

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 OCTOBER 2014**

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

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**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

General Information

Fund Registered Office

20 Reid Street
3rd Floor, Williams House
P.O. Box 2460 HMJX
Hamilton HM11
Bermuda

Investment Manager

Spitfire Asset Managers (Bermuda) Ltd
Clarendon House
2 Church Street
Hamilton
HM 12
Bermuda

Directors

Alan Tennant Johnson
Philip Peter Scales
Peter Hughes (resigned 13 August 2014)
Paul Meader

Listing and On-going Sponsor

Apex Fund Services Ltd
20 Reid Street
3rd Floor, Williams House
P.O. Box 2460 HMJX
Hamilton HM11
Bermuda

Administrator

Apex Fund Services Ltd
20 Reid Street
3rd Floor, Williams House
P.O. Box 2460 HMJX
Hamilton HM11
Bermuda

Auditor

Deloitte LLP
The Old Courthouse
Athol Street
Douglas
Isle of Man IM 99 1XJ

Custodian

(From 10 February 2015)
Kleinwort Benson (Guernsey) Limited
PO Box 44
Dorey Court
Admiral Park
St Peter Port
Guernsey GY1 3BG

Currency Hedge / Investment Advisor

Canaccord Genuity Wealth (International) Ltd
PO Box 45,
The Grange, St. Peter Port,
Guernsey, GY1 4AX

(Up to 9 February 2015)

Kleinwort Benson Trustees (Isle of Man) Ltd
(Formerly Close Trustees (Isle of Man) Ltd)
St. George's Court
Upper Church Street
Douglas
Isle of Man IM1 1JE

Legal Advisors

Conyers Dill & Pearman
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
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Directors' Report for the period from 1 January 2014 to 31 October 2014

The directors present herewith their report and audited financial statements for the period from 1 January 2014 to 31 October 2014. The comparative information presented covers the year ended 31 December 2013.

Date of incorporation

Spitfire Funds (Bermuda) Ltd (the "Company"), a Bermuda Exempted Mutual Fund Segregated Account Company number 42429, was incorporated in Bermuda on the 19 September 2008 under the Segregated Accounts Companies Act 2000.

The Spitfire International Property Recovery Fund (the "Fund") (formerly Spitfire Americas Property Recovery Fund) is a segregated account of the Company, under the Bermuda Companies Act 1981 which commenced operations on 1 October 2009. The Fund was previously called The Spitfire Americas Property Recovery Fund, but changed its name on 13 January 2014.

Under the Segregated Accounts Companies Act 2000, the assets and liabilities of the Fund are segregated from other segregated accounts of the Company.

Change in year end

On 10 February 2015 the Company changed its year end from 31 December to 31 October.

Principal activity

The Company is an exempted company and was incorporated on 19 September 2008 as an open-ended investment company with limited liability in Bermuda and has been authorised as a standard fund under the Investment Funds Act 2006 ("IFA") and, as such, has power to issue and redeem shares. The Fund invests in open ended property funds, listed closed end property companies, global quoted property stocks, Real Estate Investments Trusts (REITS), and any other suitable International property related investments, including ETF's (Exchange Traded Funds). The actual allocations across these security types are actively managed to exploit the opportunities available and may vary over time to seek higher returns. The non-voting redeemable shares "Spitfire International Property Recovery Fund Class A Shares" issued by the Fund were admitted on 8 December 2009 to the Official List of the Bermuda Stock Exchange ("BSX"). The Fund's investment portfolio is in compliance with Section IV of the BSX listing rules. The Fund is classified as open marketing under Section IV of the BSX listing rules.

The Fund can issue Spitfire International Property Recovery Class A USD Shares, Spitfire International Property Recovery Class A Euro Shares and Spitfire International Property Recovery Class A Sterling Shares (collectively the "Shares"). Other classes of shares may be created and issued at the discretion of the directors of the Company. See Note 6 of the financial statements for further disclosures regarding these share classes.

Investment policy

It should be noted that the investment policy of the Fund, which includes investment in underlying funds, will result in multiple layers of fees or a duplication of certain costs that will be charged to the underlying funds by their service providers, as well as to the Fund by the service providers of the Fund. Such costs will include, but are not limited to, formation expenses, custodian, domiciliary, management fees, audit expenses and other associated costs.

In investing in the Fund, which in turn may invest through underlying funds, a shareholder, in effect, incurs the cost of the management fee, performance fees and any commissions paid to the Investment Managers as well as the advisory fees, incentive fees and other fees paid to the investment advisors of an underlying fund.

By investing in an underlying fund, the Fund incurs its proportionate share of the operating costs and expenses of the underlying fund, including, but not limited to, custody and brokerage commissions, interest charges, legal and accounting fees and disbursements, in addition to the operating costs and expenses detailed in the relevant offering memorandum. As a result, the operating expenses of the Fund may constitute a higher percentage of the Net Asset Value of the Fund than would be found in other investment schemes. Also, the purchase of an investment in an underlying fund may involve payment by the Fund of substantial subscription fees or premiums.

On 30 April 2013, the mandate of the Fund was broadened to include investments from geographical regions other than just the Americas and now includes Europe, Asia and Australia as well as the Americas.

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
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Directors' Report for the period from 1 January 2014 to 31 October 2014 (continued)

Accounting Standards

The directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The significant accounting policies adopted have been mentioned in Note 2 of the financial statements.

Result for the year

The profit for the period is set out in the profit and loss account on page 10 of the financial statements.

Going concern

The directors have a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. The fund supplement to the memorandum of the Company allows for a maximum of 5% of the redeemable shares in issue to be accepted for redemption in any one redemption period. As such, this will allow the Fund to satisfy shareholder redemptions without significantly impacting the going concern considerations of the Fund. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. For further details see "Gate Provision on Redemptions" paragraph below.

List of Investments

As of 31 October 2014, the Fund held the following property investments with a value greater than five percent (5%) of the Fund's investment portfolio:

Security	2014 Quantity	2014 Book Cost	2014 Market Value	2014 Percentage of Total Portfolio
		USD	USD	
Aviva Investors Encore + Class A EUR Dis	1,008,403	985,477	970,977	6.45%
BlackRock Granite Property Fund Class A	29	2,113,938	2,280,651	15.15%
Next Funds REIT Nomura ETF	85,000	1,301,647	1,365,124	9.07%
Prologis Targeted US Logistics REIT Inc	2,792	2,033,576	2,631,240	17.48%
UBS (US) Trumbull Property Growth & Inc FD LP UPF	135	1,556,408	2,206,911	14.66%
VIB Vermoegen AG	55,000	930,977	991,116	6.58%
M&G Asia Property Fund Class D	102,537	943,556	912,457	6.06%
Other Investments	72,496	3,379,601	3,695,333	24.55%
At 31 October 2014		13,245,180	15,053,809	100.00%

No provision for diminution in value of investments was taken; financial assets are held at fair value through profit or loss.

Dividend

No dividend was proposed or paid during the period (2013: USD nil).

Directors

The directors of the Company holding office during the period and through to the date of this report are:

Alan Tennant Johnson appointed on 28 October 2008.

Philip Peter Scales appointed on 28 October 2008.

Peter Hughes appointed on 28 October 2008 (resigned 13 August 2014).

Paul Meader appointed on 31 December 2013.

Barry Monks (Alternate Director to Paul Meader Appointed 30th April 2015 Resigned 30th April 2015)

Directors Interests

The directors receive fees from the Fund which are set out in the Profit and Loss account of the financial statements. Related party transactions where directors are involved are detailed in Note 11 of the financial statements. None of the directors own shares in the Fund.

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Directors' Report for the period from 1 January 2014 to 31 October 2014 (continued)

Secretary

The secretary of the Company holding office during the period and through to the date of this report was Sharon Ward who was appointed on 28 October 2008.

Auditor

Deloitte LLP were appointed as independent auditor to the Fund on 9 November 2009 and, being eligible, have indicated their willingness to continue in office in accordance with Section 89(1) of the Companies Act 1981.

Subsidiaries

The Fund has no subsidiaries.

Ownership of shares

The directors, the investment manager and the investment advisors do not own participating shares and have no right to receive distributions from the Fund. The investment manager owns the management share and is entitled to exercise voting rights in connection with this share as disclosed in Note 6 of the financial statements. The participating shares have no voting rights and are redeemable.

Fees

The Fund incurred charges of USD 389,905 (2013: USD 471,353) and USD nil (2013: nil) respectively for investment management fees and performance fees in favour of the investment manager for the period ended 31 October 2014. The director fees amounted to USD 50,776 (2013: 21,727) for the same period.

None of the directors or service providers' fees have been waived during the period, with the exception of performance fees which have been waived by the Investment Manager as discussed in Note 12.

Gate Provision on Redemptions

The Fund is subject to a 5% gate of the net asset value ("NAV") of the Fund and as such all redemption requests are being processed on this basis.

The Fund has received aggregate redemptions exceeding 5% of the Fund's NAV for redemption dates commencing 3 February 2014 onwards. In accordance with the Fund's supplement, the number of shares of the Fund redeemed on any Redemption Day is limited to five percent (5%) of the total NAV of the Fund ("the Gate"). The Gate applies on a "first come/first served basis" with regards to the number of redemption requests received in relation to a particular Redemption Day and unsatisfied requests are carried forward for redemption to the next dealing date until the original request has been satisfied in full. As at the date of these financial statements the Gate remains in operation.

It is estimated that it will take over a year to satisfy all the redemption requests currently received and approximately 65% of the shares (that were in issue prior to the lifting of the suspension), will have been redeemed by that time. The directors believe that the level of redemption requests received to date do not unduly disadvantage the interests of the remaining Shareholders. Where redemption requests have been received but have not been accepted because they are in excess of the 5% gate, as the directors have the powers to suspend these redemption requests at any time, they are not accounted for until they are accepted.

Net Asset Value as per the Financial Statements and the Published Net Asset Value

The NAV as per the financial statements differed from the published NAV for the following reason:

- The NAV published is calculated based on the Fund supplement. As per the supplement, the organisational cost and the deferred sale charges are amortised over a period of 5 years. In the financial statements, these expenses were fully expensed in the first accounting period in accordance with the requirements of United Kingdom Generally Accepted Accounting Practice. In addition, in 2013, the NAV as per the financial statements included dividend adjustments from M&G Property Asia Fund Class D, one of the Fund's underlying investments. The net difference in the financial statements is a loss of USD 60,603 (2013: gain USD 152,926) and a decrease in NAV of USD nil (2013: increase USD 60,403).

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Directors' Report for the period ended 31 October 2014 (continued)

- The published NAV per share and the NAV per share per the financial statements are as follows:

Share Class	31 October 2014				31 December 2013			
	Published NAV per Share		NAV per Share per the Financial Statements		Published NAV per Share		NAV per Share per the Financial Statements	
	FCY	USD	FCY	USD	FCY	USD	FCY	USD
EUR Class	139.02	174.22	139.02	174.22	125.33	165.33	128.98	177.26
GBP Class	137.66	220.18	137.66	220.18	122.72	199.40	126.75	209.84

The following table provides a summary of the results and of the assets and liabilities of the Fund since 2010. Note that comparatives for 2010-2013 cover the years ended 31 December and the current period covering 1 January 2014 to 31 December 2014.

Results and assets and liabilities of the Fund

	31 October 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010
	USD	USD	USD	USD	USD
Assets					
Financial assets at fair value through profit or loss	15,053,809	25,522,810	9,890,764	3,217,057	6,222,304
Dividends receivable	42,808	149,587	7,404	7,254	2,131
Due from related party	37,710	1,124,696	-	-	-
Debtors	1,000,199	328,431	183,416	2,750	-
Cash and cash equivalents	2,426,756	1,864,667	8,221,068	8,792,570	2,378,456
Total assets	18,561,282	28,990,191	18,302,652	12,019,631	8,602,891
Creditors: amounts falling due within one year	375,501	265,309	112,693	505,680	185,476
Total Liabilities: (excluding net assets attributable to holders of redeemable shares)	375,501	265,309	112,693	505,680	185,476
Net assets attributable to holders of redeemable shares	18,185,781	28,724,882	18,189,959	11,513,951	8,417,415
Profit/(loss) for the period/year	461,768	1,893,994	1,162,719	(656,544)	1,045,321

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
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Directors' responsibilities statement

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

The Companies Act 1981 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they present fairly, in all material aspects, the state of affairs of the Fund and of the profit or loss of the Fund for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 Fund will continue in business.

The directors are responsible for keeping proper records of account that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund and enable them to ensure that the financial statements comply with the Companies Act 1981. They are also responsible for the system of internal control, for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



30 April 2015

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
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Independent Auditor's Report to the Members of Spitfire International Property Recovery Fund

We have audited the financial statements of Spitfire International Property Recovery Fund (formerly Spitfire Americas Property Recovery Fund) (the "Fund") for the period from 1 January 2014 to 31 October 2014 which comprise the Profit and loss account, the Balance sheet, the Cash flow statement with related notes a) and b) and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Fund's members, as a body, in accordance with Section 90(2) of the Companies Act 1981. Our audit work has been undertaken so that we might state to the Fund'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 Fund and the Fund'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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they present fairly, in all material aspects, the state of affairs of the Fund and of the profit or loss of the Fund for that period. 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 Fund'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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially inconsistent 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:

- present fairly, in all material aspects, the state of the Fund's affairs as at 31 October 2014 and of its profit for the period from 1 January 2014 to 31 October 2014; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Deloitte LLP

Deloitte LLP

Chartered Accountants

Isle of Man

[Date] *30th April 2015*

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
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Profit and loss account for the period from 1 January 2014 to 31 October 2014

	Note	For the period from 1 January 2014 to 31 October 2014 USD	Year from 1 January 2013 to 31 December 2013 USD
Income from continuing operations			
Bank interest		2,896	5,189
Dividend income		603,947	538,749
Miscellaneous income		201,552	-
Total income		808,395	543,938
Expenses			
Administrator's fees	12	19,811	23,976
Audit fees		13,951	20,221
Bank and broker fees		9,147	2,025
Custodian fees	12	12,224	13,727
Directors' fees		50,776	21,727
Investment advisory fees	12	64,723	78,190
Investment management fees	12	389,905	471,353
Statutory expenses		4,822	3,539
Sundry expenses		168,881	206,017
Total expenses		734,240	840,775
Net gain/(loss) before investment gains		74,155	(296,837)
Net realised gains on financials assets and liabilities held at fair value through profit or loss	3	2,610,595	124,819
Net change in unrealised (losses)/gains on financials assets and liabilities held at fair value through profit or loss	3	(1,020,807)	1,266,658
Net (losses)/gains on foreign exchange forwards		(1,425,026)	817,577
Net gains/(losses) on exchange differences		222,851	(18,223)
Profit for the period/year before and after taxation attributable to holders of redeemable shares		461,768	1,893,994

The Fund has no recognised gains or losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

All transactions are derived from continuing operations.

The notes on pages 13 to 30 form an integral part of these audited financial statements.

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

Balance Sheet as at 31 October 2014

	Note	31 October 2014 USD	31 December 2013 USD
Assets			
Financial assets at fair value through profit or loss	3	15,053,809	25,522,810
Dividends receivable		42,808	149,587
Due from related party	11	37,710	1,124,696
Debtors	4	1,000,199	328,431
Cash and cash equivalents		2,426,756	1,864,667
Total assets		18,561,282	28,990,191
Creditors: amounts falling due within one year	5	375,501	265,309
Total Liabilities: (excluding net assets attributable to holders of redeemable shares)		375,501	265,309
Net assets attributable to holders of redeemable shares		18,185,781	28,724,882

The financial statements on page 10 to 30 were approved by the board of directors on 30 April 2015 and signed on its behalf by:



P. Scates
Director



B. Monk
Alternative Director to Paul Meade

The notes on pages 13 to 30 form an integral part of these audited financial statements.

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

Cash flow statement for the period from 1 January 2014 to 31 October 2014

	Note	For the period from 1 January 2014 to 31 October 2014 <u>USD</u>	Year from 1 January 2013 to 31 December 2013 <u>USD</u>
Net cash inflow/(outflow) from operating activities	(b)	797,090	(1,829,833)
Return on investment and servicing of finance			
Interest received		3,083	5,064
Dividend received		710,726	396,566
Financial investments			
Purchase of investments		(3,848,291)	(8,275,262)
Sale of investments		14,112,675	2,495,890
Forward currency contracts settlement		(1,010,544)	671,443
Financing			
Issue of redeemable shares		-	1,124,696
Redemption of redeemable shares		(10,202,650)	(944,965)
Decrease in cash	(a)	562,089	(6,356,401)

Notes to the cash flow statement

(a) Analysis of changes in cash during the period/year

	2014 USD	2013 USD
Balance prior period/year	1,864,667	8,221,068
Net cash outflow	562,089	(6,356,401)
Balance at 31 October 2014/31 December 2013	2,426,756	1,864,667

(b) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	Note	For the period from 1 January 2014 to 31 October 2014 <u>USD</u>	Year from 1 January 2013 to 31 December 2013 <u>USD</u>
Profit for the period/year before and after taxation attributable to holders of redeemable shares		461,768	1,893,994
Decrease/(increase) in due from related party		1,086,986	(1,124,696)
Decrease in debtors		3,872	1,245
Increase in creditors		16,069	152,616
Net unrealised losses/(gains) on investments		1,020,807	(1,266,658)
Net realised gains on investments		(2,610,595)	(124,819)
Net losses/(gains) on forward currency contracts		1,425,026	(817,577)
Interest income		(2,896)	(5,189)
Dividend income		(603,947)	(538,749)
Net cash inflow/(outflow) from operating activities		797,090	(1,829,833)

The notes on pages 13 to 30 form an integral part of these audited financial statements.

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014

1. Organization

The Spitfire International Property Recovery Fund (the “Fund”) (formerly Spitfire Americas Property Recovery Fund) is a segregated account of the Spitfire Funds (Bermuda) Ltd (the “Company”), a company incorporated under the laws of Bermuda on 19 September 2008 as a Segregated Accounts Company. The Fund commenced operations on 1 October 2009.

The investment objective of the Fund is to seek to exploit recovery themes and select a range of property related investment opportunities offering the potential for investment returns derived from the International property market.

The base currency of the Fund is US Dollars. The Shares are offered in US dollars in respect of Class A USD Shares, in Euros in respect of Class A Euro Shares and Sterling in respect of Class A Sterling Shares.

2. Significant Accounting Policies

The financial statements are prepared in accordance with applicable law and United Kingdom Accounting Standards using the historical cost convention modified by the revaluation of investments and derivatives. The significant accounting policies adopted by the Fund are as follows:

Going concern

The directors have a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future despite the current uncertain economic outlook. The fund supplement to the memorandum of the Company allows for a maximum of 5% of the redeemable shares in issue to be accepted for redemption in any one redemption period. As such, this will allow the Fund to satisfy shareholder redemptions without significantly impacting the going concern considerations of the Fund. Accordingly, and as further detailed in the Directors’ Report, they continue to adopt the going concern basis in preparing the financial statements.

Financials assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the profit and loss account, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Fund currently holds only financial assets classified as at FVTPL and as loans and receivables.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
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**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

2. Significant Accounting Policies (continued)

Financials assets (continued)

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy and information about the Fund is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and FRS 26 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

The Fund holds positions in companies which are listed or quoted on a recognised market and other investment Funds, both of which are financial assets designated at fair value through profit or loss upon initial recognition. These financial instruments are designated on the basis that their fair value can be reliably measured and their performance has been evaluated on a fair value basis in accordance with the risk management and/or investment strategy as set out in the Fund's offering document.

Financial assets at FVIPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the profit and loss account. Fair value is determined in the manner described below.

Fair Value

Investments of the Fund that are listed or quoted on a recognised market are valued at bid market price in the relevant market at the Balance Sheet date. The valuations of all investments in investment funds are based upon the latest information available to the Fund provided by the underlying investment funds in which the Fund has invested, except for listed investments where information was taken from business and financial market news sites. The valuation date of such funds may not always be coterminous with the valuation date of the Fund and in such cases the valuation of the fund as at the last valuation date is used. The Net Asset Value ("NAV") reported by the fund manager or administrator may be unaudited and in some cases, the notified NAV is based upon estimates. Whilst the Fund has no reason to suppose that any such valuations are unreasonable, the amounts realised from the ultimate redemption or sale of these funds may materially differ from these values.

Gains and losses arising from changes in the fair value of financial assets are shown as net gains or losses on financial assets through profit or loss in Note 3 and recognised in the Profit and Loss account in the period in which they arise.

Derecognition of financial instruments

A financial asset is derecognised when: (a) the rights to receive cash flows from the financial asset have expired, (b) the Fund retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through arrangement"; or (c) the Fund has transferred substantially all the risks and rewards of the financial asset, or has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

A financial liability is derecognised when the contractual obligation under the liability is discharged, cancelled or expired.

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
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**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

2. Significant Accounting Policies (continued)

Redeemable shares

In accordance with Financial Reporting Standard 25, Financial Instruments: Disclosure and presentation, non management share classes and accordingly the total value of shareholders' Funds, are deemed to be in the nature of non-equity interests and are therefore classified as financial liabilities.

Notes 6 and 7 disclose the amount of share capital and share premium arising in relation to the redeemable shares. As the shares are financial liabilities rather than equity, these balances are revalued at the period end exchange rate with exchange gains/losses arising.

Where redemption requests have been received but have not been accepted because they are in excess of the 5% gate, as the directors have the powers to suspend these redemption requests at any time, they are not accounted for until they are accepted.

Functional currency

The functional currency of the Fund i.e. the currency of the primary economic environment in which the entity operates is US Dollars (USD). The presentation currency of the Fund is also US Dollars.

Foreign currency translation

Transactions denominated in other currencies which occurred during the year have been translated at the rate of exchange prevailing at the date of the transaction. Assets and liabilities in other currencies are translated to US Dollars at the rates of exchange prevailing at the balance sheet date. The resulting profits or losses are reflected in the profit and loss account

Forward foreign currency exchange contracts

The Fund may enter into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering these contracts from the potential inability of counterparties to meet the terms of the contracts and from unanticipated movements in the value of the underlying assets. The Fund may enter into such contracts for hedging purposes as well as speculative purposes. The values of the contracts are adjusted daily in accordance with movements in the value of each underlying asset or liability and any appreciation or depreciation is recorded periodically for financial statement purposes as unrealised until the contract settlement date. Realised and unrealised gains and losses are included in the profit and loss account.

Income

Bank interest income is recognised on a time-proportionate basis using the effective interest method. Dividend income is recognised on an accruals basis when the right to receive dividends is established.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months.

Loans and receivables

Interest bearing loans, overdrafts and receivables are initially measured at fair value (which is equal to net proceeds at inception), and are subsequently measured at amortised cost, using the effective interest rate method less any allowance for estimated impairments. A provision is established for impairments when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the loan. Interest income, together with losses when the loans are impaired are recognised on an effective interest basis in the profit and loss account

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

3. Financial assets at fair value through profit or loss

Financial assets are analysed as follows:

Security	2014	2014	2014	2014
	Quantity	Book Cost	Market Value	Percentage of Total Portfolio
		USD	USD	
Leg Immobilien AG	9,500	598,909	655,366	4.35%
VIB Vermoegen AG	55,000	930,977	991,116	6.58%
ISHARES FTSE EPRA NAREIT ASIA PRO	26,526	765,293	698,963	4.64%
Next Funds REIT Nomura ETF	85,000	1,301,647	1,365,124	9.07%
DDR CORP COM NPV	11,090	105,259	201,173	1.34%
SL GREEN REALTY CORP	5,200	237,849	601,640	4.00%
Aviva Investors Encore + Class A EUR Dis	1,008,403	985,477	970,977	6.45%
Schroder RE Continental European Fund I Shs C	235	201,744	153,828	1.02%
Schroder RE Continental European Fund II Shs C	523	499,262	392,727	2.61%
APN Funds Mgt ARA Asian Assets Income Fund Class A	950	50,913	38,844	0.26%
BlackRock Granite Property Fund Class A	29	2,113,938	2,280,651	15.15%
BlackRock Granite Property Fund Class B	1	71,478	74,039	0.49%
Cbre Global Investors Asia Value Fund	471	448,934	396,713	2.64%
Ishares US Property Yield UCITS ETF	18,000	399,960	482,040	3.20%
M&G Asia Property Fund Class D	102,537	943,556	912,457	6.06%
Prologis Targeted US Logistics REIT Inc	2,792	2,033,576	2,631,240	17.48%
UBS (US) Trumbull Property Growth & Inc FD LP UPFR	135	1,556,408	2,206,911	14.66%
At 31 October 2014		13,245,180	15,053,809	100.00%

Security	2013	2013	2013	2013
	Quantity	Book Cost	Market Value	Percentage of Total Portfolio
		USD	USD	
Ishares Ftse Epra Nareit Asia Pro	26,526	765,293	640,302	2.51%
DDR CORP COM NPV	54,590	518,132	839,048	3.29%
SL Green Realty Corporation	12,200	558,031	1,127,036	4.42%
Aviva Investors Encore + Class A Eur Dis	1,008,403	985,477	1,050,903	4.12%
Schroder RE Continental European Fund I Shs C	235	201,744	196,978	0.77%
Schroder RE Continental European Fund II Shs C	523	499,262	507,970	1.99%
Apn Funds Mgt Ara Asian Assets Income Fund Class A	12,831	712,365	516,277	2.02%
Blackrock Granite Property Fund Class A	41	3,009,542	3,088,801	12.10%
Blackrock Granite Property Fund Class B	-	16,701	16,967	0.07%
Cbre Global Investors Asia Value Fund	1,207	1,151,992	1,318,882	5.17%
Ishares US Property Yield UCITS ETF	225,000	4,999,500	5,046,750	19.77%
M&G Asia Property Fund Class D	207,519	1,909,611	1,810,500	7.09%
Prologis Targeted US Logistics REIT Inc	4,424	3,203,817	3,929,071	15.39%
UBS (US) Trumbull Property Growth & Inc FD LP UPFR	364	4,189,386	5,433,325	21.29%
At 31 December 2013		22,720,853	25,522,810	100.00%

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which fair value is observable as at 31 October 2014 and 31 December 2013.

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

3. Financial assets at fair value through profit or loss (continued)

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require input that is both significant to the fair value measurement and unobservable.

Fair value hierarchy table

31 October 2014	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Investments in Funds				
Investments in Property Funds	3,148,258	11,508,838	396,713	15,053,809
Open Forward contracts	-	(94,123)	-	(94,123)
Total Investments	3,148,258	11,414,715	396,713	14,959,686
31 December 2013	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Investments in Funds				
Investments in Property Funds	2,606,386	21,597,542	1,318,882	25,522,810
Open Forward contracts	-	320,359	-	320,359
Total Investments	2,606,386	21,917,901	1,318,882	25,843,169

The Fund holds shares in CBRE Global Investors Asia Value Fund (“CBRE”) which have been assessed by the directors to be illiquid following review of information received from CBRE Global Investors Asia Value Fund. Post year-end 2013, the Board approved the prorated in-specie distribution of these shares as a component of monthly redemptions which took effect starting in 3 February 2014 whereby upon redemption, holders of redeemable shares received proceeds partly settled in cash and partly in kind by way of shares in CBRE Global Investors Asia Value Fund.

The investment in CBRE has been classed as a level 3 investment in line with the prior year.

Reconciliation of Level 3 fair value measurements of financial assets:

	FVTPL Investments in property funds 2014 USD	Total 2014 USD	FVTPL Investments in property funds 2013 USD	Total 2013 USD
Balance at 1 January	1,318,882	1,318,882	-	-
Purchases	-	-	-	-
Sales	(798,219)	(798,219)	-	-
Transfers out Level 3	-	-	-	-
Transfers into Level 3	-	-	1,318,882	1,318,882
Total gain or losses	-	-	-	-
- in profit or loss	-	-	-	-
- in the Statement of Total Recognized Gains and Losses	(123,950)	(123,950)	-	-
Balance at 31 October 2014/31 December 2013	396,713	396,713	1,318,882	1,318,882

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

3. Financial assets at fair value through profit or loss (continued)

The table above only includes financial assets. There were no financial liabilities subsequently measured at fair value on Level 3 fair value measurement bases.

Net gains and losses on financial assets at fair value through profit and loss were:

	For the period from 1 January 2014 to 31 October 2014 USD	Year from 1 January 2013 to 31 December 2013 USD
Net realised gains on financial assets at fair value through profit or loss		
- designated as fair value through profit or loss	<u>2,610,595</u>	<u>124,819</u>
Net change in unrealised (losses)/gains on financial assets at fair value through profit or loss		
- designated as fair value through profit or loss	<u>(1,020,807)</u>	<u>1,266,658</u>

4. Debtors: amounts falling receivable within one year

	Note	31 October 2014 USD	31 December 2013 USD
Unrealised gains on forward currency contracts	9	-	320,359
Bond and deposit interest		-	187
Other debtors and prepayments		4,013	7,885
Due from broker		996,186	-
		<u>1,000,199</u>	<u>328,431</u>

5. Creditors: amounts falling due within one year

	Note	31 October 2014 USD	31 December 2013 USD
Unrealised losses on forward currency contracts	9	94,123	-
Investments management Fees		172,679	137,952
Administration fees		3,230	7,011
Audit Fees		17,422	16,556
Custodian fees		5,070	5,327
Investment advisory fees		45,104	22,884
Other payables		37,873	75,579
		<u>375,501</u>	<u>265,309</u>

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

6. Share Capital

The Spitfire Funds (Bermuda) Ltd (“the Company”) has been authorized to issue 1 manager share of par value US\$1.00 and up to 11,999,000 redeemable shares of par value US\$0.001 each. The Fund can issue Spitfire International Property Recovery Class A USD Shares, Spitfire International Property Recovery Class A Euro Shares and Spitfire International Property Recovery Class A Sterling Shares (collectively the “Shares”). Other classes of shares may be created and issued at the discretion of the directors of the Company. The Manager shareholder shall be entitled to vote and is not entitled to any dividends. The Class A shares are non-voting redeemable shares, and are redeemable at the option of the holder of the shares.

Class Funds

Each share class in the Fund has a Class Fund established in accordance with the offering memorandum. The Fund currently has Class Funds established as follows:

- Class A Euro redeemable shares
- Class A Sterling redeemable shares
- There were no Class A USD redeemable shares issued during the period.
- The proceeds from the allotment and issue of each class of shares are applied to the relevant share class. Investment gains and losses on assets allocated to each Class Fund are applied to the relevant class. In the case of any asset, liability, income or expense which the directors do not consider attributable to a particular Class Fund, the directors have the discretion to determine the basis on which the asset, liability income or expense is allocated between the Class Funds. The directors have based such allocations on the proportion of the Net Asset Value of the Fund each Class Fund comprises.
- Investors in the EUR and GBP share classes are exposed to currency risk through the denomination of the share classes in a currency other than the reporting currency of the Fund. In accordance with the offering memorandum the directors have appointed an investment advisor to neutralise, to the extent possible, the impact of currency fluctuations for investors in the EUR and GBP share classes by taking out monthly forward foreign currency contracts which mirror the value of the non-base currency assets thus mitigating the risk from currency movements. The costs of hedging currency fluctuations in this manner, including gains and losses on forward foreign currency contracts, are allocated to the relevant Class Fund.

The assets and liabilities of each class fund are not legally segregated and separate.

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

6. Share Capital (Continued)

	<u>For the period from</u>		<u>Year from</u>	
	<u>1 January 2014 to 31 October 2014</u>		<u>1 January 2013 to 31 December 2013</u>	
	<u>No. of shares</u>	<u>USD</u>	<u>No. of shares</u>	<u>USD</u>
Participating shares of EUR0.01 each				
At beginning of the period/year	109,107	149	77,096	101
Exchange (loss)/gain during the period/year	-	(8)	-	6
Issued during the period/year	-	-	37,673	49
Redeemed during the period/year	(40,873)	(58)	(5,662)	(7)
At end of the period/year	68,234	83	109,107	149
Participating shares of GBP0.01 each				
At beginning of the period/year	44,723	72	27,765	45
Exchange (loss)/gain during the period/year	-	(3)	-	1
Issued during the period/year	-	-	16,958	26
Redeemed during the period/year	(16,118)	(26)	-	-
At end of the period/year	28,605	43	44,723	72

7. Share Premium Account

	<u>For the period</u>	
	<u>from</u>	<u>Year from</u>
	<u>1 January 2014</u>	<u>1 January 2013</u>
	<u>to</u>	<u>to</u>
	<u>31 October 2014</u>	<u>31 December 2013</u>
	<u>USD</u>	<u>USD</u>
Participating shares of EUR0.01 each		
At beginning of the period/year	17,808,697	11,720,822
Exchange (loss)/gain during the period/year	(1,079,453)	729,129
Issued during the period/year	-	6,303,704
Redeemed during the period/year	(7,658,895)	(944,958)
At end of the period/year	9,070,349	17,808,697
Participating shares of GBP0.01 each		
At beginning of the period/year	8,134,141	4,549,400
Exchange (loss)/gain during the period/year	(168,873)	302,626
Issued during the period/year	-	3,282,115
Redeemed during the period/year	(3,341,890)	-
At end of the period/year	4,623,378	8,134,141

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

8. Net assets attributable to holders of participating redeemable shares

	<u>Share Capital USD</u>	<u>Share Premium USD</u>	<u>Retained Earnings USD</u>	<u>Total USD</u>
Balance at 1 January 2014	221	25,942,838	2,781,823	28,724,882
Profit for the period from 1 January 2014 to 31 October 2014	-	-	461,768	461,768
Issue of EUR0.001 shares	-	-	-	-
Redemption of EUR0.001 shares	(58)	(7,658,895)	-	(7,658,953)
Exchange (Loss)/Gain on Eur 0.001 shares	(8)	(1,079,453)	1,079,461	-
Issue of GBP0.001 shares	-	-	-	-
Redemption of GBP0.001 shares	(26)	(3,341,890)	-	(3,341,916)
Exchange (Loss)/Gain on GBP 0.001 shares	(3)	(168,873)	168,876	-
Balance at 31 October 2014	126	13,693,727	4,491,928	18,185,781

	<u>Share Capital USD</u>	<u>Share Premium USD</u>	<u>Retained Earnings USD</u>	<u>Total USD</u>
Balance at 1 January 2013	146	16,270,222	1,919,591	18,189,959
Gain on ordinary activities	-	-	1,893,994	1,893,994
Issue of EUR0.001 shares	49	6,303,704	-	6,303,753
Redemption of EUR0.001 shares	(7)	(944,958)	-	(944,965)
Exchange Gain/(Loss) on Eur 0.001 shares	6	729,129	(729,135)	-
Issue of GBP0.001 shares	26	3,282,115	-	3,282,141
Redemption of GBP0.001 shares	-	-	-	-
Exchange Gain/(Loss) on GBP 0.001 shares	1	302,626	(302,627)	-
Balance at 31 December 2013	221	25,942,838	2,781,823	28,724,882

Net assets by each share class

	<u>31 October 2014</u>				<u>31 December 2013</u>			
	<u>FCY</u>	<u>USD</u>		<u>FCY</u>	<u>USD</u>		<u>USD</u>	
Share Class	NAV/Share	NAV	NAV/Share	NAV	NAV/Share	NAV	NAV/Share	NAV
EUR Class	139.02	9,486,131	174.22	11,887,546	128.98	14,072,753	177.26	19,340,184
GBP Class	137.66	3,937,874	220.18	6,298,235	126.75	5,668,457	209.84	9,384,698
				18,185,781				28,724,882

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

9. Forward currency contracts

The amount of the contracts represents the extent of the Fund's participation in these financial instruments. Market risks associated with forward contracts arise due to the possible movements in foreign exchange rates underlying these instruments.

At 31 October 2014 and 31 December 2013, the Fund held open forward contracts as set out below:

2014						FX Rate - 31 October 2014	Unrealised Gain - USD for the period from 1 January 2014 to 31 October 2014
Buy	Amount	Sell	Amount	Contract Rate	Date		
EUR	9,443,700	USD	11,912,283	1.2614	5-Nov-14	1.2532	(77,835)
GBP	4,108,000	USD	6,646,744	1.6180	5-Nov-14	1.5994	(76,466)
USD	2,536,549	EUR	2,010,900	1.2614	5-Nov-14	1.2532	16,574
USD	702,664	EUR	550,850	1.2756	5-Nov-14	1.2532	12,362
USD	314,734	GBP	194,761	1.6160	5-Nov-14	1.5994	3,236
USD	1,353,715	JPY	148,665,000	0.0091	5-Nov-14	0.0089	28,006
Total							(94,123)

December						FX Rate - 31 December 2013	Unrealised (Loss) - USD for the period from 1 January 2014 to 31 October 2014
Buy	Amount	Sell	Amount	Contract Rate	Date		
EUR	13,872,300	USD	18,808,064	1.3558	6-Jan-14	1.3743	256,638
GBP	5,585,100	USD	9,159,005	1.6399	6-Jan-14	1.6556	87,686
USD	1,756,303	EUR	1,295,400	1.3558	6-Jan-14	1.3743	(23,965)
Total							320,359

10. Taxation

The Fund is incorporated in Bermuda, a jurisdiction with no corporate taxes. Accordingly, no provision for liability to income tax has been included in these financial statements. The Fund may be subject to foreign withholding taxes on certain interest, dividends and capital gains.

11. Related party transactions

Alan Tennant Johnson is the Chairman of The Spitfire Funds (Bermuda) Ltd.

Alan Tennant Johnson, Philip Peter Scales and Peter Hughes (resigned 13 August 2014) and Paul Meader are the directors of The Spitfire Funds (Bermuda) Ltd, the Fund, and are also the directors of The Frontier Commercial Property Fund Plc and The Frontier Global Real Estate Fund Plc which have subscribed to the Fund.

Peter Hughes (resigned 13 August 2014) is a director and principal owner of the Administrator. Details of the fees payable to the Administrator are shown in note 12.

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

11. Related party transactions (continued)

During the period, the Fund carried out various transactions with the Frontier Global Real Estate Fund Plc and The Frontier Commercial Property Fund Plc at the prevailing market prices as follows:

For the period from 1 January 2014 to 31 October 2014					
The Frontier Global Real Estate Fund Plc					
Date	Trade	Security	CCY	No. of shares	Price
03 February 2014	Redemption	Spitfire International Property Recovery Fund	EUR	(4,976)	129.32
03 March 2014	Redemption	Spitfire International Property Recovery Fund	EUR	(5,275)	130.96
01 April 2014	Redemption	Spitfire International Property Recovery Fund	EUR	(4,987)	132.54
01 May 2014	Redemption	Spitfire International Property Recovery Fund	EUR	(4,738)	133.79
02 June 2014	Redemption	Spitfire International Property Recovery Fund	EUR	(4,502)	135.48
01 July 2014	Redemption	Spitfire International Property Recovery Fund	EUR	(4,417)	137.70
01 August 2014	Redemption	Spitfire International Property Recovery Fund	EUR	(4,198)	138.14
01 September 2014	Redemption	Spitfire International Property Recovery Fund	EUR	(3,988)	139.01
01 October 2014	Redemption	Spitfire International Property Recovery Fund	EUR	(3,791)	137.86

For the period from 1 January 2014 to 31 October 2014					
The Frontier Commercial Property Fund Plc					
Date	Trade	Security	CCY	No. of shares	Price
03 February 2014	Redemption	Spitfire International Property Recovery Fund	GBP	(2,637)	127.12
03 March 2014	Redemption	Spitfire International Property Recovery Fund	GBP	(2,047)	128.85
01 April 2014	Redemption	Spitfire International Property Recovery Fund	GBP	(1,965)	130.47
01 May 2014	Redemption	Spitfire International Property Recovery Fund	GBP	(1,866)	131.72
02 June 2014	Redemption	Spitfire International Property Recovery Fund	GBP	(1,773)	133.45
01 July 2014	Redemption	Spitfire International Property Recovery Fund	GBP	(1,571)	135.81
01 August 2014	Redemption	Spitfire International Property Recovery Fund	GBP	(1,493)	136.37
01 September 2014	Redemption	Spitfire International Property Recovery Fund	GBP	(1,418)	137.34
01 October 2014	Redemption	Spitfire International Property Recovery Fund	GBP	(1,348)	136.37

For the period from 1 January 2013 to 31 December 2013					
The Frontier Global Real Estate Fund Plc					
Date	Trade	Security	CCY	No. of shares	Price
01 February 2013	Redemption	Spitfire International Property Recovery Fund	EUR	(3,192)	125.51
01 April 2013	Redemption	Spitfire International Property Recovery Fund	EUR	(2,470)	126.69
01 May 2013	Subscription	Spitfire International Property Recovery Fund	EUR	37,673	127.07

For the period from 1 January 2013 to 31 December 2013					
The Frontier Commercial Property Fund Plc					
Date	Trade	Security	CCY	No. of shares	Price
01 May 2013	Subscription	Spitfire International Property Recovery Fund	GBP	16,958	124.61

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

11. Related party transactions (continued)

The Spitfire Asset Managers (Bermuda) Ltd is the Fund's Investment Manager where Alan Tennant Johnson is a director and beneficial owner, and where Paul Meader is a director. For the period ended 31 October 2014 and 2013, the fees charged by the Investment Manager were:

	For the period from	
	1 January 2014	1 January 2013
	to	to
	31 October 2014	31 December 2013
	USD	USD
Investment management fees	389,905	471,353

Details of the fees incurred are also included in note 12.

No director of the Fund held a beneficial interest in any of the participating shares of the Fund during the period.

The Spitfire Asset Managers (Bermuda) Ltd is the owner of the manager Share in the Company.

The board of directors of the Company through a resolution dated 25 March 2013 agreed to close segregated accounts of the Company called Spitfire Asian Property Recovery Fund and Spitfire European Property Recovery Fund as at 30 April 2013. This decision was taken due to the diminutive size of the funds which made it uneconomical to operate and maintain. The letters informing the shareholders were issued on 18 April 2013. Final redemption proceeds were invested in Spitfire International Property Recovery Fund on 1 May 2013 as follows;

	GBP Class		EUR Class	
	GBP	USD	GBP	USD
Spitfire Asian Property Recovery Fund	487,175	756,680	4,358,744	5,739,720
Spitfire European Property Recovery Fund	1,625,988	2,525,488	428,413	564,134

During the year ended 31 December 2013, the proceeds received by the Fund were by way of an in specie transfer of investments to the value of USD 8,461,326 and cash of USD 1,124,696.

As of 31 October 2014 and 31 December 2013, proceeds receivable from Spitfire Asian Property Recovery Fund and Spitfire European Property Recovery Fund as a result of the above-mentioned in-specie transfers are as follows;

	Period from	
	1 January 2014 to	31 December 2013
	31 October 2014	31 December 2013
	USD	USD
Spitfire Asian Property Recovery Fund	37,710	728,791
Spitfire European Property Recovery Fund	-	395,905
	37,710	1,124,696

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

12. Fees and expenses

Basis of calculating fees

All agreements with service providers/related and third parties are kept in the records of the Fund.

Administrator's fees

The administrator charges a fee of 0.1% of the monthly Net Asset Value, which accrues monthly and is payable quarterly in arrears. The administrator charges USD 15 per shareholder transaction and an additional corporate secretarial service at USD 5,000 per annum (pro-rated amongst segregated accounts of the Company).

During the period a charge of USD 19,811 (2013: USD 23,976) was incurred in relation to the administration fees and USD 2,098 (2013: USD 2,083) for the corporate secretarial fees. USD 3,230 and USD 432 for administration services and corporate secretarial services respectively were payable as at 31 October 2014. USD 7,011 and USD 625 for administration services and corporate secretarial services respectively were payable as at 31 December 2013.

Custodian fees

The Custodian is paid a fee of 0.05% of the Net Asset Value subject to a minimum annual fee of GBP 6,000 which accrues monthly and is payable monthly in arrears on the last Business Day of each month. Additionally, the Custodian is paid a transaction fee of GBP 100 per trade plus full recovery of all counter-party charges and reimbursement of all out of pocket expenses. During the period a charge of USD 12,224 (2013: USD 13,727) was charged by the Custodian. Custody fees payable as at 31 October 2014 and 31 December 2013 amounted to USD 5,070 and USD 5,327 respectively.

Investment management fees

The Investment Manager is paid a minimum fee equal to the aggregate of 1.95% per annum of the Net Asset Value which is paid monthly in arrears on the last Business Day of each month. During the period USD 389,905 (2013: USD 471,353) management fees were charged by the Investment Manager. Investment management fees payable as at 31 October 2014 and 31 December 2013 amounted to USD 172,679 and USD 137,952, respectively.

Performance fees

The Investment Manager is paid a performance fee equal to 20% per annum of the appreciation in the net asset value per share, above the appreciation had the assets been invested in the market at the 3-month LIBOR rate as quoted on the first day of each calendar quarter, above the base net asset value per share. The base net asset value per share represents the highest net asset value per share achieved. The performance fee is paid quarterly in arrears on the last Business Day of each calendar quarter. In 2013 and 2014, there were no charges of performance fees by the Investment Manager. The Investment Manager has temporarily waived performance fees in 2014 and 2013. No performance fees were payable as at 31 October 2014 and 31 December 2013.

Deferred sales charge

The Fund reserves the right to pay an initial fee to introducers by way of commission. Such costs of acquiring and procuring subscriptions are limited to a maximum of 5% of the amount subscribed and these costs are expensed as they are incurred. No deferred sales charge was paid in the period and USD nil was payable as at 31 October 2014 and 31 December 2013.

Early redemption fees

Redemptions are subject to an early redemption fee of a percentage of the value of the redemption between 5% and nil, calculated on a pro rata basis over a period of 50 months from the date of subscription subject to the Directors discretion. In both the current and prior year, no redemption fees were charged to investors and no income recognised.

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

12. Fees and expenses (continued)

Investment advisory fees

The Investment Advisor is paid a fee equal to 0.324% of the Net Asset Value up to USD 200 million, 0.20% for the next USD 200 million and 0.1% thereafter. Fees are based on the monthly NAVs and are calculated monthly and payable quarterly. During the period USD 64,723 (2013: USD 78,190) was charged by the Investment Advisor. Investment advisor fees payable as at 31 October 2014 and 31 December 2013 amounted to USD 45,104 and USD 22,884, respectively. All fees and charges are consistent with the articles of the Company and offering memorandum of the Company and Fund.

13. Risk associated with financial instruments

The Fund is exposed to capital risk management, market risk, interest rate risk, credit risk and liquidity risk arising from the financial instruments it holds. The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Fund to manage these risks are discussed below.

Capital risk management

Capital is represented by the net assets attributable to the holders of redeemable shares.

Capital is managed in line with the investment parameters of the Fund seeking to generate returns for shareholders whilst seeking to minimize risk.

The Fund was incorporated as an open-ended Investment Fund in Bermuda to seek opportunities for capital growth resulting from investing in the Commercial Property Market and the listed shares of property related companies, by investing in a range of underlying funds. The Fund is not subject to externally imposed capital requirements.

As further explained in the Directors' Report and Note 2 to the financial statements, the Fund is subject to a 5% gate of the total shares in issue and as such all redemption requests are being processed on this basis.

Strategy in using financial instruments

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

Market price risk

Market price risk is the potential for losses to be made due to investment in financial assets which suffer a diminution in value over the period that they are invested in.

Market price risk is dependent on the underlying investments of the Fund which are shown in note 3.

All security investments present a risk of loss of capital. The directors' policy to minimise price risk is to maintain a diverse portfolio of investments in accordance with the respective investment objectives, which is managed by a professional investment advisor. The Fund's overall market positions are monitored daily by the investment advisor.

The investment advisor uses their discretion to select investments that aim to deliver the investment objective. Considerations are given to the macroeconomic environment, relative valuation levels, the political environment, liquidity and technical analysis. Depending on the differing economic and market conditions the overall asset allocation will shift in time.

Due to the volatile market conditions currently experienced globally, the directors have assessed market risk sensitivity relating to all Fund investments at a potential loss of 10% and gain of 5%.

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

13. Risk associated with financial instruments (continued)

Market price risk (continued)

The following table illustrates the sensitivity of the profit or loss for the year and the net asset value of the Fund to a 5% increase or 10% decrease in the market value of financial assets, assuming all other factors remain the same.

	31 October 2014		31 December 2013	
	<u>Increase in Market</u>	<u>Decrease in</u>	<u>Increase in Market</u>	<u>Decrease in</u>
	<u>value (5%)</u>	<u>Market value</u>	<u>value (5%)</u>	<u>Market value</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Net profit/(loss) for the period/year	752,690	(1,505,381)	1,276,141	(2,552,281)
Net asset value	4.14%	(8.28)%	4.44%	(8.91)%

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Fund. Credit risk in relation to securities transactions awaiting settlement is managed through the rules and procedures of the relevant stock exchanges. In particular settlements for transactions in listed securities are effected by the Custodian on a delivery against payment or receipt against payment basis. Transactions in unlisted securities are effected against binding subscription agreements. It is the Fund's policy only to enter into financial instruments with reputable counterparties. Therefore, the Fund does not expect to incur material credit losses on its financial instruments

The Fund is also exposed to risk from default by brokers who carry out trading in financial assets. The Fund mitigates this risk by employing reputable custodians and trading in low to medium risk markets and countries. The principal credit risks for the Fund are in relation to deposits with banks. Kleinwort Benson (Guernsey) Limited ("KB") acts as the principal banker to the Funds, and as custodian of its assets. The securities held by KB as Custodian are held in trust and are registered in the name of the Fund. KB is a wholly owned subsidiary of RHI International S.A. which is listed on Euronext. Kleinwort Benson is no longer rated by Moody's or Standard & Poor's. Effective from 10 February 2015 Kleinwort Benson Trustees (Isle of Man) Ltd has been replaced with Kleinwort Benson (Guernsey) Limited as the principal banker and custodian of the Fund. The credit risk associated with debtors is limited to any unrealised gains on open forward foreign currency contracts, as detailed above and other receivables.

As at 31 October 2014 and 31 December 2013, the value of assets subject to credit risk was as follows:

	31 October 2014	31 December 2013
	USD	USD
Cash and cash equivalents	2,426,756	1,864,667

Interest rate risk

The majority of the Fund's financial assets are non interest bearing. As a result, the Fund is not subject to significant risk due to fluctuations in the prevailing levels of market interest rates. As such a sensitivity analysis of the effect has not been prepared.

The underlying investment assets of the Fund may be exposed to interest rate risk; however it is not possible to quantify this indirect interest rate risk of the Fund.

The table on the next page summarises the Fund's exposure to interest rate risk:

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

13. Risk associated with financial instruments (continued)

Market price risk (continued)

The following table illustrates the sensitivity of the profit or loss for the year and the net asset value of the Fund to a 5% increase or 10% decrease in the market value of financial assets, assuming all other factors remain the same.

	31 October 2014		31 December 2013	
	<u>Increase in Market value (5%) USD</u>	<u>Decrease in Market value USD</u>	<u>Increase in Market value (5%) USD</u>	<u>Decrease in Market value USD</u>
Net profit/(loss) for the period/year	752,690	(1,505,381)	1,276,141	(2,552,281)
Net asset value	4.14%	(8.28)%	4.44%	(8.91)%

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Fund. Credit risk in relation to securities transactions awaiting settlement is managed through the rules and procedures of the relevant stock exchanges. In particular settlements for transactions in listed securities are effected by the Custodian on a delivery against payment or receipt against payment basis. Transactions in unlisted securities are effected against binding subscription agreements. It is the Fund's policy only to enter into financial instruments with reputable counterparties. Therefore, the Fund does not expect to incur material credit losses on its financial instruments

The Fund is also exposed to risk from default by brokers who carry out trading in financial assets. The Fund mitigates this risk by employing reputable custodians and trading in low to medium risk markets and countries. The principal credit risks for the Fund are in relation to deposits with banks. Kleinwort Benson (Guernsey) Limited ("KB") acts as the principal banker to the Funds, and as custodian of its assets. The securities held by KB as Custodian are held in trust and are registered in the name of the Fund. KB is a wholly owned subsidiary of RHJ International S.A. which is listed on Euronext. Kleinwort Benson is no longer rated by Moody's or Standard & Poor's. Effective from 10 February 2015 Kleinwort Benson Trustees (Isle of Man) Ltd has been replaced with Kleinwort Benson (Guernsey) Limited as the principal banker and custodian of the Fund. The credit risk associated with debtors is limited to any unrealised gains on open forward foreign currency contracts, as detailed above and other receivables.

As at 31 October 2014 and 31 December 2013, the value of assets subject to credit risk was as follows:

	31 October 2014	31 December 2013
	USD	USD
Cash and cash equivalents	2,426,756	1,864,667

Interest rate risk

The majority of the Fund's financial assets are non interest bearing. As a result, the Fund is not subject to significant risk due to fluctuations in the prevailing levels of market interest rates. As such a sensitivity analysis of the effect has not been prepared.

The underlying investment assets of the Fund may be exposed to interest rate risk; however it is not possible to quantify this indirect interest rate risk of the Fund.

The table on the next page summarises the Fund's exposure to interest rate risk:

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

13. Risk associated with financial instruments (continued)

Interest rate risk (continued)

	Fixed	Less than one month	Non interest bearing	Total USD
At 31 October 2014				
Assets				
Financial assets at fair value through profit or loss	-	-	15,053,809	15,053,809
Dividends receivable	-	-	42,808	42,808
Due from related party	-	-	37,710	37,710
Other receivable	-	996,186	4,013	1,000,199
Cash and cash equivalents	-	2,426,756	-	2,426,756
Total Assets	-	3,422,942	15,138,340	18,561,282
Liabilities				
Accounts payable	-	-	375,501	375,501
Net assets attributable to holders of redeemable participating preference shares	-	-	18,185,781	18,185,781
Total Liabilities	-	-	18,561,282	18,561,282
At 31 December 2013				
Assets				
Financial assets at fair value through profit or loss	-	-	25,522,810	25,522,810
Dividends receivable	-	-	149,587	149,587
Due from related party	-	-	1,124,696	1,124,696
Other receivable	-	-	328,431	328,431
Cash and cash equivalents	-	1,864,667	-	1,864,667
Total Assets	-	1,864,667	27,125,524	28,990,191
Liabilities				
Accounts payable	-	-	265,309	265,309
Net assets attributable to holders of redeemable participating preference shares	-	-	28,724,882	28,724,882
Total Liabilities	-	-	28,990,191	28,990,191

Liquidity risk

It is the Fund's policy to invest into an investment portfolio of regulated schemes which deal on a regular basis and are considered generally readily realisable. The Fund's liquidity risk is managed through diversification of the investment portfolios and by maintaining a portion of its assets as cash.

The Fund can also invest in hedge funds or listed closed end property companies that are more illiquid and require the directors to instruct redemption to raise cash between one and three months in advance of cash being received. As at 31 October 2014 and 31 December 2013, the Fund's portfolio of financial assets includes assets with daily and monthly liquidity.

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

13. Risk associated with financial instruments (continued)

Liquidity risk

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position frequently, and the Board of Directors reviews it on a regular basis.

All amounts included in creditors at the balance sheet date are payable within three months.

As described in Note 6 to the financial statements, the Fund's redeemable shares are redeemable at the shareholder's option for cash equal to a proportionate share of the Fund's net asset value. The Fund is therefore potentially exposed to monthly redemptions by its shareholders.

The number of shares of the Fund which can be redeemed in any month is limited to 5% of the total net asset value of the Fund.

Currency risk

The Fund is exposed to currency risk through allowing investment via currency classes which are not denominated in the functional currency of the Fund. The Fund is also permitted to invest in underlying assets which may be denominated in currencies which are different from the functional currency of the Fund.

The underlying investment assets of the Fund may be exposed to currency risk; however it is not possible to quantify this indirect currency risk exposure of the Fund.

In order to mitigate currency risk the directors have appointed an investment advisor who ensures that the currency classes and any non-base currency assets are hedged on a monthly basis. This is achieved by the taking out of monthly forward foreign currency contracts which mirror the value of the non-base currency assets thus mitigating the risk from currency movements.

Open forward currency contracts in place at the balance sheet date are shown in note 9.

The currency exposure of the Fund in respect of the Fund's foreign currency denominated assets and liabilities at the reporting date was as follows:

	Currency	Period from 1 January 2014 to 31 October 2014		Year ended 31 December 2013	
		In foreign currency	USD	In foreign currency	USD
Financial Assets					
Cash and cash equivalents	EUR	136	171	11,223	15,424
Cash and cash equivalents	GBP	257	411	367	608
Financial assets at fair value through profit or loss	EUR	1,411,482	1,768,799	1,277,633	1,755,851
Financial assets at fair value through profit or loss	GBP	437,016	698,963	386,749	640,302
Financial assets at fair value through profit or loss	JPY	153,085,000	1,365,124	-	-
Dividends receivable	EUR	21,307	26,701	2,633	3,619
Other receivables	GBP	-	-	1,833	3,035
			3,860,169		2,418,839
Financial liabilities					
Creditors	GBP	17,187	27,489	33,625	55,670
			27,489		55,670

**SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
(FORMERLY SPITFIRE AMERICAS PROPERTY RECOVERY FUND)**

**Notes to the Financial Statements for the period from 1 January 2014 to 31 October 2014
(continued)**

13. Risk associated with financial instruments (continued)

Currency risk (continued)

The following table illustrates the sensitivity of the profit or loss for the period and the net asset value of the Fund to a 5% increase in exchange rates between foreign currencies (GBP, EUR and JPY) and USD, assuming all other factors remain the same.

Period from 1 January 2014 to 31 October 2014						
Impact of 5% Increase in FX Rate						
Currency	Financial Assets	Cash and Cash Equivalents	Other Assets and Liabilities	Effect on Profit	% Change in NAV	
GBP	34,948	21	(1,374)	33,595	0.18%	
EUR	88,440	9	1,335	89,784	0.49%	
JPY	68,256	-	-	68,256	0.38%	
Total	191,644	30	(39)	191,635	1.05%	

Year ended 31 December 2013						
Impact of 5% Increase in FX Rate						
Currency	Financial Assets	Cash and Cash Equivalents	Other Assets and Liabilities	Effect on Profit	% Change in NAV	
GBP	32,015	30	(2,632)	29,413	0.10%	
EUR	87,793	771	181	88,745	0.31%	
Total	119,808	801	(2,451)	118,158	0.41%	

The foreign exchange gain/(loss) on revaluation of assets and liabilities (other than investments at fair value through profit and loss) during the period is USD 222,851 (2013: loss of USD 18,223).

14. Significant Events

The fund name The Spitfire Americas Property Recovery Fund has been changed to The Spitfire International Property Recovery Fund as per amended supplement dated 13 January 2014.

15. Subsequent Events

There were no significant events after the reporting period which affects the financial statements as at 31 October 2014.

The unaudited published Net Asset Value per share as of 31 March 2015 is EUR 144.46 for the EUR Class and GBP 143.72 for the GBP Class.

After balance sheet date, the Fund has received redemption requests for 6,278 (6% of total shares in issue, at the balance sheet date), which have not yet been accepted and accounted for.

16. Non-cash transactions

In addition to the financial investments and financing activities presented in the cash flow statement on page 12 of the financial statements in the year ended 31 December 2013, the Fund redeemed USD 11,000,869 of redeemable shares. USD 798,219 of these shares were settled by an in specie transfer as disclosed in Note 11. No similar transaction took place in the current period.