

Company Number : 50475

British Capital Property Investments Limited

ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

British Capital Property Investments Limited

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British Capital Property Investments Limited

OFFICERS AND PROFESSIONAL ADVISORS

Registered Office:	11 New Street St Peter Port Guernsey GY1 2PF												
Directors:	Sean David Mackay Stuart Platt-Ransom Jan Adriaan Van Staden (resigned on 1 May 2014) Patricia Colette White Braam Smit (appointed as full Director on 1 May 2014) Brian O'Mahoney (Alternate Director)												
Administrator, Secretary and Registrar:	Legis Fund Services Limited PO Box 91 11 New Street St Peter Port Guernsey GY1 3EG												
Investment Manager:	Cornerstone Asset Managers Limited 11 New Street St Peter Port Guernsey GY1 2PF												
Auditor:	Saffery Champness Chartered Accountants PO Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS												
Listing Sponsor:	Appleby Securities (Bermuda) Limited Canon's Court 22 Victoria Street Hamilton Bermuda HM 1179												
Structural Facilitator:	Investec Capital Markets 10 Grayston Drive Sandown Sandton South Africa 2196												
Annual Sponsor:	First Bermuda Group Limited Maxwell R Roberts Building 1 Church Street Hamilton Bermuda HM11												
Legal Advisors:	<table><thead><tr><th>Guernsey</th><th>Bermuda</th></tr></thead><tbody><tr><td>Mourant Ozannes</td><td>Appleby</td></tr><tr><td>1 Le Marchant Street</td><td>Canon's Court</td></tr><tr><td>St Peter Port</td><td>22 Victoria Street</td></tr><tr><td>Guernsey GY1 4HP</td><td>Hamilton</td></tr><tr><td></td><td>Bermuda HM12</td></tr></tbody></table>	Guernsey	Bermuda	Mourant Ozannes	Appleby	1 Le Marchant Street	Canon's Court	St Peter Port	22 Victoria Street	Guernsey GY1 4HP	Hamilton		Bermuda HM12
Guernsey	Bermuda												
Mourant Ozannes	Appleby												
1 Le Marchant Street	Canon's Court												
St Peter Port	22 Victoria Street												
Guernsey GY1 4HP	Hamilton												
	Bermuda HM12												

British Capital Property Investments Limited

DIRECTORS' REPORT

For the year ended 31 March 2014

The Directors submit their Annual Report and the audited Consolidated Financial Statements of the Group (as defined on page 11) for the year ended 31 March 2014, which have been prepared properly, in accordance with United Kingdom Accounting Standards, and with any relevant enactment for the time being in force (United Kingdom Generally Accepted Accounting Principles); and are in agreement with the accounting records, which have been properly kept in accordance with section 238 of The Companies (Guernsey) Law, 2008.

British Capital Property Investments Limited ("the Company") was incorporated on 8 June 2009 as a closed-ended investment company registered in Guernsey pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission.

The closing date for investment into the company was 30 September 2010, as set out in the Company prospectus. The Termination date is the fifth anniversary of the initial closing date or such later date as approved by the Shareholders in a general meeting.

The Company's investment objective is to provide an attractive level of income, together with prospects for capital growth from investing in property and listed property shares in the United Kingdom and possibly the European continent. Based on market conditions prevailing at the time of its launch, the Company was targeting total returns for Shareholders of 10% per annum over the period of the Company although such level of return cannot be guaranteed.

The Company owns two Special Purpose Vehicles which were established in order to hold, acquire or develop properties, either wholly owned by the Company, a Subsidiary of the Company or owned jointly with third parties.

Activities and Status

The Company obtained official listing on the Bermuda Stock Exchange on 11 August 2009.

For commentary on the performance of the Company see the Investment Manager's Report on page 5.

Results and Dividends

The consolidated results of the Company for the year are as stated on page 8.

An interim dividend of £150,000 (£14.60 per share) was paid on 31 July 2013 for the year ended 31 March 2014. A Solvency Test was conducted and concluded that after the dividend was paid, the company would be sufficiently solvent to pass the Solvency Test, as required by the Companies (Guernsey) Law, 2008.

Directors

The Directors of the Company during the year and to the date of this report are as stated on page 2.

British Capital Property Investments Limited

DIRECTORS' REPORT (continued)

For the year ended 31 March 2014

Disclosure of information to the auditor

The Directors who held office at the date of the approval of the financial statements confirm that, so far as they are each aware:

- * There is no relevant audit information of which the Company'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 Company's auditor is aware of that information.

Full details of the Company can be found in the Prospectus, copies of which are available free of charge, from the Manager or the Administrator.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the 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, the Directors have elected to prepare the financial statements in accordance with Generally Accepted Accounting Principles (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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; and
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that the financial statements give a true and fair view and have been prepared in accordance with The Companies (Guernsey) Law, 2008.

Auditor

A resolution to re-appoint Saffery Champness as auditor will be proposed at the Annual General Meeting.

Approved by the Board of Directors at a Meeting held on 5 June 2014 and signed on its behalf by:

Stuart Platt-Ransom

Patricia White

British Capital Property Investments Limited

INVESTMENT MANAGER'S REPORT

For the year ended 31 March 2014

The UK property investment market is emerging from its most severe and prolonged downturn since reliable records began, which resulted in the IPD All Property Capital Value Index falling 37.4% between June 2007 and April 2013. Since then the IPD Monthly index has shown capital growth totalling 4.4% to the end of 2013.

The main reason for the improved outlook has been the improving UK economy which grew more quickly than expected during 2013, recording 1.9% growth in GDP in the first three quarters of 2013. Inflation is continuing to fall, and the economy appears to be entering an ideal phase of strong growth and low inflation.

Investor sentiment has closely mirrored the improving economy and demand for commercial property is being received from a much wider investor base. According to Property Data, transaction volumes increased by 45% in 2013 from the 2012 figures and reflected almost a 100% increase on turnover in 2008.

The British Capital Portfolio was valued independently by Colliers International as at 31 March 2014 at £20,975,000 up from £20,050,000 in March 2013. The growth in the value of the portfolio over the twelve months equates to 4.6%, which is in line with the IPD figures above.

Operationally, the Portfolio has performed to expectations and all contractual income has been timeously received. There were no material unbudgeted expenses. Operational income for the period was 6.6% ahead of budget, largely due to lower interest costs due to capital repayments on the Loan Facilities; and distribution fees. Operational Income of £648,046 equates to a yield of 6.3% on Capital Employed.

Below is a summary of the British Capital Portfolio as at 31 March 2014

Property	Purchase Price	Transfer Date	Market Value As at 31 March 2014	Agreed Annual Rent	Santander Loan as at 31 March 2014	5year Swap Rate	Tenant break Option	Lease Expiry
Robert McBride Ltd St Helen's	6,870,000	30/06/2010	6,475,000	526,795	4,086,000	4.82%	24/03/2024	24/03/2029
Spectrum Brands UK Ltd Wombourne	8,350,000	18/06/2010	8,800,000	665,268*	4,902,500	4.81%	None	27/01/2030
Homebase Ltd Brecon	5,850,000	13/12/2010	5,700,000	420,800	3,252,500	4.90%	None	07/10/2027
	21,070,000		20,975,000	1,612,863	12,241,000			

* Spectrum lease makes provision for a minimum rental uplift to £752,690 from January 2015

Capital repayments on the Santander loans amounted to £401,000 for the period under review. Planned capital repayments for the twelve month period to 31 March 2015 amount to £481,000. The Spectrum and McBride's facilities come up for renewal in June and July 2015 respectively, while the Brecon facility is up for renewal in December 2015.

Most analysts seem to concur that the outlook for the property market appears to be positive. Colliers International anticipates that the 2013 trend will continue in 2014 and are forecasting an annualised All Property Growth rate of 3.2% for the period 2014 to 2018.

Rental values appear to be on the up, due to an increase in demand and a reduction in supply. Caution still needs to be exercised though; and the actions of the banks in the next couple of years with regards their treatment of non performing portfolios; and their approach to new lending is expected to be crucial to the performance of the overall market.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

We have audited the consolidated financial statements of British Capital Property Investments Limited on pages 8 to 21 for the year ended 31 March 2014, which comprise the Consolidated Profit and Loss Statement, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Net Assets Attributable to Holders of Ordinary Shares and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Principles).

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 page 4, 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 United Kingdom 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 Company'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 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view;
- are in accordance with Generally Accepted Accounting Principles; and
- comply with The Companies (Guernsey) Law, 2008.

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:

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Saffery Champness
Chartered Accountants
Guernsey

3 July 2014

British Capital Property Investments Limited

CONSOLIDATED PROFIT AND LOSS STATEMENT

For the year ended 31 March 2014

	Note	31 March 2014	31 March 2013
		£	£
Unrealised loss on impairment of investments	4	-	(450,000)
Reversal of previous non-temporary impairments on investments	4	625,000	-
Income	8	1,616,011	1,615,196
Expenses	9	(961,932)	(1,111,633)
Net profit for the year before taxation		<u>1,279,079</u>	<u>53,563</u>
Taxation	1(f)	(40,314)	(4)
Profit for the year		<u>1,238,765</u>	<u>53,559</u>
Basic and diluted profit per ordinary share	6	120.55	5.21

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2014

		31 March 2014	31 March 2013
Profit for the year		1,238,765	53,559
Unrealised surplus on revaluation of investments	4	300,000	-
Total recognised gains for the year		<u>1,538,765</u>	<u>53,559</u>

All of the company's income and expenditure arise from continuing operations

The accompanying notes on pages 11 to 21 form part of these financial statements.

British Capital Property Investments Limited

CONSOLIDATED BALANCE SHEET

As at 31 March 2014

ASSETS	Note	2014 £	2013 £
Fixed Assets			
Investment properties	4	<u>20,975,000</u>	<u>20,050,000</u>
Current Assets			
Debtors and prepayments	10	69,724	96,933
Cash at bank		1,017,412	923,296
		<u>1,087,136</u>	<u>1,020,229</u>
TOTAL ASSETS		<u>22,062,136</u>	<u>21,070,229</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	1,028	1,028
Management shares	12	2	2
Share premium	12	10,274,551	10,274,551
Retained earnings		(1,388,625)	(2,477,390)
Revaluation reserve		300,000	0
TOTAL EQUITY		<u>9,186,956</u>	<u>7,798,191</u>
Current Liabilities			
Creditors	11	634,180	630,038
Loans	7	<u>481,000</u>	<u>401,000</u>
		1,115,180	1,031,038
Non-Current Liabilities			
Loans	7	<u>11,760,000</u>	<u>12,241,000</u>
TOTAL LIABILITIES		<u>12,875,180</u>	<u>13,272,038</u>
TOTAL EQUITY AND LIABILITIES		<u>22,062,136</u>	<u>21,070,229</u>
Ordinary Shares in issue	12	<u>10,275.5784</u>	<u>10,275.5784</u>
Net asset value per Ordinary Share		<u>894.0573</u>	<u>758.9053</u>

The Financial Statements were approved and authorised for issue by the Board of Directors on 5 June 2014 and signed on its behalf by:

Stuart Platt-Ransom

Patricia White

The accompanying notes on pages 11 to 21 form part of these financial statements.

British Capital Property Investments Limited

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF ORDINARY SHARES

For the year ended 31 March 2014

	Share Capital £	Retained Earnings £	Revaluation Reserve £	Share Premium £	Total £
Balance at 31 March 2012	1,028	(2,171,695)	-	10,274,551	8,103,884
Dividend	-	(359,254)	-	-	(359,254)
Profit for the year	-	53,559	-	-	53,559
Balance at 31 March 2013	1,028	(2,477,390)	-	10,274,551	7,798,189
Dividend	-	(150,000)	-	-	(150,000)
Return for the year	-	1,238,765	-	-	1,238,765
Unrealised gain on property investments	-	-	300,000	-	300,000
Balance at 31 March 2014	1,028	(1,388,625)	300,000	10,274,551	9,186,954

The accompanying notes on pages 11 to 21 form part of these financial statements.

British Capital Property Investments Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Note	2014 £	2013 £
Operating activities			
Profit for the year before taxation		1,279,079	53,563
Adjusted for:			
Bank deposit interest	8	(421)	(2,337)
Loan interest	9	595,030	624,065
Decrease/(increase) in debtors and prepayments	10	27,209	(24,594)
(Decrease)/increase in creditors	11	(10,239)	20,949
Unrealised (gain)/loss on revaluation of investments	4	(625,000)	450,000
Cash inflow from operating activities		<u>1,265,658</u>	<u>1,121,646</u>
Return on investments and servicing of finance			
Loan interest	9	(599,209)	(624,065)
Bank deposit interest	8	421	2,337
		<u>(598,788)</u>	<u>(621,728)</u>
Taxation			
Taxation paid		<u>(21,754)</u>	<u>(4)</u>
Financing			
Equity dividend paid		(150,000)	(359,254)
Loan repayment	7	(401,000)	(249,000)
Net cash outflow from financing		<u>(551,000)</u>	<u>(608,254)</u>
Cash inflow/(outflow) for the year		<u>94,116</u>	<u>(108,340)</u>
Cash at the beginning of the year		923,296	1,031,636
Cash at the end of the year		<u>1,017,412</u>	<u>923,296</u>
Represented by			
Cash at the end of the year		<u>1,017,412</u>	<u>923,296</u>

The accompanying notes on pages 11 to 21 form part of these financial statements.

British Capital Property Investments Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. Accounting policies

Accounting convention

The Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, The Companies (Guernsey) Law, 2008 and under the historical cost convention except for revaluation of investment properties and give a true and fair view. The "Group" is defined as the Company and its subsidiaries British Capital Property Limited and British Capital Finance Limited. The specific accounting policies are described below.

a) Foreign currencies

Foreign currency monetary assets and liabilities are translated into sterling at the exchange rates ruling at the Consolidated Balance Sheet date. Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Foreign exchange gains and losses are included in the Consolidated Profit and Loss Statement.

b) Establishment costs

Establishment costs were written off in the first financial period.

c) Investments

The Group will invest in property assets with a view to profiting from their capital growth. The portfolio of assets will be managed and its performance evaluated on a market value basis, in accordance with the documented investment strategy as detailed in the Prospectus.

Investment property is initially measured at cost, being the value of the consideration given, including related transaction costs. After initial recognition, the investment property is carried at market value. Market value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The estimation of market value of the properties has been done individually and no account has been taken of any greater or lesser value which may be attributed to the whole portfolio, should it be available in its entirety or in individually selected groups of properties. Any temporary gains/losses arising from changes in market values are taken to a Revaluation Reserve. Non-temporary impairments are taken to the Consolidated Profit and Loss Statement. If a previously impaired property subsequently increases in value then the increase is recognised in The Consolidated Profit and Loss Statement to the extent of the previously recognised non-temporary impairment. Gains are then recognised in the Revaluation Reserve.

d) Going concern

The accounts have been prepared on a going concern basis.

e) Dividend

The Company may pay dividends. Any dividends paid will be in accordance with the policy of the Bermuda Stock Exchange and The Companies (Guernsey) Law, 2008.

f) Taxation

With effect from 1 January 2008, Guernsey established the exempt Company regime and the standard rate of income tax for Companies moved from 20% to 0%. The Company will continue to apply for Exempt Status under the Income Tax (Zero 10) (Guernsey) (No 2) Law 2007.

The Group is liable to UK Tax on rental income generated from property in the United Kingdom. The Group is registered under the Non-resident Landlord Scheme to receive rental income with no tax deducted and submits an annual return.

British Capital Property Investments Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the year ended 31 March 2014

1. Accounting policies (continued)

g) Revenue and expenses

Bank deposit interest income and expense are recognised on an accruals basis. Performance fees will be recognised on an accruals basis.

Revenue includes rental income, service charges and management charges from properties. The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the Consolidated Profit and Loss Statement due to its operating nature except for contingent rental income which is recognised when it arises. Rental income is received on a quarterly basis in advance with relevant amounts recognised as a prepayment. Any service and management charges relating to properties owned will be paid as and when they occur.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

h) Cash at bank

Cash comprises call accounts and fixed deposits held with Investec Bank (Channel Islands) Limited and Santander UK plc. All the Group's cash balances are accessible on demand.

i) Basis of consolidation

Subsidiaries are those entities, including special purpose entities, controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

j) Critical accounting judgements and estimates

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions that materially affect the reported amounts of assets, liabilities, income and expenses.

The most critical accounting estimates and assumptions relate to the valuations of the Group's portfolio of properties. The Group employs Colliers International UK plc to carry out these valuations. Their valuations are conducted in accordance with RICS Valuation Standards. In making their judgement the valuers consider information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

British Capital Property Investments Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2014

j) Critical accounting judgements and estimates (continued)

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

To see the market value of the properties please refer to note 4.

The 2014 property valuation was carried out by James Cubitt BSc (HONS) MRICS and Simon Summerby-Bent BSc (HONS) MRICS. Both are Registered Valuers for Colliers International.

2. Fees

The Investment Manager shall be entitled to receive Management fees as follows:

Acquisition fee

Acquisition fee of 2% of the total purchase price (including, for the avoidance of doubt, the Acquisition Costs) of any immovable Property acquired by the Fund, payable on acquisition.

Asset management fees

Asset management fee equivalent to 0.75% per annum of the Gross Market Value of the Property Portfolio of the Fund payable monthly in arrears on the 1st Business Day of the following month. For the purposes of calculating the amount payable each month in respect of the asset management fee, the most recently determined Gross Market Value of the Property Portfolio of the Group shall be used.

A side letter to the Investment Management Agreement was signed reducing the fee from 1.5% per annum (effective as of 1 January 2013) with a clawback provision if there is a disposal. If part of the portfolio is sold, the clawback will be limited to the percentage that the property makes up of the whole portfolio multiplied by the lesser of the fee sacrifice (0.75%) or the gain on those properties.

If the entire portfolio or the last property is sold, clawback is capped at the lesser of the fee sacrifice or the difference between the proceeds on disposal of assets and the purchase price, less any fees already clawed back.

Contingent liability on Asset Management fees

At the year end the property at Wombourne had been revalued above capitalised cost. If the property were to be sold at this revalued price, this would result in a claw back of £79,301 of the Asset Management fees sacrificed to date.

Performance fees

A performance fee, payable on the 60th day following the applicable period, commencing at the end of the 5th year after the Initial Closing Date (as such term is defined in the Prospectus) (the "Initial Payment Date") and annually thereafter (each a "Subsequent Payment Date") until the Termination Date such that the first net profit up to 10% IRR will be applied to the Company's investors after which net profit up to 12% IRR will be payable to the Investment Manager. Thereafter the net profits will be split as to 80% payable to the Company's investors and 20% payable to the Investment Manager. For the purposes of calculating the performance fee (if any) on a Subsequent Payment Date, the cumulative IRR for the full period (i.e. since Initial Closing Date) up to that time shall be applied for purposes of calculating the cumulative performance fee, and the performance fee payable will be net of any performance fees paid to date.

British Capital Property Investments Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2014

2. Fees (continued)

Other fees incurred by the company are as follows:

Trail fees

An annual trail fee is payable annually in advance (within 60 days of the listing of British Capital) to the First National Bank ("FNB") (the "Distributor") of up to 0.75% (plus VAT where applicable) of the aggregate subscription proceeds of the Shares subscribed for by Investors, introduced by the relevant Distributor, which have not been redeemed prior to the Redemption Date.

Distribution fee

An upfront fee of up to 2% of the gross amount paid by an Investor (plus VAT where applicable) will be deductible upfront by the Distributor of the Company for the introduction of investors by the Distributor to the Company. The amount invested after deduction of the upfront distribution fee shall determine the number of Shares to be allocated to each Investor.

Redemption fees

A fee of up to 2% of the redemption amount, in respect of redemptions before the redemption date, is payable to the Company.

Administration fees

The administration fee, payable to Legis Fund Services Limited (the "Administrator") is fixed at £30,000 per annum and £3,000 per Board meeting for the provision of secretarial services. The Administrator also received a fee of £5,000 per annum for each of the Special Purpose Vehicles.

Directors' fees

The Directors receive a fee of £7,500 per annum. Messrs Mackay and Van Staden have waived their rights to receive a Director's fee.

Structural facilitator fees

An annual structuring facilitator fee is payable to Investec (the "Facilitator") of 0.15% per annum of the aggregate subscription proceeds of the shares.

3. Analysis of changes in Net Debt

	1 April 2013	Cash Flow	31 March 2014
	£	£	£
Cash in hand at Bank	923,296	94,116	1,017,412
Debt due within one year	(401,000)	(80,000)	(481,000)
Debt due after one year	(12,241,000)	481,000	(11,760,000)
	<u>(11,718,704)</u>	<u>495,116</u>	<u>(11,223,588)</u>

British Capital Property Investments Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2014

3. Analysis of changes in Net Debt (continued)

	1 April 2012	Cash Flow	31 March 2013
	£	£	£
Cash in hand at Bank	1,031,636	(108,340)	923,296
Debt due within one year	(152,000)	(249,000)	(401,000)
Debt due after one year	(12,739,000)	498,000	(12,241,000)
	<u>(11,859,364)</u>	<u>140,660</u>	<u>(11,718,704)</u>

4. Investments

In accordance with the Group's accounting policies, investment property is stated at market value as at the Balance Sheet date. The market value was determined by Colliers International UK plc which is registered as a member of the Royal Institution of Chartered Surveyors and has confirmed that it has undertaken the valuation acting as external valuer and that it is qualified for the purposes of the valuation.

The investment property portfolio comprises the following properties:

Investment Properties	Market Value		Revaluation	Market Value	
	Original Cost	1 April 2013		31 March 2014	
	£	£	£	£	
Homebase Limited Brecon Enterprise Park, Brecon	5,850,000	5,700,000	-	5,700,000	
Russell Hobbs, Heath Mill Road, Wombourne	8,500,000	8,100,000	700,000	8,800,000	
McBride's Eurolink, Lea Green, St Helens	6,900,000	6,250,000	225,000	6,475,000	
	<u>21,250,000</u>	<u>20,050,000</u>	<u>925,000</u>	<u>20,975,000</u>	
	Original Cost	Market Value	Revaluation	Market Value	
	£	1 April 2012	£	31 March 2013	
	£	£	£	£	
Homebase Limited Brecon Enterprise Park, Brecon	5,850,000	6,000,000	(300,000)	5,700,000	
Russell Hobbs, Heath Mill Road, Wombourne	8,500,000	8,100,000	-	8,100,000	
McBride's Eurolink, Lea Green, St Helens	6,900,000	6,400,000	(150,000)	6,250,000	
	<u>21,250,000</u>	<u>20,500,000</u>	<u>(450,000)</u>	<u>20,050,000</u>	

British Capital Property Investments Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2014

5. Subsidiaries

The Company holds and operates its investment property portfolio through subsidiary companies. The financial statements consolidate the results of the Company and its subsidiaries drawn up to 31 March each year. The Consolidated Profit and Loss Statement and Consolidated Statement of Cash Flows include the results of the subsidiaries and the Consolidated Balance Sheet and the Consolidated Statement of Change in Net Assets Attributable to Holders of Ordinary Shares includes the position of the subsidiaries as at 31 March 2014.

Company	Country of Incorporation	Nature of Business	Share Capital No. of Shares	Percentage of shares held
British Capital Property Limited	Guernsey	Property Holding	1	100%
British Capital Finance Limited	Guernsey	Provision of Financing	1	100%

6 Basic & Diluted Earnings per share

	2014 £	2013 £
Profit for the year	1,238,765	53,559
Weighted average number of shares	10,275.5784	10,275.5784
Profit per share	<u>120.55</u>	<u>5.21</u>

7. Loans payable

	Amounts due in less than 1 year £	more than 1 year £	Total 2014 £
Loan from Santander UK plc - Wombourne - repayable on 18 June 2015	252,000	4,650,500	4,902,500
Loan from Santander UK plc - Lea Green - repayable on 6 July 2015	204,000	3,882,000	4,086,000
Loan from Santander UK plc - Brecon - repayable on 1 December 2015	25,000	3,227,500	3,252,500
	<u>481,000</u>	<u>11,760,000</u>	<u>12,241,000</u>
	Amounts due in less than 1 year £	more than 1 year £	Total 2013 £
Loan from Santander UK plc - Wombourne - repayable on 18 June 2015	231,000	4,902,500	5,133,500
Loan from Santander UK plc - Lea Green - repayable on 6 July 2015	170,000	4,086,000	4,256,000
Loan from Santander UK plc - Brecon - repayable on 1 December 2015	-	3,252,500	3,252,500
	<u>401,000</u>	<u>12,241,000</u>	<u>12,642,000</u>

British Capital Property Investments Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2014

7. Loans payable (continued)

The loans are with Santander UK plc ("Lender"). The Lender has provided the Group with a schedule detailing the quarterly repayments. This comprises the margin, plus LIBOR, plus the Mandatory cost as well as the principal repayment amounts. On the final repayment dates, listed above, the Group will make a lump sum payment of the remaining principal amount.

All of the properties owned by the Company are secured against the Santander loans.

8. Income

	2014	2013
	£	£
Rental income	1,615,590	1,612,859
Bank deposit interest	421	2,337
	<u>1,616,011</u>	<u>1,615,196</u>

9. Expenses

	2014	2013
	£	£
Loan interest	595,030	624,065
Management fees	150,375	269,063
Structuring and facilitator fee	15,414	15,414
Legal and professional fees	6,540	7,250
Trail fees	69,569	77,009
Administration fees	53,545	53,000
Directors' fees	15,000	15,000
Consultancy fees	12,000	12,000
Audit fee	18,750	18,500
Charitable Trust fees and donation	2,625	3,500
Listing and sponsorship fees	4,956	1,617
Directors' and Officers' insurance	6,901	7,008
Regulatory fees	6,465	6,194
Sundry expenses	4,762	2,013
Total expenses	<u>961,932</u>	<u>1,111,633</u>

10. Debtors and prepayments

	2014	2013
	£	£
Trail fee	43,589	43,589
Structuring and facilitator fees	7,707	7,707
Prepaid Management fee	-	33,751
Prepaid regulatory fees	4,849	4,849
Other prepayments	13,579	7,037
	<u>69,724</u>	<u>96,933</u>

British Capital Property Investments Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ending 31 March 2014

11. Creditors - Amounts falling due within one year

	2014	2013
	£	£
Bank loan interest	128,561	132,740
VAT payable	82,080	92,774
Service fees	2,000	5,000
Administration fee	2,505	1,255
Audit fee	18,750	18,500
Directors expenses	408	408
Management fee	4,687	-
UK Income Tax	18,560	-
Rent received in advance	376,629	379,361
	<u>634,180</u>	<u>630,038</u>

12. Share Capital

Authorised	No. of shares	2014 & 2013
		£
Management Shares of £1 each	10	10
Ordinary Shares of £0.10 each	1,000,000	1,000,000
	<u>1,000,010</u>	<u>1,000,010</u>

Issued (2013 & 2014)	No. of shares	Share Capital	Share Premium	Total
		£	£	£
Management shares of £1 each				
Issued	<u>2</u>	<u>2</u>	<u>-</u>	<u>2</u>
Ordinary Shares of £0.10 each				
Issued	<u>10,275,5784</u>	<u>1,028</u>	<u>10,274,551</u>	<u>10,275,579</u>

Holders of ordinary shares are entitled to receive, and participate in, any distributions that are resolved to be distributed in respect of any financial year or other income or right to participate therein. Each investor who is present at the general meeting of the Company shall have one vote.

The holders of management shares shall have the right to receive notice, attend and vote at any general meeting of the Company and have 100 votes in respect of each share. The management shares are non redeemable with a par value of £1 each and are owned by the British Capital Charitable Trust.

13. Financial Risk Management

The Group's activities expose it to a variety of financial risks: interest rate risk, credit/counterparty risk, currency risk and liquidity risk. The financial risks relate to the following financial instruments: debtors and prepayments, cash and bank balances and creditors.

The Group's overall risk management programme focuses on the unpredictability of the markets in which it operates and seeks to minimise potential adverse effects on the Group's financial performance.

British Capital Property Investments Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ending 31 March 2014

13. Financial Risk Management (continued)

a) 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 positions. Management review market interest rates and cash and bank balances on a regular basis.

The interest rate profile of the financial assets and liabilities as at the Consolidated Balance Sheet date is as

	Non-interest bearing financial assets £	Interest bearing financial assets £	Interest bearing loans £	Total £
At 31 March 2014	<u>1,083,672</u>	<u>3,464</u>	<u>(12,241,000)</u>	<u>(11,153,864)</u>
At 31 March 2013	<u>867,036</u>	<u>153,193</u>	<u>(12,642,000)</u>	<u>(11,621,771)</u>

The financial assets comprise bank balances, which receive interest based on Investec Bank (Channel Islands) Limited and Santander UK plc base rates. Liabilities are loans with Santander UK plc, the interest based on base rate, margin plus LIBOR.

The Group uses interest rate swap contracts to mitigate exposure to changes in interest rates. Interest differentials under these swaps are recognised by adjusting interest payable over the contract. The fair value of these contracts are not accounted for. No fair value exists on these swaps as they are an integral part of the loan and cannot be differentiated from the loan. They are held to mitigate the risk of change in interest rates as disclosed in note 7.

The sensitivity analyses below are based on a change in one assumption while holding all other assumptions consistent. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values. The Group mitigates any risk by placing funds with institutions with a Moody's rating of BBB or above.

2014	Change in basis points	Interest bearing £	Impact on profit and loss statement £
Interest bearing financial assets	50	3,464	2
2013	Change in basis points	Interest bearing £	Impact on profit and loss statement £
Interest bearing financial assets	50	153,193	77

British Capital Property Investments Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ending 31 March 2014

13. Financial Risk Management (continued)

b) Credit/counterparty risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the Consolidated Balance Sheet date. The Group's credit risk principally arises from cash balances.

The Directors mitigate this risk by ensuring that the cash and cash balances are held with reputable institutions with long term credit ratings of BBB or above. At the Consolidated Balance Sheet date the Group had cash balances held with Investec Bank (Channel Islands) Limited a wholly owned subsidiary of Investec Bank plc which has a Moody's long term credit rating of Baa3 and Santander UK plc which has a long term credit rating with Moody's of A2.

At 31 March 2014 the Group's exposure to credit/counterparty risk was £1,017,412 (2013: £923,296).

c) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Directors review this status on a quarterly basis, with the object of minimising such losses by maintaining sufficient cash and other highly liquid current assets.

The table below sets out the carrying amount by maturity of the Group's liabilities.

2014

	Less than 1 year	1 to 2 years	2 to 5 years	Total
	£	£	£	£
Accruals (note 11)	257,551	-	-	257,551
Rent received in advance	376,629	-	-	376,629
Repayments of loan capital	481,000	11,760,000	-	12,241,000
	<u>1,115,180</u>	<u>11,760,000</u>	<u>-</u>	<u>12,875,180</u>

2013

	Less than 1 year	1 to 2 years	2 to 5 years	Total
	£	£	£	£
Accruals (note 11)	250,677	-	-	250,677
Rent received in advance	379,361	-	-	379,361
Repayments of loan capital	401,000	481,000	11,760,000	12,642,000
	<u>1,031,038</u>	<u>481,000</u>	<u>11,760,000</u>	<u>13,272,038</u>

The Directors mitigate liquidity risk by monitoring cash balances on a regular basis and ensuring that sufficient cash balances are maintained to meet liabilities as they fall due.

d) Currency risk

All of the Group's material transactions and balances at the year end are in sterling and the directors consider that there is no significant currency exposure as at the Consolidated Balance Sheet date.

British Capital Property Investments Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ending 31 March 2014

13. Financial Risk Management (continued)

e) Capital risk management

The capital of the Company is represented by the net assets attributable to holders of ordinary shares. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for stakeholders and to maintain a strong capital base to support the development of the investment activities of the Company.

f) Concentration risk

Concentration risk derives from all property investments being in the same sector - Commercial property. The Directors have mitigated this risk through careful selection of the portfolio with a spread of locations across Britain all with prominent locations and good transport links with consideration also being given to the tenants. The current tenants are all have lease agreements in excess of 10 years.

14. Related parties and related party transactions

Mr Platt-Ransom and Ms White, who are Directors of the Company, are also Directors of the Company's Investment Manager, Cornerstone Asset Managers Limited.

As Directors, Mr Platt-Ransom and Ms White each received a Director's fee of £7,500. (2013: £7,500).

Mr Platt-Ransom and Ms White are also Directors of Legis Fund Services Limited, the Group's Administrator, which received £53,545 (2013: £53,000) in respect of administration services during the year. At the year ended 31 March 2014, £2,505 was payable to the administrator (2013: £ 1,255).

Stuart Platt-Ransom and Patricia White are also Directors of Cornerstone Asset Management, the Investment Manager. During the year the company paid £150,375 (2013: £269,063) to its Investment Manager, Cornerstone Asset Management. At the year ended 31 March 2014, £4,687 was payable to the Investment Manager (2013: £33,751 Prepaid).

British Capital Charitable Trust holds 2 management shares in the Company. The Charitable Trust incurred fees of £2,625 (2013: £3,500) for the year which the Company paid on its behalf.

Mr Sean Mackay, a Director of the Company, is also a Director of CornerstoneBlue Property International (Proprietary) Limited ("CornerstoneBlue"). Jan van Staden, a Director of the Company, is also a Director of Barnard Jacobs Mellet Private Client Services (Proprietary) Limited ("BJMPCS"). The Company has been founded as a joint venture between CornerstoneBlue and BJMPCS. The Company paid trail fees of £69,569 (2013: £77,009) to BJMPCS during the year. £43,589 (2013: £43,589) has been treated as a prepayment.

There is no immediate and ultimate controlling party as no shareholder has a controlling interest.

15 Post Balance Sheet Events

The Board has taken the decision to extend the life of the Company for a further period of up to two years from 23 October 2014, the New Termination Date now being no later than 23 October 2016.

On 11 June 2014, it was announced that an interim dividend of £157,500 was to be paid for value date 30 June 2014.