising from changes in the fair value of, or disposal of, investment properties are included in the profit or loss in the period in which they arise.

Lease incentives

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

Share capital

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

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities

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

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

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

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

Financial Liabilities at fair value – Interest rate swap liability.

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

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

Interest rate swaps

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

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

Hedge accounting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**2 PRINCIPAL ACCOUNTING POLICIES (continued)*****Hedge accounting (continued)***

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

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

Loans and borrowings

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

Distributions

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

Operating leases

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

Taxation

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

Deferred tax

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

Deferred tax (continued)

- Temporary differences related to investments in subsidiaries to the extent that it is likely that they will remain for the foreseeable future; and
- Taxable temporary differences arising on the recognition of goodwill.

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

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

Functional and presentational currency

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Use of estimates and judgements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(continued)*****Significant estimates*****Valuation of investment property**

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

As at the year end, desktop valuations of all properties had been prepared, with the exception of 17a-18 Esplanade, Jersey for which a full valuation was conducted, by Montagu Evans LLP, London, in accordance with the definition of Market Value as set out in the Royal Institute of Chartered Surveyors ("RICS") Professional Standards (Global and UK edition).

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(continued)*****Significant estimates (continued)*****Fair value of derivatives**

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

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

Significant judgements**Lease Classification**

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**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
- Whether the subsidiary has allocated its own staff to manage the property and/or to deploy any processes, including provision of all relevant administration and information to the entity's owners

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

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

4 SEGMENTAL INFORMATION

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

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

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

4 SEGMENTAL INFORMATION

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

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

5 INCOME

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

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

6 INTEREST EXPENSE

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**6 INTEREST EXPENSE (continued)**

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

7 TAXATION

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

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

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

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

Until September 2016, the Guernsey Income Tax Office has confirmed that a 20% tax credit can be attached to the dividends of the Company on the basis that tax has been previously paid by the subsidiaries in respect of their Guernsey and Jersey rental income. Therefore, dividends paid by the Company can be treated as net dividends. From September 2016, tax credit will only be applied to Guernsey resident shareholders, at the effective rate of tax paid in the underlying companies.

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

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

7 TAXATION (continued)

The movement in the deferred tax balance is as follows:

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

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

Reconciliation of accounting profit to tax expense

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

8 INVESTMENT PROPERTIES

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

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

8 INVESTMENT PROPERTIES (continued)

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**8 INVESTMENT PROPERTIES (continued)**

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

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

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

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

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

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

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

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

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

9 OPERATING LEASES

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

Significant agreements

Regency Court

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

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

11-15 Seaton Place

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

17-21 Seaton Place

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

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

17a-18 Esplanade

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

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

40 Esplanade

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**9 OPERATING LEASES (continued)****Significant agreements (continued)***Glategny Court & Bucktrout House*

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

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

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

Carey House

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

Windward House & Liberation House

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

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

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

Fort Anne

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

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

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

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

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

10 PROPERTY OPERATING EXPENSES

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

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

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

Service charge costs

Regency Court Property Limited and Gategny Holdings Limited invoice tenants for service charges quarterly in advance based upon a budgeted amount for each year. These monies are held in a client account with the Property Manager and are used to settle electricity, water, rates, maintenance, etc. During the year to 31 October 2016 an amount of £1,007,637 (2015: £860,255) had been incurred in relation to these services.

If one of the tenants was to vacate the property at the end of its lease term an amount of these expenses would become the responsibility of Regency Court Property Limited or Gategny Holdings Limited in a proportion to the rental income received. This occurred during the year ended 31 October 2015 in Gategny Holdings Limited on the vacation by one of the tenants resulting in an amount of £2,938 being expensed to the subsidiary. No such event took place during the year.

11 PROVISIONS

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

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

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

12 BASIC AND DILUTED EARNINGS PER SHARE

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

13 OTHER OPERATING EXPENSES

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

14 CASH AND CASH EQUIVALENTS

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

15 TRADE AND OTHER RECEIVABLES

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

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

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

17 LOANS AND BORROWINGS
Due after 1 year:

	31 October 2016	31 October 2015
	£	£
HSBC :		
Net loan liability at beginning of year	5,151,717	32,754,426
Transferred to less than 1 year	-	(27,625,286)
Amortisation of set up costs	25,051	22,577
Loan principal repayment	(5,176,768)	
HSBC - Net loan liability due after 1 year	-	5,151,717

RBSI :

Net loan liability at beginning of year	20,500,048	16,893,601
Loan principal drawdown	67,180,000	3,600,000
Loan principal repayment	(26,560,000)	-
Set up costs	(1,010,173)	(96,458)
Amortisation of set up costs	564,173	102,905
RBSI - Net loan liability due after 1 year	60,674,048	20,500,048
Total net loan liability due after 1 year	60,674,048	25,651,765

Due within 1 year:
HSBC :

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

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

17 LOANS AND BORROWINGS (continued)

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

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

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

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

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

Security has been provided by way of a charge over the Group's investment properties for each facility (see Note 8). Interest is charged at the aggregate of the margin and LIBOR and is payable quarterly in arrears. The margin rate is dependant on the loan to value of the Group.

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

17 LOANS AND BORROWINGS (continued)

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

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

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

18 INTEREST RATE SWAP

The Group previously hedged its interest rate risk on the loans which have subsequently been refinanced with interest rate swaps. The Group hedged the Regency 1 loan for interest rate risk via a £21,000,000 interest rate swap with HSBC, fixed at 2.24% per annum. The Group hedged the Seaton 1 loan for interest rate risk via a £6,500,000 interest rate swap with HSBC, fixed at 2.25% per annum and a further £500,000 interest rate swap with HSBC, fixed at 1.72% per annum. The Group hedged the Seaton 2 loan for interest rate risk via a £5,000,000 interest rate swap with HSBC, fixed at 1.7% per annum. The Group hedged the Esplanade 1 loan for interest rate risk via a £4,680,000 interest rate swap with RBSI, fixed at 1.0% per annum.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016
18 INTEREST RATE SWAP (continued)
Derivatives primarily held for risk management purposes

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

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

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

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

19 SHARE CAPITAL AND RESERVES

Authorised

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

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

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

Issued and Fully Paid

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

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

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

19 SHARE CAPITAL AND RESERVES (continued)

Hedging Reserve

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

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

20 MATERIAL AGREEMENTS

Fees Payable to the Property Asset Manager

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

The Property Asset Manager is entitled to receive a fee at the rate of £10,000 per annum payable quarterly in advance in relation to 11-15 Seaton Place. As this property is single-let, the full amount is payable by the Group. No amounts are outstanding at year end (2015: £Nil)

The Property Asset Manager is entitled to receive a fee at the rate of £10,000 per annum payable quarterly in advance in relation to 17-21 Seaton Place. As this property is single-let, the full amount is payable by the Group. No amounts are outstanding at year end (2015: £Nil)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**20 MATERIAL AGREEMENTS (continued)****Fees Payable to the Property Asset Manager (continued)**

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

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

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

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

Fees Payable to the Administrator

The Administrator is entitled to receive a fixed fee dependent upon the number of investment properties held within the Group. The Group is due a fee of £60,000 per annum in relation to the first three investment properties acquired with an additional fee of £12,000 per annum due on any additional investment property acquired.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**21 RELATED PARTY TRANSACTIONS**

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

Fees payable to the Investment Manager***Management fee***

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

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

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

Performance / Exit fee

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

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

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

Acquisition fee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**21 RELATED PARTY TRANSACTIONS (continued)*****Directors***

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

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

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

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

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

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

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

22 AUDITOR'S REMUNERATION

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

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

23 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES**Market price risk**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**23 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES****Market price risk (continued)**

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

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

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

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

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

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

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

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

23 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Market price risk (continued)

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

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

Liquidity risk

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

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

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

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

23 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Credit risk

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

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

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

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

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

Interest rate risk

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

In an attempt to minimise risk and smooth cash flows the Group has entered into an interest rate swap in which the Group agrees to exchange, at specified intervals, the difference between the fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount in an effort to manage these risks. The continuance of the interest rate hedging instruments is a requirement of the loan agreements entered into with RBSI and previously with HSBC, and their acceptability is monitored by RBSI (previously also HSBC), through the completion of compliance certificates on a quarterly basis, and the Investment Manager on a regular basis. The interest rate profile of the financial assets and liabilities, after the impact of hedging, as at the Consolidated Statement of Financial Position date is as follows:

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

23 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Interest rate risk (continued)

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

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

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

Fair values

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

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

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

23 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

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

Derivatives

The fair value for the interest rate swap is provided by RBSI (previously also HSBC to 27 November 2015), the counterparties to the deals, using valuation models. In the fair value hierarchy interest rate swaps are classified as level 2 as the inputs to the valuation models are observable.

The fair value hierarchy levels are as follows:

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

There have been no transfers between Levels 1, 2 and 3 during the year (2015: £Nil).

Interest bearing loans and borrowings

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

Trade and other receivables/payables

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

Cash and cash equivalents

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

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

23 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)

Capital risk management

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

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

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

24 INVESTMENT IN SUBSIDIARIES

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

All companies were setup to acquire properties.

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

24 INVESTMENT IN SUBSIDIARIES (continued)

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016
24 INVESTMENT IN SUBSIDIARIES (continued)

	31 October 2016
	£
Fort Anne Holdings Limited (property acquired on 16 September 2016)	
Investment Property	13,300,000
VAT refund receivable	2,660,000
VAT repayable to CIPF	(2,660,000)
Total identifiable net assets acquired	13,300,000
Consideration settled in cash	15,960,000
 Liberty Wharf 4 Limited (acquired on 16 September 2016)	 £
Investment Property	34,000,000
Less: Deduction for Roof Repairs	(1,000,000)
Amounts due from Vendor	327,825
Loan acquired	(26,277,998)
Taxation accrual	(251,437)
Deferred Income	(78,997)
Total identifiable net assets acquired	6,719,393
Consideration settled in cash	33,000,000

25 NET ASSET VALUE PER SHARE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016**26 DIVIDENDS**

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

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

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

27 CONTROLLING PARTY

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

28 EVENTS AFTER REPORTING DATE

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

All resolutions will be passed as ordinary resolutions:

ORDINARY RESOLUTIONS:

1. To approve the Report and Audited Consolidated Financial Statements for the year ended 31 October 2016.
2. To re-appoint KPMG Channel Islands Limited as auditor of the Company until the conclusion of the next general meeting at which accounts are laid before the Company.
3. To authorise the Directors of the Company to determine the remuneration of the auditor.
4. Mrs Mason, being eligible and having offered herself for re-election, to be re-elected as a Director of the Company.
5. To authorise, for the purpose of section 315 of the Companies (Guernsey) Law, 2008, as amended (the “Law”), for the Company to make market acquisitions of its shares for all and any purposes, provided that:
 - a. The maximum number of shares authorised to be purchased shall be 14.99% of the shares in issue;
 - b. The minimum price which may be paid for any share in issue shall be £0.01;
 - c. The maximum price (exclusive of expenses) which may be paid for any share in issue from time to time shall be 105% of the average of the middle market quotations (as derived from the official List of the Channel Islands Securities Exchange Authority Limited for such shares for the five business days immediately preceding the date of purchase;
 - d. The authority shall expire at the conclusion of the seventh Annual General meeting of the Company or unless such authority is renewed, varied or revoked prior to such time save that the Company may, prior to such expiry, enter into a contract to purchase any such shares pursuant to any such contract which would or might be executed wholly or partly after the expiry of such authority; and
 - e. The purchase price may be paid by the Company to the fullest extent permitted by the Law.

By Order of the Board

Vistra Fund Services (Guernsey) Limited
Company Secretary

NOTES

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. Such proxy need not be a member of the Company.
2. A form of proxy is enclosed and to be valid must be lodged with the Secretary at the Company's registered office, c/o Vistra Fund Services (Guernsey) Limited, PO Box 91, 11 New Street, St Peter Port, Guernsey, GY1 3EG, not less than 48 hours before the time fixed for the meeting.
3. If you do not intend to attend the meeting please complete and return the form of proxy as soon as possible.

FORM OF PROXY

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

We,

of

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

..... (See note 2)

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

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

ORDINARY RESOLUTIONS	For	Against	Abstain
1. Approve the Report and Audited Consolidated Financial Statements for the year ended 31 October 2016.	()	()	()
2. Re-appoint KPMG Channel Islands Limited as auditor of the Company until the conclusion of the next general meeting at which accounts are laid before the Company.	()	()	()
3. Authorise the Directors of the Company to determine the remuneration of the auditor.	()	()	()
4. Re-elect Mrs Shelagh Mason as a Director of the Company	()	()	()

<p>5. Authorise, for the purpose of section 315 of the Companies (Guernsey) Law, 2008, as amended (the "Law"), for the Company to make market acquisitions of its shares for all and any purposes, provided that:</p> <ul style="list-style-type: none"> a. The maximum number of shares authorised to be purchased shall be 14.99% of the shares in issue; b. The minimum price which may be paid for any share in issue shall be £0.01; c. The maximum price (exclusive of expenses) which may be paid for any share in issue from time to time shall be 105% of the average of the middle market quotations (as derived from the official List of the Channel Islands Securities Exchange Authority for such shares for the five business days immediately preceding the date of purchase; d. The authority shall expire at the conclusion of the seventh Annual General meeting of the Company or unless such authority is renewed, varied or revoked prior to such time save that the Company may, prior to such expiry, enter into a contract to purchase any such shares pursuant to any such contract which would or might be executed wholly or partly after the expiry of such authority; and e. The purchase price may be paid by the Company to the fullest extent permitted by the Law. 	()	()	()
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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.



INTERIM REPORT & UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 NOVEMBER 2016 TO 30 APRIL 2017

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For the period from 1 November 2016 to 30 April 2017

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GENERAL INFORMATION

DIRECTORS:

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

INVESTMENT MANAGER:

Ravenscroft Limited
Level 5, The Market Buildings
Fountain Street
St Peter Port
Guernsey, GY1 4JG

REGISTERED OFFICE:

11 New Street
St Peter Port
Guernsey, GY1 2PF

PROPERTY ASSET MANAGER:

Savills Channel Islands Limited
22 Smith Street
St Peter Port
Guernsey, GY1 2JQ

In relation to Liberty Wharf 4 Limited
BNP Paribas Real Estate (Jersey) Limited
3rd Floor, Dialogue House
2 – 6 Anley Street
Jersey, JE2 3QE

**ADMINISTRATOR, SECRETARY
AND REGISTRAR:**

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

PRINCIPAL BANKERS:

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

INDEPENDENT AUDITOR:

KPMG Channel Islands Limited
Gategny Court
Gategny Esplanade
St Peter Port
Guernsey, GY1 1WR

THE COMPANY

Channel Islands Property Fund Limited (the “Company” and together with its subsidiaries the “Group”) was registered as an Authorised Closed-ended Collective Investment Scheme by the Guernsey Financial Services Commission under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, on 26 October 2010. A total of 135,000,000 (2015: 90,000,000) ordinary shares are admitted to the Official List of the The International Stock Exchange.

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

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

INVESTMENT SUMMARY

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

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

INVESTMENT MANAGER'S REPORT

The half year has been another active period for the Company and the Investment Manager ("IM") has been active not only in asset managing the portfolio but also undertaking due diligence and ensuring delivery on new acquisitions in the Isle of Man.

Post the half year end two new properties were acquired by the Company. On 26 May 2017 the Company completed contracts with Dandara Developments to acquire the newly developed Vicarage House, Isle of Man Business Park, Douglas, a freehold Grade 'A' headquarters office building fully let to Zurich Financial Services (Isle of Man) Group Services Limited with a parent guarantee from Zurich International Life Limited. The property totals 30,000 sq.ft. and has 225 car parking spaces. It is let on a 15 year lease with a tenant's break at 10 subject to 6 months' notice and 12 months' rent penalty. The commencing rent is £772,500 per annum and rent reviews are every three years to the higher of Open Market Value or RPI with a cap at 3% per annum. The purchase price of £11.8 million reflects a net initial yield of 6.5%.

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

Both acquisitions were funded using the Company's debt facility from Royal Bank of Scotland International ('RBSI') and as a result the debt, excluding a temporary VAT loan, has increased from £61.5 million to £79.5 million. A new placing of 13.5 million shares is in process and the bulk of funds raised from this will be applied to reduce the bank debt. The loan to value prior to the repayment of debt stands at 39.3% based on a valuation undertaken by Montagu Evans LLP on 8 June 2017 which valued the portfolio at £202.4 million

Following the two acquisitions the Company's portfolio now comprises 12 high quality office buildings across the three Islands totalling 442,300 sq.ft. The total rent roll is c. £14.41 million from 24 tenants operating across a wide spectrum of the financial services sector. By value, 48.68% is located in Guernsey, 36.26% in Jersey and 15.06% in the Isle of Man.

A number of outstanding rent reviews have been settled following the Company's acquisition of Liberty Wharf in Jersey in September 2016 which has added additional rent to the Company's income. In the current 12 month period there are 14 open rent reviews which offer the IM an opportunity to add further to the rent roll.

On 19 July 2017, the board of Directors of the Company announced that heads of terms and an exclusivity period have been agreed with the liquidators of Jubilee Scheme 2 LP (In Dissolution) in relation to the acquisition of Royal Chambers and the Rotunda, St Julian's Avenue, St Peter Port, Guernsey. The purchase is to be funded initially with debt provided by RBSI. Further information in relation to this will be announced in due course.

During the period Mourant Ozannes LP agreed terms to take the remaining office at Royal Chambers, resulting in a lack of ready availability of Grade 'A' space above 7,500 sq.ft. on the Island. Some space may come to the market at Dorey Court where the tenant is reported to be relocating as a result of corporate activity. There have been no significant transactions in the office investment market on the Island in the period.

In Jersey the picture is somewhat different with the completion of the first building within the Jersey International Finance Centre and the commencement of works on the second development. Both buildings were largely pre-let. Dandara is selling 37 Esplanade where tenants include KPMG and PWC with an asking price reflecting a yield of 6.25%.

INVESTMENT MANAGER'S REPORT (CONTINUED)

In the Isle of Man, like the Channel Islands, development of new property is largely undertaken on the back of pre-lets and therefore over supply of new space is very rare. The two recent transactions undertaken by the Company on the Island represent the two significant sales in the period with only one or two proposed developments in the pipeline.

The mark down of the portfolio following the Brexit vote 12 months ago has been eroded but not as yet been fully recovered in either the year end or 8 June valuation numbers. With very few comparable transactions to support valuations, the Islands are often compared to the UK's regional office markets where only recently there have been signs of increased occupier demand and rental growth which are, in the main, the underpin for capital value growth. There is usually a discount between prime UK regional centres and the Islands to reflect thinner liquidity in the latter markets. For the UK property market it is still very much a case of 'wait and see' in respect of the Brexit machinations and how these feed through into tenant demand and values.

The focus for the IM over the remaining period of the year is to settle outstanding rent reviews and continue to implement asset management initiatives to grow and lengthen the Company's rental income. Settlement of prior year's rent reviews has contributed to the increase in the annual dividend by 10% from 6p per share to 6.6p in the half year and the manager will continue to work to increase the income where possible in the future.

Ravenscroft Limited
July 2017

DIRECTORS' REPORT

For the period from 1 November 2016 to 30 April 2017

The Directors submit their Report and the Unaudited Condensed Consolidated Financial Statements of the Channel Islands Property Fund Limited for the period from 1 November 2016 to 30 April 2017, which have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* ("IAS 34"). The condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 October 2016. These condensed financial statements have been prepared in accordance with any relevant enactment for the time being in force; and are in agreement with the accounting records, which have been properly kept in accordance with section 244 of The Companies (Guernsey) Law, 2008.

CORPORATE GOVERNANCE

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

ACTIVITY

The Group's principal activity is that of investment in commercial properties in the British Isles. No new property acquisitions have been made during the interim reporting period, however, two Isle of Man based properties have been acquired post period end, namely Vicarage House and First Names House.

DIVIDENDS

In relation to the period ended 30 April 2017 a dividend of £2,227,500 (£0.0165 per share) was declared on 16 June 2017, and was paid on 30 June 2017.

DIRECTORS

The Directors during the period and to the date of this report are as stated on page 2. During the period the Directors received remuneration in the form of fees as stated in note 18.

DIRECTORS INTERESTS

At the period end, the Directors held the following number of shares in the Company:

Mr P. Bell	2,000,000
Mr R. Wilson	4,000,000
Mrs S. Mason	Nil
Mr S. Le Page	Nil

Mr Wilson has an interest of 4,000,000 shares which are held indirectly. At no point during the period did any of the Directors hold an interest in any material contract or contract for provision of services to which the Company, or any subsidiary undertaking, is a party and in which any Director is or was materially interested.

DIRECTORS' REPORT (CONTINUED)

For the period from 1 November 2016 to 30 April 2017

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. Funding is not considered to be at risk, as the risk of the covenants being breached is considered to be low.

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

Approved by the Board of Directors on 28 July 2017.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 November 2016 to 30 April 2017

	Note	1 November 2016 to 30 April 2017 £	1 November 2015 to 30 April 2016 £
Income			
Rental income		6,495,470	4,723,984
Service charge recharged to tenants		529,184	401,027
Other income		600	110,238
Total operating income		<u>7,025,254</u>	<u>5,235,249</u>
Gains and losses on investments			
Unrealised (loss) / gain on revaluation of investment	7	<u>(114,335)</u>	<u>126,155</u>
Expenses			
Service charge costs		(529,184)	(401,027)
Property management expenses	9	(77,612)	(80,372)
Management expenses		(565,436)	(435,980)
Other operating expenses	13	<u>(585,393)</u>	<u>(267,955)</u>
Total operating expenses		<u>(1,757,625)</u>	<u>(1,185,334)</u>
Profit before finance costs and tax		<u>5,153,294</u>	<u>4,176,070</u>
Financing			
Interest income		201	4,153
Interest expense	5	(978,973)	(1,198,456)
Realised loss on swap termination		-	(161,650)
Total finance costs (net)		<u>(978,772)</u>	<u>(1,355,953)</u>
Profit before tax		<u>4,174,522</u>	<u>2,820,117</u>
Current tax	6	<u>(303,267)</u>	-
Profit for the year		<u>3,871,255</u>	<u>2,820,117</u>
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Effective portion of changes in fair value of interest rate swap	16	(128,568)	-
Movement in interest swap value recycled to profit or loss		-	107,222
Other comprehensive (expense) / income net of tax		<u>(128,568)</u>	<u>107,222</u>
Total comprehensive income net of tax		<u><u>3,742,687</u></u>	<u><u>2,927,339</u></u>
Basic and diluted earnings per share	10	<u><u>0.03</u></u>	<u><u>0.03</u></u>

The notes on pages 12 to 26 form an integral part of these unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2017

		30 April 2017	RESTATED 31 October 2016
	Note	£	£
Non-current assets			
Investment properties	7	181,922,091	181,809,938
Interest rate swap	16	72,290	200,858
		<u>181,994,381</u>	<u>182,010,796</u>
Current assets			
Trade and other receivables	11	154,130	473,076
VAT receivable		-	2,599,811
Receivable on rental incentives		3,207,909	3,320,062
Cash and cash equivalents	14	3,626,796	4,484,474
		<u>6,988,835</u>	<u>10,877,423</u>
Total assets		<u>188,983,216</u>	<u>192,888,219</u>
Equity			
Share capital	17	129,669,351	129,669,351
Hedging reserve	17	72,290	200,858
Retained earnings		(4,467,143)	(3,883,398)
Total equity		<u>125,274,498</u>	<u>125,986,811</u>
Non-current liabilities			
Loans and borrowings	15	60,700,844	60,674,048
Current liabilities			
Loans and borrowings	15	-	2,660,000
Other payables	12	3,007,874	3,567,360
		<u>3,007,874</u>	<u>6,227,360</u>
Total liabilities		<u>63,708,718</u>	<u>66,901,408</u>
Total equity and liabilities		<u>188,983,216</u>	<u>192,888,219</u>
Net asset value per Share		0.93	0.93

The unaudited condensed consolidated financial statements on pages 9 to 26 were approved by the Board of Directors on 28 July 2017.

The notes on pages 12 to 26 form an integral part of these unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 November 2016 to 30 April 2017

	01 November 2016 to 30 April 2017	01 November 2015 31 October 2015
Note	£	£
Cash flows from Operating Activities		
Profit before tax	4,174,522	2,820,117
Adjusted for:		
Interest income	(201)	(4,153)
Interest expense	978,973	1,198,456
Interest received	201	4,153
Unrealised loss / (gain) on investment properties	114,335	(126,155)
Decrease / (increase) in trade and other receivables	2,918,757	(178,494)
Increase / (decrease) in rental incentives	112,153	(241,120)
Decrease in other payables	(373,342)	(247,829)
Interest paid	(1,002,203)	(1,205,837)
Taxation paid	(366,181)	(68,208)
Net cash inflow from operating activities	<u>6,557,014</u>	<u>1,950,930</u>
Investing Activities		
Property acquisition	(226,488)	-
Net cash outflow from investing activities	<u>(226,488)</u>	<u>-</u>
Financing Activities		
Net loans received	26,796	53,159,328
Loan repayments	(2,660,000)	(53,464,408)
Dividends paid	(4,555,000)	(2,700,000)
Net cash outflow from financing activities	<u>(7,188,204)</u>	<u>(3,005,080)</u>
NET CASH OUTFLOW FOR THE PERIOD / YEAR	(857,678)	(1,054,150)
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD / YEAR	4,484,474	3,865,718
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD / YEAR	<u><u>3,626,796</u></u>	<u><u>2,811,568</u></u>

The notes on pages 12 to 26 form an integral part of these unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 November 2016 to 30 April 2017

	Note	Share Capital £	Hedging Reserve £	Retained Earnings £	Total £
Balance at 1 November 2015		87,333,351	(107,222)	2,953,734	90,179,863
Profit for the period		-	-	2,820,117	2,820,117
Total other comprehensive income		-	107,222	-	107,222
Total comprehensive income for the year		-	107,222	2,820,117	2,927,339
Dividend paid	23	-	-	(2,700,000)	(2,700,000)
Balance at 30 April 2016		87,333,351	-	3,073,851	90,407,202
Profit for the period		-	-	(1,782,249)	(1,782,249)
Amounts recycled to profit or loss		-	156,230	-	156,230
Total other comprehensive expense		-	(357,088)	-	(357,088)
Total comprehensive income for the year		-	(200,858)	(1,782,249)	(1,983,107)
Dividend paid	23	-	-	(5,175,000)	(5,175,000)
Amounts received on issue of shares		43,200,000	-	-	43,200,000
Issue costs		(864,000)	-	-	(864,000)
Balance at 31 October 2016		129,669,351	(200,858)	(3,883,398)	125,585,095
Prior period Amendment to Interest Rate Swap value	3	-	401,716	-	-
Profit for the period		-	-	3,871,255	3,871,255
Total other comprehensive expense		-	(128,568)	-	(128,568)
Total comprehensive income for the year		-	(128,568)	3,871,255	3,742,687
Dividend paid	23	-	-	(4,455,000)	(4,455,000)
Balance at 30 April 2017		129,669,351	72,290	(4,467,143)	124,872,782

The notes on pages 12 to 26 form an integral part of these unaudited condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 NOVEMBER 2016 TO 30 APRIL 2017

1. REPORTING ENTITY

Channel Islands Property Fund Limited (the “Company” and together with its subsidiaries the “Group”) was incorporated on 25 August 2010 and registered on 26 October 2010 as an authorised closed-ended investment company in Guernsey pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the authorised closed-ended investment scheme rules. The consolidated financial statements of the Group as at and for the period ended 30 April 2017 comprise the Company and its subsidiaries as listed in note 19. The Group’s principal activity is that of investment in commercial properties in the British Isles.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group’s financial statements.

Basis of preparation

The unaudited condensed consolidated financial statements (the “condensed financial statements”) for the six months to 30 April 2017 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”), and on a going concern basis. The condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 October 2016 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and comply with the Companies (Guernsey) Law, 2008. There are no new IFRSs adopted during the period.

Accounting policies

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Group’s accounting policies. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 October 2016.

Financial risk management

The Group’s activities expose it to a variety of financial risks. The main risks arising from the Group’s financial instruments are market price risk, liquidity risk, credit risk and interest rate risk, which have not changed since 31 October 2016. These condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements and, accordingly, should be read in conjunction with the Group’s annual financial statements for the year ended 31 October 2016.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD 1 NOVEMBER 2016 TO 30 APRIL 2017

3. PRIOR PERIOD ACCOUNTING RESTATEMENT

As at the year end, 31 October 2016, an accounting error was noted in relation to the Interest Rate Swap ("IRS") valuation.

The IRS is shown in the annual financial statements as a liability with a fair value of (£200,858). On restatement, the IRS has been correctly valued as an asset with a fair value of £200,858.

The effect of this restatement increases the Net Asset Value as at 31 October 2016 by £401,716 as detailed in the below table:

	31 October 2016 £
Unadjusted Net Asset Value	125,585,095
Correction to IRS fair value	401,716
Restated Net Asset Value	125,986,811

The Earnings Per Share calculation was not effected by this restatement as the IRS is valued through Other Comprehensive Income.

4. SEGMENTAL INFORMATION

The Board is of the opinion that the Group is organised into one main business segment, focusing on achieving long-term total returns through acquisition and holding of commercial property interests and for which information is provided based on IFRS accounting policies. The Group's secondary segment is the geographical segment, based on the one main location of the investments, in the British Isles.

5. INTEREST EXPENSE

	1 November 2016 to 30 April 2017 £	1 November 2015 to 30 April 2016 £
<i>Interest payable at amortised cost</i>		
HSBC	-	183,531
RBSI	812,827	1,014,925
Non-Utilisation Fee	166,146	-
	978,973	1,198,456

The payments to HSBC and RBSI are in relation to the interest charged on the Facility Agreements and Swap Agreements for the period (see note 14 and note 15).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD 1 NOVEMBER 2016 TO 30 APRIL 2017

6. 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.

Regency Court Property Limited, Gategny Holdings Limited and Commerce Holdings Limited are subject to Guernsey income tax on rental income arising after the deduction of allowable debt financing costs and allowable expenses. Seaton Place Property Limited, Seaton Investments Limited, St Helier Investments Limited, M & R Properties Limited and Liberty Wharf 4 Limited are subject to Jersey income tax on rental income arising after the deduction of allowable debt financing costs and allowable expenses. Fort Anne Holdings Limited is subject to Isle of Man income tax on rental income arising after the deduction of allowable debt financing costs and other allowable expenses.

For the current period £592,404 is payable in relation to rental income received (2016: Nil). An amount of £303,267 has been charged to the Statement of Comprehensive Income for the period to 30 April 2017. The actual amount of income tax payable for the year will be assessed at 31 October 2017. As at 30 April 2017, tax payable amounted to £632,588 of which £329,321 relates to outstanding tax due as at 31 October 2016.

With effect from September 2016, dividends paid by the Fund carry an associated tax credit equivalent to the actual rate of tax suffered by the Fund, including the subsidiaries in respect of their Guernsey and Jersey rental income. Shareholders should therefore note that the effective rate of tax may be less than 20% and they should report the net dividends received accordingly. Interim dividends paid by the Fund will carry estimated tax credits and the actual effective rate will be adjusted on the final dividend annually.

There were no amounts recognised as deferred taxation in the financial statements at 30 April 2017 (31 October 2016: £Nil).

7. INVESTMENT PROPERTIES

Level 3 Reconciliation	30 April 2017 £	31 October 2016 £
Fair value at beginning of period / year	181,809,938	138,861,108
Additions at cost	226,488	47,530,628
Unrealised loss on revaluation	(114,335)	(4,581,798)
Fair value at end of period / year	181,922,091	181,809,938

7. INVESTMENT PROPERTIES (continued)

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

	30 April 2017	31 October 2016
	£	£
Appraised Value	185,130,000	185,130,000
Lease incentives held as receivables	(3,207,909)	(3,320,062)
Carrying value at the end of the period / year	<u>181,922,091</u>	<u>181,809,938</u>

The investment portfolio, in line with the investment strategy detailed on page 3, consists of commercial property in the British Isles.

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 are 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.

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

All investment properties are valued as at 31 October 2016 by Savills Limited, 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. There have been no further valuations of the properties as at 30 April 2017.

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 period (31 October 2016: nil).

An increase in passing rent or Estimated Rental Value ("ERV") would increase valuations of the investment properties. A decrease in the rental yield, initial yield or equivalent yield would increase the valuation. An Initial yield of between 6.59% and 7.94% (31 October 2016: 6.59% and 7.94%) has been used in determining the ERV.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD 1 NOVEMBER 2016 TO 30 APRIL 2017

7. INVESTMENT PROPERTIES (continued)

The entire share capital of the companies listed in Note 19 are the subject of a guarantee and indemnity between these parties in favour of RBSI. The properties at Regency Court, Guernsey, 11-15 Seaton Place, Jersey, 17-21 Seaton Place, Jersey, 17a-18 Esplanade, Jersey, 40 Esplanade, Jersey, Gategny Court, Guernsey, Carey House, Guernsey, Liberation House and Windward House, Jersey and Fort Anne, Isle of Man are also subject to individual bonds in favour of RBSI. Further details of the loan are provided in note 14.

8. OPERATING LEASES

Future minimum lease rentals are as follows:

	30 April 2017	31 October 2016
	£	£
Within 1 Year	12,914,978	12,913,812
1 to 5 Years	47,722,549	48,589,384
After 5 Years	61,320,520	66,867,513
Total	<u>121,958,047</u>	<u>128,370,709</u>

Agreements

There have been no material changes to the terms of any agreements during the period to 30 April 2017. For further details of the agreements in place, please refer to the audited annual financial statements as at 31 October 2016.

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

During the period, one tenant contributed greater than 10% of the rental income of the Group. The single largest was 10.4% (31 October 2016: 13.5%). This tenant currently has a tenancy within Regency Court.

9. PROPERTY OPERATING EXPENSES

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

Income generating expenses	1 November 2016 to 30 April 2017	1 November 2015 to 30 April 2016
	£	£
Agents fees	<u>77,612</u>	<u>80,372</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD 1 NOVEMBER 2016 TO 30 APRIL 2017

9. PROPERTY OPERATING EXPENSES (continued)

Service charge costs

Regency Court Property Limited and Gategny Holdings Limited invoice tenants for service charges quarterly in advance based upon a budgeted amount for each year. These monies are held in a client account with the Property Manager and are used to settle electricity, water, rates, maintenance, etc. During the period to 30 April 2017 an amount of £529,184 (2015: £401,027) had been incurred in relation to these services.

If one of the tenants was to vacate the property at the end of its lease term an amount of these expenses would become the responsibility of Regency Court Property Limited or Gategny Holdings Limited in a proportion to the rental income received. This occurred during the year ended 31 October 2015 in Gategny Holdings Limited on the vacation by one of the tenants resulting in an amount of £2,938 being expensed to the subsidiary. No such event took place during the period.

10. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share for the Group is based on the net profit for the period of £3,871,255 (period to 30 April 2016: £2,820,117) and the weighted average number of Ordinary Shares in issue during the period of 135,000,000 (period to 30 April 2016: 90,000,000).

11. TRADE AND OTHER RECEIVABLES

	30 April 2017	31 October 2016
	£	£
Sundry debtors	21,435	21,434
Rent due	-	52,536
Amounts due from Vendor of Liberty Wharf	63,092	355,168
Tax receivable	-	600
Prepayments	69,603	43,338
	154,130	473,076

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD 1 NOVEMBER 2016 TO 30 APRIL 2017

12. OTHER PAYABLES

	30 April 2017	31 October 2016
	£	£
Administration fees	11,000	11,000
Rent received in advance	1,949,694	1,994,686
Audit fees	28,500	57,000
Investment manager fees	276,153	459,606
Directors' fees	18,681	27,620
Other creditors	49,944	111,821
Loan interest payable – RBSI	40,639	63,869
Acquisition expenses payable RE: Liberty Wharf	-	45,581
Taxation payable	632,588	695,502
Dividend payable	675	100,675
	3,007,874	3,567,360

13. OTHER OPERATING EXPENSES

Other operating expenses are made up as follows:

	1 November 2016 to 30 April 2017	1 November 2015 to 30 April 2016
	£	£
Administration fees	94,131	74,443
Insurance	4,407	4,030
Audit fees	30,234	21,826
Legal and professional fees	314,448	73,371
Regulatory fees	11,045	25,542
Directors fees and expenses	89,822	53,380
Marketing expenses	10,000	3,297
Sundry expenses	31,306	12,066
	585,393	267,955

14. CASH AND CASH EQUIVALENTS

Included in the cash of £3,626,796 (31 October 2016: £4,484,474) is £921,069 (31 October 2016: £2,298,186) of cash held under the security terms of the loan facility with RBSI (31 October 2016: RBSI). These funds can only be drawn down by the counterparties in the event of a liquidity shortfall within the Group for the sole purpose of paying the principal loan interest. Further details of the loan facilities are disclosed in Note 14.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD 1 NOVEMBER 2016 TO 30 APRIL 2017

15. LOANS AND BORROWINGS

<u>Due after 1 year:</u>	30 April 2017	31 October 2016
	£	£
HSBC :		
Net loan liability at beginning of year	-	5,151,717
Transferred to less than 1 year	-	-
Amortisation of set up costs	-	25,051
Loan principal repayment	-	(5,176,768)
HSBC - Net loan liability due after 1 year	-	-
 <u>Due after 1 year:</u>		
RBSI :		
Net loan liability at beginning of year	60,674,048	20,500,048
Loan principal drawdown	-	67,180,000
Loan principal repayment	-	(26,560,000)
Set up costs	(90,000)	(1,010,173)
Amortisation of set up costs	116,796	564,173
RBSI - Net loan liability due after 1 year	60,700,844	60,674,048
Total net loan liability due after 1 year	60,700,844	60,674,048
 <u>Due within 1 year:</u>		
HSBC :		
Net loan liability at beginning of year	-	27,812,643
Amortisation of set up costs	-	10,589
Loan principal repayment	-	(27,823,232)
HSBC - Net loan liability due within 1 year	-	-
 RBSI :		
Net loan liability at beginning of year	2,660,000	-
Loan principal drawdown	-	2,660,000
Loan principal repayment	(2,660,000)	-
RBSI - Net loan liability due within 1 year	-	2,660,000
Total net loan liability due within 1 year	-	2,660,000

The Company entered into a new loan facility arrangement with RBSI for £53,880,000 which, on 26 August 2016, was increased to a maximum drawdown of £90,000,000, with a charge held over each of the properties in the Group, in favour of RBSI. The new facility is due to terminate on 31 March 2021. As at the year end, an amount of £61,500,000 (31 October 2016: £64,160,000) was drawdown.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD 1 NOVEMBER 2016 TO 30 APRIL 2017

15. LOANS AND BORROWINGS (continued)

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

The loan facilities were drawn to assist with financing the purchase of the properties. In accordance with the loan facility agreement the Group has various non-financial and financial covenants that are required to be met. These are reviewed and confirmed to RBSI on a quarterly basis. The covenants include a maximum Group loan to value ratio of 50%. The actual loan to value ratio as at 30 April 2017 was 33% (31 October 2016: 34%).

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

As at the period end the rate of interest charged on the outstanding loans was 2.15% (31 October 2016: 2.15%).

16. INTEREST RATE SWAP

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

Derivatives primarily held for risk management purposes

Interest rate swaps	(Liability) / Asset	Notional amount
HSBC:	£	£
Net swap liability at beginning of period	(105,423)	33,000,000
Swap contracts repaid	-	(33,000,000)
Unrealised gain on revaluation	105,423	-
As at 31 October 2016	-	-

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD 1 NOVEMBER 2016 TO 30 APRIL 2017

16. INTEREST RATE SWAP (continued)

	(Liability) / Asset	Notional amount
RBSI:		
Net swap liability at beginning of period	(1,799)	4,680,000
Swap contracts repaid	-	(4,680,000)
Unrealised gain on revaluation	1,799	-
As at 31 October 2016	-	-
Net swap liability at beginning of period	(200,858)	40,000,000
Correction to Interest Rate Swap	401,716	-
Unrealised loss on revaluation	(128,568)	-
As at 30 April 2017	72,290	40,000,000
Total swap position at 30 April 2017	72,290	40,000,000

Interest on the swaps was receivable at a variable rate calculated on the same LIBOR basis as for the bank loan (as detailed in note 14) and payable quarterly. The fair value of the liability in respect of the interest rate swap contracts was based on the marked to market values. Interest rate swaps are classified as Level 2 under the hierarchy of fair value measurements for financial instruments required by IFRS 13.

17. SHARE CAPITAL AND RESERVES

Authorised

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

Issued and Fully Paid

	No. of shares	£
Ordinary Shares		
Balance at 1 November 2015	90,000,000	87,333,351
Issued during the year	45,000,000	43,200,000
Issue costs	-	(864,000)
Balance at 31 October 2016	135,000,000	129,669,351
Balance at 30 April 2017	135,000,000	129,669,351

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD 1 NOVEMBER 2016 TO 30 APRIL 2017

17. SHARE CAPITAL AND RESERVES

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

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

Hedging Reserve

	1 November 2016 to 30 April 2017 £	1 November 2015 to 30 April 2016 £
Balance at start of period	(200,858)	(107,222)
Recycle to profit or loss	-	107,222
Correction to Interest Rate Swap	401,716	
Revaluation during the period	(128,568)	(200,858)
Balance at end of period	<u>72,290</u>	<u>(200,858)</u>

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

18. MATERIAL AGREEMENTS

Fees Payable to the Property Asset Manager

The Property Asset Manager is entitled to receive fees in relation to the properties of the Group. There have been no changes to the basis for the fees, which are payable in advance, and no fees remain payable as at 30 April 2017 (31 October 2016: £nil).

Fees Payable to the Administrator

Total fees charged by the Administrator during the period were £94,131 (period ended 30 April 2016: £74,443), of which £11,000 remained unpaid at 30 April 2017 (31 October 2016: £11,000).

19. 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 arm's length transaction.

Fees payable to the Investment Manager

Management fee

Pursuant to the Investment Management Agreement, the Company pays the Investment Manager an annual fee equal to 0.6 per cent. per annum of the Gross Asset Value of the Company (which shall include assets that were purchased with leverage) calculated by reference to the Gross Asset Value as at the end of each quarter and payable quarterly in arrears.

Fees charged by the Investment Manager during the period were £565,436 (period ended 30 April 2016: £435,980), of which £276,153 remains unpaid at 30 April 2017 (31 October 2016: £459,606).

Acquisition fee

Pursuant to the Investment Management Agreement the Company pays the Investment Manager an acquisition fee which will not exceed 1.5 per cent of the purchase price of each Investment upon completion of such purchase. No acquisition fees were payable for the period ended 30 April 2017 (30 April 2016: Nil).

Directors

Shelagh Mason is entitled to a fee of £45,000 per annum and is also entitled to additional fees on a time spent basis of which £26,138 of additional fees were charged for the period ended 30 April 2017.

Paul Bell and Richard Wilson are each entitled to a fee of £28,000 per annum.

Until his resignation, Brian O'Mahoney was entitled to a fee of £33,000 per annum. On his appointment, Steve Le Page was entitled to a fee of £33,000.

Directors' fees are subject to annual review by the Board of Directors.

Directors (continued)

Mr. Paul Bell is a Shareholder of the Investment Manager, Ravenscroft Limited and holds 125,000 shares.

Mr. Jon Ravenscroft, the Group Chief Executive Officer of the Investment Manager, held 500,000 shares in the Company indirectly as at 30 April 2017.

Mr Brian O'Mahoney, the Group Finance Director of the Investment Manager, held 100,000 shares in the Company as at 30 April 2017.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD 1 NOVEMBER 2016 TO 30 APRIL 2017

20. INVESTMENT IN SUBSIDIARIES

Subsidiary	Date of incorporation / acquisition	Domicile	Ownership
Regency 1 Limited	21 September 2010	Guernsey	100%
Regency Court Property Limited	30 November 2010	Guernsey	100%
Seaton 1 Limited	01 December 2010	Guernsey	100%
Seaton Place Property Limited	01 December 2010	Jersey	100%
Seaton 2 Limited	09 November 2011	Guernsey	100%
Seaton Investments Limited	09 December 2011	Jersey	100%
Esplanade 1 Limited	01 May 2013	Guernsey	100%
St Helier Investments Limited	19 July 2013	Jersey	100%
Esplanade 2 Limited	27 May 2014	Guernsey	100%
M & R Properties Limited	08 August 2014	Jersey	100%
Glategny 1 Limited	16 July 2014	Guernsey	100%
Glategny Holdings Limited	08 August 2014	Guernsey	100%
Carey House Holdings Limited	19 March 2015	Guernsey	100%
Commerce Holdings Limited	12 May 2015	Guernsey	100%
Liberty Wharf Holdings Limited	07 January 2016	Guernsey	100%
Liberty Wharf 4 Limited	16 September 2016	Jersey	100%
Fort Anne Holdings Limited	01 July 2016	Guernsey	100%
Vicarage House Holdings Limited	01 July 2016	Guernsey	100%
Vicarage House Limited	15 December 2015	Isle of Man	100%

All companies were setup to acquire properties.

Regency 1 Limited owns 100% of the issued share capital of Regency Court Property Limited. Seaton 1 Limited owns 100% of the issued share capital of Seaton Place Property Limited. Seaton 2 Limited owns 100% of the issued share capital of Seaton Investments Limited. Esplanade 1 Limited owns 100% of the issued share capital of St Helier Investments Limited.

21. INVESTMENT IN SUBSIDIARIES (continued)

Esplanade 2 Limited owns 100% of the issued share capital of M & R Properties Limited. Glategny 1 Limited owns 100% of the issued share capital of Glategny Holdings Limited. Carey House Holdings Limited owns 100% of the issued share capital of Commerce Holdings Limited. Liberty Wharf Holdings Limited has been incorporated to acquire the share capital of Liberty Wharf 4 Limited.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE PERIOD 1 NOVEMBER 2016 TO 30 APRIL 2017

22. NET ASSET VALUE PER SHARE

	30 April 2017 £	31 October 2016 £
Net asset value attributable to Ordinary Shares per consolidated financial statements	125,274,498	125,585,095
Adjustments:		
Adjustments to accruals	(42,785)	(24,972)
Adjustment to tax accruals	-	353,546
Adjustment to Liberty Wharf Property Valuation	-	1,000,000
Net asset value per unaudited valuation report	125,231,713	126,913,669
Shares in issue	135,000,000	135,000,000
Unaudited Reported Net Assets per share	0.93	0.94
Audited Net Assets per share	0.93	0.93

23. DIVIDENDS

During the period, dividends totalling £0.033 per share have been paid to ordinary shareholders (period to 30 April 2016: £0.030), with a further dividend of £0.0165 per share due to be paid post period end on 30 June 2017 (30 June 2016: £0.015).

24. 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.

25. EVENTS AFTER REPORTING DATE

An interim dividend of £2,227,500 (£0.0165 per share) was declared for the period ended 30 April 2017, was approved by the Directors on 16 June 2017, and was paid on 30 June 2017.

After the period end, the company completed the acquisitions of Vicarage House, Isle of Man for £10,631,356 and First Names House, Isle of Man for £7,860,565 of which an amount of £1,310,000 paid as VAT will be reclaimed. Both purchases have been financed by a drawdown on the current RBSI loan facility.

As at 8 June 2017, the properties of the Company have been revalued, and collectively have an appraised value of £202,410,000. This increase in value is primarily attributable to the two new acquisitions with a combined value of £17,180,000.

25. EVENTS AFTER REPORTING DATE (continued)

On 19 July 2017, the Company agreed heads of terms and an exclusivity period with the liquidators of Jubilee Scheme 2 LP (In Dissolution) in relation to the acquisition of Royal Chambers and the Rotunda, St Julian's Avenue, St Peter Port, Guernsey.

APPENDIX 3
LISTING DOCUMENT

IXC
Item 2

This document (the "Listing Document") includes particulars given in compliance with the Listing Rules (the "CISX Listing Rules") of the Channel Islands Stock Exchange, LBG (the "CISX") for the purpose of giving information with regard to Channel Islands Property Fund Limited (the "Company"). The directors of the Company (the "Directors"), whose names and addresses appear on page 3 of this Listing Document, accept full responsibility for the information contained in this Listing Document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

IX B Item 2(b)

IXC
Item 10
IXC
Item 13(g)
IXC
Item 18
IXC
Item 13(a)

Application has been made to the CISX for up to 50,000,000 Ordinary Shares of no par value each (the "Shares"), in issue, to be admitted to the Official List of the CISX. It is expected that admission of the Shares to the Official List of the CISX will become effective, and that dealings shall commence, on or about 16 November 2010.

IX B Item 10

IX B Item 18

CHANNEL ISLANDS PROPERTY FUND LIMITED

(an authorised closed-ended investment company incorporated with limited liability under The Companies (Guernsey) Law, 2008 with registered number 52324)

PLACING OF UP TO 50,000,000 ORDINARY SHARES (at 100 pence per Ordinary Share)

AND LISTING ON THE OFFICIAL LIST OF THE CHANNEL ISLANDS STOCK EXCHANGE LBG

IX B Item 1
IX B Item 13(g)
IX B Item 13(a)IXC
Item 22
IXC
Item 23(a)

Authorised Number	Share capital of the Company immediately following Admission	
	Issued and fully paid up to	
	Number	Amount
Unlimited	Ordinary Shares of no par value	50,000,000 £50,000,000

IX B Item 22

IX B Item 23(a)

The Company is a closed-ended investment scheme authorised as an Authorised Closed-Ended Investment Scheme by the Guernsey Financial Services Commission under section 8 of The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Authorised Closed-Ended Investment Scheme Rules 2008. Neither the States of Guernsey Policy Council nor the Guernsey Financial Services Commission take any responsibility for the financial soundness of the Company or for the correctness of any statements made or opinions expressed with regard to it.

The Placing Shares will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission and will otherwise rank *pari passu* in all respects with the other existing Ordinary Shares in issue on Admission.

Neither the admission of Ordinary Shares to the Official List nor the approval of the Listing Document pursuant to the listing requirements of the CISX shall constitute a warranty or representation by the CISX as to the competence of the service providers to or any other party connected with the Ordinary Shares, the adequacy and accuracy of the Information contained in the Listing Document or the suitability of the issuer for investment or any other purpose.

IX B Item 2(a)

Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays, Bank and Public Holidays in Guernsey) free of charge to the public at the offices of Legis Fund Services Limited at 1 Le Marchant Street, St. Peter Port, Guernsey, GY1 4HP for one month from the date of Admission.

The Placing is not being made, directly or indirectly, in or into, or by the use of the mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national state or other securities exchange of, a Restricted Jurisdiction and the Offer is not capable of acceptance by any such use, means, instrumentality or facilities, or from within a Restricted Jurisdiction subject to certain exceptions. Accordingly, copies of this document and any other related document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed, transmitted or sent in or into or from a Restricted Jurisdiction and persons receiving this document and any other related document (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions as doing so may invalidate any purported acceptance of the Placing. The availability of the Placing to persons who are not resident in the Channel Islands or the United Kingdom may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves about and observe any applicable legal or regulatory requirements of their jurisdiction.

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DIRECTORS, MANAGER AND ADVISERSIX C
Item 36**Directors**Peter Tom CBE (Non-executive Chairman)
Paul Bell (Non-executive Director)
Shelagh Mason (Non-executive Director)

IX B Item 36

IX C
Item 38**Registered Office, Principal Place
of Business of the Company and
Business Address of the Directors**1 Le Marchant Street
St. Peter Port
Guernsey
GY1 4HP

IX B Item 38

**Guernsey and Jersey Legal
Advisers**Mourant Ozannes Advocates and Notaries Public
P.O. Box 186
1 Le Marchant Street
St. Peter Port
Guernsey
GY1 4HP

IX B Item 3

UK Legal AdvisersEMW Picton Howell LLP
Seebeck House
1 Seebeck Place
Knowlhill
Milton Keynes
MK5 8FR**Auditor and Reporting Accountants**KPMG Channel Islands Limited
20 New Street
St. Peter Port
Guernsey
GY1 4AN

IX B Item 4

Administrator/RegistrarLegis Fund Services Limited
P.O. Box 186
1 Le Marchant Street
St. Peter Port
Guernsey
GY1 4HP

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BankersHSBC Bank plc
P.O. Box 31
13 High Street
St. Peter Port
Guernsey
GY1 3AT**Listing Sponsor**Legis Fund Services Limited
P.O. Box 186
1 Le Marchant Street
St. Peter Port
Guernsey
GY1 4HP**Manager**Cenkos Channel Islands Limited
P.O. Box 222
16 New Street
St. Peter Port
Guernsey
GY1 4JG

Investment Consultant

Riverside Capital Group Limited
Liberty House
222 Regent Street
London
W1B 5TR

PLACING STATISTICSIX C
Item 13(a)

Placing Price per Ordinary Share	100 pence
Number of new Ordinary Shares being placed	50,000,000
Number of Ordinary Shares in issue immediately following the Placing	50,000,000
Market capitalisation of the Company at the Placing Price	£50,000,000
Estimated net proceeds of the Placing receivable by the Company	£47,750,000

IX B Item 13(a)

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document and posting of the offer	26 October 2010
Closing date of the offer	23 November 2010
Offer period	26 October 2010 to 23 November 2010

IX C
Item 18

Admission and commencement of dealings in Ordinary Shares	16 November 2010 ¹
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IX B Item 18

IX C
Item 13(d)

Issue and despatch of contract notes	by 23 November 2010 ¹
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IX B Item 13(d)

Each of the times and dates in the above timetable is subject to change. All times are Guernsey times.

¹ Subject to the offer becoming or being declared unconditional in all respects (except the Admission condition).

KEY INFORMATION

The following information should be read in conjunction with the full text of this document from which it is derived and of which it forms part. Potential investors should read the whole document and not just rely on the key information set out below. Your attention is drawn, in particular, to the risk factors in Part IV of this document.

1. The Company

Channel Islands Property Fund Limited is a new Guernsey authorised closed-ended investment company incorporated under The Companies (Guernsey) Law, 2008 on 25 August 2010 with registration number 52324. The Company was registered as an authorised closed-ended investment company under the POI Law on 26 October 2010. On 24 August 2016, the Directors will consider the performance of the Company and the prevailing market conditions and will make recommendations to the Shareholders as to whether, in their opinion, the Company should continue or be wound up. Cenkos Channel Islands Limited will act as the Company's Manager on the terms set out in this document and the Investment Management Agreement. The Manager is the promoter of the Company.

Riverside Capital Group Limited, a recently incorporated UK company, owned by, inter alia, Andrew Taylor, Dominic Wright (whose details appear on page 26) and the Manager, has been formed to provide dedicated investment expertise to the Manager and to assist the Manager in exercising its responsibilities, under the Investment Management Agreement, to the Company.

2. Investment Objective and 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 Channel Islands. Target properties are intended to be fully or partially let and provide a core income which may offer opportunities to add value through active asset management across all sectors of the property market.

Subject thereto (and to the restrictions described in paragraph 4 below) there are no geographical or other limitations or restrictions to which investment by the Company is subject.

No material change to the above investment objectives and policies may be made within a period of 3 years from Admission without Shareholder approval. The Company may invest in derivatives and investments and funds and companies owning property and financial indices which are property related including, but not limited to, property development.

Pending investment, the Placing Proceeds will be held in cash or near cash investments, with any interest earned for the benefit of the Company.

3. The Initial Property

The Company has agreed to acquire (via the acquisition of the entire issued share capital of the Property Company and the repayment of existing debt) the Initial Property, for an aggregate consideration of approximately £37,400,000. The Initial Property generates a current annual rent of £2,376,836.

The Initial Property will be acquired by the Company, through its wholly owned subsidiary Regency, conditional, inter-alia, on Admission. The consideration will be satisfied as follows:

- (1) each Equity Investor Share and each Equity Loan Note will be purchased, by the Company, through its wholly owned subsidiary Regency, in respect of each Equity Unit in consideration for:

- (i) 20,000 Ordinary Shares (being such number of Ordinary Shares as equates, at the Placing Price, to the sum of £20,000 being a sum equal to 80 per cent. of the original issue price of such Equity Unit and comprising consideration of 1p per Equity Investor Share and £19,950 for the Equity Loan Notes comprised in such Equity Unit); or
 - (ii) the sum of £17,500 paid in cash (being a sum equal to 70 per cent. of the original issue price of such Equity Unit and comprising consideration of 1p per Equity Share and £17,450 for the Equity Loan Notes comprised in such Equity Unit);
- (2) each Mezzanine Loan Note be purchased in cash, by Regency, for its full principal amount together with the total amount outstanding in respect of accrued but unpaid interest on each such Mezzanine Loan Note; and
 - (3) each Mezzanine Investor Share be purchased in cash, by Regency, for its original issue price, being the sum of 1p per Mezzanine Investor Share.

The initial yield on the Initial Property after costs of acquisition is approximately 6.35 per cent.

4. Investment Restrictions

It is the Company's intention to use the Net Proceeds to assist in the acquisition of the Initial Property and in the building of a diversified portfolio of property investments with a view to spreading risk.

The Company will seek to invest (or commit to invest) in accordance with guidelines determined by the Board and notified to the Manager from time to time.

Current guidelines require that:

- (save for the first 24 months from the date hereof), a maximum of twenty five (25) per cent. of the capital raised (calculated at the time of investment) may be allocated to any one particular investment, however where it is necessary to secure an investment up to fifty (50) per cent. of the capital raised may be allocated, provided that the necessary measures are taken within the following twelve (12) months to bring the investment within the twenty-five (25) per cent. guidelines; and
- (other than in respect of the first 24 months from the date hereof) leverage is expected to range between forty (40) per cent. and sixty five (65) per cent. of the total acquisition costs of an investment. The Board must satisfy itself that there are adequate cash flows to meet all foreseeable obligations and covenants relating to the loan for any relevant property or investment.

5. Investment Process

Decisions as to the purchase and sale of investments rest with the Board, which will be advised by the Manager.

The Investment Consultant will have full access to the resources of the Manager in assisting the Manager with regard to its responsibilities to the Company and in implementing investment decisions of the Board.

The Manager and the Investment Consultant will actively search for investments which meet the criteria determined by the Board, from time to time. Once a potential investment opportunity is identified the Manager will prepare a report for consideration by the Board.

Investment advice and recommendations for acquisition and disposal will be provided by the Manager to the Board for approval.

6. Investment Management Arrangements

The Company has entered into the Investment Management Agreement with the Manager. Under the Investment Management Agreement, the Manager will be responsible for sourcing, evaluating, negotiating, completing, monitoring and managing investments on behalf of the Company and for advising the Board as to the Company's acquisition and disposal policy and for implementing acquisitions and disposals determined by the Board.

The Investment Consultant will assist the Manager in performing some of its services under the Investment Management Agreement including, but not limited to, selecting potential investments, management of the portfolio and advising on the sale or refinancing of investments including refinancing strategy, (subject to the overall investment parameters and strategy of the Company as set out in this document) and for negotiating, implementing and concluding these transactions under the supervision of the Manager and ultimately the Board. The Investment Consultant will also perform such consultancy and advisory services for the Manager as the Manager may from time to time reasonably require.

The Investment Consultant has agreed to assist the Manager by providing dedicated advice and recommendations and investment advisory services to the Manager. The Manager will endeavour to manage the property with a view to maximising investment income and revenue.

The Investment Consultant is owned, inter-alia, by Andrew Taylor, Dominic Wright and the Manager.

7. Fees

Pursuant to the Investment Management Agreement, the Company will pay the Manager an annual fee equal to 0.6 per cent. per annum of the Gross Asset Value of the Company (which shall include assets that were purchased with leverage) calculated by reference to the Gross Asset Value as at the end of each quarter and payable quarterly in arrears. To the extent that there is a capital raising during a quarter, an adjustment shall be made to Gross Asset Value on a time apportioned basis. Where the completion date of the acquisition of an investment is made part way through a quarter, the portion of the fee paid relating to that investment shall be apportioned pro rata in accordance with the period from the completion date to the end of that quarter.

In addition, the Manager will be entitled to a performance fee equal to twenty (20) per cent. of any returns received by Shareholders in excess of an IRR of ten (10) per cent. per annum. The performance fee will be levied on all amounts paid to Shareholders in excess of the original amounts invested, plus the equivalent of an IRR of ten (10) per cent. per annum.

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

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

Where a joint venture partner or third party property manager has been appointed to manage an investment, the Company will negotiate the terms on which such appointment or joint venture will operate in good faith for the benefit of the Company and fees arising out of such appointment or joint venture will be payable by the property holding vehicle of that joint venture.

The expenses of the Placing are estimated to amount to not more than four and a half (4.5) per cent. of the Placing Proceeds (including a placing fee of three (3) per cent. of the Placing Proceeds payable to the Manager).

The formation and initial expenses of the Company are those which are necessary for the incorporation of the Company, Admission, the Placing and the Offer. These expenses will be met by the Company and paid on or around Admission out of the Placing Proceeds.

The placing fee will be written off in the first year of incorporation. All the remaining costs and expenses associated with the Placing, including expenses of the issue and application for listing, costs in connection with the preparation of this document and the Offer Document and any registration fees, document duty and professional fees and expenses will be borne by the Company and amortised over the Company's first five accounting periods. It is not expected that the establishment costs (excluding the placing fee), including all legal, regulatory, structuring and start-up fees of the Company will exceed £250,000.

The Company will also incur ongoing operational expenses. These expenses include audit costs, taxes and duties imposed by any fiscal authority and any other government fees, costs of valuing and pricing assets, expenses of publishing any reports or notices, bank charges and any other expenses relating to the making of any capital or income distributions, insurance premiums, legal and professional expenses which the Company incurs, whether in litigation on behalf of the Company or in connection with the ongoing administration of the Company or otherwise and any other costs of a similar nature.

Any fees or commissions of any description (including but not limited to legal, accountancy and due diligence expenses) incurred in connection with proposed investments by the Company which do not proceed to completion shall be paid by the Company.

Pursuant to the Administration Agreement dated 26 October 2010, the Company will pay the Administrator an administration fee of thirty six thousand pounds (£36,000) in year 1. In subsequent years, the fees will be between thirty six thousand pounds (£36,000) and sixty thousand pounds (£60,000) per annum depending on the number of investments. There is an additional fixed fee, payable quarterly in arrears, of £8,000 for each investment purchased per annum once the Company acquires more than three investments.

Pursuant to the sponsorship agreement dated 26 October 2010, the Company will pay the Sponsor from the date of Admission, an annual fee of two thousand pounds (£2,000).

Each non-executive Director will be remunerated by the Company for acting as such (including directorships of any subsidiaries of the Company) up to a maximum of twenty thousand pounds (£20,000) per annum in respect of the Chairman and fifteen thousand pounds (£15,000) per annum each in respect of the Directors subject to annual review by the Board.

The Manager is responsible for payment of commission to authorised intermediaries. The Manager may receive commission payments on insurances placed on individual property assets. The Manager is responsible for payment of fees to the Investment Consultant pursuant to the Investment Service Agreement. On completion of the Offer and subject to receipt by the Manager of the acquisition fee pursuant to the Investment Management Agreement the Manager will pay a maximum of £200,000 to the Investment Consultant.

8. The Placing

Ordinary Shares are being conditionally placed at the Placing Price with Shareholders, subject, *inter alia*, to the Placing Agreement becoming unconditional.

The Placing is intended to raise up to fifty (50) million pounds before expenses. The cash expenses of the Placing are estimated to amount to not more than four and a half (4.5) per cent. of Placing Proceeds which includes a placing fee of three (3) per cent. of the Placing Proceeds payable to the Manager. The Placing is not being underwritten. The minimum subscription pursuant to the Placing on which the

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Company may proceed to allotment is approximately £16,500,000. The Manager will receive its placing commission in cash and not shares.

There is no fixed period within which the Company is required to make an investment or return funds to Shareholders.

Subject to completion of the Offer it is intended that Regency will enter into the Facility with HSBC Bank plc. Regency will then enter into an intra group loan agreement with the Property Company which will in turn enter into an intra group loan agreement with the Property Subsidiary in the amount of the Facility. In addition, the Company will enter into an intra group loan agreement with the Property Company which will in turn enter into an intra group loan agreement with the Property Subsidiary in the amount of approximately £12,000,000 from the Placing. The aggregate amount of approximately £33,000,000 will then be used by the Property Subsidiary to repay its existing indebtedness.

9. Dividend Policy

The Directors intend to adopt an appropriate dividend policy for the Company commensurate with and appropriate to the make-up of its investment portfolio and investment policy from time to time.

Cash generated during the initial investment period pending investment of all or substantially all of the Net Proceeds is intended to be retained by the Company to exploit potential investment opportunities.

10. Purchase of Ordinary Shares by the Company

Conditional upon Admission and subject to the Law, the Company has been granted authority to make market purchases of up to 14.99 per cent. of its own Issued Ordinary Shares following the conclusion of the Placing.

In order to address any imbalance in the supply of and demand for Ordinary Shares and to assist in minimising the volatility of the discount or premium to NAV per Ordinary Share at which the Ordinary Shares may be trading from time to time the Company may purchase Ordinary Shares or reissue Ordinary Shares when deemed appropriate. Shareholders should have no expectations that the Board will exercise any such discretion on any one or more occasions in respect of the Ordinary Shares.

11. Borrowings

Regency will enter into the Facility. The Facility will have a maximum term of five (5) years and interest will be charged at a maximum rate of 4.40 per cent. It is intended that the Facility will be secured by a bond over the Initial Property and a security agreement over the shares in the Property Subsidiary and any intra group indebtedness. The obligations of Regency in respect of the Facility will be guaranteed by each of the Property Company and the Property Subsidiary and the obligations under that guarantee will be secured by security agreements from each of them over the rent account, the insurances held by the Property Subsidiary, the property management agreements, the leases and rental income and the construction contracts in respect of the Property under which any rights remain extant.

Current guidelines require that:

- (save for the first 24 months from the date of Admission), a maximum of twenty five (25) per cent. of the capital raised (calculated at the time of investment) may be allocated to any one particular investment, however where it is necessary to secure an investment up to fifty (50) per cent. of the capital raised may be allocated, provided that the necessary measures are taken within the following twelve (12) months to bring the investment within the twenty-five (25) per cent guidelines; and
- (other than in respect of the first 24 months from the date of Admission) leverage is expected to range between forty (40) per cent. and sixty five (65)

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per cent. of the total acquisition costs of an investment. The Board must satisfy itself that there are adequate cash flows to meet all foreseeable obligations and covenants relating to the loan for any relevant property or investment

The Company may also be indirectly exposed to the effects of gearing to the extent that any investee company has borrowings.

12. Report and Accounts and Accounting Policies

The Company has only recently been incorporated and consequently it has not yet published any financial information.

The Company's annual report and accounts will be prepared up to 31 October each year starting with the financial period ending on 31 October 2011 and it is expected that copies will be sent to Shareholders within such time as to comply with applicable laws and regulations, including the rules of any applicable stock exchange. The Company's financial statements will be prepared in accordance with International Financial Reporting Standards.

The NAV will be calculated in accordance with the Articles and the accounting and valuation policies adopted by the Directors from time to time for inclusion in the audited accounts of the Company. The NAV will be calculated quarterly at the NAV Calculation Date and published quarterly with the Company's yearly and interim reports and statements and will be notified to the CIXS as soon as practicable after calculation and within such time as to comply with applicable laws and regulations, include the rules of any applicable stock exchange.

13. Risk Factors

This is a summary of some of the risk factors applicable to an investment in the Company. Please refer to Part IV (Risk Factors) of this document for a more detailed list of the risk factors involved.

There can be no guarantee that the investment objective of the Company will be met.

The value of the Ordinary Shares can go down as well as up and investors may not get back the full value of their investment.

There can be no assurance that an active trading market in the Ordinary Shares will develop and be sustained and, if no such market is developed, the price and liquidity of the Ordinary Shares will be adversely affected.

Difficulties in obtaining credit and banking facilities may affect the ability of the Company and/or businesses in which it invests to obtain finance or funding.

Investment returns on property investments are dependent upon the financial strength of tenants and any guarantors throughout the period of the occupational leases.

There is no guarantee that the market price of the Ordinary Shares will fully reflect their underlying NAV.

An investment in the Company is suitable only for investors who are capable of evaluating the risks and merits of such an investment, or other investors who have been professionally advised with regard to investment, and who have sufficient resources to bear any loss which might result from such an investment (taking into account the fact that those losses may be equal to the whole amount invested).

SUMMARY

The following summary should be read as an introduction to this document. Any decision to invest in the Company should be based on consideration of this document as a whole by the prospective investor.

1. INTRODUCTION

On 26 October 2010 the board of directors of the Company and of the Property Company announced that they had reached agreement on the terms of a recommended offer, to be made by the Company for the Equity Investor Shares, Mezzanine Investor Shares, the Equity Loan Notes and the Mezzanine Loan Notes.

The board of directors of the Property Company consider the terms of the Offer to be fair and reasonable. Accordingly, at the date of this document, it has unanimously recommended that the holders of Equity Investor Shares, the Mezzanine Investor Shares, Equity Loan Notes and the Mezzanine Loan Notes accept the Offer in accordance with the terms in the Offer Document.

2. SUMMARY OF THE TERMS OF THE OFFER

The Company is offering to acquire, through Regency, on the terms and subject to the conditions set out in the Offer Document, the Equity Investor Shares, the Mezzanine Investor Shares, the Equity Loan Notes and the Mezzanine Loan Notes on the following basis:

- (1) each Equity Investor Share and each Equity Loan Note will be purchased, by the Company, through its wholly owned subsidiary Regency, in respect of each Equity Unit in consideration for:
 - (i) 20,000 Ordinary Shares (being such number of Ordinary Shares as equates, at the Placing Price, to the sum of £20,000 being a sum equal to 80 per cent. of the original issue price of such Equity Unit and comprising consideration of 1p per Equity Investor Share and £19,950 for the Equity Loan Notes comprised in such Equity Unit); or
 - (ii) the sum of £17,500 paid in cash (being a sum equal to 70 per cent. of the original issue price of such Equity Unit and comprising consideration of 1p per Equity Share and £17,450 for the Equity Loan Notes comprised in such Equity Unit);
- (2) each Mezzanine Loan Note be purchased in cash by, Regency, for its full principal amount together with the total amount outstanding in respect of accrued but unpaid interest on each such Mezzanine Loan Note; and
- (3) each Mezzanine Investor Share be purchased in cash by, Regency, for its original issue price, being the sum of 1p per Mezzanine Investor Share.

The terms of the Offer value the Equity Loan Notes, the Mezzanine Loan Notes and the entire issued share capital of the Property Company between £7,100,000 and £7,700,000.

The maximum number of Ordinary Shares to be issued in connection with the Offer will be 50,000,000.

The Property Company shares will be acquired by the Company fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after the date on which the Offer becomes or is declared unconditional. Under the terms of the Offer, each Property Company shareholder will forego all rights to any future dividend or undeclared dividends or other returns of capital of the Property Company.

3. INFORMATION ON THE COMPANY AND THE PROPERTY COMPANIES

Information on Group

The Company was incorporated on 25 August 2010 to invest in commercial property predominantly in the Channel Islands. The Company's aim is to provide a return from a combination of capital growth and an appropriate dividend policy through the acquisition and active management of commercial properties, predominantly in the Channel Islands.

It is intended that target properties will be fully or partially let with a core income and offering opportunities to add value through active asset management across all sectors of the property market.

The Company has made an application for the Ordinary Shares to be listed on the CISX and intends to invest in a range of commercial properties principally in the Channel Islands.

The Company's immediate focus is completion of the Offer.

Information on the Property Companies

The principal activity of the Property Company through the Property Subsidiary is the ownership of the Initial Property.

Regency was incorporated on 15th September 2010, for the purpose of holding the entire issued share capital of the Property Company. The Property Company was incorporated on 8 November 2007 with company number 48004. The Property Subsidiary was incorporated on 20 October 2005 in the British Virgin Islands and migrated to Guernsey on 18 April 2008 and has company number 48792.

The Property Company owns the entire issued share capital of the Property Subsidiary. The Property Subsidiary is the registered owner of the Initial Property.

4. BACKGROUND TO, AND REASONS FOR THE COMPANY MAKING THE OFFER

Cenkos Channel Islands Nominee Company Limited ("CCINCL") currently holds, a total investment of £1,975,000 in the Property Company, including 395,000 Equity Investor Shares which represent 35.9 per cent. of the total Equity Investor Shares in the Property Company.

The Manager has watched closely the performance of the investment over recent years and notably the Property Company's board intended approach to the refinancing requirements of the Initial Property in January 2011.

The Manager has carefully considered the opportunity to establish an authorised, closed-ended investment vehicle to invest in commercial property predominately in the Channel Islands.

Over the last two years, the Channel Islands property market has proven to be relatively resilient to the wider downturn in values seen across the United Kingdom. The local property markets offer an availability of high grade freehold properties with long occupational leases, typically in excess of 15 years and three yearly upward only rent reviews in the main.

The Manager identified an opportunity to provide investors with a return from a combination of capital growth and an appropriate dividend policy through the acquisition and active management of commercial properties, predominantly in the Channel Islands and by utilising low levels of gearing.

The Manager identified the Initial Property as an attractive seed property for the Company and commenced discussions with the Property Company directors earlier this year.

A final indicative offer was submitted to the Property Company directors on 15 July 2010 which was recommended to Property Company shareholders by Hotbed Limited on 6 August 2010.

5. IRREVOCABLE UNDERTAKINGS

The Company has received irrevocable undertakings from the directors of the Property Company and certain other Property Company shareholders to accept the Offer. Such irrevocable undertakings are in respect of the following Property Company shares:

<i>Property Company Shareholder</i>	<i>Number of Property Company Shares</i>	<i>Percentage of existing issued Property Company Shares (approx) (%)</i>
Alliance Trust Pensions Limited*	10,000	0.89%
Christopher Legge	10,564	0.94%
Zef Eisenberg	133,384	11.82%
Stephen Parrott	41,128	3.65%
Cenkos Channel Islands Nominee Company Limited	395,000	35.0%
Tara Hutcheon	2,256	0.2%
Oliver Hutcheon	70,000	6.2%
Total	<u>2,242,332</u>	<u>58.7%</u>

*Alliance Trust Pensions Limited is the registered holder of Regency Shares and Equity Loan Notes in relation to which Nigel Beer is interested.

6. EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Listing Document and posting of Offer Document 26 October 2010

Despatch of contract notes in respect of the Ordinary Shares 23 November 2010

8. RISK FACTORS

The material risk factors relating to the Company and the Property Companies fall into a number of areas:

General Risk Factors

- Current crisis in the global financial markets and the deterioration in the global economic outlook.
- Long-term maintenance of capital.
- Illiquidity of Shares.
- Gearing.
- Government Regulation.
- Tax.
- Retention of key advisers.

Risk Factors relating to property

- Fall in rental income and default.
- Rental voids.
- Changes in the planning regime.

- Marketability.
- Structural faults.
- Valuations.

Risk Factors relating to the Ordinary Shares

- Trading in Ordinary Shares.
- If the Company is wound up, distributions to holders of the Ordinary Shares will be subordinated to the claims of creditors.
- Dividends.
- Net asset value and market price.
- Future sales of Ordinary Shares.

Risk Factors relating to the Property Company

- Economic Risk
 - General.
 - Inflation.
- Business and Industry Risk
 - Business, strategy, growth and competition.
 - Revenue and profit growth.
 - Dependence on key personnel and advisers.
 - Ability to recruit and retain staff.
 - Property prices.
 - Acquisition of further land.
 - Capital expenditure and development risk.
 - Government policies and legislation.
 - Taxation.
 - Operating costs increase.

PART I

INFORMATION ON THE COMPANY

1. Background Jersey and Guernsey

The Channel Islands are a group of islands that are situated in the Gulf of St Malo off the coast of Normandy in France. The islands consist of two Bailiwicks: the Bailiwick of Jersey and the Bailiwick of Guernsey, which also includes a number of smaller islands including Alderney, Sark and Herm.

The Bailiwicks are self-governing crown dependencies. They have their own legislative assemblies, administrative, fiscal and legal systems and their own courts of law that are independent both of the United Kingdom and of each other. Furthermore, they have no representation in Parliament at Westminster nor are they member states of the European Union or part of the UK member state.

Guernsey and Jersey are the two main islands; they are the most heavily populated and the wealthiest.

Jersey

Jersey's prosperity currently relies on the fortunes of the finance industry and it is the island's stable political and fiscal infrastructure that has enabled this industry to develop so successfully. The local Government's determination to encourage high quality business to the island and the support offered by the sophisticated and comprehensive infrastructure of laws and regulations combine to promote investor confidence and the sector's continued success.

Jersey has economic strength and a substantial strategic reserve, achieved through its prudent budgeting. This has allowed an independent and uncomplicated taxation system to benefit residents and overseas investors for over sixty (60) years. There are no capital gains taxes, estate or inheritance duties.

In 2009, Jersey introduced the 'zero/ten' tax system for companies that are resident in Jersey or non-Jersey resident companies that have a permanent establishment in Jersey.

Recently, Jersey has introduced a goods and services tax on the provision of goods and services in an attempt to revamp its tax system and reduce its dependence on income tax.

With effect from the year of assessment 2009, a general zero (0) rate for corporate tax for Jersey resident companies or non-Jersey resident companies that have a permanent establishment in Jersey (subject to certain limited exceptions) was introduced in Jersey. As a result, companies will be subject to taxation in Jersey in respect of its income and gains at a rate of zero (0) per cent, provided the Company does not meet the definition of a "financial services company" or a "utility company" in which case a tax rate of 10 per cent, or 20 per cent, respectively will apply. Income derived from the rental development of Jersey real estate is subject to tax at a 20 per cent, regardless of the Jersey tax rate that applies to the Company in general.

In terms of personal taxation, Jersey residents may be liable to Jersey taxation on undistributed revenue profits retained by the Company which may be attributed to their holding of shares in the Company. However, non-Jersey resident shareholders will not be subject to Jersey income tax.

Under current Jersey law, there are no capital gains, capital transfer, gift, wealth or inheritance taxes or any death or estate duties payable. No stamp duty is levied in Jersey on the issue or transfer of shares. In the event of death of an individual shareholder, duty at rates of up to 0.75 per cent, of the value of the shares held at death may be payable on the registration of Jersey probate or letters of administration, which may be required in order to transfer or otherwise deal with the shares of the deceased shareholder. However, duty is not payable in respect of small estates not exceeding ten thousand pounds (£10,000).

Island-based businesses with a turnover above three hundred thousand pounds (£300,000) in any 12 month period and who do not supply exempt or zero (0) rated goods and services, are required to add three (3) per cent goods and services tax to the cost of goods and services provided to Jersey-based customers and clients.

Guernsey

Guernsey's Commerce and Employment Department is committed to encouraging further business development that will contribute to a diverse and sustainable economy.

The States of Guernsey agreed to a set of economic and taxation changes, the main strands of which came into effect on 1 January 2008. These include a standard zero rate of tax for companies, an intermediary rate of ten (10) per cent. for certain regulated banking activities and a higher rate of twenty (20) per cent. for trading activities regulated by the Office of Utility Regulation as well as income from ownership of Guernsey land and buildings.

The States of Guernsey are currently reviewing the tax system to ensure that Guernsey remains an attractive jurisdiction for the finance industry whilst meeting international standards on policy.

In terms of personal taxation, Guernsey residents will be taxable on their share of the undistributed profits in the Fund; however, this will not affect the returns to non-Guernsey resident shareholders.

Guernsey resident shareholders will continue to benefit from the tax cap which is broadly £200,000 of tax from Guernsey sourced income and £100,000 on non-Guernsey sourced income.

There are no wealth taxes like inheritance tax or capital gains tax.

Guernsey levies no VAT/TVA or general withholding taxes.

In 2009 both Guernsey and Jersey were placed on a white list of 40 co-operative and well-regulated places by the Organisation for Economic Cooperation and Development.

2. The Company

Channel Islands Property Fund Limited is a new Guernsey authorised closed-ended investment company. The Company's initial issued share capital will comprise Ordinary Shares and the Company has made an application for the Ordinary Shares to be listed on the CISX.

The Company has been formed to invest in a portfolio of prime commercial properties predominantly in the Channel Islands. It will provide Investors with an opportunity to benefit from the Channel Islands' robust local economies and unique property market characteristics and strengths outlined below.

3. Investment Objective and 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 acquisition and active management of commercial property predominantly in the Channel Islands. Target properties are intended to be fully or partially let and provide a core income which may offer opportunities to add value through active asset management across all sectors of the market.

Subject thereto (and to the restrictions described in paragraph 4 below) there are no geographical or other limitations or restrictions to which investment by the Company is subject.

No material change to the above investment objectives and policies may be made within a period of three (3) years from Admission without Shareholder approval.

The Company may invest in derivatives and investments and funds and companies owning property and financial indices which are property related including, but not limited to, property development.

Pending investment, the Placing Proceeds will be held in cash or near cash investments.

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4. Investment Restrictions

It is the Company's intention to use the Net Proceeds to build a diversified portfolio of property related investments.

The Company will seek to invest (or commit to invest) in accordance with guidelines determined by the Board and notified to the Manager from time to time.

Current guidelines require that:

- (save for the first 24 months from the date of Admission), a maximum of twenty five (25) per cent. of the capital raised (calculated at the time of investment) may be allocated to any one particular investment, however where it is necessary to secure an investment up to fifty (50) per cent. of the capital raised may be allocated, provided that the necessary measures are taken within the following twelve (12) months to bring the investment within the twenty-five (25) per cent guidelines; and
- (other than in respect of the first 24 months from the date of Admission) leverage is expected to range between forty (40) per cent. and sixty five (65) per cent. of the total acquisition costs of an investment. The Board must satisfy itself that there are adequate cash flows to meet all foreseeable obligations and covenants relating to the loan for any relevant property or investment

5. The Channel Islands commercial property market

The Company's investment parameters include where appropriate, investment in commercial property. The Initial Property will consist of one commercial premises in Guernsey.

The commercial property markets in both Guernsey and Jersey have over the past decade followed the expansion of the finance industry. Generally the occupational sectors have been beneficiaries of the additional wealth generated in the islands, most noticeably through the provision of large scale office developments as well as the retail and industrial sectors.

Emerging markets that are creating interest for investment opportunities include the fulfillment businesses along with the rapidly expanding technology sectors, particularly disaster recovery and data centers.

Jersey

The finance sector is the largest business sector employer in Jersey.

The office district of St. Helier which is where the majority of office buildings are located, has traditionally been focused on the town centre, though in recent years new developments of Grade A office space have been located on the Esplanade, situated between the traditional retail core and the Waterfront.

Examples of companies, law firms and organisations based here include: SG Hambros, Ogier, Standard Chartered, Allied Irish Bank, Schroders, Carey Olsen and the Jersey Financial Services Commission.

Due to the topography of St. Helier there has always been sufficient land for development of new offices and, at present, it is understood that a number of sites along the Esplanade have consent for large scale offices. In addition the Waterfront development recently received planning consent by the States of Jersey for approximately 57,000 sq m of new office accommodation.

Rents over the past 3 years in Jersey have remained static or have increased, depending on whether primary or secondary markets, unlike the UK.

Jersey's retail centre is focused on the pedestrianised High Street, where along with a vibrant mix of local retailers can be found the majority of the United Kingdom's major High Street retailers, including Marks & Spencers, Next, Boots, HMV and New Look.

Office investment yields reflect the quality of tenants, the long leases and the lack of break clauses and are anticipated to range from between 6.00 per cent. and 7.5 per

cent. in 2010, so providing, along with rental growth, attractive returns on capital to investors.

Guernsey

Guernsey's topography is different to that of Jersey with St. Peter Port sitting at the bottom of a valley. As a consequence, its traditional office districts have been unable, and continue to be unable, to provide sufficient land for commercial office development, leading to an expansion of the office sector along Guernsey's Esplanade and out at the Island's only business park, Admiral Park.

It is estimated approximately 700,000 sq ft of Grade A office accommodation has been constructed over the last decade, with only two buildings currently under construction which the Directors understand are more than half let.

Examples of the Island's occupational tenants include: The Royal Bank of Scotland International, Ernst & Young, the Guernsey Financial Services Commission, Generali Insurance, Northern Trust, Kleinwort Benson and MeesPierson.

The construction pipeline for the next few years is almost zero with there being few sites in the town centre available and capable of sustaining major office development. Expansion will only really be possible on the edge of town and at Admiral Park.

Demand for office space in St. Peter Port is estimated to average in the order of 50,000 sq ft per annum, in respect of Grade A office accommodation, and yet the island lacks the physical capacity to provide for this in 2011 – 2013.

Guernsey's prime office rents, as demonstrated below, have seen significantly higher levels of rental growth than in Jersey, reflecting higher levels of demand and a distinct lack of supply. Prime office rents are approaching £40.00 per sq ft for new build accommodation. Secondary rents for properties of a lesser specification, often refurbished buildings, have not witnessed the same levels of increase amply demonstrating how offices with anything less than the very best specification are not as sought after by the international banks and trust companies operating on the Island.

The retail sector of St. Peter Port is more compact and more localised than St. Helier. Substantial demand exists from UK based retailers seeking to enter Guernsey's retail market but the island lacks available property, particularly stores offering the modern size and specification required in today's competitive retail environment.

Investment yields reflect the quality of tenants, the long leases and lack of break clauses, plus the prospectus of good rental growth and are anticipated to range between 6.00 per cent. and 7.00 per cent. in 2010 so providing, along with rental growth, attractive returns on capital to investors.

6. Investment Process

Decisions as to the purchase and sale of investments, re-financing and redevelopment opportunities rest with the Board, which will be advised by the Manager.

The Investment Consultant will have full access to the resources of the Manager to assist the Manager in its duties and responsibilities to the Company and for the purpose of implementing investment decisions of the Board.

The Manager and the Investment Consultant will actively search for investments which meet the criteria determined by the Board, from time to time. Once a potential investment opportunity is identified the Manager will prepare a detailed report for consideration by the Board.

Reports provided to the Board will include an evaluation of each investment opportunity and will include the quality and location of the property asset, income flows, occupancy rates and covenants, enhancement opportunities, gearing and risk evaluations.

The Manager will recommend investment opportunities to the Board with a confirmation that the investment opportunity meets the general investment criteria

set by the Board.

It is intended that investment transactions for acquisition or disposal should be considered and determined by the Board on the basis of advice and a full report and recommendation received from the Manager.

It is not part of the objectives or policy of the Company necessarily to transact in investments where a Connected Party has or may have a material or conflicting interest to that of the Company.

Equally, it is not intended that the Company should be precluded from investment opportunities that arise purely because a Connected Party has or may have an interest in that transaction.

Accordingly, and anticipating such occurrences, for governance purposes, the Company has been structured with a fully independent Board from the Manager and the Investment Consultant and both its investment decision process and that of the Manager have been formulated in order that any Connected Party issues that may arise are managed and addressed ethically and in accordance with proper standards befitting a public company.

The Company, as noted above, has been established with a Board, the members of which are wholly independent of the Manager and the Investment Consultant.

7. Dividend Policy

Cash generated during the initial investment period pending investment of all or substantially all of the Net Proceeds is intended to be retained by the Company to exploit potential investment opportunities.

The Directors intend to adopt an appropriate dividend policy for the Company commensurate with and appropriate to the make-up of its investment portfolio and investment policy from time to time.

8. Borrowings

Regency will enter into Facility. The Facility will have a maximum term of five (5) years and interest will be charged at a maximum rate of 4.40 per cent. dependent upon hedging arrangements. It is intended that the Facility will be secured by a bond over the Initial Property and a security agreement over the shares in the Property Subsidiary and any intra group indebtedness. The obligations of Regency in respect of the Facility will be guaranteed by each of the Property Company and the Property Subsidiary and the obligations under that guarantee will be secured by security agreements from each of them over the rent account, the insurances held by the Property Subsidiary, the property management agreements, the leases and rental income and the construction contracts in respect of the Property under which any rights remain extant.

Current guidelines require that:

- (save for the first 24 months from the date of Admission), a maximum of twenty five (25) per cent. of the capital raised (calculated at the time of investment) may be allocated to any one particular investment, however where it is necessary to secure an investment up to fifty (50) per cent. of the capital raised may be allocated, provided that the necessary measures are taken within the following twelve (12) months to bring the investment within the twenty-five (25) per cent guidelines; and
- (other than in respect of the first 24 months from the date of Admission) leverage is expected to range between forty (40) per cent. and sixty five (65) per cent. of the total acquisition costs of an investment. The Board must satisfy itself that there are adequate cash flows to meet all foreseeable obligations and covenants relating to the loan for any relevant property or investment.

The Company may also be indirectly exposed to the effects of gearing to the extent that any investee company has borrowings.

The Company may, from time to time, for the purposes of efficient portfolio management, for strategic purposes in connection with proposed acquisitions and disposals and for hedging purposes, enter into contracts for differences, options and other derivative investment products. Commitments to such investments will not be made beyond the extent of the Company's assets available to meet the same. Investment in such instruments is not intended to be made for gearing purposes or otherwise as an active policy or means to achieve the Company's investment objectives.

9. Share capital structure

The Company's share capital is an unlimited number of Ordinary Shares of no par value. There are no other classes of share in the Company and there are no warrants or options existing over any new shares in the Company.

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Further Issues

Further issues of share capital may occur to provide funds for investment by the Company.

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No issue of ordinary share capital of an amount above 10 per cent of the Company's issued Ordinary Share capital for the time being will be made other than on a pre-emptive basis to existing Shareholders without the prior consent of a special resolution of Shareholders.

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IX B Item 23(c)

No issue of ordinary share capital may occur at a price below the NAV attributable to the ordinary shares in the Company for the time being other than on a pre-emptive basis save with the prior consent of Shareholders of that class by special resolution.

The Articles do make provision for a separate class of shares ("C Shares") to be issued in specific circumstances determined by the Board if considered appropriate on a non pre-emptive basis in order to allow for specific fund raising or investment opportunities. Any subsequent conversion of C Shares into Ordinary Shares that may occur would take place at a price related to the net asset values of the respective share classes in order to prevent the issue of further shares diluting existing Shareholders' share of the NAV of the Company.

11. Taxation

General Information relating to Guernsey taxation with regard to Admission and Placing is summarised in paragraph 11 of Part VII of this document.

Any person who is in any doubt as to his or her tax position, or is subject to tax in a jurisdiction other than that of Guernsey, should consult his or her professional advisers.

PART II**DIRECTORS, MANAGEMENT AND ADMINISTRATION**IX C
Item 36**1. Board of Directors**

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Directors

The Board comprises three Directors all of whom are non-executive.

Name	Position	Age
Peter Tom CBE	Non-executive Chairman	70
Paul Bell	Non-executive Director	54
Shelagh Mason	Non-executive Director	51

Brief biographies of the Directors are set out below:

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Peter Tom CBE

Peter Tom is the Chairman of Breedon Aggregates, Leicester Tigers and is a former Chairman and Chief Executive Officer of Aggregate Industries plc. In 2006, Peter became Chairman of Aggregate Industries plc after negotiating its sale to Holcim for £1.4 billion. Peter is a senior independent non-executive director of AGA Rangemaster plc. Peter, who is resident in Guernsey, was awarded the CBE in the Queen's New Years Honours List in 2006 for services to sport and business. He is also a chairman of Leaf Clean Energy which is an AIM listed investment fund.

Paul Bell

Paul Bell is 54 and is a Jersey resident. Paul started his career as a junior planner in Newcastle working in the sale, land, technical, commercial and construction departments. Paul has over thirty (30) 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.

Shelagh Mason

Shelagh Mason is an English property solicitor with over 25 years' experience in commercial property. Shelagh is currently practising at Mason & Co in Guernsey, prior to this she was a Senior Partner at Edge & Ellison (now part of Hammonds), responsible for commercial property. For two years until 2001 she was Chief Executive of Long Port Properties Limited, a property development company active throughout the United Kingdom and the Channel Islands. Shelagh is a member of the board of directors of Standard Life Investment Property Income Trust, a property fund listed on both the London and Channel Islands Stock Exchanges. She is also a non-executive director of MedicX Fund Limited, a company investing in primary healthcare facilities, a director of PFB Data Centre Fund, Third Point Independent Voting Company Limited, NewRiver Retail Limited (an AIM Listed Company) and GRes. 1 Limited. Shelagh is also a past chairman of the Guernsey branch of the Institute of Directors and a member of the Chamber of Commerce and the Guernsey International Legal Association.

2. Investment Management Arrangement

The Manager was incorporated on 8 March 2008. Fifty (50) per cent. of the issued share capital of the Manager is registered in the name of Cenkos Securities plc, an AIM listed company with a market capitalisation of £75,280,000. The Manager is licensed under the POI Law to conduct investment business.

The Company has entered into the Investment Management Agreement with

the Manager. Under the Investment Management Agreement, the Manager will be responsible for sourcing, evaluating, negotiating, completing, monitoring and managing investments on behalf of the Company.

The Investment Management Agreement governs the services to be provided to the Company by the Manager. The appointment of the Manager under the Investment Management Agreement as Manager of the Company is for an initial term of 3 years subject to termination on or after the 3rd anniversary of appointment. Further detail of the Investment Management Agreement are contained in paragraph 12 of Part VII of this document.

Subject to the share dealing and conflicts management arrangements described in paragraph 7 of this Part II:

- (i) the services of the Manager under the Investment Management Agreement are not exclusive and the Manager is free to render similar services to others; and
- (ii) the Manager and any Interested Party is free to enter into other fund management arrangements or be interested in any entity entering into fund management arrangements.

3. Investment Consultant

The investment Consultant's directors are:

Andrew Taylor BSc MRICS

Andrew was previously a director and head of UK Property at FSA regulated Stenham Property Limited ("Stenham") with overall responsibility for its £500m UK property portfolio. Andrew has twenty (20) years' industry experience covering investment, development, financing and asset management across all sectors in the UK. Prior to joining Stenham he was a director and head of property for the UK's largest private FSA regulated investor network where he worked with Dominic Wright leading the acquisition of over £200 million of property investments in the UK including £110 million in the Channel Islands. Prior to this he was a Partner at Knight Frank. He qualified as a Chartered Surveyor in 1992.

Dominic Wright BSc (Hons) DipPropInv MRICS

Dominic worked as investment director at the UK's largest private investor network before joining Stenham. Dominic had responsibility for identifying new assets for acquisition, the subsequent implementation of the asset management strategy for investment and property disposals. Previously he was an associate partner at niche central London agent Dron & Wright where he established the west end investment and development department advising a range of clients on acquisition and asset strategy. A qualified Chartered Surveyor, Dominic has also completed post graduate courses in property investment at the University of Reading. He has over ten (10) years' industry experience.

4. Management Fee, Performance Fee and Acquisition Fee

Pursuant to the Investment Management Agreement, the Company will pay the Manager an annual fee equal to 0.6 per cent. per annum of the Gross Asset Value of the Company (which shall include assets that were purchased with leverage) calculated by reference to the Gross Asset Value as at the end of each quarter and payable quarterly in arrears. To the extent that there is a capital raising during a quarter, an adjustment shall be made to Gross Asset Value on a time apportioned basis. Where the completion date of the acquisition of an investment is made part way through a quarter, the portion of the fee paid relating to that investment shall be apportioned pro rata in accordance with the period from the completion date to the end of that quarter.

In addition, the Manager will be entitled to a performance fee equal to twenty (20) per cent. of any returns received by Shareholders in excess of an IRR of ten (10) per

cent. per annum. The performance fee will be levied on all amounts paid to investors in excess of the original amounts invested, plus the equivalent of an IRR of ten (10) per cent. per annum.

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

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

5. Corporate governance and internal controls

There is no applicable regime of corporate governance to which directors of a Guernsey company (other than those licensed to conduct investment, banking, insurance or fiduciary business) must adhere over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Guernsey law. The Directors, however, recognise the importance of good corporate governance and will comply with the Combined Code to the extent practicable and commensurate with the size and operations of the Company. The Company has adopted, with effect from Admission, the Model Code on dealings of directors and employees in securities as set out in Annex I of the Listing Rules of the UKLA to the extent practicable.

In relation to the use of the Company's voting rights in respect of investee companies, the Manager, in the absence of explicit instructions from the Board, will be empowered to exercise discretion in the use of the Company's voting rights. The underlying aim of exercising such voting rights will be to protect and maximise the return from an investment.

The Board considers it necessary to establish an Audit Committee and a Management Engagement Committee. The Audit Committee will be appointed and will be responsible for reviewing and monitoring internal financial control systems and risk management systems on which the Company is reliant, considering annual and interim accounts and audit reports, considering the appointment and remuneration of the Company's auditor and monitoring and reviewing annually their independence, objectivity, effectiveness and qualifications. The Management Engagement Committee will be responsible for reviewing the performance of the Manager and the Manager's and the Company's compliance with the Investment Management Agreement and to recommend any action to be taken by the Company under such terms.

The Company will comply with the Model Code as set out in Appendix VI of the CISX Listing Rules.

All the Board are non-executives. The Board does not therefore consider it necessary to appoint a remuneration committee.

All members of the Board are members of the Audit Committee and Management Engagement Committee. The Chairman of both the Audit Committee and the Management Engagement Committee is Shelagh Mason.

6. Administration Arrangements

The Administrator was incorporated in 1988 and is fully licensed by the GFSC to carry out, inter alia, the activities of administration, subscription, promotion (Category 2) under the POI Law.

The Administrator has been appointed to provide day to day administration, registrar and secretarial services to the Company as set out in the Administration and Secretarial Agreement. The Administrator is licensed to provide administrative and other services to collective investment schemes by the GFSC. The Administration and Secretarial Agreement is terminable by either party on not less than 3 months'

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notice in writing and in certain other circumstances, including material breach of the terms of the agreement by either party. The Administration and Secretarial Agreement may not be terminated in writing within six (6) months of Admission.

Further details of the Administration Agreement are set out in paragraph 12 of Part VII of this document.

7. Share Dealing/Conflicts Management

The Manager and any Interested Party may, subject to the restrictions contained in the Investment Management Agreement (summarised in paragraph 2 above), be involved in other financial, investment or other professional activities which may, on occasion, give rise to conflicts of interest with the Company, including with regard to the allocation of investment opportunities to different clients. Whenever such conflicts arise, the Manager shall endeavour to ensure that they are resolved, and any relevant investment opportunities allocated fairly. Each such conflict will be fully disclosed to the Company by the Manager.

Subject to the above, any Interested Party and any company within the same group as any Interested Party and/or any investment company or account advised or managed by an Interested Party, may:

- (i) acquire securities from or dispose of securities to the Company;
- (ii) hold shares and deal with the same as it thinks fit;
- (iii) buy, hold and deal in any investments for its own account notwithstanding that similar investments may be held or made by the Company;
- (iv) contract or enter into any financial or other transactions with any Shareholder or with any entity any of whose securities are held by or for the account of the Company or be interested in any such contract or transaction; and
- (v) receive fees and commissions which it may negotiate in relation to any sale or purchase of any investments quoted by it for the account of the Company.

The Manager may provide services of a like nature to any other person, firm or corporation and the Manager shall not be liable to account to the Company for any profit earned from any such services.

The Directors will comply with the Model Code of the UK Listing Authority (or a code no less exacting) and will take all reasonable and proper steps to ensure compliance as required by the CISX Rules.

8. The Administrator

The Administrator was incorporated as a limited liability company in Guernsey on 19 October 1988 with registered number 19606. The Administrator is licensed under the POI Law as a designated manager of collective investment schemes. The Administrator is subject to financial provisions set out in the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations 2007, as amended. The registered office of the Administrator is set out on page 3 of this document and its telephone number is +44 1481 726034. The Administrator is licensed and regulated by the GFSC.

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9. The Manager

The Manager was incorporated on 8 March 2005 and is listed on the CISX. Fifty (50) per cent. of the issued share capital of the Manager is registered in the name of Cenkos Securities plc, an AIM listed company with a market capitalisation, at the date of this document, of £75,280,000. The Manager is licensed under the POI Law to conduct investment business.

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The current directors of the Manager are:-

Andrew Stewart (Chairman and Non-executive director)

Andrew is one of the founders of Cenkos Securities plc. He has over 40 years experience in the UK securities industry. In 1991 he co founded Collins Stewart, which was subsequently listed on the London Stock Exchange with a market capitalisation on listing of approximately £326 million. Andrew started his career as a stock broker in 1969 with Simon & Coates, where he became a senior partner. After Simon & Coates was acquired by Chase Manhattan Bank, he became chief executive of Chase Manhattan Securities until the launch of Collins Stewart.

Jonathan Ravenscroft (Chief Executive)

Jonathan Ravenscroft has been a stockbroker for more than twenty five (25) years. Jonathan started his career in broking in 1983 as a trainee dealer at Sheppards & Chase and then spent a short time in the Isle of Man before returning to Guernsey. He co-founded Collins Stewart in the Channel Islands and was its head of broking. He has overseen the creation of the CISX Listed Cenkos CI Wealth Management business with over £1 billion assets under management.

Robin Newbould (Executive Director)

Robin assisted Jonathan Ravenscroft in the establishment of Cenkos Channel Islands Limited in 2005, having moved from his role as head of Collins Stewart (CI) Limited's Guernsey stock broking division. He was educated at the King's School in Macclesfield, Elizabeth College in Guernsey and King's College, London University. Robin is a fellow of the Securities and Investment Institute with more than 15 years in offshore finance, 10 of which have been spent working with Jonathan Ravenscroft.

In December 2009, Robin moved to Jersey to become Managing director of Cenkos Jersey Limited

Susie Farnon (Non-executive director)

Susie Farnon (née Best) qualified as a Chartered Accountant with KPMG in 1983 and was a banking and finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit KPMG Channel Islands from 1999. After leaving KPMG in 2001, she has been a member of the States of Guernsey Audit Commission and the States of Guernsey Public Accounts Committee. She is currently a non-executive director of Cenkos CI and a Commissioner of the Guernsey Financial Services Commission and commissioner of the Guernsey Sports Commission. She is also a director of local property companies and is non-executive director of a Guernsey investment fund.

Simon Melling (Non-executive director)

Simon is the Chief Executive Officer of Cenkos Securities plc. He previously held the position of Group Finance Director and Chief Operating Officer, to which he was appointed when he joined the Cenkos Securities plc in September 2006. He has over twenty (20) years experience in the banking and securities industry and is a chartered accountant having qualified with Peat Marwick Mitchell in 1988. He subsequently joined the Singer & Friedlander Group, ultimately becoming Director of Group Financial Services. In 2001 Simon joined Collins Stewart and was appointed Chief Operating Officer of Private Client Division in 2001.

10. Investment Consultant

The Investment Consultant has been formed so as to assist the Manager in the performance of its functions under the Investment Management Agreement. The expertise and skills of the directors of the Investment Consultant are set out in paragraph 3 of this Part II of this document.

PART III**SUMMARY OF THE PLACING****1. Details of the Placing**

The Placing Shares are being conditionally placed at the Placing Price with investors, subject, *inter alia*, to the Placing Agreement becoming unconditional.

The Placing is conditional, *inter alia*, on (i) Admission having become effective on or before 8.00 a.m. on 16 November 2010 or such later time and/or date as the Company and the Manager may agree (being not later than 8.00 a.m. on 31 December 2010); (ii) the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms prior to Admission and (iii) the Offer being declared unconditional. The Placing has not been underwritten. Accordingly, if the conditions are not satisfied, the Placing will not proceed and any applications will not be processed. In such circumstances application monies will be returned (at the applicants sole risk), without payment of interest as soon as practicable thereafter.

The minimum subscription for Placing Shares is £5,000.

The Placing is intended to raise a minimum of fifty million pounds (£50,000,000) before expenses. The expenses of the Placing are estimated to amount to not more than four and a half (4.5) per cent. of the Placing Proceeds (including a placing fee of three (3) per cent. of the Net Proceeds payable to the Manager).

The placing commission payable to the Manager under the Placing Agreement is to be settled in cash not shares.

The Net Proceeds will be used to implement, and will be applied in accordance with, the investment policy of the Company as set out in this document.

It is expected that Admission will become effective and that dealings in the Ordinary Shares on the CISX will commence on 16 November 2010. All such Ordinary Shares will be in registered form and will be delivered uncertificated. Temporary contract notes will not be issued pending the despatch by post of contract notes, which is expected to take place by 23 November 2010. Pending the despatch of the contract notes, transfers will be certified against the register of members of the Company.

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2. Admission

Application has been made to the CISX for the issued Ordinary Shares to be admitted to trading on the Official List. Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on the CISX at 8.00 a.m. on 16 November 2010. The Ordinary Shares are in registered form and will be delivered uncertificated.

3. Settlement and dealings

It is expected that definitive contract notes will be despatched to placees, at the risk of the person entitled thereto, by 23 November 2010. The title to the ordinary shares will be evidenced by the relevant entry on the Register of Members of the Company. Share certificates will not be issued.

PART IV

RISK FACTORS

This document has been prepared solely for the consideration of prospective investors in the Company. To the best of the knowledge and belief of the Directors the factual information contained in this document is accurate at the date hereof and does not omit any information likely to materially affect the import of such information. Any projections or statements contained in this document are illustrative only and are intended to show possible outcomes based on stated assumptions and represent the Directors' own assessment and interpretation of information available to it at the date of this document. Prospective investors must determine themselves what reliance (if any) they should place on such statements, views, projections or forecasts and no responsibility is accepted by the Directors (or any other person) in respect thereof.

Prospective investors must rely on their own examination of the legal, taxation, financial and other consequences of an investment in the Company, including the merits of investing and the risks involved. Prospective investors should not treat the contents of this document as advice relating to investment, legal or taxation matters and are advised to consult their own professional advisers concerning the acquisition, holding, exchange or disposal of Shares in the Company.

Other than as set out above, no representation made or information given in connection with or relevant to an investment in Shares of the Company may be relied upon as having been made or given with the authority of the Directors. The delivery of this document does not imply that the information herein is correct as at any time subsequent to the date hereof. Investors in Shares of the Company must have the financial expertise and willingness to accept the risks inherent in this investment.

These risks include, inter alia, the long term and illiquid nature of the Company's proposed investments, the lack of any operating history of the Company, the fact that either the past performance or operating history of the Manager is no guarantee of future performance, the lack of any established market for the transfer of Shares in the Company and the possibility that no such market will develop. It should be appreciated that the value of Shares is not guaranteed and may go down as well as up and that investors may not receive, on realisation of their Shares, the amount that they originally invested. Investors should consult their professional advisers about the consequences to them of, and inform themselves of the legal requirements for, acquiring, holding, exchanging, redeeming or disposing of Shares under the relevant laws of the jurisdictions to which they are subject, including any tax consequences, exchange control requirements, requisite governmental or other consents and any other formalities.

Prospective investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time. Each person subscribing for Shares must agree that the Directors may reject, accept or condition any proposed application, transfer, assignment or exchange of Shares in their absolute discretion.

In addition to all other Information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. An investment in the Company involves risks and is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to be able to bear any losses which might result from such investment. Accordingly, prospective investors should carefully review and evaluate the risks and the other information contained in this document before making a decision to invest in the Company. If you are in any doubt about the action you should take, you should consult a suitably qualified and licensed or authorised professional adviser who specialises in advising on the acquisition of shares and other securities. This summary of risk factors is not intended to be exhaustive. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company's business.

In view of the risks noted below, the Company should be considered a speculative investment and investors should invest in the Company only if they can sustain a complete loss of their investment. No guarantee or representation is made that the Company will achieve its investment objective or that it will be able to implement its investment policy.

If any of the following risks actually occur, the Company's business, financial condition, capital resources results and/or future operations could be materially and adversely affected.

The Directors consider the following risks to be the most significant risks for potential investors in the Company although the risks set out below are not exhaustive and do not purport to comprise all those involved in investing in the Company. The risks factors are not set out in any particular order of priority. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse affect on the Company's business.

Risks Relating to the Company

1.1 Forward-looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts and include statements regarding the Company's intentions, beliefs or current expectations.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the factors described in this risk factors section. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect the Company's view with respect to future events as at the date of this document and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations and strategy. Save as required by law, the Company has no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

1.3 New company

The Company was incorporated on 25 August 2010 and has no operating history. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that the Company will not achieve its investment objective and the value of a Shareholder's investment in the Company could therefore decline substantially.

1.4 No prior trading record for the Company or the Ordinary Shares

Since the Ordinary Shares have not previously traded, their market value is uncertain. There can be no assurance that the market will value the Ordinary Shares at or above the Placing Price or the NAV per Ordinary Share. Following Admission, the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment. The Company's results and prospects from time to time may be below the expectations of market analysts and investors. At the same time, equity market conditions may affect the Ordinary Shares regardless of the performance of the Company. Equity market conditions are affected by many factors, such as general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for and supply of capital. Accordingly, the market price of Ordinary Shares may not reflect the underlying value of the Company's investments and the price at which investors

may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others may be outside the Company's control.

1.5 Property and property related assets

The value of property and property related assets is inherently subjective due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the valuations of the properties will reflect the actual sale price even where such sales occur shortly after the relevant valuation date.

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

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

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

Both rental income and market values may also be affected by other factors specific to the commercial property market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair and re-lease space and the costs thereof, the costs of maintenance and insurance, and increased operating costs. In addition, certain significant expenditures, including operating expenses, must be met by the owner even when the property is vacant.

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

The Company may undertake development (including redevelopment) of property or invest in property that requires refurbishment prior to renting the property. The risks of development or refurbishment include, but are not limited to, delays in timely completion of the project, cost overruns, poor quality workmanship, and inability to rent or inability to rent at a rental level sufficient to generate profits.

1.6 Investments

The success of the Company will be dependent upon, inter alia, the identification, making, management and realisation of suitable investments. There can be no guarantee that such investments can or will be made, either within the expected timeframe, or at all, or that such investments will be successful. Poor performance by any investment could severely affect the NAV per Ordinary Share and/or the market price of the Ordinary Shares. In particular, investors should note that:

- (i) Shareholders will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the Investments to be made by the Company and, accordingly, will be dependent upon the judgement and ability of the Board with the advice of the Manager in investing and managing the assets of the Company. No assurance can be given that the Company will be successful in obtaining suitable investments, or that if such investments are made, the investment objective of the Company will be achieved. In particular, there can be no guarantee that the potential targets identified will be able to be acquired or that any approach to them will be welcome;

- (ii) the Company's investment portfolio will comprise interests in unquoted private companies, as well as limited exposure to companies which may be difficult to value and/or realise. Investment in the securities of smaller companies may involve greater risks than is customarily associated with investments in larger, more established companies. In particular, such companies may often have limited product offerings, markets or financial resources and may be dependent on a small number of key individuals;
- (iii) the Company may have minority interests in the companies, partnerships and ventures in which it invests and may be unable to exercise control over the operations of such companies, partnerships and ventures or control over an exit, or the timing of an exit;
- (iv) the management of the investee companies targeted by the Company may not always welcome proactive shareholder involvement and may be resistant to change;
- (v) the Company may be unable to effect an investment in an identified opportunity and, in particular, resources of the Company and the Manager may be expended investigating potential projects which are subsequently rejected as being unsuitable;
- (vi) the Company and the Company's investee companies may face competition from other entities, many of which may have significantly greater resources than the Company or the Company's investee companies;
- (vii) a proportion of the Company's portfolio may be held in cash or near cash from time to time. Such proportion of the Company's assets will therefore be "out of the market" and will not benefit from increases in the value of the Company's investments. Having excess uninvested cash and a large number of Ordinary Shares in issue may restrict the Company's capital and income growth; and
- (viii) the Company may dispose of investments in certain circumstances and may be required to give indemnities, representations and warranties in connection with those disposals and to pay under such indemnities or to pay damages to the extent that such representations or warranties turn out to be inaccurate.

1.7 Dividends

The ability to pay dividends and any dividend growth in the Ordinary Shares will rely on the Company's ability to generate profits from its investment portfolio and, in particular, the dividend policy mentioned in paragraph 9 of Part I of this document should not be construed as a dividend forecast. Any change in the tax treatment of dividends or interest received by the Company or in the treatment of profits or gains realised by the Company on its investments may reduce the level of yield received by Shareholders.

On 1 July 2008, the Law came into force in Guernsey. This replaced The Companies (Guernsey) Law, 1994. One of the immediate effects of the Law was to replace the capital maintenance requirements in respect of dividend and distribution payments to be made from distributable profits (similar to that which UK companies are subject and formerly applicable to Guernsey companies) with a solvency based test similar to that applicable to companies incorporated in New Zealand. The use of the solvency test now requires the directors of a company to carry out a liquidity or cashflow test and a balance sheet solvency test before any dividend or distribution payment can be made. The test requires the board to make a future assessment by making reference to the solvency test being satisfied immediately after a distribution or dividend payment is made. If at the time a dividend or distribution payment is to be made the directors believe that the solvency test cannot be passed, then no payment may be made to holders of the Ordinary Shares.

1.8 Dependence on service providers

The loss of the Manager or the Investment Consultant would be disruptive and could have a material adverse effect on the Company and the companies in which the Company invests.

1.9 Concentration risk

The Company will seek to invest (or commit to invest) in accordance with guidelines determined by the Board from time to time. Current guidelines require that leverage is expected to range between forty (40) per cent. and sixty five (65) per cent. of the total acquisition costs of an investment. The Board must satisfy itself that there are adequate cash flows to meet all foreseeable obligations and covenants relating to the loan for any relevant investment.

As a result, the impact on the Company's performance and the potential returns to investors will be more adversely affected if any one of those investments were to perform badly than would be the case if the Company's portfolio of investments were more diversified.

1.10 Credit Crunch and Counterparty Risk

Difficulties in obtaining banking and credit facilities may affect the ability of the Company and/or businesses in which it invests to obtain finance or funding.

Investment returns on property investments are dependent upon the financial strength of tenants and any guarantors throughout the period of their occupational leases.

1.11 Offshore Financial Centres Review

In the Pre-Budget Report issued on 24 November 2008, the British Government announced that it was shortly to commission an independent review of British offshore financial centres, their role in the global economy and their long term business strategies. The review will not consider changes to the UK's constitutional relationship. The British Government says that it intends to work with the Crown dependencies and overseas territories to identify current and future opportunities, risk and mitigation strategies such as:

- (i) financial supervision and transparency;
- (ii) fiscal arrangements;
- (iii) financial crisis management and resolution arrangements;
- (iv) international co-operation.

It is not possible to predict the effect of such review and the outcome and its implications for the Channel Islands are uncertain.

1.12 Key Man

The Company is dependent on advice from the directors of the Investment Consultant. The Company's performance may be adversely affected in the event of the long-term absence through death or incapacity of one or both of those directors. The Company does not carry key man insurance.

1.13 Guernsey law

The Company is a limited liability company incorporated under the Law. Guernsey law does not make a distinction between private and public companies and some of the protections and safeguards that investors may expect to find in relation to a public company under UK law are not provided for under Guernsey law.

1.14 Performance fees

The performance fee payable to the Manager, whilst structured on a similar basis to other listed investment funds, may result in higher payments to the Manager than alternative arrangements in other types of investment vehicles. The existence of the performance fee may create an incentive for the Manager to propose riskier or more speculative investments than it would otherwise make in the absence of such fee.

1.15 Hedging and currency risk

The Company's assets will be denominated in sterling. The Company may, however, invest in investments denominated in currencies other than sterling. The Company may sometimes through forward foreign exchange contracts hedge its exposure back to sterling. While hedging may attempt to reduce currency risk, it is not possible to hedge fully or perfectly against currency fluctuations. Accordingly, investors may, at certain times, be exposed to exchange rate risks between sterling and other currencies, such that if the value of the other currencies falls relative to sterling, the Company's assets will, in sterling terms, be worthless.

1.16 Substantial fees payable regardless of profit

The Company will incur obligations to pay costs. The Company will also incur obligations to pay all fees and out-of-pocket expenses properly incurred by the Manager and the Administrator. In addition, the Company's investment approach may generate substantial transaction costs (including abort fees) which will be borne by the Company. These expenses will be payable regardless of whether the Company makes a profit.

1.17 Term of the Investment Management Agreement

The Investment Management Agreement can only be terminated by either party giving to the other, no less than 3 months' notice to terminate the agreement. If neither party gives the required 3 months' notice to terminate the agreement at the end of the initial term, it will automatically continue in full force and effect unless and until terminated. The initial term is a period of three years. For further information, please see paragraph 12 of Part VII of this document.

1.18 Liability and indemnification of service providers

The Manager and the Administrator will be excluded from liability to the Company under certain circumstances.

Please see paragraph 12 of Part VII of this document for further information.

1.19 Changes in laws or regulations governing the Company's operations may adversely affect its business

Legal and regulatory changes could occur that may adversely affect the Company. The regulatory environment for investment funds is evolving, and changes in the regulation of investment funds may adversely affect the value of investments and the ability of the Company to successfully pursue its investment strategies.

1.20 Changes in taxation legislation may adversely affect the Company or Shareholders

Statements in this document concerning the taxation of the Company or the Shareholders are based upon current Guernsey and Jersey tax law and practice, which laws and practice are subject to change. Any change in the Company's tax status, or in taxation legislation in the Bailiwicks, the United Kingdom or elsewhere, could affect the value of its investments and the Company's ability to achieve its investment objective, or alter the post-tax returns to Shareholders.

Prospective investors are urged to consult their tax advisers with respect to their particular tax situations and the tax effects of an investment in the Company.

1.21 Borrowings

Prospective investors should be aware that whilst the use of borrowings can enhance the NAV per Ordinary Share where the value of the Company's investments is rising, it can also reduce the NAV per Ordinary Share where the underlying net asset value is falling. This could adversely affect the NAV per Ordinary Share and returns to Shareholders. The use of external borrowings magnifies both the favourable and unfavourable effects of price movements in the Company's investments. Furthermore, should any fall in the asset value of the investments result in the Company breaching any financial covenants contained in any borrowing

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agreements, the Company may be required to repay such borrowings in whole or in part together with any attendant costs. This could further adversely affect the NAV per Ordinary Share and returns to Shareholders.

1.22 Net asset value

The value of, and the income derived from, the Ordinary Shares can fluctuate and may go down as well as up. Notwithstanding the existence of share buy-back powers, there is no guarantee that the market price of the Ordinary Shares will fully reflect the underlying NAV per Ordinary Share. The market value of the Ordinary Shares, as well as being affected by the underlying value of the Company's investments, will also be influenced by their dividend yield and exchange rates and the supply of and demand for the Ordinary Shares in the market. As such, the market value of an Ordinary Share may vary considerably from the underlying NAV per Ordinary Share.

1.23 Tax

The Income Tax Office ("ITO") could raise a discovery assessment in respect of tax not withheld from loan interest payments made to Cornerstone Titan 2006-1 Plc ("**Cornerstone**") during the period 8 December 2007 to 31 December 2007. The amount of any potential liability is 20% of the interest paid to Cornerstone in that period. This liability is estimated to amount to £22,235. An interest surcharge may be levied by the tax office on unpaid interest.

It is not clear where the central management and control of the Property Subsidiary was exercised prior to 18 April 2008, when it migrated from the British Virgin Islands to Guernsey. There may be a tax liability if Blueclouds was centrally managed and controlled from another jurisdiction. This would potentially take the form of income tax in that jurisdiction as well as a potential exit charge following the migration out into Guernsey.

For the period 7 December 2007 to 18 April 2008, board minutes have indicated that meetings were held in Guernsey and that there were three Guernsey resident directors and one UK resident director. The minutes do not indicate whether any of the business was proposed, actioned or specifically carried out by any one of these directors. It is not therefore conclusively clear where central management and control was exercised in this period.

The risks listed above do not necessarily comprise all the risks associated with an investment in the Company.

PART V

Initial Property

1. SUMMARY OF THE INITIAL PROPERTY**1.1 Summary description of the Initial Property**

Property	Owner	Tenant/Licensee	Description	Current Annual Rent
Part of First Floor, Regency Court	Blueclouds Property Limited	Deloitte & Touche LLP	21 year lease (assigned to Tenant from R A Garrard & others)	£333,442
Tennis Court, Roof Top of Regency Court	Blueclouds Property Limited	Premier Developments Limited	21 year lease	£100
Part of Ground Floor, Regency Court	Blueclouds Property Limited	International Administration Guernsey Limited	15 year lease	£192,147.36
Part of Ground Floor, Regency Court	Blueclouds Property Limited	EEA Fund Management (Guernsey) Limited	Licence from International Administration Limited, being 129 square feet of the ground floor	£8,000 licence fee
Part of Ground Floor, Regency Court	Blueclouds Property Limited	Schroders (CI) Limited	21 year lease	£331,872.28
Part of First Floor, Regency Court	Blueclouds Property Limited	Barclays Wealth (Guernsey) Limited	21 year lease	£295,585
Second & Third Floors, Regency Court	Blueclouds Property Limited	Butterfield Bank (Guernsey) Limited	21 year lease	£1,221,008.50
Part of Second Floor, Regency Court	Blueclouds Property Limited	Butterfield Fulcrum Group (Guernsey) Limited	Licence from Butterfield Bank (Guernsey) Limited being 4,490 square feet of second floor	£283,992 (at time of signing licence 1/1/09)
Electricity Sub-station	Premier Developments Limited	Guernsey Electricity Limited	999 year lease	£1 nominal consideration paid for lease

1.2 Lease break options

Property	Tenant / Licensee	Lease/Licence Term	Break option?
Part of First Floor, Regency Court	Deloitte & Touche LLP	21 years from 2 June 2004	Either party may give written notice between 1/3/18 and 1/6/18 to terminate the lease on 1/6/19
Tennis Court, Roof Top of Regency Court	Premier Developments Limited	21 years from 28 May 2004	No
Part of Ground Floor, Regency Court	International Administration Guernsey Limited	15 years from 10 June 2006	No
Part of Ground Floor, Regency Court	EEA Fund Management (Guernsey) Limited	11 years from 1 April 2010	Either party may terminate the licence upon no less than 3 months' written notice
Part of Ground Floor, Regency Court	Schroders (CI) Limited	21 years from 7 October 2005	Either party may give written notice between 1/4/19 and 7/10/19 to terminate the lease on 6/10/20
Part of First Floor, Regency Court	Barclays Wealth (Guernsey) Limited	21 years from 2 June 2004	Either party may give written notice between 1/3/18 and 2/6/18 to terminate the lease on 1/6/19
Second & Third Floors, Regency Court	Butterfield Bank (Guernsey) Limited	21 years from 28 May 2004	The Tenant may give written notice between 28/5/16 and 28/2/17 to terminate the lease on 27/5/19
Part of Second Floor, Regency Court	Butterfield Fulcrum Group (Guernsey) Limited	16 years from 1 January 2009	No
Electricity Sub-station	Guernsey Electricity Limited	999 years from 31 December 2004	No

2. ACQUISITION OF THE PROPERTY COMPANY

The Company is offering to acquire, through Regency, on the terms and subject to the conditions set out in the Offer Document, the Equity Investor Shares, the Mezzanine Investor Shares, the Equity Loan Notes and the Mezzanine Loan Notes on the following basis:

- (1) each Equity Investor Share and each Equity Loan Note will be purchased, by the Company, through its wholly owned subsidiary Regency, in respect of each Equity Unit in consideration for:
 - (i) 20,000 Ordinary Shares (being such number of Ordinary Shares as equates, at the Placing Price, therefore to the sum of £20,000 being a sum equal to 80 per cent. of the original issue price of such Equity Unit and comprising consideration of 1p per Equity Investor Share and £19,950 for the Equity Loan Notes comprised in such Equity Unit); or
 - (ii) the sum of £17,500 paid in cash (being a sum equal to 70 per cent. of the original issue price of such Equity Unit and comprising consideration of 1p per Equity Share and £17,450 for the Equity Loan Notes comprised in such Equity Unit);
- (2) each Mezzanine Loan Note be purchased in cash by, Regency, for its full principal amount together with the total amount outstanding in respect of accrued but unpaid interest on each such Mezzanine Loan Note; and
- (3) each Mezzanine Investor Share be purchased in cash by, Regency, for its original issue price, being the sum of 1p per Mezzanine Investor Share.

The terms of the Offer value the Equity Loan Notes, the Mezzanine Loan Notes and the entire issued share capital of the Property Company between £7,100,000 and £7,700,000.

The maximum number of Ordinary Shares to be issued in connection with the Offer will be 50,000,000.

The Property Company shares will be acquired by the Company fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after the date on which the Offer becomes or is declared unconditional. Under the terms of the Offer, each Property Company shareholder will forego all rights to any future dividend or undeclared dividends or other returns of capital of the Property Company.

The Offer Document referred to above shall be available for inspection as described in paragraph 18 Part VII of this document.

PART VI
VALUATION REPORT

Our Ref: 101019TR-PA1021-TD

19 October 2010

The Directors
Channel Islands Property Fund Limited
P O Box 186
1 Le Marchant Street
St Peter Port
Guernsey
GY1 4HP

Dear Sirs

Valuation of Regency Court, Gleteqny Esplanade, St Peter Port, Guernsey
On Behalf of Channel Islands Property Fund Limited

Introduction

In accordance with the instructions received from Channel Islands Property Fund Limited, we hereby provide our opinion of the Market Value of the freehold interest in the property as described in the attached Schedule (The Schedule).

We understand that the valuation is required for inclusion in the Listing Document of Channel Islands Property Fund Limited to the Channel Islands Stock Exchange.

Compliance with the Royal Institution of Chartered Surveyors Valuation Standards

The Subject Property has been valued in accordance with the definition of Market Value as set out in the current edition of the RICS Valuation Standards (Sixth Edition) as well as the Listing Rules published by the Financial Services Authority. Market Value is defined as the estimated amount for which a property would exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had acted knowledgeably, prudently and without compulsion.

This Schedule contains the Net Annual Rental for the Subject Property referred to in the Schedule and the Net Annual Rent is defined in the Listing Rules as the current income or income estimated by the Valuer. This ignores any special receipts or deductions arising from the property. It excludes Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans) and after making deductions for superior rents (but not for amortisation) and any disbursements including, if appropriate, expenses of managing the Subject Property and allowances to maintain it in a condition to command its rent.

The Schedule also includes the Estimated Net Annual Rental. The Estimated Net Annual Rental is based on the current rental value of the Subject Property. The rental value reflects the same terms as the existing leases where the property or part thereof is let at the date of valuation.

Status of Valuer and Conflicts of Interest

We would confirm that this valuation has been undertaken by a Valuer acting as an External Valuer as defined by the Royal Institution of Chartered Surveyors Valuation Standards.

We would confirm that we have no fee earning relationship with Channel Islands Property Fund Limited and aside from the fees from this assignment, have received no other fees from the Company.

We would declare that Montagu Evans Channel Islands Limited are the Managing Agents for the Subject Property, however our fees are recovered under the service charge which in turn is recovered in full from the occupational tenants. It is anticipated our role as Managing Agents will continue. We would confirm that we are not acting on behalf of the vendor / current owner in respect of any outstanding or current rent reviews nor are we acting on behalf of the vendor / current owner in respect of the sale.

Inspection

We would confirm that we inspected the Subject Property on 9 September 2010.

Assumptions and Sources of Information

We have relied upon information provided to us and that of which we are aware in respect of the tenancy position and occupational leases. As at the date of this valuation we have not seen the Report on Title prepared by Messrs Collas Day.

We would confirm that we have assumed that the Subject Property possesses a good and marketable freehold title, free from any onerous restrictions or conditions.

We have not carried out detailed investigations into the covenant strengths of the individual tenants, though we have made appropriate enquires where possible. We have reflected in our opinion as to Market Value a general understanding of a purchaser's likely perception of the individual tenant's financial status.

We have not been instructed to carry out building or structural surveys of the property, nor test its services. This has nevertheless recently been carried out by Messrs Brittain Hadley on behalf of the vendors. We have been provided with a copy of their findings. We have reflected in our valuations where necessary any defects, items of disrepair or outstanding works, alterations or improvements which we are aware of or which we noticed during the course of our inspection. Our valuation assumes the building contains no deleterious materials and that the site is unaffected by adverse soil conditions.

We have not carried out investigations into the property to establish the existence or otherwise of any environmental contamination. In the absence of any information to the contrary we have assumed that the Subject Property is unaffected by environmental contamination.

We are aware that there are no arrears of rent or service charges, material breaches of covenant and no current or anticipated tenant disputes.

Description, Tenure and Tenancies

We have provided in the attached Schedule details of the Subject Property, its tenure, terms of the individual tenancies, estimated current Net Annual Rents receivable, estimated current Net Rental Values and Market Value. In arriving at our opinion of Market Value we have had regard to current market evidence.

Taxation and Costs

We would confirm that we have made no allowance for Tax or Value Added Tax, though the latter of which is not currently applicable in Guernsey. We have made an allowance of 1.5% for disposal costs, as agreed, as we understand this is a sale by way of share transfer rather than sale by way of conveyance.

Valuation

We are of the opinion that the market value as at the valuation date 23 September 2010, of the freehold interest in the Subject Property, described in the Schedule, subject to the assumptions and comments in this valuation report is as follows:

£38,780,000.00

(Thirty Eight Million Seven Hundred and Eighty Thousand Pounds)

Confidentiality and Disclosure

We would confirm that the contents of this valuation report and the attached Schedule may only be used for the purposes of this valuation report. Before this valuation report, or any part thereof, is reproduced or referred to in any document, circular or statement, the Valuers written approval as to the form and context of such publication or disclosure must first be obtained.

The contents of the valuation report may only be used for the purpose of inclusion in the Listing Document, in respect of Channel Islands Property Fund Limited and we would confirm our agreement to its inclusion.

Yours faithfully

Tony Rowbotham
For and on behalf of Montagu Evans LLP

The Schedule

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
Regency Court, Glatigny Esplanade, St Peter Port, Guernsey	The Subject Property comprises a purpose built office building, completed in 2004, offering approximately 5,585.26 sq m (60,097 sq ft) arranged over 4 floors along with 202 car parking spaces to the rear.	Let on 5 separate leases.			£38,780,000
	It is understood it was constructed utilising a steel frame, concrete infill floors under a mansarded roof.	The second and third floors are let to the Butterfield Bank International (Guernsey) Ltd on a 21 year lease from May 2004, subject to a tenant's break in May 2019.	£1,221,008.5	£1,343,460	
	Internally the property offers an internal atrium with 2 passenger lifts to the front, 4 pipe fan coil air-conditioning, raised floors, and male and female w.c facilities on each floor.	Part of the first floor is let to Deloitte & Touche Partnership with a guarantee from Deloitte & Touche LLP on a 21 year lease from June 2004 subject to a mutual break in June 2019.	£333,442	£358,468	
	Freehold	Part of the first floor is let to Barclays Wealth (Guernsey) Limited subject to a guarantee from Deloitte & Touche LLP on a 21 year lease from June 2004 subject to a mutual break in June 2019	£295,584	£319,736	
		Part of the ground floor is let to Schroders (CI) Limited on a 21 year lease from October 2005 subject to a mutual break in October 2019.	£333,872.28	£359,544	

	<p>Part of the ground floor is let to International Administration Guernsey Limited on a 15 year lease from June 2006.</p> <p>All leases are on effective full repairing and insuring terms subject to 3 yearly upwards only rent reviews with a full liability for repairs and redecoration resting with the tenant, the cost of which is recovered under a service charge.</p> <p>The 2010 rent reviews with Bank of Butterfield, Deloitte & Touche and International Administration Guernsey Ltd remain outstanding.</p> <p>Additional third party income</p>	<p>£192,147.36</p> <p>£782</p>	<p>£210,426.80</p> <p>£782</p>	
		TOTAL	TOTAL	
		£2,376,836.14	£2,592,416.80	

PART VII**ADDITIONAL INFORMATION****1. Responsibility Statement**

The Directors whose names, functions and addresses appear on page 3 of this document and the Company, accept responsibility for the information contained in this Listing Document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Listing Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and status of the Company

- 2.1 The Company was incorporated with limited liability in Guernsey under the Law on 25 August 2010 with registered number 42324. The Company is an authorised closed-ended investment company under the POI Law.
- 2.2 The legal and commercial name of the Company is Channel Islands Property Fund Limited.
- 2.3 The principal legislation under which the Company operates is the Law and the regulations made thereunder.
- 2.4 The registered office of the Company is at 1 Le Marchant Street, St. Peter Port, Guernsey GY1 4HP. Statutory records of the Company are located at the registered office of the Company.
- 2.5 Subject to the applicable laws, the liability of the members of the Company is limited.

3. Share capital of the Company

- 3.1 The Company's authorised and issued share capital, at the date of this document and as it is expected to be immediately following Admission (assuming the maximum number of Ordinary Shares are issued by the Company as part of the Placing) is as follows:

At the date of this document

	No. of Ordinary Shares	Nominal value of Ordinary Shares
Authorised	Unlimited	No par value
Issued and fully paid	50,000,000	No par value

- 3.2 On incorporation the Company's authorised share capital was divided into an unlimited number of shares of no par value. Upon issue, the Directors may categorise the Shares of the Company as Ordinary Shares or as C Shares or otherwise. At incorporation, one Ordinary Share was subscribed for by the Subscriber to the Memorandum of Incorporation (the "Subscriber Share"). The Subscriber Share will be sold to Peter Tom.

- 3.3 Interests of Directors in the share capital:

Name	Number of Shares	Held by	Fully paid
Peter Tom CBE	500,000	MPR Trust Limited as Trustees of the PWG Tom RAT	Yes
Paul Bell	1,000,000	Paul Bell	Yes

Paul Bell's acquisition of Ordinary Shares is expected to be effected within 4 weeks from Admission.

3.4 Interests of the Manager and its officers in the share capital:

Name	Number of Shares	Held by	Fully paid
Jonathan Ravenscroft	500,000	TEMK Investments Limited	Yes

3.5 Share capital holdings over 10 per cent.

The Company's majority holders of Ordinary Shares do not have different voting rights to the other holders of Ordinary Shares.

3.6 Save for issue of the Subscriber Share referred to above, since the date of Incorporation, no share or loan capital had been issued and agreed to be issued or is now proposed to be issued for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company. No share capital of the Company is currently under option or agreed to be put under option.

4. Memorandum and Articles of Incorporation

4.1 Memorandum

The Memorandum of Incorporation provides that the Company's objects are unrestricted and it shall therefore have the full power and authority to carry out any object not prohibited by the Law, or any other law of Guernsey. Copies of the Memorandum of Incorporation are available for inspection at the Company's registered address specified on page 3.

4.2 Articles of Incorporation

The Articles of Incorporation of the Company contain provisions, inter alia, to the following effect. Copies of the Articles of incorporation are available for inspection at the Company's registered address specified on page 3.

Voting Rights

On a show of hands, every Shareholder present in person or by proxy shall have one vote subject to any special voting powers or restrictions.

On a poll, every Shareholder present in person or by proxy shall have one vote for each share held by him subject to any special voting powers or restrictions.

Where there are joint registered holders of any shares, such persons shall not have the right of voting individually in respect of such share but shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election the person whose name stands first on the Register shall alone be entitled to vote.

Any Shareholder, being incapable or of unsound mind, may vote by his curator or other legal guardian. Any of such persons may vote either personally or by proxy.

On a poll, votes may be given either personally or by proxy and a Shareholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. A proxy need not be a Shareholder. An instrument of proxy may be valid for one or more meetings.

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No Shareholder shall be entitled to be present or take part in any proceedings or vote, either personally or by proxy, at any meeting unless all calls due from him have been paid.

No Shareholder shall be entitled to vote in respect of any shares that he has acquired unless he has been registered in the Register as their holder.

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed shall be valid for all purposes. Any objection made in due time shall be referred to the chairman whose decision shall be final and binding.

For the purposes of the above, where a person is present by proxy or proxies, he/she is treated as holding only the shares in respect of which the proxies are authorised to exercise voting rights.

At a variation of class rights meeting, any holder of shares of the class in question present may demand a poll.

For the purposes of the above:-

- (a) any alteration of a provision contained in the Articles for the variation of rights attached to a class of shares, or the insertion of any such provision into the Articles, is itself to be treated as a variation of those rights; and
- (b) references to the variation of rights attached to a class of shares include references to their abrogation.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not (unless otherwise expressly provided by the terms of issue of the shares of that class) be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

IX C
Item 12(a)(v)
(2)

IX B Item 12(a)(v)

General Meeting

The first general meeting of the Company shall be held within eighteen (18) months of the date of incorporation, as required by the Law, and thereafter general meetings shall be held once at least in each subsequent calendar year in accordance with Sections 199 of the Law but so that not more than fifteen (15) months may elapse between one annual general meeting and the next. The requirement for a general meeting may be waived by the Shareholders in accordance with the provisions of the Law. Other meetings of the Company shall be called extraordinary general meetings.

The quorum for a general meeting shall be two (2) or more Shareholders holding 5 per cent or more of the voting rights applicable at such meeting present in person or by proxy provided that, if the Company shall have only one (1) Shareholder entitled to attend and vote at the general meeting, that Shareholder shall constitute a quorum.

If, within half an hour after the time appointed for the meeting, a quorum is not present, the meeting, if convened by or upon a requisition, shall be dissolved. If otherwise convened, it shall stand adjourned for fourteen (14) clear days at the same time and place and no notice of adjournment need be given.

(3) Share Capital

The Company may issue an unlimited number of shares of no par value.

Ordinary Shares

The rights attaching to the Ordinary Shares shall be as follows:

- (a) 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 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 in accordance with paragraph 4.2 (8).

IX C
Item 12(a)(iii)

- (b) As to capital - the holders of Ordinary Shares shall be entitled on a winding up to participate in the distribution of capital in the manner described in paragraph 4.2 (6).

IX B Item 12(a)
(iii)

IX C
Item 12(a)(i)

- (c) 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.

IX B Item 12(a)(i)

C Shares

The rights attaching to the C Shares (as defined in the Articles) shall be as set out in paragraph 4.2 (20).

IX C
Item 12(a)(v)

General

Without prejudice to any special rights previously conferred on the holders of any existing Ordinary Shares or class of shares, any Ordinary Share (or option, warrant or other right in respect of a share) in the Company may be issued with such preferred, deferred or other special rights or restrictions, whether as to dividend, voting, return of capital or otherwise, as the Board may determine. To the extent required by sections 292 and 293 of the Law, the Board is authorised to issue an unlimited number of shares (or options, warrants or other rights in respect of shares) (subject only to any limitation in the Articles) which authority shall expire five (5) years after the date of adoption of the Articles; in the event that the restrictions in section 292(3)(a) and/or (b)(i) of the Law are amended or removed, such authority shall be to the extent and for as long as is legally permissible. This authority may be further extended in accordance with the provisions of the Law.

IX B Item 12(a)(v)

IX C (4)
Item 22
IX C
Item 23(a)

Issue of Shares

Subject to the authority to Issue Ordinary Shares referred to in paragraph 4.2 (3) or any extension thereof, the unissued Ordinary Shares shall be at the disposal of the Board which may allot or grant options, warrants or other rights over or otherwise dispose of them to such persons on such terms and conditions and at such times as the Board determines but so that no Ordinary Share shall be issued at a discount except in accordance with the Law and so that the amount payable on application on each Ordinary Share shall be fixed by the Board.

IX B Item 22

IX B Item 23(a)

Any shares may with the sanction of the Board be issued on terms that they are, or at the option of the Company or the holder are, liable to be redeemed on such terms and in such terms and in such manner as the Board may determine.

IX C (5)
Item 12(c)

Variation of Class Rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class.

IX B Item 12(c)

The quorum for a variation of class rights meeting is; for a meeting other than an adjourned meeting, two (2) persons present holding at least one third of the voting rights of the class in question; for an adjourned meeting, one (1) person holding shares of the class in question; or where the class has only one Member, that Member.

IX C (6)
Item 12(a)(iii)

Winding up

The Company shall be wound up in any of the circumstances specified in the Law and assets available for distribution to Shareholders shall, subject to any special terms of issue, be distributed according to the number of shares held by each Shareholder.

IX B Item 12(a)(iii)

If the Company shall be wound up whether voluntarily or otherwise, the liquidator may, with the sanction of a special resolution, divide among the Shareholders in specie any part of the assets of the Company and may with the like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the Shareholders as the liquidator with the like sanction shall think fit.

In case any of the securities or other assets to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said assets may within fourteen (14) clear days after the passing of the special resolution by notice in writing direct the liquidator to sell his proportion and pay him the net proceeds and the liquidator shall, if practicable, act accordingly.

The capital and assets of the Company shall, on a winding up or on a return of capital prior, in each case, to Conversion be applied as follows:

- (a) the Share Surplus shall be divided amongst the holders of Ordinary Shares according to the rights attaching thereto as if the Share Surplus comprised the assets of the Company available for distribution; and
- (b) the C Share Surplus shall be divided amongst the holders of C Share(s) *pro rata* according to their holdings of C Shares.

(7) **Notice requiring disclosure of interest in Shares**

The Directors shall have power by notice in writing to require any Shareholder to disclose to the Company the identity of any person (other than the Shareholder) who has an interest in the Ordinary Shares held by the Shareholder and the nature of such interest. Any such notice shall require any information in response to such notice to be given within the prescribed period, which is 28 days after service of the notice or 14 days if the Ordinary Shares concerned represent 0.25 per cent. or more in value of the issued Ordinary Shares of the relevant class or such other reasonable time period as the Directors may determine. The direction notice may direct that in respect of the Ordinary Shares in respect of which the default has occurred (the "default Shares") and any other Ordinary Shares held by the Shareholder, the Shareholder shall not be entitled to vote (either personally or by representative or by proxy) in general meetings or class meetings. Where the default Shares represent at least 0.25 per cent. of the class of Shares concerned the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest), and that no transfer of the Ordinary Shares (other than a transfer approved under the Articles) shall be registered until the default is rectified.

IX C
Item 12(a)(ii)

(8) **Dividends**

Subject to compliance with section 304 of the Law, the Board may at any time declare and pay such dividends as appear to be justified by the position of the Company. The Board may also declare and pay any fixed dividend which is payable on any Ordinary Shares half-yearly or otherwise on fixed dates whenever the position, in the opinion of the Board, so justifies.

IX B Item 12(a)(ii)

The method of payment of dividends shall be at the discretion of the Board.

No dividend shall be paid in excess of the amounts permitted by the Law or approved by the Board.

Unless and to the extent that the rights attached to any Ordinary Shares or the terms of issue thereof otherwise provide, all dividends shall be declared and paid *pro rata* according to the number of Ordinary Shares held by each Shareholder.

The Board may deduct from any dividend payable to any Shareholder on or in respect of an Ordinary Share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

The Board may retain any dividend or other moneys payable on or in respect of an Ordinary Share on which the Company has a lien and may apply the same in or towards satisfaction of the liabilities or obligations in respect of which the lien exists.

The Board may retain dividends payable upon Ordinary Shares in respect of which person is entitled to become a Shareholder until such person has become a Shareholder.

With the sanction of the Company in general meeting, any dividend may be paid wholly or in part by the distribution of specific assets and, in particular, of paid-up Ordinary Shares of the Company. Where any difficulty arises in regard to such distribution the Board may settle the same as it thinks expedient and in particular may issue fractional Shares and fix the value for distribution of such specific assets and may determine that cash payments shall be made to any Shareholders upon the footing of the value so fixed in order to adjust the rights of Shareholders and may vest any such specific assets in trustees for the Shareholders entitled as may seem expedient to the Board.

Any dividend interest or other moneys payable in cash in respect of Ordinary Shares may be paid by cheque or warrant sent through the post to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders, who is first named on the register. Any one of two or more joint holders may give effectual receipts for any dividends interest or other moneys payable in respect of their joint holdings.

No dividend or other moneys payable on or in respect of an Ordinary Share shall bear interest against the Company.

All unclaimed dividends may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of six years after having been declared shall be forfeited and shall revert to the Company.

IX C
Item 6(g)

IX B Item 6(g)

(9) **Determination of Net Asset Value**

The Net Asset Value of the Company shall be determined in accordance with the following provisions:-

The Net Asset Value shall be equal to the value as at the relevant Valuation Point (as defined in the Articles) of all the assets, less all the liabilities, of the Company (calculated on the basis set out in this Articles).

The assets of the Company shall be deemed to include the following:-

- (a) all real property;
- (b) all cash on hand, on loan or on deposit, or on call including any interest accrued thereon;
- (c) all treasury bills, demand notes, promissory notes and accounts receivable;
- (d) all shares, stocks, units, participations, warrants, bonds, time notes, debenture stock, subscription rights, options, futures contracts and other investments and securities owned or contracted for by the Company, other than rights and securities issued by it;
- (e) all stock and cash dividends and cash distributions to be received by the Company and not yet received by it but declared payable to stockholders of record on a date before the day as of which the assets are being valued;
- (f) all interest accrued on any interest-bearing securities owned by the Company;

- (g) unrealised profits on open contracts; and
- (h) all other assets of the Company of every kind and nature including any claims for repayment of any taxation levied on capital (including capital gains) or on income accrued before the Valuation Point (as defined in the Articles) and prepaid expenses as valued and defined from time to time by the Directors.

Any expense or liability of the Company may be amortised over such period as the Directors may determine (and the Directors may at any time and from time to time determine to lengthen or shorten any such period) and the unamortised amount thereof at any time shall also be deemed to be an asset of the Company.

The investments of the Company shall be valued as follows:-

- (a) subject to sub-Article (g) below, assets listed, quoted or dealt in on a recognised securities exchange (including financial futures, warrants and rights expressed by reference to stock indices) are to be valued at the mid market price, at the last close of business before the Valuation Point (as defined in the Articles) on the recognised securities exchange which, in the opinion of the Directors, is the principal recognised securities exchange on which the asset in question is listed, quoted or dealt in. If separate bid and offer prices are quoted, the price to be adopted for calculating the Net Asset Value shall be the mean average of the two prices;
- (b) deposits shall be valued at their principal amount plus accrued interest from the date of acquisition;
- (c) certificates of deposit acquired at their nominal value shall be valued at cost plus accrued interest from the date of acquisition on the nominal value at the coupon rate;
- (d) certificates of deposit acquired at a discount or premium on the sum of the nominal value and accrued interest at the date of acquisition shall be valued at their cost plus accrued interest from the date of acquisition on the nominal value at the coupon rate, and adjusted by an amount equal to the discount or premium at which they were acquired divided by the number of days unexpired at the date of acquisition and multiplied by the number of days elapsed from the date of acquisition to the date as of which the assets are being valued;
- (e) investments in unit trusts or other forms of collective investment schemes will be valued at the latest available mid-market price or valuation quoted by the manager or, as the case may be, the administrator of the unit trust or scheme in question;
- (f) any interest and exchange rate contracts will be valued at their market value; and
- (g) other investments of the Company shall be valued in accordance with the Prospectus or as otherwise determined by the Directors from time to time in their absolute discretion;

PROVIDED THAT if in the case of any investment the Directors at any time consider that the above basis of valuation is inapplicable or that the value determined in accordance with the foregoing principles is unfair they shall be entitled to substitute what in their opinion is a fair and reasonable value therefore (or different values for the purpose of calculating offer prices and bid prices).

Notwithstanding the foregoing, where at the time as of which the assets are being valued any investment of the Company has been realised or unconditionally

contracted to be realised there shall be included in the assets of the Company in place of such investment the net amount receivable by the Company in respect thereof provided that if the net amount receivable is not payable until some further time after the time as of which the assets are being valued the Directors may make such allowance as they consider appropriate.

Notwithstanding the rules in paragraphs (a) to (g) above on valuation of investments where an option subsists for another person to purchase an asset from the Company or for the Company to sell an asset to another person, but such option has not been exercised, the value of the asset concerned shall be taken to be the price at which the option is exercisable, at any time at which such price is (in the case where another person is entitled to purchase) lower than, or (in the case where the Company is entitled to sell to another person) higher than, the price by reference to which the value would otherwise be calculated.

Any valuations made pursuant to these Articles shall be binding on all relevant persons.

The liabilities of the Company shall be deemed to include all its liabilities (including such amount as the Directors determine to provide in respect of contingent liabilities including (but without limitation) liabilities in respect of taxation on income or capital gains whether realised or unrealised) of whatsoever kind and nature. Any unrealised loss on open contracts will be included as liabilities of the Company. In determining the amount of such liabilities the Directors may calculate any liabilities on an estimated figure for yearly or other periods in advance and accrue the same in equal proportions over any such period. All fees and expenses payable by the Company shall be treated as accruing on a daily basis unless the Directors shall otherwise determine.

Brokerage commissions on open contracts shall be accrued as a liability of the Company upon the initiation of such positions.

Valuations will be provided to the CISO as soon as practicable after calculation.

IX C
Item 6(h)

(10)

Transfer of Shares

The Articles are subject to, and do not limit or restrict the Company's powers to transfer shares in accordance with the Uncertificated Securities (Enabling Provisions) (Guernsey) Law, 2005 and any legislation or rules enacted in respect of it.

IX B Item 6(h)

All instruments of transfer which shall be registered shall be retained by the Company, but any instrument of transfer which the Directors may decline to register shall (except in the case of fraud) be returned to the person depositing the same.

The Articles provide that the Directors may implement such arrangements as they may, in their absolute discretion, think fit in order for any class of shares to be admitted to settlement by means of the CREST system. If the Directors implement any such arrangements no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with:

- (a) the holding of Shares of that class in uncertificated form;
- (b) the transfer of title to Shares of that class by means of the CREST system; or
- (c) the CREST Guernsey Requirements.

Where any class of Ordinary Shares is, for the time being, admitted to settlement by means of the CREST system such securities may be issued in uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements.

Unless the Directors otherwise determine, such securities held by the same holder or joint holders in certificated form and uncertificated form shall be treated as separate holdings.

Such securities may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the CREST Guernsey Requirements.

Title to such of the Ordinary Shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the CREST system and as provided in the CREST Guernsey Requirements.

Every transfer of Ordinary Shares from a CREST account of a CREST member to a CREST account of another CREST member shall vest in the transferee a beneficial interest in the Ordinary Shares transferred, notwithstanding any agreements or arrangements to the contrary, however and whenever arising and however expressed.

Subject to such of the restrictions of the Articles, any Shareholder may transfer all or any of their certificated Ordinary Shares by an instrument of transfer in any usual form or in any other form which the Directors may approve. The instrument of transfer of an Ordinary Share shall be signed by or on behalf of the transferor and, unless the Ordinary Share is fully paid, by or on behalf of the transferee.

The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any Ordinary Share in certificated form or uncertificated form which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis. The Directors may also refuse to register any transfer of Ordinary Shares which is prohibited by the provisions described above, or any transfer of Ordinary Shares unless such transfer is in respect of only one class of Ordinary Shares, is in favour of a single transferee or no more than four joint transferees, is delivered for registration to the Company's registered office such other place as the Board may decide, and is accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

Subject to any relevant restrictions of the Articles, any Shareholder may transfer all or any of their uncertificated Ordinary Shares by means of a relevant system authorised by the Directors in such manner provided for, and subject as provided in any regulations issued for this purpose under the Law or as may otherwise from time to time be adopted by the Directors on behalf of the Company and the rules of any relevant system, and accordingly no provision of the Articles shall apply in respect of an uncertificated Ordinary Share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the Ordinary Shares to be transferred.

Subject to the provisions of the CREST Guernsey Requirements, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided that such suspension shall not be for more than 30 days in any year.

IX C (11)
Item 6(i)

Untraced Shareholders

IX B Item 6(i)

The Company shall be entitled to sell (at a price which the Company shall use its reasonable endeavours to ensure is the best obtainable) the shares of a Member or the shares to which a person is entitled by virtue of transmission on death or insolvency or otherwise by operation of law if and provided that:

- (i) during the period of not less than twelve (12) years prior to the date of the publication of the advertisements referred to below (or, if published on different dates, the first thereof) at least three (3) dividends in respect of the shares in question have become payable and no dividend in respect of those shares has been claimed; and
- (ii) the Company shall following the expiry of such period of twelve (12) years have inserted advertisements, but in a national newspaper and in a newspaper circulating in the area in which the last known address of the Member or the address at which service of notices may be effected under

these Articles is located giving notice of its intention to sell the said shares; and

- (iii) during the period of three (3) months following the publication of such advertisements (or, if published on different dates, the last thereof) the Company shall have received indication neither of the whereabouts nor of the existence of such Member or person; and
- (iv) notice shall have been given to the stock exchanges on which the Company is listed, if any.

The above provisions are subject to any restrictions applicable under any regulations relating to the holding and/or transferring of securities in any paperless system as may be introduced from time to time in respect of the shares of the Company or any class thereof.

IX C (12)
Item 6(f)
IX C
Item 12(a)(i)
IX C
Item 12(b)

Alteration of capital and purchase of shares

The Company may by ordinary resolution: consolidate and divide all or any of its share capital into shares of larger or smaller amounts than its existing Ordinary Shares; subdivide all or any of its Ordinary Shares into shares of a smaller amount subject to the paragraph below; cancel Ordinary Shares which, at the date of the passing of the resolution, have not been taken up or agreed to be taken up by any person, and diminish the amount of its share capital by the amount of Ordinary Shares so cancelled; convert all or any of its Ordinary Shares, the nominal amount of which is expressed in a particular currency or former currency into Ordinary Shares of a nominal amount of a different currency, the conversion being effected at the rate of exchange (calculated to not less than three significant figures) current on the date of the resolution or on such other day as may be specified therein; or where its share capital is expressed in a particular currency or former currency, denominate or redenominate it, whether by expressing its amount in units or subdivisions of that currency or former currency, or otherwise.

IX B Item 6(f)

IX B Item 12(b)

In any subdivision under the paragraph above the proportion between the amount paid and the amount, if any, unpaid on each reduced Ordinary Share shall be the same as that proportion in the case of the Ordinary Share from which the reduced Ordinary Share was derived.

The Company may reduce its share capital, any capital account or any share premium account in any manner and with and subject to any authorisation or consent required by the Law.

The Company may, at the discretion of the Board, purchase any of its own Ordinary Shares whether or not they are redeemable, and may pay the purchase price in respect of such purchase to the fullest extent permitted by the Law.

(13) Notices

A notice or other communication may be given by the Company to any Shareholder either personally or by sending it by prepaid post addressed to such Shareholder at his registered address or, subject to below, in electronic form or if he desires that notices shall be sent to some other address or person to the address or person nominated for such purpose.

Any notice or other document, if served by post (including registered post, recorded delivery service or ordinary letter post), shall be deemed to have been served on the third day after the day on which the same was posted from Guernsey to an address in the United Kingdom, the Channel Islands or the Isle of Man and, in any other case, on the seventh day following that on which the same was posted.

Service of a document sent by post shall be proved by showing the date of posting, the address thereon and the fact of pre-payment.

Any notice or other document, if transmitted by electronic communication, facsimile transmission or other similar means which produces or enables the production of a document containing the text of the communication, shall be regarded as served when it is received.

A notice may be given by the Company to the joint holders of a Share by giving the notice to the joint holder first named in the register in respect of the Share.

Any notice or other communication sent to the address of any Shareholder shall, notwithstanding the death, disability or insolvency of such Shareholder and whether the Company has notice thereof, be deemed to have been duly served in respect of any Share registered in the name of such Shareholder as sole or joint holder and such service shall, for all purposes, be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in any such Share.

All Shareholders shall be deemed to have agreed to accept communication from the Company by electronic means in accordance with sections 524 and 526 and schedule 3 of the Law unless a Shareholder notifies the Company otherwise. Such notification must be in writing and signed by the Shareholder and delivered to the Company's registered office or such other place as the Board directs.

(14) Notice of general meetings

A general meeting of the Company (other than an adjourned meeting) must be called by notice of at least fourteen (14) clear days.

A general meeting may be called by shorter notice than otherwise required if all the Shareholders entitled to attend and vote so agree.

Notices may be published on a website in accordance with section 208 of the Law.

Notice of a general meeting of the Company must be sent to every Shareholder entitled to attend and vote thereat, every Director and every alternate Director registered as such.

Notice of a general meeting of the Company must state the time and date of the meeting, state the place of the meeting, specify any special business to be put to the meeting as defined in the Articles), contain the information required under section 178(6)(a) of the Law in respect of a resolution which is to be proposed as a special resolution at the meeting, contain the information required under section 179(6)(a) of the Law in respect of a resolution which is to be proposed as a waiver resolution at the meeting, and contain the information required under section 180(3)(a) of the Law in respect of a resolution which is to be proposed as a unanimous resolution at the meeting.

Notice of a general meeting must state the general nature of the business to be dealt with at the meeting.

The accidental omission to give notice of any meeting to or the non-receipt of such notice by any Shareholder shall not invalidate any resolution or any proposed resolution otherwise duly approved.

(15) Conflicts of Interest

A Director must, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the Company, disclose to the Board in accordance with section 162 of the Law:

- (a) if the monetary value of the Director's interest is quantifiable, the nature and monetary value of that interest; or
- (b) if the monetary value of the Director's interest is not quantifiable, the nature and extent of that interest.

The obligation referred to above does not apply if:

- (a) the transaction or proposed transaction is between the Director and the Company; and
- (b) the transaction or proposed transaction is or is to be entered into in the ordinary course of the Company's business and on usual terms and conditions.

A general disclosure to the Board to the effect that a Director has an interest (as director, officer, employee, member or otherwise) in a party and is to be regarded as interested in any transaction which may after the date of the disclosure be entered into with that party is sufficient disclosure of interest in relation to that transaction.

Nothing in this paragraph 4.2 (14) above applies in relation to:

- (a) remuneration or other benefit given to a Director;
- (b) insurance purchased or maintained for a Director in accordance with section 158 of the Law; or
- (c) a qualifying third party indemnity provision provided for a Director in accordance with section 159 of the Law.

Subject to the paragraph below, a Director is interested in a transaction to which the Company is a party if such Director:

- (a) is a party to, or may derive a material benefit from, the transaction;
- (b) has a material financial interest in another party to the transaction;
- (c) is a director, officer, employee or member of another party (other than a party which is an associated company) who may derive a material financial benefit from the transaction;
- (d) is the parent, child or spouse of another party who may derive a material financial benefit from the transaction; or
- (e) is otherwise directly or indirectly materially interested in the transaction.

A Director is not interested in a transaction to which the Company is a party if the transaction comprises only the giving by the Company of security to a third party which has no connection with the Director, at the request of the third party, in respect of a debt or obligation of the Company for which the Director or another person has personally assumed responsibility in whole or in part under a guarantee, indemnity or security.

IX C
Item 6(a)

Save as provided in the Articles, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interest in Shares or debentures or other securities of or otherwise through the Company. A Director may be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

IX B Item 6(a)

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters namely:

- (a) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he

himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

- (c) any proposal concerning an offer of Shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (d) any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in one per cent. or more of the issued shares of such company (or of any third company through which his interest is derived) or of the voting rights available to shareholders of the relevant company (any such interest being deemed for these purposes to be a material interest in all circumstances).

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employment with the Company or any company in which the Company is interested the Directors may be counted in the quorum for the consideration of such proposals and such proposals may be divided and considered in relation to each director separately and in such case each of the directors concerned (if not debarred from voting under the provisions referred to above) shall be entitled to vote and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the director concerned have not been fairly disclosed.

The Company may by ordinary resolution suspend or relax the provisions referred to above to any extent or ratify any transaction not duly authorised by reason of a contravention of any of the paragraphs above.

Subject to the provisions referred to above the Directors may exercise the voting power conferred by the shares in any other company held or owned by the Company or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them director, managing director, managers or other officer of such company or voting or providing for the payment or remuneration to the directors, managing director, manager or other officer of such company).

A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director on such terms as to tenure of office or otherwise as the Directors may determine.

Subject to due disclosure in accordance with the provisions referred to in this paragraph 4.2 (14), no Director or intending Director shall be disqualified by his office from contracting with the Company as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested render the Director liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

Any Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director provided that nothing herein contained shall authorise a Director or his firm to act as Auditor to the Company.

Any Director may continue to be or become a director, managing director, manager or other officer or member of any company in which the Company may be interested and (unless otherwise agreed) no such Director shall be accountable for any remuneration or other benefits received by him as a Director, managing director, manager or other officer or member of any such other company.

(16) **Remuneration and appointment of Directors**

IX C
Item 6(b)

The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other sub-paragraph of the Articles) shall not exceed in aggregate £50,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Such remuneration shall be deemed to accrue from day to day.

IX B Item 6(b)

The Directors shall also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company. In addition, the Board may reward additional remuneration to any Director engaged in exceptional work at the request of the Board on a time spent basis.

IX C
Item 6(e)

The Board shall have power at any time to appoint any person eligible accordance with section 137 of the Law to be a Director either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the number, if any, fixed pursuant to the Articles. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

IX B Item 6(e)

Without prejudice to the powers of the Board, the Company in general meeting may appoint any person to be a Director either to fill a casual vacancy or as an additional Director.

The Directors may at any time appoint one or more of their body to the office of managing director for such term and at such remuneration and upon such terms as they determine.

IX C
Item 6(e)

(17) **Disqualification and Retirement of Directors**

No person other than a Director retiring at a general meeting shall, unless recommended by the Directors, be eligible for election by the Company to the office of Director unless, not less than (14) clear days before the date appointed for the meetings there shall have been left at the Company's registered office notice in writing signed by a Shareholder duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election together with notice in writing signed by that person of his willingness to be elected.

IX B Item 6(e)

A Director shall cease to hold office: (i) if the Director not being a person holding for a fixed term an executive office subject to termination if he ceases for any reason to be a Director) resigns his office by written notice signed by him sent to or deposited at the registered office of the Company, (ii) if he shall have absented himself from meetings of the Board for a consecutive period of 12 months and the Board resolves that his office shall be vacated, (iii) if he dies or becomes of unsound mind or incapable, (iv) if he becomes insolvent, suspends payment or compounds with his creditors, (v) if he is requested to resign by written notice signed by all his co-Directors, (vi) if the Company in general meeting shall declare that he shall cease to be a Director, (vii) if he becomes resident in the United Kingdom and, as a result thereof, a majority of the Directors are resident in the United Kingdom or (viii) if he becomes ineligible to be a Director in accordance with section 137 of the Law.

(18) **Indemnity**

The Directors, company secretary and officers for the time being of the Company and their respective heirs and executors shall, to the extent permitted by section 157 of the Law, be fully indemnified out of the assets and profits of the Company from and

against all actions, expenses and liabilities which they or their respective heirs or executors may incur by reason of any contract entered into or any act in or about the execution of their respective offices or trusts.

(19) **Borrowing powers**

IX C
Item 6(c)

The Board may exercise all the powers of the Company to borrow money and to mortgage, hypothecate, pledge or charge all or part of its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any liability or obligation of the Company or of any third party.

IX B Item 6(c)

(20) **C Shares and New Shares**

Issues of C Shares

Subject to the Law, the Directors shall be authorised to issue C Shares in tranches on such terms as they determine provided that such terms are consistent with the provisions contained in this paragraph. The Directors shall, on the issue of each tranche of C Shares, determine the Calculation Time (as defined in the Articles) and Conversion Time (as defined in the Articles) together with any amendments to the definition of Conversion Ratio (as defined in the Articles) attributable to each such tranche.

Each tranche of C Shares, if in issue at the same time, shall be deemed to be a separate class of Shares. The Directors may, if they so decide, designate each tranche of C Shares in such manner as they see fit in order that each tranche of C Shares can be identified.

IX C
Item 12(a)(v)

Dividends and Pari Passu Ranking of C Shares and New Shares

The holders of C Share(s) of a tranche shall be entitled to receive, and participate in, any dividends declared only insofar as such dividend is attributed, at the sole discretion of the Directors, to the C Share Surplus of that tranche.

IX B Item 12(a)(ii)

If any dividend is declared after the issue of any tranche of C Shares and prior to the Conversion of that tranche, the holders of Ordinary Shares shall be entitled to receive and participate in such dividend only insofar as such dividend is not attributed, at the sole discretion of the Directors, to the C Share Surplus of the relevant tranche of C Shares.

The New Shares (as defined in the Articles) shall rank in full for all dividends and other distributions declared, made or paid after the Conversion Time and otherwise pari passu with the Ordinary Shares in issue at the Conversion Time.

Rights as to Capital

The capital and assets of the Company shall, on a winding up or on a return of capital prior, in each case, to Conversion be applied as follows:

- (a) the Share Surplus (as defined in the Articles) shall be divided amongst the holders of Ordinary Shares according to the rights attaching thereto as if the Share Surplus comprised the assets of the Company available for distribution; and
- (b) the C Share Surplus shall be divided amongst the holders of C Share(s) pro rata according to their holdings of C Shares.

Voting and Transfer

The C Shares shall carry the right to receive notice of, and to attend or vote at, any general meeting of the Company in the same manner as the Ordinary Shares (notwithstanding any difference in the respective Net Asset Values of the C Shares and Ordinary Shares). The C Shares shall be transferable in the same manner as the Ordinary Shares.

IX C
Item 12(a)(iv)**Redemption**IX B Item 12(c)
(iv)

The C Shares are issued on terms that each tranche of C Shares shall be redeemable by the Company in accordance with the terms set out in the Articles.

At any time prior to Conversion, the Company may, at its discretion, redeem all or any of the C Shares then in issue by agreement with any holder(s) thereof in accordance with such procedures as the Directors may determine (subject to the facilities and procedures of CREST) and in consideration of the payment of such redemption price as may be agreed between the Company and the relevant holders of C Share(s).

(21) Forfeiture and surrender of Shares

Any Ordinary Share in respect of which a notice requiring payment of an unpaid call or instalment, together with any interest which may have accrued and any expenses which may have been incurred, has been served may, at any time before payment has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited Ordinary Share and not actually paid before the forfeiture.

5. Information on the Directors and others**5.1 The names, dates of birth, nationality and functions of the Directors are as follows:**

Name	Date of Birth	Nationality	Function
PETER TOM CBE	26 July 1940	British	Non-executive Chairman
PAUL BELL	15 January 1956	British	Non-executive Director
SHELAGH MASON	13 August 1959	British	Non-executive Director

The business address of each of the Directors is the registered office address of the Company.

IX C
Item 39**5.2 In addition to any directorship of a member of the Company, the Directors hold or have held the following directorships or have been partners in the following firms within the five years prior to the date of this document:**

IX B Item 39

Director	Current directorships and/or Partnerships	Past directorships and/or partnerships
Peter Tom	AGA Foodservice Group Plc Beach House Ltd Beach Restaurant Ltd Breedon Aggregates Ltd Channel Islands Property Fund Limited Global Botanical Research Limited Leaf Clean Energy Plc Leicester Football Club Plc Leicester Rugby Club Limited Leicester Tigers Limited Midlands Conference Centre Ltd Care Biotechnologies 1880 Holdings Ltd New River Retail Plc Rise Rocks Ltd Tigers Events Limited	Aggregate Industries Pension Trustee Limited Aggregate Industries SLAS Limited Aggregate Industries South West Limited AI Overseas Investments Limited Camas Holdings Limited Camas Limited Camas UK Limited Lodelane Investments Paragon Materials Limited Aggregate Industries Holdings Limited Aggregate Industries Limited The Bardonia Mill House Company Rapid Realisation
Paul Bell	PB Investments Ltd PB Properties Ltd Trinity Manor Farm Ltd Koltov Investments Ltd Sisma Aviation Ltd Trinity Consultants Ltd B&V Holdings Ltd	Morris Homes (West Midlands) Ltd PB Properties - Villa Canut Ltd PB Properties - Le Bechal Ltd PB Properties - Greenfield Ltd.
Shelagh Mason	ARSY Holdings Limited MedicX Fund Limited	PFB Regional Office Fund (liquidated 14 July 2009)

	PFB Data Centre Fund Standard Life Investments Property Holdings Limited Standard Life Investments Property Income Trust Limited Third Point Independent Voting Company Ltd G.Res 1 Limited New River Retail Limited Quercus PCC Limited Mason & Co.	Plarmigan Property Limited Wood Works Limited Sage Bhartiya Infrastructure Fund IC Ltd Plarmigan property II Limited PFB Strategic Land Opportunity Fund Limited Atlas Estates Limited Safehaven Property Investment Company Limited
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PFB Regional Office Fund was liquidated on 14 July 2009. The liquidation was due to a combination of (i) the state of the market for letting small offices in the North West, (ii) the downward valuation of the company's portfolio and (iii) the withdrawal of bank support which had been pledged until the end of June but appointed receivers in respect of the majority of the property portfolio on 17th June 2009. The directors took the decision to place the company into liquidation and a liquidator was appointed on 14th July 2009.

- 5.3 Save as set out in paragraph 5.2 above, none of the Directors has any business interests or activities outside the Company which are significant with respect to the Company.
- 5.4 Save as disclosed below or elsewhere in this document, none of the directors:
- 5.4.1 has any unspent convictions in relation to indictable offences;
- 5.4.2 has been made bankrupt or has made an individual voluntary arrangement with creditors or suffered the appointment of a receiver over any of his assets;
- 5.4.3 has been a director of any company which, whilst he was such a director or within 12 months after his ceasing to be such a director, was put into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with the company's creditors generally or with any class of creditors of any company or had an administrator or an administrative or other receiver appointed;
- 5.4.4 has been a partner in any partnership which, whilst he was a partner, or within 12 months after his ceasing to be a partner, was put into compulsory liquidation or had an administrator or an administrative or other receiver appointed or entered into any partnership voluntary arrangement;
- 5.4.5 has had an administrative or other receiver appointed in respect of any asset belonging either to him or to a partnership of which he was a partner at the time of such appointment or within the 12 months preceding such appointment; or
- 5.4.6 has received any public criticisms by statutory or regulatory authorities (including recognised professional bodies) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 5.5 There are no loans or guarantees granted or provided by the Company to or for the benefit of any of the Directors which are now outstanding.
- 6. Remuneration of the Directors**
- 6.1 The Directors are engaged by the Company under letters of appointment dated 26 October 2010, with the Company providing for each to act as a non-executive director of the Company.
- 6.2 Removal
- The appointment of each of the Directors is terminable by three months notice in writing by either party. No benefits are payable to any of the directors upon

termination of their engagement with the Company other than in respect of fees and expenses accrued to the date of termination.

6.3 Directors' Remuneration

The Directors' annual fees are:

Name	Annual Fee (£)
Peter Tom	£20,000
Paul Bell	£15,000
Shelagh Mason	£15,000

The aggregate remuneration payable by the Company (including bonuses and benefits in kind) to the Directors in respect of the period ending 31 October 2011 under arrangements in force at the date of this document is expected to amount to approximately £50,000.

6.4 Save as set out in paragraph 6.1 above, on Admission there will be no existing or proposed service agreements between the directors and any member of the Company. Furthermore, there are no commissions or profit-sharing arrangements with any of the Directors.

6.5 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

6.6 Shelagh Mason has provided legal services to Deloitte LLP. Save as set out in this document there are no conflicts of interests involving the Directors and the Company.

7. Advisers

7.1 The Administrator was incorporated as a limited liability company in Guernsey on 19 October 1988 with registered number 19606. The Administrator is regulated by the GFSC and is licensed under the POI Law, as a designated manager of collective investment schemes. The Administrator is subject to financial provisions as set out in The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations 2007, as amended. The registered office of the Administrator is set out on page 3 of this document and its telephone number is +44 1481 726034.

The Manager was incorporated as a limited liability company on 8 March 2005. The Manager is regulated by the GFSC and is licensed under the POI Law to manage collective investment schemes. The Manager is subject to financial provisions as set out in The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations 2007, as amended. The registered office of the Manager is set out on page 3 of this document and its telephone number is +44 1481 729100.

8. Principal establishments

The Company's registered office and principal place of business is at 1 Le Marchant Street, St. Peter Port, Guernsey GY1 4HP. The Company's telephone number is + 44 (0) 1481 726034.

9. Pensions

The Company does not operate any retirement, pensions or similar arrangements.

10. Arrangements relating to the Placing and Offer Document

10.1 The Placing Agreement

On 26 October 2010, the Company (1) and the Manager (2) entered into the Placing Agreement pursuant to which the Manager has agreed, conditionally upon, inter alia, Admission and the Offer being declared unconditional taking place not later than 31

December 2010, to use its reasonable endeavours to procure subscribers for the new Placing Shares at the Placing Price.

Under the Placing Agreement, the Manager will receive a commission of 3 per cent. of the aggregate value at the Placing Price of the Placing Shares, to be paid by the Company. The Company has agreed to pay all other costs, charges and expenses of, or incidental to, the Placing and the application for Admission and related arrangements. The Manager is to receive the whole of its commission in cash from the Company.

The Placing Agreement, which contains certain warranties, undertakings and indemnities by the Company in favour of the Manager is conditional, inter alia, on (i) Admission occurring not later than 16 November 2010 (or such later date as the Company and the Manager may agree not being later than 31 December 2010) and (ii) none of the warranties given to the Manager prior to Admission being untrue, inaccurate or misleading in any material respect.

The Manager may terminate the Placing Agreement in specified circumstances, including for breach of warranty, at any time prior to Admission and in the event of force majeure at any time prior to Admission.

10.2 Offer Document

Under the terms of the Offer Document, the Company has agreed, conditional, inter alia, upon Admission and the acquisition of seventy five (75) per cent. in nominal value of the Equity Investor Shares and the Mezzanine Investor Shares, to acquire the entire issued share capital of the Property Company, which through the Property Subsidiary is the registered holder of the Initial Property. The Company reserves the right under the Offer Document to utilise the drag provisions set out in the articles of association of the Property Company to acquire the Equity Investor Shares and the Mezzanine Investor Shares of any parties that do not accept the Offer.

11. Taxation

The information below, which is of a general nature only and which relates only to the United Kingdom, Guernsey and Jersey taxation, is applicable to the Company and its subsidiaries and to persons who are resident or ordinarily resident in the United Kingdom, Guernsey and Jersey and who hold Ordinary Shares as an investment. It is based on existing law and practice as at the date of this document and is subject to subsequent changes therein. Any change in the tax status of the Company or its subsidiaries or in taxation legislation in the United Kingdom, Guernsey or Jersey or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by the Company or its subsidiaries or affect the Company's ability to achieve its investment objective for the Ordinary Shares or alter the post-tax returns to Shareholders. You are strongly recommended to consult your own professional adviser in relation to any investment in the Company.

11.1 The Company

United Kingdom taxation

It is the intention of the Directors that the affairs of the Company will be conducted so that the Company will not itself (as opposed to certain of its subsidiaries) be subject to tax in the United Kingdom. It is the intention that the central management and control of the Company will only be in Guernsey and the Company will not carry out any trade in the United Kingdom (whether or not through a permanent establishment situated there). On that basis, the Company will not be resident in the United Kingdom for taxation purposes and the Company should not be liable to United Kingdom tax on its income and gains, although any of its subsidiaries resident in the United Kingdom or with United Kingdom property may well be subject to United Kingdom taxation on their income and gains.

Guernsey currently does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover, nor are there any estate duties, save for an ad valorem fee for the grant of probate or letters of administration.

The Company intends to apply for exempt status to the Director of Income Tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 for Guernsey tax purposes. The Company will be eligible for exempt status if it has a majority, by number of Ordinary Shares, of non Guernsey resident Shareholders and Guernsey resident individual Shareholders each owning less than 1% of the Ordinary Shares. If the majority of Shareholders are Guernsey resident then the Company will be taxable in Guernsey at the Company standard rate of 0%.

In return for the payment of a fee, currently £600, a company is able to apply annually for exempt status for Guernsey tax purposes. A company that has exempt status for Guernsey tax purposes is not considered resident for Guernsey income tax purposes. A company that is exempt from tax in Guernsey is exempt on both bank deposit interest and any income that does not have its source in Guernsey.

Payments of dividends and interest by a company that has exempt status for Guernsey tax purposes are regarded as having their source outside Guernsey and hence are payable without deduction of tax in Guernsey.

Under the Tax Law if a Guernsey resident shareholder owns more than 1% of the issued shares in a company and the company has undistributed income, that income can be deemed to have been distributed to the beneficial owner of the shares in prescribed circumstances (such as a sale/redemption of the shares), including the receipt of investment income. In such cases the income is taxable on the Guernsey resident shareholder as a deemed distribution as if it had been paid to that shareholder net of income tax. The company itself then has the obligation to account for and pay the tax on the deemed distribution to the Guernsey Income Tax Office.

In circumstances where the income of a Company has been taxed at a rate of at least 20%, there is no requirement to deduct tax on deemed or actual distributions to Guernsey resident shareholders. As the Company will be investing in Guernsey, Jersey or UK property then tax will be payable in each jurisdiction at 20% and so there will be no requirement to deduct any tax.

If the Company is not granted exempt status then dividends to Shareholders who are not resident in Guernsey will not be subject to withholding tax.

Representations have been made to the Treasury and Resources Department to dis-apply relevant sections of the Tax Law in relation to companies traded on a recognised investment exchange and potentially for other Guernsey regulated collective investment schemes which may be publically traded.

In keeping with its ongoing commitment to meeting International Standards, the States of Guernsey is currently undertaking a review of its tax regime and in particular the taxation of corporate entities with a view to implementing any required revisions to the regime at some point after the review. At this point in time, the key features and timetable for implementation of any revised regime have yet to be determined.

The Policy Council of the States of Guernsey has stated that it may consider further revenue raising measures in the future, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

No stamp duty is chargeable in Guernsey on the issues, transfer, switching or redemption of shares in the Company.

11.2 EU Savings Tax Directive

Guernsey has introduced measures that are the same as the EU Savings Tax Directive. The Company will not, under the existing regime, be regarded as an undertaking for collective investment established in Guernsey that is equivalent to a UCITS authorised in accordance with EC Directive 85/611/EEC of the Council for the

purposes of the application in Guernsey of the bilateral agreements on the taxation of savings income entered into by Guernsey with EU Member States. Consequently, in accordance with current States of Guernsey guidance on the application of the bilateral agreements, where the Company's paying agent (as defined for these purposes) is located in Guernsey, the paying agent would not be required to retain tax from, or exchange information regarding, distributions made by the Company and/or the proceeds of the sale, refund or redemption of Ordinary Shares. Amendments to the EU Savings Tax Directive are currently being considered and it is possible that Guernsey will introduce equivalent measures. This could lead to changes that may affect the Company.

11.3 The Shareholders

As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in the Company is made will endure indefinitely. The tax consequences for each Shareholder of investing in the Company may depend upon the Shareholder's own tax position and upon the relevant laws of any jurisdiction to which the Shareholder is subject.

Jersey Shareholders

Individual Shareholders who are resident for tax purposes in Jersey will be liable to income tax, at the individual standard rate of 20 per cent. on the amount of dividends (if any) payable in respect of Shares held by them or on their behalf, unless the dividend is paid out of capital profits.

Corporate shareholders who are resident for tax purposes in Jersey will be liable to income tax at their relevant rate on the amount of dividends (if any) payable in respect of Shares held by them or on their behalf, unless the dividend is paid out of capital profits. The relevant rate is 0 per cent. for companies that do not undertake certain regulated financial services or the provision of utilities. For companies which are financial services companies as defined by Article 3 of the Income Tax (Jersey) Law 1961 as amended, the relevant rate is 10 per cent. For companies which undertake the provision of utilities as defined in Article 123C of the aforementioned Law the relevant rate is 20 per cent.

No Jersey tax is payable on gains arising on the sale or redemption of the Company's shares by a Jersey resident, unless the person is carrying on a trade of dealing in shares.

The attention of the Shareholders is drawn to the general anti-avoidance provision in Jersey tax legislation which allows the Comptroller of Taxes to challenge any arrangement where he feels there was an attempt to avoid or reduce tax.

United Kingdom Shareholders

The taxation of Shareholders depends on their circumstances and the following comments are intended as a general guide and may not necessarily apply once a Shareholder's specific circumstances are taken into account.

- (a) UK resident individual Shareholders who receive a dividend are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit (the "**Gross Dividend**"), the amount of the tax credit being 10 per cent. of the sum of the dividend and the tax credit (i.e. the tax credit will be one ninth of the Gross Dividend excluding the tax credit). The tax credit will effectively satisfy a UK resident individual shareholder's dividend ordinary rate income tax liability in respect of the Gross Dividend. UK resident individual Shareholders who are subject to tax at the higher rate will have to account for additional tax. A UK resident individual shareholder who is liable to Income tax at the higher rate will be liable to tax on the Gross Dividend rate of 32.5 per cent. A UK resident individual Shareholder who is liable to tax at the new 'additional' rate will be liable to tax on the Gross Dividend at the rate of 42.5 per cent. The Gross Dividend will be regarded as the top slice of the shareholder's income. After taking into account the 10 per

cent. tax credit, a higher rate tax payer will have to account for additional tax equal to 22.5 per cent. of the Gross Dividend (which is also equal to 25 per cent. of the net cash dividend received). An individual paying 'additional' rate income tax will have to account, after taking into account the 10 per cent. tax credit, for tax equal to 32.5 per cent. of the Gross Dividend (which is also equal to approximately 36 per cent. of the net cash dividend received).

- (b) A UK resident (for tax purposes) corporate Shareholder will not be subject to UK corporation tax on dividends paid by the Company, provided that the dividend falls within one of the exempt classes set out in Part 9A of the Corporation Tax Act 2009.
- (c) The Directors do not intend for the Company to fall within the UK offshore fund rules in the Taxation (International And Other Provisions) Act 2010 and do not intend to apply for reporting fund status. The Directors will continue to consider the UK offshore fund rules and their application to the Company.

The current rate of UK Capital Gains Tax is 18 per cent. for individuals, trustees and personal representatives who pay tax at the basic rate and 28 per cent. for those who pay tax at the higher and additional rate. Chargeable gains for UK corporate shareholders will be taxed at their rate of corporation tax which is up to 28 per cent. These rates were introduced in the Emergency Budget on 22 June 2010 and have effect for chargeable gains made after 23 June 2010.

- (d) The attention of persons resident or ordinarily resident in the United Kingdom for taxation purposes is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 ("section 13"). Section 13 could be material to any such person who has an interest in the Company as a "participator" for United Kingdom taxation purposes (which includes an investor) at a time when any gain accrues to the Company or a subsidiary which constitutes a chargeable gain for those purposes if, at the time the Company is controlled by five or fewer persons so that, if the Company were resident in the United Kingdom for taxation purposes, it would be a "close company" for those purposes. In determining whether the Company is controlled by five or fewer persons, the interests of "connected" persons are aggregated and counted as those of one person. Generally, if the Company is a "close company", its capital gains are apportioned among the participators in the Company and taxed in their hands if they are United Kingdom taxpayers. There is an exception for any person that does not have a greater than 10 per cent. interest in the Company. The provisions of section 13 could, if applied, result in any such person who is a "participator" in the Company being treated for the purposes of United Kingdom taxation of chargeable gains as if a part of any chargeable gain accruing to the Company or a subsidiary had accrued to that person directly, that part being equal to the proportion of the gain that corresponds to that person's proportionate interest in the Company as a "participator".
- (e) Individual Shareholders who are resident or ordinarily resident in the United Kingdom should consider the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007 which can make such individuals liable to tax on the income of the Company (before any deduction for interest) in certain circumstances.
- (f) A corporate Shareholder who is resident in the United Kingdom and who, together with connected investors, is entitled to at least 25 per cent. of the share capital of the Company should consider the provisions of the controlled foreign companies legislation in sections 747 to 756 income and corporation of the Taxes Act 1988.

11.3 Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No United Kingdom stamp duty or SDRT will be due on the issue or transfer of any Ordinary Shares provided the register of the Company is located outside the UK.

No stamp duties are payable in Jersey or Guernsey on the acquisition, ownership, exchange, sale or other disposition inter vivos of shares. Stamp duty of up to 0.75% is payable on the grant of probate or letters of administration in Jersey or Guernsey in respect of a deceased individual (i) who died domiciled in Jersey or Guernsey, on the value of the entire estate (including any shares) and (ii) otherwise, on the value of so much of the estate (including any shares), if any, as is situated in Jersey or Guernsey. The shares on the Company will not be viewed as being situated in Jersey or Guernsey.

11.4 The Shareholders

As stated above, the Company will be an exempt closed ended investment vehicle for Guernsey tax purposes. As a consequence, any shareholders who are resident for tax purposes in Guernsey, Alderney or Herm will suffer no deduction of tax by the Company from any dividends payable by the Company but the Director will provide details of distributions made to Shareholders resident in the Islands of Guernsey, Alderney and Herm to the Director of Income Tax in Guernsey. Shareholders resident outside Guernsey will not be subject to any income tax in Guernsey in respect of any Shares owned by them. Shareholders who are residents for tax purposes in Guernsey, Alderney or Herm will be taxed personally on any actual distributions made to them by the Company.

12. Material contracts and related party transactions

12.1 Material Contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company within the two years immediately preceding the date of publication of this document and which are, or may be, material to the Company or have been entered into by the Company at any time and contain a provision under which any member of the Company has any obligation or entitlement which is material to the Company at the date of this document:-

- (1) the Placing Agreement, as described more fully in paragraph 10.1 above; and
- (2) The Investment Management Agreement dated 26 October 2010 between the Company and the Manager whereby the Manager agrees to be responsible for sourcing, evaluating, negotiating, completing, monitoring and managing investments on behalf of the Company.

The Manager will receive an annual fee and may receive a performance fee dependent upon performance as described in paragraph 4 of Part II of this document. The manager will also receive an acquisition fee which will not exceed 1.5 per cent. of the purchase price of each Investment upon completion of such purchase.

Subject to this restriction and to the conflict management arrangements described in paragraph 7 of Part II:-

- the services of the Manager under the Investment Management Agreement are not exclusive and the Manager is free to render similar services to others; and
- the Manager and each Interested Party is free to enter into other fund management arrangements or be concerned or otherwise interested in any entity entering into other fund management arrangements.

The Investment Management Agreement may be terminated by either party giving to the other not less than 3 months' written notice not to be given before the expiry of an initial term of 3 years, or otherwise in circumstances where, amongst other things, there is a commencement of a winding-up of one of the parties or any other similar event of insolvency or if the other party is in material breach of the Investment Management Agreement.

The Company may terminate the agreement with immediate effect at any time after the second anniversary of Admission by giving notice in writing to the Investment Manager in the event there has been material poor performance of the Company's investments resulting in a decline of the net asset value of the Company to less than 50 per cent. of the Company's initial net asset value.

The Manager has entered into an agreement with the Investment Consultant as set out in sub-paragraph (6) below.

- (4) The Administration and Secretarial Agreement dated 26 October 2010 between the Company and the Administrator where by the Administrator has been appointed to provide day to day administration, registrar and secretarial services to the Company. In consideration for its services under this agreement and for acting as Registrar, the Administrator will receive an annual administration fee of £36,000 (providing only one investment is held), this rises to £50,000 if there are two investment properties and £60,000 if there are three or more investment properties. There is an additional fixed fee, payable quarterly in arrears, of £8,000 for each investment purchased per annum once the Company acquires more than three investments. The Administration Agreement is terminable by either party giving not less than three (3) month's notice in writing and in certain other circumstances, including material breach of the terms of the agreement by either party. The Administration and Secretarial Agreement may not be terminated in writing within six (6) months of Admission.

The Administrative and Secretarial Agreement contains certain provisions limiting the liability of the Administrator for any loss or damage, suffered or incurred by the Company arising out of or in connection with the Administrator's duties under the Administration and Secretarial Agreement save where such losses arise from bad faith, negligence, wilful default or fraud on the part of the Administrator.

- (5) The Offer Document as described more fully in paragraph 10.2 above.
- (6) The Manager has entered into an agreement with the Investment Consultant under the Investment Consultant Services Agreement for the provision of services to the Manager. The Investment Consultant Service Agreement is terminable in the same circumstances as the Investment Management Agreement. In consideration for the provision of the services the Investment Consultant will receive (a) a maximum of £200,000 following completion of the acquisition of the Property Company; (b) at the Manager's discretion a percentage of the acquisition fee payable to the Manager under the Investment Management Agreement; (c) at the Manager's discretion an amount equal to 30 per cent. of the management fee payable to the Manager under the Investment Management Agreement and (d) at the Manager's discretion an amount equal to 30 per cent. of the performance fee payable to the Manager under the Investment Management Agreement.

12.1 Material Contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Property Company and the Property Subsidiary (as the case may be) within the two years immediately preceding the date of publication of this document and which are, or may be, material to the Property Company and the Property Subsidiary or have been entered into by the Property Company and the Property Subsidiary at any time and contain a provision under which any member of the Property Company and the Property Subsidiary has any obligation or entitlement which is material to the Property Company and the Property Subsidiary at the date of this document:-

- (1) The Property Company entered into an investment agreement with the Vendors on the 7 December 2007. The agreement governs the relationship

between the Vendors and the operation of the Property Company including the initial allotment of Equity Shares, Mezzanine Shares, Equity Loan Notes and Mezzanine Loan Notes. The investment agreement sets out specific mechanisms which are to apply on the sale, listing or winding up of the Property Company provided that a majority of the holders of Equity Shares and Mezzanine Shares vote in favour of the same. The agreement will be terminated on the date the Offer becomes unconditional in all respects.

- (2) On 7 December 2007, the Property Company entered into an option agreement with Hotbed. The option agreement grants Hotbed the right to subscribe for an agreed number of shares, on a change of control or winding up of the Property Company, calculated against a target in respect of the return received by the holders of the Equity Shares, Mezzanine Shares and the Equity Loan Notes. The agreement will be terminated on the date the Offer becomes unconditional in all respects.
- (3) On 7 December 2007, the Property Subsidiary entered into a property consultancy agreement with Hotbed Limited. Hotbed Limited was appointed as an adviser in respect of the Initial Property. The agreement can be terminated by Hotbed Limited on three month's written notice to expire on a quarter day. The agreement may also be directly terminated where either party commits a breach of the agreement capable of remedy and fails to do so within thirty days of written notice from the party not in breach. The agreement may also be terminated if a party is declared insolvent or a receiver takes possession of its assets or an order is made or a resolution passed for such parties winding up. The agreement will be terminated on the date the Offer becomes unconditional in all respects.
- (4) On 7 December 2007, the Property Company constituted the Mezzanine Loan Note Instrument. The Mezzanine Loan Notes provide for an interest rate of 10 per cent. gross per annum. The interest is compounded annually on the anniversary of the creation of the instrument. The notes are to be repaid on the 31 December 2011. The Property Company is entitled, upon giving not less than 7 days prior written notice in writing to the note holders to redeem at any time the whole or any part of the notes, subject to a minimum of £5,000. When the Mezzanine Loan Notes are redeemed the holders are entitled to receive the principal amount and any interest outstanding. The notes are immediately redeemable at par on the occurrence of, inter alia, the Property Company ceasing to carry on its business or a substantial part thereof, the Property Company or the Property Subsidiary being found to be insolvent or unable to pay its debts or on a change of control of the Property Company.
- (5) On 7 December 2007, the Property Company constituted the Equity Loan Note Instrument. The Mezzanine Loan Notes rank in priority to the Equity Loan Notes. No interest is payable on the Equity Loan Notes. The notes are to be repaid on the 31 December 2022. The Property Company is entitled, upon giving not less than 7 days prior written notice in writing to the note holders to redeem at any time the whole or any part of the notes, subject to a minimum of £5,000. The notes are immediately redeemable at par on the occurrence of, inter alia, the Property Company ceasing to carry on its business or a substantial part thereof, the Property Company or the Property Subsidiary being found to be insolvent or unable to pay its debts or a change of control of the Property Company.
- (6) On 28 December 2005, the Property Subsidiary entered into a credit facility with Credit Suisse. The facility agreement was amended and restated on 6 July 2006 and further amended on the 7 December 2007. Under the terms of the facility agreement, Credit Suisse made available to the Property Subsidiary a term loan facility. The amount of the facility was £29,552,500. The term loan was advanced in two tranches. The first tranche was £29,000,000 and the sole purpose of this tranche was to fund the acquisition of the Initial Property. The second tranche was £552,500 which was advanced on or about 6 July 2006. The purpose of the second tranche was

to help finance the cost of the fit-out of ground floor space at the Initial Property. The facility agreement provides that if there is a change of control of the Property Subsidiary, Credit Suisse may declare the facility immediately repayable. The Property Subsidiary is allowed by giving not less than 30 business days prior notice, to prepay the facility in whole or in part (subject to a minimum of £5 million and integral multiples of £1 million) on the last day of the then current interest period. On 31 July 2006, Credit Suisse novated all of its rights as lender under the facility agreement to Cornerstone Titan 2006-1 Plc.

12.3 Related party transactions

Jon Ravenscroft is a director and chief executive of Cenkos Channel Islands Limited.

12.4 Commissions, discounts, brokerages or other special terms

Save as disclosed in this document, there have been no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital in the Company in the two (2) years preceding the date of this document.

13. Mandatory Takeover Bids and Squeeze-Out/Sellout Provisions

13.1 Mandatory takeover bids

The City Code applies to all takeover and merger transactions in relation to the Company.

The Panel on Takeovers and Mergers is an independent body, whose main functions are to issue and administer the City Code and to supervise and regulate takeovers and other matters to which the City Code applies in accordance with the rules set out in the City Code. The City Code is designed principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The City Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

Under Rule 9 of the City Code, any person who acquires an interest (as defined in the City Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting right of a company which is subject to the City Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interests in shares of the company during the twelve (12) months prior to the announcement of the offer.

In the event that the place of central management and control of the Company were to be determined by the Panel on Takeovers and Mergers to no longer be within the Channel Islands, and the central management and control of the Company were determined not to be in the UK or in the Isle of Man, the City Code would cease to apply to the Company and Shareholders would cease to be protected by the City Code.

There are not in existence any current mandatory takeover bids in relation to the Company.

13.2 Squeeze-out

Part XVIII of the Law provides that if an offer is made for the shares or any class of shares in the capital of the Company and if, within certain time limits, the offer is approved by shareholders comprising 90 per cent. in value of the shares affected then the offeror may, again within certain time limits, acquire any remaining shares to which the offer relates. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders informing them that it wishes to acquire their shares (an "Acquisition Notice"). Where an Acquisition Notice is served, the offeror is then entitled and bound to acquire those shares on the terms on which the original offer, approved by the shareholders comprising 90 per cent. in value of the shares affected, was made.

14. Working Capital

The Directors are of the opinion that, after taking into account the proceeds of the Placing and the financial facilities available, the Group has sufficient working capital for its present requirements, that is, for at least the period of 12 months from the date of this document.

15. Litigation and arbitration

The Company is not or has not been involved in any legal or arbitration proceedings which may have, or have had during the twelve (12) months preceding the date of this document, a significant effect on the Company's financial position or profitability, nor are there any such proceedings pending or threatened against any member of the Company of which the Company is aware.

16. General

16.1 The total costs and expenses including commissions relating to Admission and Placing are approximately £750,000 and is payable by the Company. The estimated net cash proceeds accruing to the Company from the Placing of the Ordinary Shares is £47,750,000 (assuming that the maximum number of Ordinary Shares are issued by the Company as part of the Placing).

16.2 Legis Fund Services Limited has, on the date hereof, given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name in the form and context in which it is included. Legis Fund Services Limited has no Ordinary Shares in the Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Ordinary Shares in the Company.

16.3 Cenkos Channel Islands Limited has, on the date hereof, given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name in the form and context in which it is included. Save for the Subscriber Share Cenkos Channel Islands Limited has no Ordinary Shares in the Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Ordinary Shares in the Company.

16.4 Montague Evans LLP has, on the date hereof, given and not withdrawn its written consent to the issue of this document with the inclusion herein of its name in the form and context in which it is included. Montague Evans LLP has no Ordinary Shares in the Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Ordinary Shares in the Company.

16.5 There are no arrangements in place under which future dividends are to be waived or agreed to be waived.

16.6 The Placing Price is payable in full in cash on acceptance or in respect of holders of Equity Investors Shares, Equity Investor Loan Notes, Mezzanine Investor Shares and Mezzanine Investor Loan Notes in accordance with the terms set out in the Offer Document.

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- 16.7 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made or refused nor are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 16.8 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Company's activities.
- 16.9 The Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- 16.10 Save as disclosed in the Placing arrangements there has been no significant change in the trading or financial position of the Company since its incorporation and no financial statements have been made up at the date of this document.
- 16.11 Save as disclosed in this document, no person (excluding the Company's professional advisers to the extent disclosed elsewhere in this document and trade suppliers) in the twelve (12) months preceding the Company's application for Admission received, directly or indirectly, from the Company or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:
- (1) fees totalling ten thousand pounds (£10,000) or more;
 - (2) securities in the Company with a value of ten thousand pounds (£10,000) or more calculated by reference to the Placing Price; or
 - (3) any other benefit with a value of ten thousand pounds (£10,000) or more at the date of Admission.

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- 16.12 Subject to the terms of the Offer Document, the Placing Price is payable in full in cash on acceptance. Monies received from applicants pursuant to the Placing will be held in a client account maintained by the Registrar until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 31 December 2010 (or such later date as the Manager and the Company may agree), application monies will be returned to applicants at their own risk without interest.
- 16.13 The Company has not had any employees since its incorporation and, as at the date of this document, save in respect of Regency the Company does not have any subsidiaries.
- 16.14 The Manager is the promoter of the Company. Save as disclosed in paragraph 11 above, no amounts of cash, securities or other benefits have been paid or given to the promoter or any of its subsidiaries since the incorporation of the Company and none are intended to be paid or given.
- 16.15 Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17. Unaudited balance sheet

The following table comprises an unaudited opening balance sheet of the Company as at 26 October 2010:

	£
<u>Current Assets</u>	
Subscription	1

Equity

Share capital (1 ordinary share of no par value)

1

 1

18. Documents on display

Copies of the following documents will be available for inspection at the offices of Legis Fund Services Limited at 1 Le Marchant Street, St. Peter Port, Guernsey GY1 4HP during normal business hours on any week day (except Saturdays, Sundays and public holidays in Guernsey) until 1 December 2010.

- | | |
|-------------------|--|
| IXC
Item 47(a) | • the Memorandum and Articles of Incorporation of the Company; |
| | • this document; |
| IXC
Item 47(b) | • the material contracts referred to in paragraph 12 above; |
| | • the written consents referred to in paragraph 16 above; |
| IXC
Item 47(c) | • the Montague Evans LLP Valuation Report; and |
| | • the Offer Document. |

Dated: 26 October 2010

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Admission"	the admission of the Ordinary Shares to trading on the Official List effective in accordance with the CISX Rules;
"AIM"	AIM, a market operated by the London Stock Exchange;
"Articles"	the articles of incorporation of the Company to be adopted prior to Admission, details of which are set out in paragraph 4 of Part VII of this document;
"Audit Committee"	means the committee consisting of Peter Tom, Paul Bell and Shelagh Mason which will be responsible for, inter alia, reviewing and monitoring internal financial control systems and risk management systems and reviewing annually the independence, objectivity, effectiveness and qualifications of the auditor of the Company;
"Bailiwicks" or "Channel Islands"	means the Bailiwicks of Jersey and Guernsey;
"Board" or "Directors"	the directors of the Company whose names are set out on page 3 of this document;
"Business Day"	means any day on which banks in Guernsey are open for normal banking business excluding Saturdays, Sundays and Public Holidays in Guernsey;
"C Shares"	means the shares of no par value in the capital of the Company issued and designated as C Class shares of whatever tranche and having the rights described in the Articles;
"CISX"	The Channel Islands Stock Exchange, LBG;
"City Code"	The City Code of Takeover and Mergers issued by the Panel of Takeover and Mergers in the United Kingdom and, from time to time, any successor or replacement body thereof;
"Company"	Channel Islands Property Fund Limited, an authorised closed-ended investment company incorporated with limited liability under the laws of Guernsey with registered company number 52324;
"Connected Party Transaction"	a transaction between the Company and a connected person (within the meaning of the CISX Rules) including any member of the Investment Committee and terms "Connected Party Transactions", "Connected Transactions", "Connected Transaction Rules", "Connected Party" and "Connected Parties" shall be construed accordingly;
"CREST Guernsey Requirements"	Rule 8 of the CREST Rules and such other of the rules and requirements of EUI as may be applicable to issuers as from time to time specified in the CREST manual;
"CREST UK system"	the facilities and procedures for the time being of the relevant system of which EUI has been approved as operator pursuant to the UK regulations;
"Equity Investor Shares"	means the 1,100,000 ordinary shares of 1p each in the Issued share capital of the Property Company subscribed by holders of the Equity Loan Notes pursuant to an investment agreement

dated 7 December 2007 and made between the Investors (as defined therein) (1) and the Property Company (2) and the term "Equity Investor Share" shall be construed accordingly.

"Equity Loan Notes"	the £5,489,000 unsecured B loan notes due 2022 issued by the Property Company pursuant to the Equity Loan Note Instrument and the term "Equity Loan Note" shall be construed accordingly;
"Equity Loan Note Instrument"	the loan note instrument dated 7 December 2007 constituting the Equity Loan Notes;
"Equity Unit"	original units of £25,000 each in the Property Company comprising 5,000 Equity Investor Shares and £24,950 Equity Loan Notes;
"EUI"	Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) incorporated in England and Wales under company number 2878738 and whose registered office is at 33 Cannon Street, London, EC4M 5SB;
"Facility"	means the bank facility to be entered into between the Company (1) and HSBC Bank plc (2) in the amount of £21,000,000;
"FSMA"	means the UK Financial Services and Markets Act 2000;
"GFSC"	the Guernsey Financial Services Commission;
"Gross Asset Value"	means the gross asset value of the Company being all the cash held by the Company and the fair market value of any and all other investments of the Company calculated by the Administrator;
"Group"	means the Company and following completion of the Offer, shall include the Property Company and the Property Subsidiary.
"Initial Property"	The property owned by the Property Subsidiary which is to be acquired by the Company by the acquisition of the Property Company from the Vendors immediately after Admission, as more fully described in Part V of this document;
"Interested Party"	any Company within Cenkos Channel Islands Limited's group;
"Investment"	means any investment or other asset of the Company of any description, the acquisition of which is authorised under the Investment Policy or otherwise in accordance with the Investment Process;
"Investment Consultant"	Riverside Capital Group Limited a company registered in England and Wales with company number 07328624;
"Investment Consultant Service Agreement"	means the agreement between the Manager (1) and the Investment Consultant (2) dated 26 October 2010;
"Investment Management Agreement"	means the agreement between the Company (1) and the Manager (2) dated 26 October 2010;
"IRR"	means the internal rate of return expressed as a percentage, being the annual compound discount rate which, when applied to a relevant series of cash flows result in a net present value of zero;
"Law"	means The Companies (Guernsey) Law, 2008 as amended,

		extended or replaced and any ordinance, statutory instrument or regulation made thereunder;
"Listing Rules"		the listing rules of the CISX (as amended and replaced from time to time);
"London Stock Exchange"		London Stock Exchange plc;
"Manager"		Cenkos Channel Islands Limited registered with company number 42906;
"Management Engagement Committee"		means the committee consisting of Peter Torn, Paul Bell and Shelagh Mason which will be responsible for, inter alia, reviewing the performance of the Manager and the Manager's and the Company's compliance with the Investment Management Agreement and to recommend any action to be taken by the Company under such terms;
"Member"		means a Shareholder and any person entitled to be a Shareholder on the death, disability or insolvency of a Shareholder and the term "Members" shall be construed accordingly;
"Mezzanine Shares"	Investor	the 28,200 Regency Shares subscribed by holders of the Mezzanine Loan Notes pursuant to an investment agreement dated 7 December 2007 made between (1) the Investors (as defined therein) and (2) the Property Company;
"Mezzanine Loan Notes"		the £2,500,000 unsecured A Loan Notes 2011 issued by the Property Company pursuant to the Mezzanine Loan Note Instrument and representing the original debt finance in the Property Company and the term "Mezzanine Loan Note" shall be construed accordingly;
"Mezzanine Loan Note Instrument"		the loan note instrument dated 7 December 2007 constituting the Mezzanine Loan Notes;
"NAV" or "NAV per Ordinary Share"		respectively the net asset value of the Company and the net asset value of an Ordinary Share calculated in accordance with the investment valuation policy and the accounting policies of the Company from time to time;
"Net Proceeds"		the Placing Proceeds (after deduction of all expenses and commissions relating to the Placing and Admission payable by the Company);
"Offer"		means the offer made by the Company through Regency, to acquire the Equity Investee Shares, the Mezzanine Investee Shares, the Equity Notes and the Mezzanine Loan Notes;
"Official List"		the official list of the CISX;
"Offer Document"		the offer document setting out the terms of the acquisition of the Equity Investor Shares, The Mezzanine Investor Shares, the Equity Loan Notes and Mezzanine Loan Notes;
"Ordinary Shares"		ordinary shares of no par value each in the share capital of the Company;
"Placing"		the placing of the Placing Shares by Cenkos Channel Islands Limited, at the Placing Price pursuant to the Placing Agreement;
"Placing Agreement"		the agreement dated 26 October 2010 between the Company

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	(1) and Manager (2), further details of which are set out in paragraph 10 of Part VII of the document;
"Placing Price"	100 pence per Ordinary Share;
"Placing Proceeds"	the aggregate cash proceeds of the Placing;
"Placing Shares"	up to 50,000,000 Ordinary Shares to be allotted pursuant to the Placing;
"POI Law"	The Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended;
"Property Company"	means Regency Court Property Limited a company registered in Guernsey with company number: 48004;
"Property Portfolio"	the direct and indirect property assets of the Company from time to time;
"Property Subsidiary"	Blueclouds Property Limited a company registered in Guernsey with company number: 48792;
"Regency"	means Regency 1 Limited a company registered in Guernsey with company number: 52408;
"Regency Shares"	means ordinary shares of 1p each in the capital of the Property Company.
"Register"	the register of Members of the Company kept pursuant to the Law;
"Reporting Accountants"	KPMG Channel Islands of 20 New Street, St. Peter Port, Guernsey, GY1 4AN;
"Restricted Jurisdiction"	any of the following territories: Australia, Canada, Japan, United States and Republic of South Africa;
"Shareholders"	registered holders of Ordinary Shares and the term "Shareholder" shall be construed accordingly;
"subsidiary"	as defined in the Law;
"Subscriber"	Cenkos Channel Islands Nominee Company Limited;
"Tax Law"	means the Income Tax (Guernsey) Law 1975 (as amended);
"UKLA"	means the Financial Services Authority acting in its capacity as the competent authority for Part VI of the FSMA;
"UK regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No.3755), as amended by the Uncertificated Securities (Amendment) (Eligible Debt Securities) Regulations 2003 (SI 2003 No.1633), and such other regulations made under S.207 of the Companies Act 1989 as amended or replaced, as are applicable to EUI and/or the CREST relevant system and are from time to time in force; and
"Valuation Point"	means the time on such day or days as the Board shall determine from time to time for the purpose of ascertaining the value of the assets of the Company, currently anticipated to be the last Business Day of each calendar quarter ending in January, April, July and October of each year; and
"Vendors"	means the shareholders in the Property Company who are the

recipients of the Offer Document.