

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Annual Report and Audited Financial Statements

For the year ended 31 October 2016

SPITFIRE BRITISH PROPERTY RECOVERY FUND

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SPITFIRE BRITISH PROPERTY RECOVERY FUND

Directors, officer and other information

Directors:	Alan Tennant Johnson Philip Peter Scales Paul Meader (resigned on 29 November 2016) Vandana Harish (appointed 27 April 2016)
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 HM12 Bermuda
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 HM1 Bermuda
Custodian:	Kleinwort Benson (Guernsey) Limited PO Box 44 Dorey Court Admiral Park St Peter Port Guernsey GY1 3BG
Legal advisor:	Conyers Dill & Pearman Clarendon House 2 Church Street Hamilton, HM 11 Bermuda
Auditor:	Deloitte LLP, The Old Courthouse Athol Street Douglas Isle of Man IM99 1XJ

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Directors, officer and other information (continued)

Listing and On-going Sponsor

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

Currency Hedge/Investment Advisor

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

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Directors' report

For the year ended 31 October 2016

The directors present herewith their report and audited financial statements for the year ended 31 October 2016.

Date of incorporation

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

The Spitfire British Property Recovery Fund (the "Fund") is a segregated account of the Company, under the Bermuda Companies Act 1981 which commenced operations on 1 October 2009.

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 fund 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 property related investments, including ETFs (Exchange Traded Funds), which have exposure to real estate primarily in the British Isles. 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 British 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 British Property Recovery Class A USD Shares, Spitfire British Property Recovery Class A Euro Shares and Spitfire British 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 Fund. See Note 8 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 Manager 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.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Directors' report (continued)

For the year ended 31 October 2016

Accounting Standards

The directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies adopted have been mentioned in Note 3 of the financial statements. As explained in more detail in Note 18 of the financial statements for the year ended 31 October 2016, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB). For periods up to and including the year ended 31 October 2015, the Company prepared its financial statements in accordance with old UK Generally Accepted Accounting Standards (old UK GAAP). In accordance with IFRS 1 "First-time adoption of International Accounting Standards", and entity must explain how the transition from previous UK GAAP to IFRS affected its reported financial position, financial performance and cash flows. The Directors confirm (as detailed in Note 18) that there are no old UK GAAP to IFRS transition adjustments requiring reconciliation in these financial statements.

Result for the year

The profit for the year is set out in the statement of profit or loss and other comprehensive income on page 10.

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.

Dividend

No dividend was proposed or paid during the year. (2015: 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

Philip Peter Scales

Paul Meader (resigned 29th November 2016)

Vandana Harish (appointed 27th April 2016)

Directors' Interests

The directors receive fees from the Fund which are set out in the statement of profit or loss and other comprehensive income. Related party transactions where directors are involved are detailed in Note 9 of the financial statements. None of the directors own shares in the Fund.

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 8 of the financial statements. The participating shares have no voting rights and are redeemable.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Directors' report (continued)

For the year ended 31 October 2016

List of Investments

As at 31 October 2016, the Fund held the following property investments with a value greater than five percent (5%) of the Fund's investment portfolio:

Security	CCY	2016	2016	2016	2016
		Quantity	Book Cost	Market Value	Percentage of Total Portfolio
			USD	USD	
BlackRock UK Property Fund	GBP	9,292	508,945	464,598	7.61%
Empiric Student Property Plc	GBP	300,000	479,113	406,275	6.66%
Grainger Plc Ord GBP 0.05	GBP	148,000	352,962	399,953	6.55%
Hammerson Plc	GBP	92,500	689,886	623,231	10.21%
Henderson UK Property Fund	GBP	572	1,276,447	1,303,521	21.35%
Land Securities Plc	GBP	84,500	1,161,612	1,032,233	16.91%
Redrow Plc	GBP	108,000	427,103	501,045	8.21%
iShares FTSE EPRA/NAR UK PRP ETF	GBP	105,000	885,891	715,155	11.72%
Other Investments	GBP	364,268	645,629	658,195	10.78%
At 31 October 2016			6,427,588	6,104,206	100.00%

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

Fees

The Fund incurred charges of USD 195,823 (2015: USD 389,752) and USD nil (2015: USD nil) respectively for investment management fees and performance fees in favour of the investment manager for the year. The director fees amounted to USD 48,738 (2015: USD 53,526) for the year.

None of the directors or service providers' fees have been waived during the year, with the exception of performance fees which have been waived by the Investment Manager as disclosed in note 9.

Gate Provision on Redemptions

The Fund is subject to a 5% gate of the net asset value ("NAV") 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 01 March 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 net asset value of the Fund ("the Gate"). The Gate applies on a "first come/first served basis" with regards to the number of redemption requests received 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.

Approved by the board of directors and signed on its behalf on 27 April, 2017 by:

Director

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Directors' responsibility for the financial statements

The directors acknowledge their responsibility to prepare the annual report and the financial statements in accordance with International Financial Reporting Standards which give a true and fair view of the state of affairs of the Fund at the end of each financial year and of the profit or loss of the Fund for the year then ended. In preparing those financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ("IFRS") are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Fund's ability to continue as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which 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 which enable the directors to ensure that the financial statements comply with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible 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 company's website. Legislation in the UK/IOM governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Independent auditor's report

to the members of

Spitfire British Property Recovery Fund

We have audited the financial statements of Spitfire British Property Recovery Fund (the "Fund") for the year ended 31 October 2016 which comprise the Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares, and the Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

This report is made solely to the Fund's members, as a body, in accordance with Section 90 of 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. 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 incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

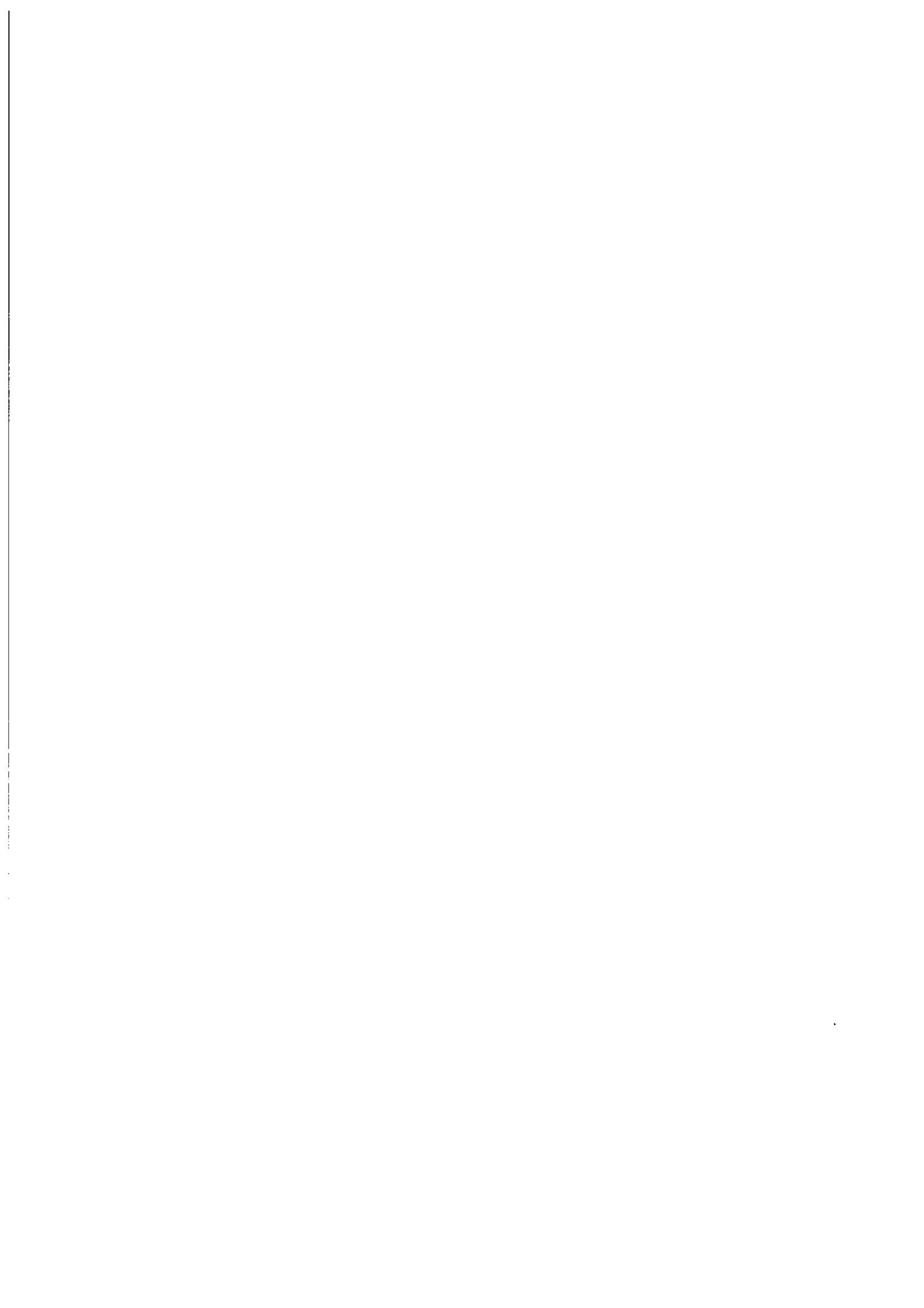
Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Fund's affairs as at 31 October 2016 and of its change in net assets from operations attributable to holders of redeemable shares;
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 1981.

Deloitte

Deloitte LLP
Chartered Accountants
Douglas, Isle of Man
28 April 2017



SPITFIRE BRITISH PROPERTY RECOVERY FUND

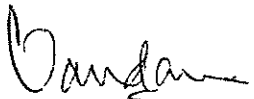
Statement of financial position

As at 31 October 2016

	Notes	31 October 2016 USD	31 October 2015 USD	1 November 2014 USD
Assets				
Non-current assets				
Financial assets at fair value through profit or loss	5	<u>6,106,796</u>	<u>14,286,705</u>	<u>24,756,002</u>
		6,106,796	14,286,705	24,756,002
Current assets				
Cash and cash equivalents	4	440,055	1,547,150	2,404,198
Dividends receivable		26,246	25,530	60,792
Prepayments		4,742	6,325	5,868
Due from broker	6	<u>455,306</u>	-	<u>558,990</u>
		926,349	1,579,005	3,029,848
Total assets		<u>7,033,145</u>	<u>15,865,710</u>	<u>27,785,850</u>
Equity				
Management shares	8	<u>1</u>	<u>1</u>	<u>1</u>
Liabilities				
Current liabilities				
Redemptions payable		-	-	1,339,294
Accounts payable and accrued expenses	7	<u>71,108</u>	<u>110,786</u>	<u>336,199</u>
		71,108	110,786	1,675,493
Non-current liabilities				
Financial liabilities at fair value through profit or loss	5	<u>3,906</u>	<u>9,734</u>	<u>10,978</u>
		3,906	9,734	10,978
Total liabilities (excluding net assets attributable to holder of redeemable share)		<u>75,014</u>	<u>120,520</u>	<u>1,686,471</u>
Net assets attributable to holders of redeemable shares		<u>6,958,130</u>	<u>15,745,189</u>	<u>26,099,378</u>
Total liabilities and equity		<u>7,033,145</u>	<u>15,865,710</u>	<u>27,785,850</u>

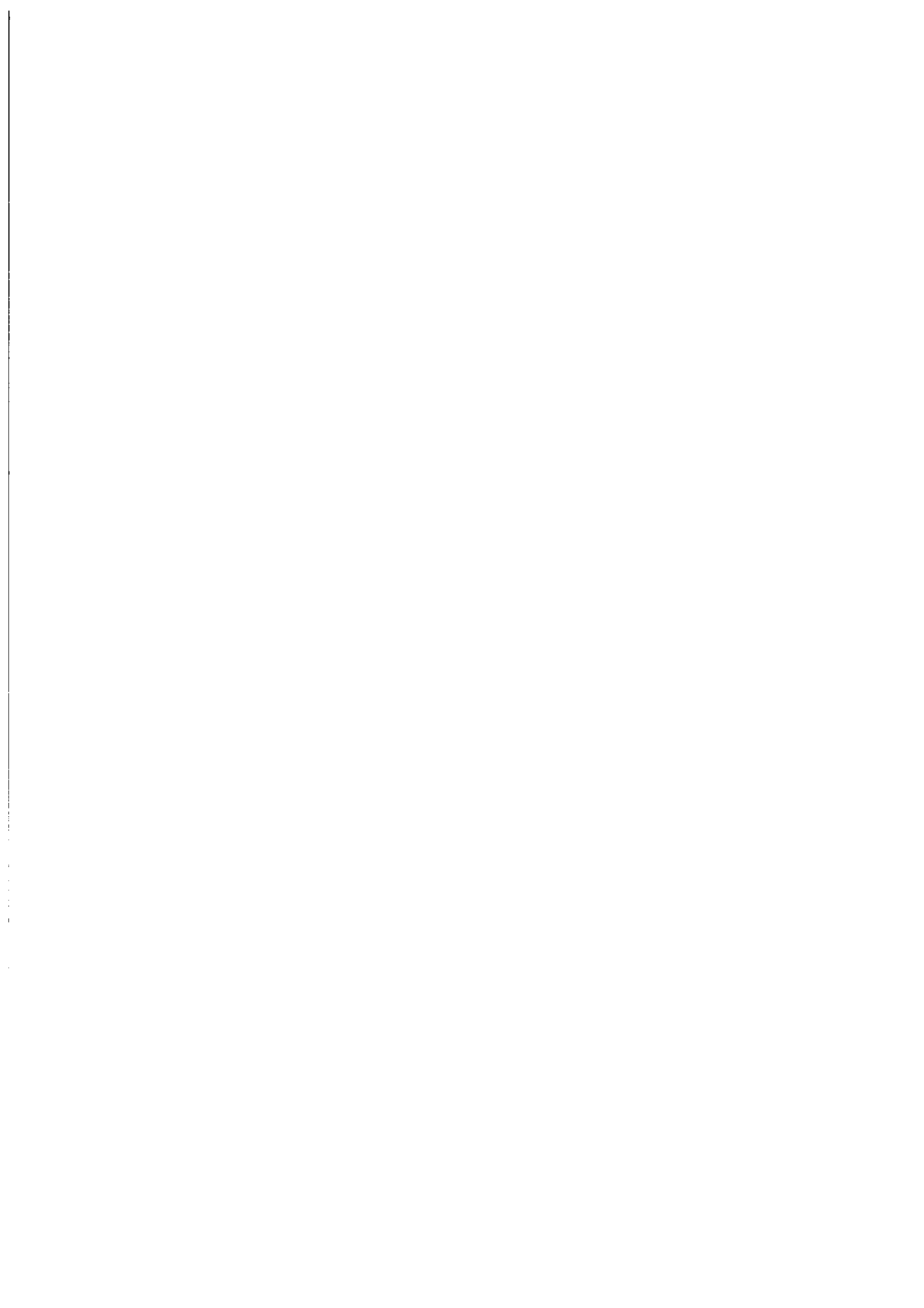
These financial statements were approved by the board of directors, authorised for issue on 27 Apr 2017 and signed on its behalf by:

Philip Peter Scales
Director



Vandana Harish
Director

The notes on pages 13 to 33 form an integral part of the financial statement.



SPITFIRE BRITISH PROPERTY RECOVERY FUND

Statement of financial position

As at 31 October 2016

	Notes	31 October 2016 USD	31 October 2015 USD	1 November 2014 USD
Assets				
Non-current assets				
Financial assets at fair value through profit or loss	5	<u>6,106,796</u>	<u>14,286,705</u>	<u>24,756,002</u>
		6,106,796	14,286,705	24,756,002
Current assets				
Cash and cash equivalents	4	<u>440,055</u>	<u>1,547,150</u>	<u>2,404,198</u>
Dividends receivable		<u>26,246</u>	<u>25,530</u>	<u>60,792</u>
Prepayments		<u>4,742</u>	<u>6,325</u>	<u>5,868</u>
Due from broker	6	<u>455,306</u>	<u>-</u>	<u>558,990</u>
		926,349	1,579,005	3,029,848
Total assets		<u>7,033,145</u>	<u>15,865,710</u>	<u>27,785,850</u>
Equity				
Management shares	8	<u>1</u>	<u>1</u>	<u>1</u>
Liabilities				
Current liabilities				
Redemptions payable		<u>-</u>	<u>-</u>	<u>1,339,294</u>
Accounts payable and accrued expenses	7	<u>71,108</u>	<u>110,786</u>	<u>336,199</u>
		71,108	110,786	1,675,493
Non-current liabilities				
Financial liabilities at fair value through profit or loss	5	<u>3,906</u>	<u>9,734</u>	<u>10,978</u>
		3,906	9,734	10,978
Total liabilities (excluding net assets attributable to holder of redeemable share)		<u>75,014</u>	<u>120,520</u>	<u>1,686,471</u>
Net assets attributable to holders of redeemable shares		<u>6,958,130</u>	<u>15,745,189</u>	<u>26,099,378</u>
Total liabilities and equity		<u>7,033,145</u>	<u>15,865,710</u>	<u>27,785,850</u>

These financial statements were approved by the board of directors, authorised for issue on 27 Apr 2017 and signed on its behalf by:

Philip Peter Scales
Director

Vandana Harish
Director

The notes on pages 13 to 33 form an integral part of the financial statement.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Statement of profit or loss and other comprehensive income

For the year ended 31 October 2016

	Notes	31 October 2016 USD	31 October 2015 USD
Investment (loss)/income			
Dividend income		259,381	501,127
Net realised gain on financial assets and financial liabilities at fair value through profit or loss		1,898,114	4,335,603
Net change in unrealised loss on financial assets and financial liabilities at fair value through profit or loss		(4,216,021)	(2,057,334)
Net (loss)/gain on exchange differences		(284,705)	949
Total investment (loss)/income		(2,343,231)	2,780,345
Operating expenses			
Investment management fees	9(a)	195,823	389,752
Investment advisory fees	10	32,230	63,825
Administration fees	11	10,043	19,989
Custodian fees	12	5,406	18,396
Directors fees	9(c)	48,738	53,526
Audit fees		15,835	20,971
Other operating expenses		69,227	95,313
Total operating expenses		377,302	661,772
(Loss)/profit before tax		(2,720,533)	2,118,573
Withholding tax	15	(14,077)	(27,547)
Total operating (loss)/profit after taxes		(2,734,610)	2,091,026
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(2,734,610)	2,091,026

The notes on pages 13 to 33 form an integral part of the financial statement.

SPITFIRE BRITISH PROPERTY RECOVERY FUND**Statement of changes in net assets attributable to holders of redeemable shares**

For the year ended 31 October 2016

	31 October 2016 USD	31 October 2015 USD	1 November 2014 USD
Total comprehensive (loss)/income for the year	(2,734,610)	2,091,026	1,547,970
From capital share transactions			
Redemption of redeemable shares	<u>(6,052,449)</u>	<u>(12,445,215)</u>	<u>(20,095,084)</u>
Net decrease in net assets attributable to redeemable shares	(8,787,059)	(10,354,189)	(18,547,114)
Net assets attributable to redeemable shares at the beginning of the year/period	<u>15,745,189</u>	<u>26,099,378</u>	<u>44,646,492</u>
Net assets attributable to redeemable shares at the end of the year/period	<u><u>6,958,130</u></u>	<u><u>15,745,189</u></u>	<u><u>26,099,378</u></u>

The notes on pages 13 to 33 form an integral part of the financial statement.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Statement of cash flows

For the year ended 31 October 2016

	31 October 2016 USD	31 October 2015 USD
Cash flows from operating activities:		
Total comprehensive (loss)/income for the year	(2,734,610)	2,091,026
Adjustment:		
Dividend income	(259,381)	(501,127)
Realised gain on sale of investments	(1,898,114)	(4,335,603)
Net change in unrealised loss on investments	4,216,021	2,057,334
Net cash flows before movements in working capital changes	<u>(676,084)</u>	<u>(688,370)</u>
Change in operating assets and liabilities		
Net change in prepayments	1,583	(457)
Net change in accounts payable and accrued expenses	(39,678)	(225,413)
Dividend income received	258,665	536,389
Net cash flows provided by operating activities	<u>(455,514)</u>	<u>(377,851)</u>
Cash flows from investing activities		
Purchase of investments	(2,741,356)	(1,822,289)
Proceeds on sale of investments	8,142,224	15,105,641
Net cash flows provided by investing activities	<u>5,400,868</u>	<u>13,305,312</u>
Cash flows used in financing activities		
Payments made on redemptions of redeemable shares	(6,052,449)	(13,784,509)
Net cash flows used in financing activities	<u>(6,052,449)</u>	<u>(13,784,509)</u>
Net decrease in cash and cash equivalents	(1,107,095)	(857,048)
Cash and cash equivalents at the beginning of the year	<u>1,547,150</u>	<u>2,404,198</u>
Cash and cash equivalents at the end of the year	<u><u>440,055</u></u>	<u><u>1,547,150</u></u>

The notes on pages 13 to 33 form an integral part of the financial statement.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements

31 October 2016

1. Reporting entity

The Spitfire British Property Recovery Fund (the "Fund") is a segregated account of the Spitfire Funds (Bermuda) Ltd (the "Company"), a company incorporated in Bermuda under the laws of Bermuda as a segregated accounts Fund. The Fund commenced operations on 1 October 2009. The registered office of the Fund is at 20 Reid Street, 3rd Floor, Williams House, P. O. Box 2460 HMJX, Hamilton HM11, Bermuda.

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

2. Basis of preparation

2.1 Statement of compliance

These financial statements represent the annual financial statements of the Fund prepared in accordance with International Financial Reporting Standards ("IFRS") and issued by the International Accounting Standards Board ("IASB").

The Fund's financial statements were previously prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). UK GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting measurements previously applied in the United Kingdom Accounting Standards financial statements to comply with IFRS. These amendments had no material impact on the financial statements, as disclosed in Note 18.

2.2 Basis of measurement

The financial statements have been prepared using the historical cost convention except that the following are measured at fair value:

- derivative financial instruments; and
- financial instruments designated at fair value through profit or loss.

2.3 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.

2.4 Functional and presentation currency

The financial statements are presented in the United States Dollars (USD), which is also the functional currency of the Fund, rounded to the nearest unit.

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires directors to exercise judgements in the process of applying accounting estimates. Estimates and judgements are continually evaluated and are based on experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

2. Basis of preparation (continued)

2.5 Use of estimates and judgements (continued)

In the opinion of the directors, the following accounting estimates and judgements have been made in the course of preparing these financial statements.

(i) Fair value of financial instruments

When the fair value of financial instruments held by the Fund and recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques employed by the Fund that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The ultimate proceeds of such investments could differ from their carrying values, and the difference could be significant. The models are calibrated regularly by the Fund and tested for validity using prices from any observable current market transactions in the same instrument (without modification and repackaging) or are based on any other available observable market data.

As at 31 October 2016, 31 October 2015 and 1 November 2014, investments in other funds were fair valued using the net asset value per share issued by the manager and/or administrator of the underlying fund. As at 31 October 2016, derivative financial instruments were fair valued using models.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 16 – *Fair values of financial assets and financial liabilities* and note 17 – *Financial risks management*.

3. Summary of significant accounting policies

3.1 Foreign currency

Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt within the statement of profit or loss and other comprehensive income.

3.2 Due from broker

Amounts due from brokers include receivables for securities sold that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.

3.3 Financial assets and liabilities

Financial instruments

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

3. Summary of significant accounting policies (continued)

3.3 Financial assets and liabilities (continued)

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Fund has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

(i) Trade and other receivables

Trade and other receivables are classified with assets and are stated at their nominal value unless the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired.

(ii) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities as at fair value through profit or loss are those that are held for trading purposes or those that are so designated by the Fund upon initial recognition. The Fund uses this designation when doing so results in more relevant information because a group of financial assets, liabilities or both are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the entity's key management personnel or when a contract contains one or more embedded derivatives and the entity elects to designate the entire hybrid contract as a financial asset or liability as at fair value through profit or loss. The Fund's investments are monitored on a periodic basis by the investment committee appointed by the Investment Manager and the board of directors. After initial recognition, financial assets at fair value through profit or loss are measured at their fair value.

For all financial instruments which are quoted or otherwise traded in an active market, for exchange traded derivatives, exchange traded funds and for other financial instruments for which quoted prices in an active market are available, fair value is determined directly from those quoted market prices.

Gains and losses arising from a change in fair value are recognised in profit or loss in the period in which they arise. Where applicable, dividend income and interest income on financial assets at fair value through profit or loss is disclosed separately in profit or loss. Fair value gains and losses are recognised within net gain on financial instruments at fair value through profit or loss.

- Derivative financial instruments

Derivative financial assets and derivative financial liabilities are classified as held for trading unless they are designated as effective hedging instruments. During the year under review, the Fund did not designate any of its derivative financial instruments in a hedging relationship for accounting purposes.

A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, at a price set at the time the contract is made. Forward foreign exchange contracts are valued by reference to the forward price at which a new forward contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference between the contract rate and this forward price, and is recognised in the statement of profit or loss and other comprehensive income.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

3. Summary of significant accounting policies (continued)

3.3 Financial assets and liabilities (continued)

Financial instruments (continued)

(iii) Trade and other payables

Trade and other payables are stated at their nominal value unless the effect of discounting is material.

(iv) Realised and unrealised gains and losses

Investment transactions are recorded on a trade date basis. Realised gains or losses on investments are calculated on a weighted average cost and are disclosed within net gain on financial assets at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

(v) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when the Sub-Fund has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(vi) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group of entity are recognised at the proceeds received, net of direct issue costs. Repurchase of the Fund's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Fund's own equity instruments.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less.

3.5 Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Fund and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Dividend income

Dividend income is recognised in profit or loss on the date that the Fund's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

3.6 Expenses

All expenses, including management, administrator and custodian fees, are recognised in profit or loss on an accruals basis.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

3. Summary of significant accounting policies (continued)

3.7 Management shares and redeemable shares

The Fund has issued two different classes of shares, management shares and redeemable shares. The management shareholder shall be entitled to vote and is not entitled to any dividend. Redeemable shares are redeemable at the holder's option (see Note 8). Accordingly, such redeemable shares are classified as financial liabilities.

Redeemable shares are issued and redeemed at the holder's option at prices based on the Fund's net assets value per share at the time of issue or redemption subject to lock-ups. 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. The Fund's net asset value per share is calculated by dividing the net assets attributable to the holders of each class of redeemable shares with the total number of outstanding redeemable shares for each respective class.

3.8 Standards, amendments and interpretations in issue but not yet effective

The directors are currently evaluating the impact on the financial statements of the Fund in the period of initial application of the following International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective.

- The final version of IFRS 9 *Financial Instruments* issued on 24 July 2014 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The Standard supersedes all previous versions of IFRS 9.

IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule based requirements that are generally considered to be overly complex and difficult to apply.

The new model also results in a single, forward-looking 'expected loss' impairment model that will require more timely recognition of expected credit losses.

IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. IFRS 9 is effective for annual periods commencing on or after 1 January 2018.

- The amendment to IAS 1 aim to address perceived impediments to preparers exercising their judgement in presenting their financial reports. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The amendment is effective for periods beginning on or after 1 January 2016.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

3. Summary of significant accounting policies (continued)

3.8 Standards, amendments and interpretations in issue but not yet effective (continued)

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 and establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalizes their amendments to defer the effective date of IFRS 15 by one year. The Fund is currently assessing the impact if IFRS 15 and plan to adopt the new standard on the required effective date.

Only the amendments that are relevant to the Fund have been disclosed above. The Fund, however, expects no impact from the adoption of the amendments on its financial position or performance.

4. Cash and cash equivalents

	31 October 2016 USD	31 October 2015 USD	1 November 2014 USD
Cash at bank	-	-	225
Cash held with custodian	436,352	1,512,279	2,348,576
Cash held with Investment Advisor	3,703	34,871	55,397
	<u>440,055</u>	<u>1,547,150</u>	<u>2,404,198</u>

5. Classification and fair values of financial assets and liabilities

The table below provides a reconciliation of the Fund's financial assets and liabilities at fair value through profit or loss.

	31 October 2016 USD	31 October 2015 USD	1 November 2014 USD
Assets			
Designated as at fair value through profit or loss			
Fund investments	6,104,206	14,261,987	24,751,555
Held for trading			
Forward contracts	2,590	24,718	4,447
Total financial assets at fair value through profit or loss	<u>6,106,796</u>	<u>14,286,705</u>	<u>24,756,002</u>
Liabilities			
Held for trading			
Forward contracts	(3,906)	(9,734)	(10,978)
Total financial liabilities at fair value through profit or loss	<u>(3,906)</u>	<u>(9,734)</u>	<u>(10,978)</u>

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

5. Classification and fair values of financial assets and liabilities (continued)

The table below sets out the classification of the carrying amounts of the Fund's financial assets and financial liabilities into categories of financial instruments.

31 October 2016	Designated as at fair value USD	Loans and receivables USD	Other financial liabilities USD	Total carrying amount USD
Cash and cash equivalents	-	440,055	-	440,055
Dividends receivable	-	26,246	-	26,246
Prepayments	-	4,742	-	4,742
Due from broker	-	455,306	-	455,306
Financial assets at fair value through profit or loss	<u>6,106,796</u>	<u>-</u>	<u>-</u>	<u>6,106,796</u>
Total assets	<u>6,106,796</u>	<u>926,349</u>	<u>-</u>	<u>7,033,145</u>
Accounts payable and accrued expenses	-	-	(71,108)	(71,108)
Financial liabilities at fair value through profit or loss	<u>(3,906)</u>	<u>-</u>	<u>-</u>	<u>(3,906)</u>
Total liabilities (excluding net assets attributable to holders of redeemable shares)	<u>(3,906)</u>	<u>-</u>	<u>(71,108)</u>	<u>(75,014)</u>
31 October 2015	Designated as at fair value USD	Loans and receivables USD	Other financial liabilities USD	Total carrying amount USD
Cash and cash equivalents	-	1,547,150	-	1,547,150
Dividends receivable	-	25,530	-	25,530
Prepayments	-	6,325	-	6,325
Financial assets at fair value through profit or loss	<u>14,286,705</u>	<u>-</u>	<u>-</u>	<u>14,286,705</u>
Total assets	<u>14,286,705</u>	<u>1,579,005</u>	<u>-</u>	<u>15,865,710</u>
Accounts payable and accrued expenses	-	-	(110,786)	(110,786)
Financial liabilities at fair value through profit or loss	<u>(9,734)</u>	<u>-</u>	<u>-</u>	<u>(9,734)</u>
Total liabilities (excluding net assets attributable to holders of redeemable shares)	<u>(9,734)</u>	<u>-</u>	<u>(110,786)</u>	<u>(120,520)</u>

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

5. Classification and fair values of financial assets and liabilities (continued)

1 November 2014	Designated as at fair value USD	Loans and receivables USD	Other financial liabilities USD	Total carrying amount USD
Cash and cash equivalents	-	2,404,198	-	2,404,198
Dividends receivable	-	60,792	-	60,792
Prepayments	-	5,868	-	5,868
Due from broker	-	558,990	-	558,990
Financial assets at fair value through profit or loss	<u>24,756,002</u>	<u>-</u>	<u>-</u>	<u>24,756,002</u>
Total assets	<u>24,756,002</u>	<u>3,029,848</u>	<u>-</u>	<u>27,785,850</u>
Accounts payable and accrued expenses	-	-	(336,199)	(336,199)
Redemptions payable	-	-	(1,339,294)	(1,339,294)
Financial liabilities at fair value through profit or loss	<u>(10,978)</u>	<u>-</u>	<u>-</u>	<u>(10,978)</u>
Total liabilities (excluding net assets attributable to holders of redeemable shares)	<u>(10,978)</u>	<u>-</u>	<u>(1,675,493)</u>	<u>(1,686,471)</u>

6. Due from broker

	31 October 2016 USD	31 October 2015 USD	1 November 2014 USD
Balance due from broker	<u>455,306</u>	<u>-</u>	<u>558,990</u>

7. Accounts payable and accrued expenses

	31 October 2016 USD	31 October 2015 USD	1 November 2014 USD
Audit fees payable	13,604	16,682	17,422
Investment management fees payable	24,410	53,593	266,592
Investment advisory fee payable	16,056	18,257	34,328
Administration fees payable	1,252	2,749	4,920
Directors' fees payable	3,547	4,431	4,997
Other payables	<u>12,239</u>	<u>15,074</u>	<u>7,940</u>
	<u>71,108</u>	<u>110,786</u>	<u>336,199</u>

Investment management fees payable are due to related parties. The terms and conditions of the amounts owed to such related parties are disclosed in note 9. These amounts are unsecured, interest free and repayable on demand.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements

31 October 2016

8. Share capital

The Spitfire Funds (Bermuda) Ltd (“the Company”) has been authorized to issue 1 manager share of par value USD1.00 and up to 11,999,000 redeemable shares of par value USD0.001 each. The Fund can issue Spitfire British Property Recovery Class A USD Shares, Spitfire British Property Recovery Class A Euro Shares and Spitfire British 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 year.
- 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.

31 October 2016

	Class A EUR	Class A GBP
Number of shares at beginning of the year	1,837	68,377
Redemptions during the year	(1,240)	(27,931)
Number of shares at end of the year	597	40,446

31 October 2015

	Class A EUR	Class A GBP
Number of shares at beginning of the year	3,154	126,061
Redemptions during the year	(1,317)	(57,684)
Number of shares at end of the year	1,837	68,377

1 November 2014

	Class A EUR	Class A GBP
Number of shares at beginning of the period	6,295	221,022
Redemptions during the period	(3,141)	(94,961)
Number of shares at end of the period	3,154	126,061

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

9. Related party transactions

(a) 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 USD195,823 (2015: USD389,752) management fees were charged by the Investment Manager. Investment management fees payable as at 31 October 2016, 31 October 2015 and 1 November 2014 amounted to USD24,410, USD53,593 and USD266,592, respectively.

(b) 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. The Investment Manager has temporarily waived performance fees in 2016 and 2015. No performance fees were payable as at 31 October 2016 and 31 October 2015 and 1 November 2014.

(c) Key management personnel

The directors of the Fund are paid an annual fee of GBP36,000 for acting as directors of the Fund. The total directors' fee charged for the year under review is USD48,738 (2015: USD53,526) Directors' fees payable as at 31 October 2016, 31 October 2015 and 1 November 2014 amounted to USD3,547, USD4,431 and USD4,997, respectively.

(d) Other 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 directors of The Frontier Commercial Property Fund Plc and the Frontier Global Real Estate Fund Plc which have subscribed to the Fund.

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:

Year ended 31 October 2016					
The Frontier Global Real Estate Fund Plc					
Date	Trade	Security	CCY	No. of shares	Price
01 February 2016	Redemption	Spitfire British Property Recovery Fund	EUR	(295)	146.99
01 March 2016	Redemption	Spitfire British Property Recovery Fund	EUR	(280)	144.73
01 April 2016	Redemption	Spitfire British Property Recovery Fund	EUR	(113)	145.25
02 May 2016	Redemption	Spitfire British Property Recovery Fund	EUR	(108)	146.60
01 June 2016	Redemption	Spitfire British Property Recovery Fund	EUR	(95)	147.80
01 July 2016	Redemption	Spitfire British Property Recovery Fund	EUR	(350)	142.55

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

9. Related party transactions (continued)

(d) Other transactions (continued)

Year ended 31 October 2016					
The Frontier Commercial Property Fund Plc					
Date	Trade	Security	CCY	No. of shares	Price
02 November 2015	Redemption	Spitfire British Property Recovery Fund	GBP	(3,486)	146.64
01 December 2015	Redemption	Spitfire British Property Recovery Fund	GBP	(3,310)	145.78
22 December 2015	Redemption	Spitfire British Property Recovery Fund	GBP	(3,148)	145.05
04 January 2016	Redemption	Spitfire British Property Recovery Fund	GBP	(2,991)	146.16
01 February 2016	Redemption	Spitfire British Property Recovery Fund	GBP	(2,614)	143.85
01 March 2016	Redemption	Spitfire British Property Recovery Fund	GBP	(2,479)	141.47
01 April 2016	Redemption	Spitfire British Property Recovery Fund	GBP	(2,477)	142.05
02 May 2016	Redemption	Spitfire British Property Recovery Fund	GBP	(2,353)	143.36
01 June 2016	Redemption	Spitfire British Property Recovery Fund	GBP	(2,067)	144.39
01 July 2016	Redemption	Spitfire British Property Recovery Fund	GBP	(850)	138.66
01 October 2016	Redemption	Spitfire British Property Recovery Fund	GBP	(2,157)	144.02

Year ended 31 October 2015					
The Frontier Global Real Estate Fund Plc					
Date	Trade	Security	CCY	No. of shares	Price
01 November 2014	Redemption	Spitfire British Property Recovery Fund	EUR	(221)	128.48
01 December 2014	Redemption	Spitfire British Property Recovery Fund	EUR	(210)	132.19
02 January 2015	Redemption	Spitfire British Property Recovery Fund	EUR	(199)	132.15
02 February 2015	Redemption	Spitfire British Property Recovery Fund	EUR	(189)	138.29
02 March 2015	Redemption	Spitfire British Property Recovery Fund	EUR	(180)	142.06
01 April 2015	Redemption	Spitfire British Property Recovery Fund	EUR	(171)	141.25
01 May 2015	Redemption	Spitfire British Property Recovery Fund	EUR	(147)	142.97

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

9. Related party transactions (continued)

(d) Other transactions (continued)

Year ended 31 October 2015					
The Frontier Commercial Property Fund Plc					
Date	Trade	Security	CCY	No. of shares	Price
01 November 2014	Redemption	Spitfire British Property Recovery Fund	GBP	(6,253)	126.93
01 December 2014	Redemption	Spitfire British Property Recovery Fund	GBP	(5,940)	130.65
02 January 2015	Redemption	Spitfire British Property Recovery Fund	GBP	(5,644)	130.47
02 February 2015	Redemption	Spitfire British Property Recovery Fund	GBP	(5,363)	136.21
02 March 2015	Redemption	Spitfire British Property Recovery Fund	GBP	(5,096)	139.77
01 April 2015	Redemption	Spitfire British Property Recovery Fund	GBP	(4,842)	138.78
01 May 2015	Redemption	Spitfire British Property Recovery Fund	GBP	(4,161)	140.44
01 June 2015	Redemption	Spitfire British Property Recovery Fund	GBP	(4,505)	142.46
01 July 2015	Redemption	Spitfire British Property Recovery Fund	GBP	(4,279)	142.37
03 August 2015	Redemption	Spitfire British Property Recovery Fund	GBP	(4,065)	145.26
01 September 2015	Redemption	Spitfire British Property Recovery Fund	GBP	(3,864)	143.90
01 October 2015	Redemption	Spitfire British Property Recovery Fund	GBP	(3,672)	143.92

10. 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 USD32,230 (2015: USD63,825) was charged by the Investment Advisor. Investment advisor fees payable as at 31 October 2016, 31 October 2015 and 1 November 2014 amounted to USD16,056, USD18,257 and USD34,328, respectively.

11. Administration 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 Fund).

During the year a charge of USD10,043 (2015: USD19,989) was incurred in relation to the administration fees and USD2,507 (2015: USD2,493) for the corporate secretarial fees. USD 1,252 and USD 417 for administration services and corporate secretarial services respectively were payable as at 31 October 2016. USD2,749 and USD432 for administration services and corporate secretarial services respectively were payable as at 31 October 2015. USD4,920 and USD431 for administration services and corporate secretarial services respectively were payable as at 1 November 2014.

12. Custodian fees

The custodian is paid a fee not exceeding 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 GBP100 per trade plus full recovery of all counter-party charges and reimbursement of all out of pocket expenses. During the year a charge of USD5,406 (2015: USD18,396) was charged by the Custodian. Custodian fees payable as at 31 October 2016, 31 October 2015 and 1 November 2014 amounted to USD761, USD1,390 and USD7,341 respectively.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

13. Deferred sales charges

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 during the year (2015: USDNil) and USDNil was payable as at 31 October 2016, 31 October 2015 and 1 November 2014.

14. Early redemption fees

Redemptions are subject to an early redemption fee of a percentage of the value of the redemption proceeds 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 was recognised.

15. Taxation

Under current Bermuda laws, the Fund is not required to pay any taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda exempting it from any such taxes at least until the year 2035.

It is management's belief that the Fund is not engaged in a United States trade or business and will not be subject to United States income or withholding taxes in respect of the profits or losses of the Fund, other than the 30% withholding tax on U.S. source dividends.

16. Fair values of financial assets and financial liabilities

At 31 October 2016, 31 October 2015 and 1 November 2014, the fair value of listed investments is based on quoted prices in an active market at the end of the reporting year. The fair values of derivative contracts are valued by reference to the price at which a new contract of the same size and maturity could be undertaken at valuation date. The fair value of financial assets and liabilities that are not traded in an active market is determined using broker quotes and other methodology designed to assess the value after acquisition, having regard to market terms at the measurement date, including interest rates and liquidity and other factors. The fair values of other financial assets and financial liabilities are not materially different from their carrying amounts. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

16. Fair values of financial assets and financial liabilities (continued)

The determination of what constitutes observable, requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following is a summary of the inputs used as of 31 October 2016, 31 October 2015 and 1 November 2014 in valuing the Fund's investments and derivatives carried at fair value:

31 October 2016	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Fund investments	4,336,087	-	1,768,119	4,336,087
Total investments	4,336,087	-	1,768,119	6,104,206
Derivative assets	-	2,590	-	2,590
Derivative liabilities	-	3,906	-	3,906
31 October 2015	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Fund investments	6,317,205	3,456,282	4,488,500	6,317,205
Total investments	6,317,205	3,456,282	4,488,500	14,261,987
Derivative assets	-	24,718	-	24,718
Derivative liabilities	-	9,734	-	9,734
1 November 2014	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Fund investments	12,562,053	12,189,502	-	24,751,555
Total investments	12,562,053	12,189,502	-	24,751,555
Derivative assets	-	4,447	-	4,447
Derivative liabilities	-	10,978	-	10,978

There were no transfers between levels during the year ended 31 October 2016. During the year ended 31 October 2015, TR Property Investment Trust Plc was transferred from level 2 to level 1 and BlackRock UK Property Fund and Henderson UK Property Fund were transferred from level 2 to level 3.

At 31 October 2016, 31 October 2015 and 1 November 2014, the carrying amounts of other financial assets and liabilities approximated their fair values due to the short-term nature of these balances.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

16. Fair values of financial assets and financial liabilities (continued)

The changes in financial assets at fair value through profit or loss in the Level 3 category are as follows:

	31 October 2016 USD	31 October 2015 USD
Opening balance	4,488,500	-
Sales	(2,079,579)	(2,293,388)
Transfers in	-	6,407,061
Realised gain on investments	376,215	361,698
Net change in unrealized (loss) gain on investments included in comprehensive income	<u>(1,017,017)</u>	<u>13,129</u>
Balance at 31 October	<u>1,768,119</u>	<u>4,488,500</u>

The fair value of investments is based on the unaudited net asset values obtained from the administrators or managers of the underlying funds. The unaudited net asset values reported to the Fund may subsequently be adjusted when audited financial statements for the managed investment funds are issued. Such adjustment may be material to the Fund. On occasion the Directors will permit the use of estimated net assets value should estimate net assets values better reflect the fair value of the underlying funds. Estimated net assets values will be based on information supplied by the relevant funds and will be subject to verification by the managers of the relevant funds. As at 31 October 2016 and 31 October 2015, two underlying funds were valued using an estimated net asset value.

Valuation methods

Fair value determined using a valuation technique

Where the fair value of financial assets and liabilities at fair value through profit or loss is determined using a valuation technique, the methods and assumptions will vary according to the instrument being valued.

OTC derivative contracts include forward contracts related to foreign currencies. Depending on the product and the terms of the transactions, the fair value of the OTC derivative products can be modelled using a series of techniques, including simulation models. Many pricing models do not entail material subjectivity because the methodologies employed do not necessitate significant judgements and the pricing inputs are observed from actively quoted markets.

Forward foreign currency contracts

Forward foreign currency contracts are valued by reference to the forward price at which a new forward foreign currency contract of the same size and maturity could be undertaken at the valuation date. Forward foreign currency contracts are categorised within level II of the fair value hierarchy.

Investments in non-exchange traded funds

Investments in non-exchange traded funds are typically valued utilising net asset valuations provided by the managers of the underlying funds and/or their administrators. The Directors of the Fund, in corroboration with the Investment Manager, consider subscription and redemption rights, including any restrictions on the disposal of interests in the determination of fair value. Investments in non-exchange traded funds are included in level II of the fair value hierarchy when the fair value is determined based on the net asset values of the non-exchange traded funds. Where an adjustment has been made to the net asset values as provided to account for liquidity concerns, e.g. redemption restrictions, side pockets, etc., the investments in these non-exchange traded funds are included in level III of the fair value hierarchy.

The fair value measurement methodology is detailed in note 3.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

17. Financial risks management

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Fund are discussed below.

17.1 Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk.

The Fund's investment strategy to manage the market risk is outlined in the Fund's offering supplement. The Fund's market risk is managed on a regular basis by the investment manager using different investment techniques as outlined in the supplement of the Fund. The Fund's overall market positions are monitored daily by the investment advisor.

The Fund's exposure to the different types of investments is summarised in note 5 to the financial statements.

17.1.1 Currency risk

The Fund may invest in securities and other investment companies and enter into transactions denominated in currencies other than the US Dollar. Consequently, the Fund is exposed to risks that the exchange rate of the US Dollar relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the US Dollar.

The following table sets out the Fund's total exposure to foreign currency risk split between assets and liabilities, net assets attributable to non-USD denominated share classes, forward foreign exchange contracts (stated at the notional values) and the resulting net exposure to foreign currencies:

	<u>Assets</u> USD	<u>Liabilities</u> USD	Net assets attributable to non-USD denominated Share Classes USD	Forward FX Contracts USD	Net Exposure USD
31 October 2016					
EUR	-	-	93,182	2,590	95,772
GBP	7,025,814	(25,615)	6,864,948	(3,906)	13,861,241
	<u>7,025,814</u>	<u>(25,615)</u>	<u>6,958,130</u>	<u>(1,316)</u>	<u>13,957,013</u>

	<u>Assets</u> USD	<u>Liabilities</u> USD	Net assets attributable to non-USD denominated Share Classes USD	Forward FX contracts USD	Net Exposure USD
31 October 2015					
EUR	505,946	-	302,073	(9,734)	798,285
GBP	15,328,721	(32,852)	15,443,116	24,718	30,763,703
	<u>15,834,667</u>	<u>(32,852)</u>	<u>15,745,189</u>	<u>14,984</u>	<u>31,561,988</u>

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

17. Financial risks management (continued)

17.1.1 Currency risk (continued)

	<u>Assets</u> USD	<u>Liabilities</u> USD	Net assets attributable to non-USD denominated <u>Share Classes</u> USD	<u>Forward-FX</u> <u>contracts</u> USD	<u>Net Exposure</u> USD
1 November 2014					
EUR	36,908	(36,513)	507,764	3,288	511,447
GBP	27,738,627	(1,332,588)	25,591,614	(9,819)	51,987,834
	<u>27,775,535</u>	<u>(1,369,101)</u>	<u>26,099,378</u>	<u>(6,531)</u>	<u>52,499,281</u>

The amounts in the table above are based on the carrying values of assets and liabilities, net assets attributable to non-USD denominated share classes and the underlying notional amounts of forward foreign exchange contracts.

Forward foreign exchange contracts are entered into by the Fund to hedge exposure to monetary assets and liabilities denominated in currencies other than USD and to hedge the exposure of certain share classes denominated in currencies other than USD.

The gains and losses on forward foreign exchange contracts entered into for the purpose of hedging the exposure to monetary assets and liabilities are recorded in gains and losses on forward foreign exchange contracts in the statement of operations. The gains and losses on contracts entered into for the purpose of hedging the exposure of share classes denominated in currencies other than USD are also recorded in gains and losses on forward foreign exchange contracts in the statement of operations, but are allocated specifically to the non-USD denominated share classes to which the hedging activities, and resultant gains and losses, relate.

At 31 October 2016, had the US Dollar strengthened by 5% in relation to the EUR and GBP currency, there would also be an approximate net impact of USD709,902 (2015: USD1,630,358 and 2014: USD2,723,792) on the statement of operations and on the net assets attributable to all share classes.

At 31 October 2016, the Fund had the following open forward foreign exchange contracts disclosed at its notional value:

<u>Currency to be bought</u>	<u>Currency to be sold</u>	<u>Contract due date</u>	<u>Fair value</u> USD
EUR 88,100	GBP 76,876	4 November 2016	2,590
GBP 115,969	EUR 132,900	4 November 2016	(3,906)
Net unrealised loss on open forward foreign exchange contract			<u><u>(1,316)</u></u>

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

17. Financial risks management (continued)

17.1.1 Currency risk (continued)

At 31 October 2015, the Fund had the following open forward foreign exchange contracts disclosed at its notional value:

<u>Currency to be bought</u>	<u>Currency to be sold</u>	<u>Contract due date</u>	<u>Fair value</u>
			USD
GBP 503,867	EUR 684,000	4 November 2015	24,718
EUR 269,400	GBP 198,453	4 November 2015	(9,734)
Net unrealised gain on open forward foreign exchange contract			<u>14,984</u>

At 1 November 2014, the Fund had the following open forward foreign exchange contracts disclosed at its notional value:

<u>Currency to be bought</u>	<u>Currency to be sold</u>	<u>Contract due date</u>	<u>Fair value</u>
			USD
EUR 528,519	GBP 412,021	4 November 2014	4,447
GBP 813,524	EUR 1,046,200	4 November 2014	(10,978)
Net unrealised loss on open forward foreign exchange contract			<u>(6,531)</u>

17.1.2 Interest rate risk

Interest rate risk arises when an entity invests in or issues interest-bearing financial instruments. The Fund's exposure to interest rate risk is limited to its cash and cash equivalents amounting to USD440,055 (31 October 2015: USD1,547,150 and 1 November 2014: USD2,404,198). This risk is considered by the investment advisor as insignificant.

Interest rate risk sensitivity analysis

At 31 October 2016, if the interest rates increased by 50 basis points, this would have increased the net assets attributable to holders of redeemable shares by USD2,200 (31 October 2015: USD7,736 and 1 November 2014: USD12,021) an equal change in the opposite direction would have decreased the net assets attributable to holders of redeemable shares by an equal but opposite amount.

17.1.3 Price risk

The Fund's investment in property funds are susceptible to price risk arising from uncertainties about future prices of instruments. The Fund may employ various techniques and enter into hedging transactions to attempt to mitigate a portion of the risks inherent to its investment strategies. The Fund did not use derivative financial instruments for speculative purposes and had not designated any of its derivative financial instruments in a hedging relationship for accounting purposes.

As all of the Fund's financial instruments are carried at fair value with fair value changes recognised in the statement of profit or loss and other comprehensive income, all changes in market price will directly affect net investment income.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

17. Financial risks management (continued)

17.1.3 Price risk (continued)

The Fund's investment strategy is to invest primarily in the property funds. As at 31 October 2016, 31 October 2015 and 1 November 2014, all of the Fund's investments held in the property funds.

Price risk sensitivity analysis

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. At 31 October 2016, if the price of the investments increased by 10%, this would have increased the net assets attributable to holders of redeemable shares by USD610,421 (31 October 2015: USD1,426,199 and 1 November 2014: USD2,475,156) an equal change in the opposite direction would have decreased the net assets attributable to holders of redeemable shares by an equal but opposite amount. Actual results will differ from this sensitivity analysis and the difference could be material.

17.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. 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. Financial assets, which potentially subject the Fund to credit risk, consist principally of trade and other receivables, cash and cash equivalents and derivative assets classified at fair value through profit or loss.

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 and Standard & Poor's. The credit risk associated with debtors is limited to any unrealised gains on open forward foreign currency contracts as detailed above and other receivables.

17.3 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 2016, 31 October 2015 and 1 November 2014, the Fund's portfolio of financial assets includes assets with daily and monthly liquidity.

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 8 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.

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

17. Financial risks management (continued)

17.3 Liquidity risk (continued)

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.

The following table shows the contractual, undisclosed cash flows of the Fund's financial liabilities as at 31 October 2016, 31 October 2015 and 1 November 2014:

31 October 2016	Less than 1 month USD	1-3 months USD	3 months to 1 year USD	More than 1 year USD
Financial liabilities				
Financial liabilities at fair value through profit or loss	3,906	-	-	-
Accounts payable and accrued expenses	-	71,108	-	-
Redemptions payable	-	-	-	-
Net assets attributable to redeemable shares	347,907	695,813	3,131,159	2,783,251
31 October 2015	Less than 1 month USD	1-3 months USD	3 months to 1 year USD	More than 1 year USD
Financial liabilities				
Financial liabilities at fair value through profit or loss	9,734	-	-	-
Accounts payable and accrued expenses	-	110,786	-	-
Redemptions payable	-	-	-	-
Net assets attributable to redeemable shares	787,259	1,574,519	7,085,335	6,298,076
1 November 2014	Less than 1 month USD	1-3 months USD	3 months to 1 year USD	More than 1 year USD
Financial liabilities				
Financial liabilities at fair value through profit or loss	10,978	-	-	-
Accounts payable and accrued expenses	-	336,199	-	-
Redemptions payable	1,339,294	-	-	-
Net assets attributable to redeemable shares	1,304,969	2,609,938	11,744,720	10,439,751

SPITFIRE BRITISH PROPERTY RECOVERY FUND

Notes to the financial statements (continued)

31 October 2016

17. Financial risks management (continued)

17.4 Custody risk

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of a loss being incurred on financial instruments held in custody as a result of a custodian's or prime broker's insolvency, negligence, misuse of assets, fraud, poor administration or inadequate record-keeping. Although an appropriate legal framework is in place that reduces the risk of loss of value of the financial instruments held by the custodian or prime broker in the event of its failure, the ability of the Fund to transfer the securities might be temporarily impaired.

17.5 Capital 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 any 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 net assets value and as such all redemption requests are being processed on this basis.

18. Explanation of Transition to IFRS

This is first year that the Fund has presented the financial statements under International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The last financial statements under UK GAAP were for 31 October 2015 and the date of transition to IFRS was therefore 1 November 2015. As a consequence of adopting IFRS, the Fund has considered whether any revisions were required in relation to existing accounting policies under UK GAAP to comply with that standard.

There were no recognition differences arising on the adoption of IFRS.

19. Events after the reporting period

Paul Meader resigned from the Fund with effect from 29 November 2016.
Vandana Harish was appointed to the Fund with effect from 27 April 2017.

