

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2015

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Table of Contents	Page
General Information	2
Directors' report	3-6
Directors' responsibilities statement	7
Independent auditor's report	8
Profit and Loss account	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the financial statements	12-30

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

General Information

Fund Registered Office

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

Directors

Alan Tennant Johnson
Philip Peter Scales
Paul Meader
Barry Monks (alternative director to Paul Meader)
(appointed 30 April 2015, resigned 30 April 2015)

Secretary

Sharon Ward
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

Custodian

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

(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

Investment Manager

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

Listing and On-going Sponsor

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 IM99 1XJ

Currency Hedge / Investment Advisor

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

Legal Advisors

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

Directors' Report for the year ended 31 October 2015

The directors present herewith their report and audited financial statements for the year ended 31 October 2015. The comparative information presented covers the ten month period ended 31 October 2014.

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.

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 global property related investments, including ETFs (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

Directors' Report for the year ended 31 October 2015 (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 loss for the period is set out in the profit and loss account on page 9 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 2015, the Fund held the following property investments with a value greater than five percent (5%) of the Fund's investment portfolio:

Security	CCY	2015 Quantity	2015 Book Cost	2015 Market Value	2015 Percentage of Total Portfolio
			USD	USD	
Aviva Investors Encore + Class A EUR Dis	EUR	1,008,403	985,477	930,237	10.37%
BlackRock Granite Property Fund Class A	USD	11	821,346	961,026	10.72%
Next Funds REIT Nomura ETF	JPY	64,000	980,065	971,400	10.83%
Prologis Targeted US Logistics REIT Inc	USD	1,832	1,347,600	1,937,463	21.60%
UBS (US) Trumbull Property Growth & Inc FD LP UPFR	USD	80	928,936	1,509,087	16.83%
M&G Asia Property Fund Class D	USD	102,537	943,556	856,861	9.55%
Other Investments		43,677	1,765,710	1,802,895	20.10%
At 31 October 2015			7,772,690	8,968,969	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 year (2014: USD nil).

Directors

The directors of the Company holding office during the year 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.

Paul Meader (Appointed on 31 December 2013)

Barry Monks (Alternate Director to Paul Meader Appointed 30 April 2015, Resigned 30 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.

Directors' Report for the year ended 31 October 2015 (continued)

Secretary

The secretary of the Company holding office during the year 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 246,405 (Period ended 31 October 2014: USD 389,905) and USD nil (Period ended 31 October 2014: nil) respectively for investment management fees and performance fees in favour of the investment manager for the year ended 31 October 2015. The director fees amounted to USD 53,527 (Period ended 31 October 2014: 50,776) for the year ended 31 October 2015.

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 less than one year to satisfy all the redemption requests currently received and approximately 77% 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.

In-Specie Distributions

On 27 February 2014, the Directors resolved to satisfy redemptions requests by the Fund in part through the pro-rata distribution of the holding of CBRE Asian Value Fund. On 18 February 2015, the Directors resolved to satisfy redemptions requests by the Fund in part through the pro-rata distribution of the holdings of Schroder Continental European Fund I and Schroder Continental European Fund II. These in-specie distributions were made by the Directors because those underlying holdings are relatively illiquid and the Directors wished to avoid providing any liquidity enhancement to redeeming shareholders at the expense of those shareholders remaining invested. Subsequently, all three holdings have made partial distributions of cash to the Fund but the Directors are presently continuing to satisfy redemption requests in part in specie with these holdings

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Directors' Report for the year ended 31 October 2015 (continued)

Net Asset Value (“NAV”) 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 nil (Period ended 31 October 2014: USD 60,603) and a decrease in NAV of USD nil (Period ended 31 October 2014: USD nil).
- The published NAV per share and the NAV per share per the financial statements are as follows:

Share Class	31 October 2015				31 October 2014			
	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	147.11	162.09	147.11	162.09	139.02	174.22	139.02	174.22
GBP Class	147.01	227.08	147.01	227.08	137.66	220.18	137.66	220.18

The following table provides a summary of the results and of the assets and liabilities of the Fund since 2011. Note that comparatives for 2011-2013 cover the years ended 31 December.

Results and assets and liabilities of the Fund

	31 October 2015	31 October 2014	31 December 2013	31 December 2012	31 December 2011
	USD	USD	USD	USD	USD
Assets					
Financial assets at fair value through profit or loss	8,968,969	15,053,809	25,522,810	9,890,764	3,217,057
Dividends receivable	29,863	42,808	149,587	7,404	7,254
Due from related party	5,048	37,710	1,124,696	-	-
Debtors	23,909	1,000,199	328,431	183,416	2,750
Cash and cash equivalents	591,313	2,426,756	1,864,667	8,221,068	8,792,570
Total assets	9,619,102	18,561,282	28,990,191	18,302,652	12,019,631
Creditors: amounts falling due within one year	126,670	375,501	265,309	112,693	505,680
Total Liabilities: (excluding net assets attributable to holders of redeemable shares)	126,670	375,501	265,309	112,693	505,680
Net assets attributable to holders of redeemable shares	9,492,432	18,185,781	28,724,882	18,189,959	11,513,951
(Loss)/profit for the year/period	(652,173)	461,768	1,893,994	1,162,719	(656,544)

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.



A handwritten signature in black ink, consisting of a large, stylized 'D' followed by a series of loops and a final horizontal stroke.

Dated: 29 April 2016

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 (the "Fund") for the year ended 31 October 2015 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 15. 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 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:

- give a true and fair view of the state of the Fund's affairs as at 31 October 2015 and of its loss for the year ended 31 October 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 1981.

Deloitte LLP

Deloitte LLP
Chartered Accountants
Isle of Man

Dated: 29th April 2016

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Profit and Loss account for the year ended 31 October 2015

	Note	Year ended 31 October 2015 USD	For the period from 1 January 2014 to 31 October 2014 USD
Income from continuing operations			
Bank interest		803	2,896
Dividend income		410,745	603,947
Miscellaneous income		48,337	201,552
Total income		459,885	808,395
Expenses			
Administrator's fees	12	12,637	19,811
Audit fees		20,743	13,951
Bank and broker fees		19,427	9,147
Custodian fees	12	7,363	12,224
Directors' fees		53,527	50,776
Investment advisory fees	12	40,696	64,723
Investment management fees	12	246,405	389,905
Statutory expenses		4,871	4,822
Sundry expenses		92,282	168,881
Total expenses		497,951	734,240
Net (loss)/gain before investment gains / (losses)		(38,066)	74,155
Net realised gains on financials assets and liabilities held at fair value through profit or loss	3	1,130,566	2,610,595
Net change in unrealised losses on financials assets and liabilities held at fair value through profit or loss	3	(612,349)	(1,020,807)
Net losses on foreign exchange forwards		(1,325,499)	(1,425,026)
Net gains on exchange differences		193,175	222,851
(Loss)/profit for the year/period before and after taxation attributable to holders of redeemable shares		(652,173)	461,768

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 12 to 30 form an integral part of these audited financial statements.

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

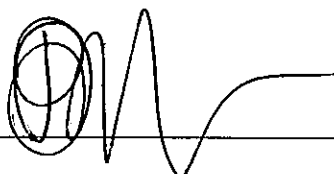
Balance Sheet as at 31 October 2015

	Note	31 October 2015 USD	31 October 2014 USD
Assets			
Financial assets at fair value through profit or loss	3	8,968,969	15,053,809
Dividends receivable		29,863	42,808
Due from related party	11	5,048	37,710
Debtors	4	23,909	1,000,199
Cash and cash equivalents		591,313	2,426,756
Total assets		9,619,102	18,561,282
Creditors: amounts falling due within one year	5	126,670	375,501
Total Liabilities: (excluding net assets attributable to holders of redeemable shares)		126,670	375,501
Net assets attributable to holders of redeemable shares		9,492,432	18,185,781
(Loss)/profit for the year/period		(652,173)	461,768

The financial statements on page 10 to 30 were approved by the board of directors on *29 April 2016* and signed on its behalf by:



Director



Director

The notes on pages 12 to 30 form an integral part of these audited financial statements.

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Cash Flow Statement for the year ended 31 October 2015

		Year ended 31 October 2015	For the period from 1 January 2014 to 31 October 2014
	Note	USD	USD
Net cash (outflow)/inflow from operating activities	(b)	(306,490)	797,090
Return on investment and servicing of finance			
Interest received		803	3,083
Dividend received		423,690	710,726
Financial investments			
Purchase of investments		(256,553)	(3,848,291)
Sale of investments		7,479,627	14,112,675
Forward currency contracts settlement		(1,439,626)	(1,010,544)
Financing			
Redemption of redeemable shares		(7,736,894)	(10,202,650)
(Decrease)/increase in cash	(a)	(1,835,443)	562,089

Notes to the cash flow statement

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

	2015 USD	2014 USD
Balance prior year/period	2,426,756	1,864,667
Net cash (outflow)/inflow	(1,835,443)	562,089
Balance at 31 October	591,313	2,426,756

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

		Year ended 31 October 2015	For the period from 1 January 2014 to 31 October 2014
	Note	USD	USD
(Loss)/profit for the year/period before and after taxation attributable to holders of redeemable shares		(652,173)	461,768
Decrease in due from related party		32,662	1,086,986
Decrease in debtors		108	3,872
(Decrease)/increase in creditors		(154,708)	16,069
Net unrealised losses on investments		612,349	1,020,807
Net realised gains on investments		(1,130,566)	(2,610,595)
Net losses on forward currency contracts		1,325,499	1,425,026
Effects on foreign exchange		71,887	-
Bank interest		(803)	(2,896)
Dividend income		(410,745)	(603,947)
Net cash (outflow)/inflow from operating activities		(306,490)	797,090

The notes on pages 12 to 30 form an integral part of these audited financial statements.

Notes to the Financial Statements for the year ended 31 October 2015

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.

Ethical Standard 3 (Revised), "Long association with the audit engagement", issued by the Auditing Practices Board, requires mandatory rotation of the audit engagement partner after 5 years unless the Audit Committee (or equivalent), deem that more flexibility is necessary in the timing of rotation to safeguard the quality of the audit and the audit firm agrees. In such cases, the audit engagement partner may continue to act for an additional period of up to 2 years. In view of the Company's current circumstances, the Directors have requested that the current audit partner continues to act up to and including the year ending 31 October 2016, which is the seventh year of appointment. This position will then be reviewed again going forward.

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.

Notes to the Financial Statements for the year ended 31 October 2015 (continued)

2. Significant Accounting Policies (continued)

Financials assets (continued)

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.

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 FVTPL 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.

Notes to the Financial Statements for the year ended 31 October 2015 (continued)

2. Significant Accounting Policies (continued)

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.

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 regularly 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.

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Notes to the Financial Statements for the year ended 31 October 2015 (continued)

2. Significant Accounting Policies (continued)

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.

Comparatives

The comparative period figures represent the period from 1 January 2014 to 31 October 2014 being a ten month period.

3. Financial assets at fair value through profit or loss

Financial assets are analysed as follows:

Security	CCY	2015	2015	2015	2015
		Quantity	Book Cost	Market Value	Percentage of Total Portfolio
			USD	USD	
Leg Immobilien AG	EUR	3,500	211,228	276,805	3.09%
VIB Vermoegen AG	EUR	9,265	156,827	175,887	1.96%
ISHARES FTSE EPRA NAREIT ASIA PRO	GBP	18,000	519,312	426,217	4.75%
Next Funds REIT Nomura ETF	JPY	64,000	980,065	971,400	10.83%
SL GREEN REALTY CORP	USD	2,200	100,630	261,030	2.91%
Aviva Investors Encore + Class A EUR Dis	EUR	1,008,403	985,477	930,237	10.37%
Schroder RE Continental European Fund I Shs C	EUR	153	101,610	64,624	0.72%
Schroder RE Continental European Fund II Shs C	EUR	341	305,558	194,624	2.17%
APN Funds Mgt ARA Asian Assets Income Fund Class A	USD	95	5,091	3,909	0.04%
BlackRock Granite Property Fund Class A	USD	11	821,346	961,026	10.72%
BlackRock Granite Property Fund Class B	USD	-	25,576	26,802	0.30%
Cbre Global Investors Asia Value Fund	USD	123	117,678	97,363	1.09%
Ishares US Property Yield UCITS ETF	USD	10,000	222,200	275,634	3.07%
M&G Asia Property Fund Class D	USD	102,537	943,556	856,861	9.55%
Prologis Targeted US Logistics REIT Inc	USD	1,832	1,347,600	1,937,463	21.60%
UBS (US) Trumbull Property Growth & Inc FD LP UPFR	USD	80	928,936	1,509,087	16.83%
At 31 October 2015			7,772,690	8,968,969	100.00%

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Notes to the Financial Statements for the year ended 31 October 2015 (continued)

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

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

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Notes to the Financial Statements for the year ended 31 October 2015 (continued)

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

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 2015 and 31 October 2014.

- 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 2015	Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD
Investments in Funds				
Investments in Property Funds	2,386,973	1,787,098	4,794,898	8,968,969
Open Forward contracts	-	20,004	-	20,004
Total Investments	2,386,973	1,807,102	4,794,898	8,988,973
31 October 2014	Level 1	Level 2	Level 3	Total
	USD	USD	USD	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

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.

During the year ended 31 October 2015, Next Funds REIT Nomura ETF and and Ishares US Property Yield UCITS ETF were transferred from level 2 to level 1 and Schroder RE Continental European Fund I Shs C, Schroder RE Continental European Fund II Shs C, APN Funds Mgt ARA Asian Assets Income Fund Class A, BlackRock Granite Property Fund Class A, BlackRock Granite Property Fund Class B, Prologis Targeted US Logistics REIT Inc and UBS (US) Trumbull Property Growth & Inc FD LP UPFR were transferred from level 2 to level 3.

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Notes to the Financial Statements for the year ended 31 October 2015 (continued)

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

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 2015 USD	Total 2015 USD	FVTPL Investments in property funds 2014 USD	Total 2014 USD
Balance at 1 November 2014 (1 January 2014)	396,713	396,713	1,318,882	1,318,882
Purchases	180,777	180,777	-	-
Sales	(4,043,739)	(4,043,739)	(798,219)	(798,219)
Transfers out of Level 3	-	-	-	-
Transfers into Level 3	7,778,240	7,778,240	-	-
Total gain or losses				
- in profit or loss	-	-	-	-
- in the Statement of Total Recognized Gains and Losses	482,907	482,907	(123,950)	(123,950)
Balance at 31 October	4,794,898	4,794,898	396,713	396,713

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:

	Year ended 31 October 2015 USD	For the period from 1 January 2014 to 31 October 2014 USD
Net realised gains on financial assets at fair value through profit or loss		
- designated as fair value through profit or loss	<u>1,130,566</u>	<u>2,610,565</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>(612,349)</u>	<u>(1,020,807)</u>

4. Debtors: amounts falling receivable within one year

	Note	31 October 2015 USD	31 October 2014 USD
Unrealised gains on forward currency contracts	9	20,004	-
Other debtors and prepayments		3,905	4,013
Due from broker		-	996,186
		<u>23,909</u>	<u>1,000,199</u>

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Notes to the Financial Statements for the year ended 31 October 2015 (continued)

5. Creditors: amounts falling due within one year

	Note	31 October 2015 USD	31 October 2014 USD
Unrealised losses on forward currency contracts	9	-	94,123
Investments management Fees		32,540	172,679
Administration fees		1,669	3,230
Audit Fees		16,682	17,422
Custodian fees		844	5,070
Investment advisory fees		10,977	45,104
Other payables		63,958	37,873
		126,670	375,501

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

Notes to the Financial Statements for the year ended 31 October 2015 (continued)

6. Share Capital (Continued)

	<u>Year ended</u> <u>31 October 2015</u>		<u>For the period from</u> <u>1 January 2014 to 31 October 2014</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	68,234	83	109,107	149
Exchange (loss)/gain during the period/year	-	(9)	-	(8)
Redeemed during the period/year	(29,973)	(34)	(40,873)	(58)
At end of the year/period	38,261	40	68,234	83
Participating shares of GBP0.01 each				
At beginning of the year/period	28,605	43	44,723	72
Exchange (loss)/gain during the period/year	-	(2)	-	(3)
Redeemed during the period/year	(14,114)	(22)	(16,118)	(26)
At end of the year/period	14,491	19	28,605	43

7. Share Premium Account

	<u>Year ended</u> <u>31 October 2015</u>		<u>For the period</u> <u>from</u> <u>1 January 2014</u> <u>to</u> <u>31 October 2014</u>	
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Participating shares of EUR0.01 each				
At beginning of the year/period		9,070,349		17,808,697
Exchange loss during the year/period		(1,208,833)		(1,079,453)
Redeemed during the year/period		(4,903,494)		(7,658,895)
At end of the year/period		2,958,022		9,070,349
Participating shares of GBP0.01 each				
At beginning of the year/period		4,623,378		8,134,141
Exchange loss during the year/period		(218,336)		(168,873)
Redeemed during the year/period		(3,137,626)		(3,341,890)
At end of the year/period		1,267,416		4,623,378

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Notes to the Financial Statements for the year ended 31 October 2015 (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 November 2014	126	13,693,727	4,491,928	18,185,781
Loss for the year ended 31 October 2015	-	-	(652,173)	(652,173)
Redemption of EUR0.001 shares	(34)	(4,903,494)	-	(4,903,528)
Exchange (Loss)/Gain on Eur 0.001 shares	(9)	(1,208,833)	1,208,842	-
Redemption of GBP0.001 shares	(22)	(3,137,626)	-	(3,137,648)
Exchange (Loss)/Gain on GBP 0.001 shares	(2)	(218,336)	218,338	-
Balance at 31 October 2015	59	4,225,438	5,266,935	9,492,432

	<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
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	-
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

Net assets by each share class

Share Class	31 October 2015				31 October 2014			
	FCY	USD	FCY	USD	FCY	USD	FCY	USD
	NAV/Share	NAV	NAV/Share	NAV	NAV/Shares	NAV	NAV/Share	NAV
EUR Class	147.11	5,628,750	162.09	6,201,757	139.02	9,486,131	174.22	11,887,546
GBP Class	147.01	2,130,438	227.08	3,290,675	137.66	3,937,874	220.18	6,298,235
				9,492,432				18,185,781

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Notes to the Financial Statements for the year ended 31 October 2015 (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 2015 and 31 October 2014, the Fund held open forward contracts as set out below:

Buy	Amount	Sell	Amount	Contract Rate	Date	FX Rate - 31	Unrealised Gain - USD
						October 2015	for the year ended 31 October 2015
EUR	5,543,100	USD	6,188,871	1.1165	4-Nov-15	1.1018	(81,413)
GBP	177,000	USD	267,642	1.5121	4-Nov-15	1.5446	5,751
GBP	2,049,700	USD	3,099,351	1.5121	4-Nov-15	1.5446	66,596
USD	284,909	AUD	404,700	0.7040	4-Nov-15	1.4001	(4,136)
USD	1,444,528	EUR	1,293,800	1.1165	4-Nov-15	1.1018	19,001
USD	218,008	EUR	192,044	1.1352	4-Nov-15	1.1018	6,412
USD	273,500	GBP	177,000	1.5452	4-Nov-15	1.5446	108
USD	966,895	JPY	115,776,000	0.0084	5-Nov-15	120.6993	7,685
Total							20,004

Buy	Amount	Sell	Amount	Contract Rate	Date	FX Rate - 31	Unrealised Loss - USD
						October 2014	for the period from 1 January 2014 to 31 October 2014
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)

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 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.

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Notes to the Financial Statements for the year ended 31 October 2015 (continued)

11. Related party transactions (continued)

During the year, 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 year ended 31 October 2015					
The Frontier Global Real Estate Fund Plc					
Date	Trade	Security	CCY	No. of shares	Price
1 November 2014	Redemption	Spitfire International Property Recovery Fund	EUR	(3,601)	139.02
1 December 2014	Redemption	Spitfire International Property Recovery Fund	EUR	(3,419)	139.58
2 January 2015	Redemption	Spitfire International Property Recovery Fund	EUR	(3,251)	142.02
2 February 2015	Redemption	Spitfire International Property Recovery Fund	EUR	(3,093)	144.41
2 March 2015	Redemption	Spitfire International Property Recovery Fund	EUR	(2,943)	144.43
1 April 2015	Redemption	Spitfire International Property Recovery Fund	EUR	(2,797)	144.46
1-May-2015	Redemption	Spitfire International Property Recovery Fund	EUR	(2,656)	145.27
1 June 2015	Redemption	Spitfire International Property Recovery Fund	EUR	(1,765)	144.36
1 July 2015	Redemption	Spitfire International Property Recovery Fund	EUR	(1,673)	143.40
3 August 2015	Redemption	Spitfire International Property Recovery Fund	EUR	(1,587)	144.78
1 September 2015	Redemption	Spitfire International Property Recovery Fund	EUR	(1,516)	142.26
1 October 2015	Redemption	Spitfire International Property Recovery Fund	EUR	(1,672)	144.88

For the year ended 31 October 2015					
The Frontier Commercial Property Fund Plc					
Date	Trade	Security	CCY	No. of shares	Price
1 November 2014	Redemption	Spitfire International Property Recovery Fund	GBP	(1,281)	137.66
1 December 2014	Redemption	Spitfire International Property Recovery Fund	GBP	(1,216)	138.42
2 January 2015	Redemption	Spitfire International Property Recovery Fund	GBP	(1,156)	140.92
2 February 2015	Redemption	Spitfire International Property Recovery Fund	GBP	(1,100)	143.35
2 March 2015	Redemption	Spitfire International Property Recovery Fund	GBP	(1,047)	143.6
1 April 2015	Redemption	Spitfire International Property Recovery Fund	GBP	(995)	143.72
1-May-2015	Redemption	Spitfire International Property Recovery Fund	GBP	(944)	144.65
1 June 2015	Redemption	Spitfire International Property Recovery Fund	GBP	(1,446)	143.86
1 July 2015	Redemption	Spitfire International Property Recovery Fund	GBP	(1,371)	143.1
3 August 2015	Redemption	Spitfire International Property Recovery Fund	GBP	(1,301)	144.59
1 September 2015	Redemption	Spitfire International Property Recovery Fund	GBP	(1,242)	142.06
1 October 2015	Redemption	Spitfire International Property Recovery Fund	GBP	(1,016)	144.76

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Notes to the Financial Statements for year ended 31 October 2015 (continued)

11. Related party transactions (continued)

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

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 year ended 31 October 2015 and period ended 31 October 2014, the fees charged by the Investment Manager were:

	For the period from 1 January 2014 to 31 October 2014	Year ended 31 October 2015
	USD	USD
Investment management fees	389,905	246,405

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.

Notes to the Financial Statements for the year ended 31 October 2015 (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 year a charge of USD 12,637 (Period ended 31 October 2014: USD 19,811) was incurred in relation to the administration fees and USD 2,493 (Period ended 31 October 2014: USD 2,098) for the corporate secretarial fees. USD 1,669 and USD 432 for administration services and corporate secretarial services respectively were payable as at 31 October 2015. USD 3,230 and USD 432 for administration services and corporate secretarial services respectively were payable as at 31 October 2014.

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 year a charge of USD 7,363 (Period ended 31 October 2014: USD 12,224) was charged by the Custodian. Custodian fees payable as at 31 October 2015 and 31 October 2014 amounted to USD 844 and USD 5,070 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 year USD 246,405 (Period ended 31 October 2014: USD 389,905) management fees were charged by the Investment Manager. Investment management fees payable as at 31 October 2015 and 31 October 2014 amounted to USD 32,540 and USD 172,679, 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 2014 and 2015, there were no charges of performance fees by the Investment Manager. The Investment Manager has temporarily waived performance fees in 2015 and 2014. No performance fees were payable as at 31 October 2015 and 31 October 2014.

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 2015 and 31 October 2014.

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.

Notes to the Financial Statements for the year ended 31 October 2015 (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 year USD 40,696 (Period ended 31 October 2014: USD 64,723) was charged by the Investment Advisor. Investment advisor fees payable as at 31 October 2015 and 31 October 2014 amounted to USD 10,977 and USD 45,104, 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 frequently 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%.

Notes to the Financial Statements for the year ended 31 October 2015 (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 2015		31 October 2014	
	<u>Increase in Market value (5%)</u>	<u>Decrease in Market value (10%)</u>	<u>Increase in Market value (5%)</u>	<u>Decrease in Market value (10%)</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Net profit/(loss) for the year/period	448,448	(896,897)	752,690	(1,505,381)
Net asset value	4.72%	(9.45)%	4.14%	(8.28)%

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 2015 and 31 October 2014, the value of assets subject to credit risk was as follows:

	31 October 2015	31 October 2014
	USD	USD
Cash and cash equivalents	591,313	2,426,756

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

Notes to the Financial Statements for the year ended 31 October 2015 (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 2015				
Assets				
Financial assets at fair value through profit or loss	-	-	8,968,969	8,968,969
Dividends receivable	-	-	29,863	29,863
Due from related party	-	-	5,048	5,048
Debtors	-	-	23,909	23,909
Cash and cash equivalents	-	591,313	-	591,313
Total Assets	-	591,313	9,027,789	9,619,102
Liabilities				
Creditors	-	-	126,670	126,670
Net assets attributable to holders of redeemable participating preference shares	-	-	9,492,432	9,492,432
Total Liabilities	-	-	9,619,102	9,619,102
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
Debtors	-	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				
Creditors	-	-	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

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 2015 and 31 October 2014, the Fund's portfolio of financial assets includes assets with daily, monthly and quarterly liquidity.

Notes to the Financial Statements for the year ended 31 October 2015 (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	Year ended 31 October 2015		Period from 1 January 2014 to 31 October 2014	
		In foreign currency	USD	In foreign currency	USD
Financial Assets					
Cash and cash equivalents	EUR	30	33	136	171
Cash and cash equivalents	GBP	25	39	257	411
Financial assets at fair value through profit or loss	EUR	1,490,450	1,642,177	1,411,482	1,768,799
Financial assets at fair value through profit or loss	GBP	275,940	426,217	437,016	698,963
Financial assets at fair value through profit or loss	JPY	117,248,000	971,400	153,085,000	1,365,124
Dividends receivable	EUR	4,000	4,408	21,307	26,701
Due from related party	EUR	4,582	5,048		
			<u>3,049,322</u>		<u>3,860,169</u>
Financial liabilities					
Creditors	EUR	76,618	84,418	-	-
Creditors	GBP	(36,103)	(55,765)	17,187	27,489
			<u>28,653</u>		<u>27,489</u>

SPITFIRE INTERNATIONAL PROPERTY RECOVERY FUND

Notes to the Financial Statements for the year ended 31 October 2015 (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.

Year ended 31 October 2015						
Impact of 5% Increase in FX Rate						
	Financial					
Currency	Assets	Cash and Cash Equivalents	Other Assets and Liabilities	Effect on Profit	% Change in NAV	
GBP	21,311	2	(2,788)	18,525	0.20%	
EUR	82,109	2	4,694	86,805	0.91%	
JPY	48,570	-	-	48,570	0.51%	
Total	151,990	4	1,906	153,900	1.62%	

Period from 1 January 2014 to 31 October 2014						
Impact of 5% Increase in FX Rate						
	Financial					
Currency	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%	

The foreign exchange gain on revaluation of assets and liabilities (other than investments at fair value through profit and loss) during the year is USD 193,175 (Period ended 31 October 2014: USD 222,851).

14. Subsequent Events

The Company had been paying a proportion of its redemption payments to the Frontier Commercial Property Fund PLC and the Frontier Global Real Estate Fund PLC, with in-specie transfers of shares in the illiquid company CBRE Asia Value Fund ("CBRE"). CBRE made a distribution to its shareholders on 3 February 2016, representing a high proportion of the monies due to them, holding back a small proportion to cover the legal cost of winding up that company. With effect from the 1 March 2016 the Spitfire International Property Recovery Fund ceased settling its redemption payments through a partial in specie transfers of shares in CBRE as a result of the de-minimis size of the residual position and, further, agreed to purchase the remaining CBRE shares held by Frontier Commercial Property Fund PLC and the Frontier Global Real Estate Fund PLC using the prevailing NAV as at 1 March 2016.

15. Non-cash transactions

There was no non-cash transaction in the period from 1 November 2014 to 31 October 2015.