Pinnacle Residential Fund

(Formerly, The Prime London Capital Fund)

Unaudited Interim Financial Statements

For the six months ended 30 September 2019

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Contents

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General Information

Manager:	Pinnacle Investment Management Limited (Formerly, D&G Investment Management Limited) 11 New Street St Peter Port Guernsey GY1 2PF	

* On 24 September 2019, D&G Investment Management Limited changed its name to Pinnacle Investment Management Limited.

Administrator:	Vistra Fund Services (Guernsey) Limited P.O. Box 91 11 New Street St Peter Port Guernsey GY1 3EG	
Sub-Registrar:	*(As from 24 September 2019)* Vistra Fund Services (Guernsey) Limited P.O. Box 91 11 New Street St Peter Port Guernsey GY1 3EG	*(Until 23 September 2019)* R&H Fund Services (Jersey) Limited P.O. Box 83 Ordinance House 31 Pier Road St Helier Jersey JE4 8PW
Investment Advisor:	*(As from 24 September 2019)* Pinnacle Investments (Holdings) Limited 21st Floor Euston Tower 286 Euston Road London NW1 3DP	*(Until 23 September 2019)* D&G Asset Management LLP 67-68 Warwick Square London SW1V 2AR
Trustee:	*(As from 24 September 2019)* Vistra Fund Services (Guernsey) Limited P.O. Box 91 11 New Street St Peter Port Guernsey GY1 3EG	*(Until 23 September 2019)* Kleinwort Benson (Guernsey) Limited P.O. Box 6 Hambros House St Julian's Avenue St Peter Port Guernsey GY1 3AE
Property - Valuers (joint):	Cushman and Wakefield 125 Old Broad Street London EC2N 1AR	Savills 33 Margaret Street London W1G 0JD
Auditor:	Saffery Champness P.O. Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS	
Trustee Oversight:	Aspida Group Limited (previously Active Compliance Services Ltd) Tudor House Le Bordage St Peter Port Guernsey GY1 1DB	

Manager's Report
For the six months ended 30 September 2019

The Manager presents its interim report and unaudited financial statements of Pinnacle Residential Fund (the "Fund") [(1)] for the six months ended 30 September 2019.

Manager's Responsibilities

The Manager's responsibilities are set out on page 4.

The Trust Structure

The Fund is a Guernsey domiciled open-ended unit trust constituted under a Trust Instrument made between D&G Investment Management Limited as the Manager and Kleinwort Benson (Guernsey) Limited as the Trustee and dated 18 January 2007. On 24 September 2019, a Supplemental Trust Instrument was made between Pinnacle Investment Management Limited (formerly, D&G Investment Management Limited) as the Manager and Vistra Fund Services (Guernsey) Limited as the new Trustee. The Fund was authorised by the Guernsey Financial Services Commission on 28 December 2006 as a Class B Scheme, under the Collective Investment Schemes (Class B) Rules, as amended in 2013 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Change of name

On 24 September 2019, by way of resolution, the Fund changed its name from The Prime London Capital Fund to Pinnacle Residential Fund.

Investment Objective and Policy

The Fund aims to provide investors with an attractive, stable income return with good prospects for both income and capital growth. This will strike a balance between total return and income return.

Principal Activity

The principal activity of the Fund is the acquisition and holding of a geographically diversified portfolio of residential assets on a ‘granular’ basis. The Fund will predominately target existing residential assets in well-connected urban areas, where the pipeline of new housing supply is significantly lower than the forecast population growth.

Net Asset Value

The International Financial Reporting Standards ("IFRS") net asset value of the Fund at 30 September 2019 was £3,618,089 (31 March 2019: £6,024,205), equating to a net asset value per unit of £0.13 (31 March 2019: £0.49). The IFRS net asset value has been reconciled to the disclosed net asset value in note 27.

Gains and Losses

The net loss for the Fund for the six months period ended 30 September 2019 was £4,406,116 (30 September 2018: £2,035,710).

Distributions

The Unaudited Statement of Total Comprehensive Income of the Fund is set out on page 7. On 24 September 2019, the suspension of listing and dealing were lifted, however, the Board announced that distributions were suspended for a period of 18 months beginning 24 September 2019. As a result, the Manager did not propose any distribution for the six months period ended 30 September 2019 (30 September 2018: £Nil).

Distribution Policy

The Trustee intends to distribute to Unitholders an amount equal to at least 85 per cent of its net income as shown in the annual accounts of the Fund. Distributions will generally be made as soon as practicable after the end of the Fund’s financial year which is 31 March in each year. To the extent that a distribution may be declared, it will be paid in compliance with the Class B Rules. No distribution shall bear interest against the Fund.

Distribution Policy (continued)

With effect from 1 April 2011, the Fund has been accepted into the Reporting Fund Regime under regulation 55 (1)(a) of The Offshore Funds (Tax) Regulations 2009. Under the Reporting Fund Regime the Fund needs to report to its investors its share (if any) of any excess of reportable income calculated under IFRS over the actual distributions made during the Fund's accounting period. This excess of reportable income is deemed to be paid for tax purposes on 30 September 2019 being six months after the end of the accounting period.

Directors' fees of the Manager

The remuneration to the Directors of the Manager for the six months ended 30 September 2019 was £7,787 (30 September 2018: £7,490).

Approved by the Board of Directors of the Manager ("Directors") and signed on its behalf by:

Michael McKean
Director
Pinnacle Investment Management Limited
Manager of Pinnacle Residential Fund

Date: 28 January 2020

(1)The Manager uses the terms "Fund" and "Trust" interchangeably throughout this document. The Manager acknowledges that the terms may have different nuances but these distinctions are not relevant to Pinnacle Residential Fund.

Pinnacle Residential Fund
(Formerly, The Prime London Capital Fund

Statement of Manager's Responsibilities
For the six months ended 30 September 2019

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund, for safeguarding the assets of the Fund, for taking reasonable steps for the prevention and detection of fraud and other irregularities, and for the preparation of a Manager's Report which complies with the requirements of The Authorised Collective Investment Schemes (Class B) Rules, 2013 made under The Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended).

The Manager is responsible for preparing the interim financial statements in accordance with The Authorised Collective Investment Schemes (Class B) Rules, 2013 made under The Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended). The Manager has chosen to prepare financial statements for the Fund in accordance with IFRS.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the entity's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. A fair presentation also requires the Manager to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Approved by the Board of Directors of the Manager and signed on its behalf by:

Michael McKean
Director
Pinnacle Investment Management Limited
Manager of Pinnacle Residential Fund

Date: 28 January 2020

Investment Review
For the six months ended 30 September 2019

This period has been dominated by the conclusion of the acquisition of the manager to the Fund by Pinnacle Group entities. This was successfully completed on 24 September 2019 and saw D&G Investment Management Ltd purchased by Pinnacle Fund Management Ltd and renamed to Pinnacle Investment Management Ltd. More significantly for the Fund however, this heralded the revision of the Scheme Particulars and repositioning of the Fund as moving away from higher value, lower volume, lower yielding assets in prime central London to lower value, higher volume, higher yielding assets across the UK. In turn this will generate greater and sustainable cashflow, increased liquidity and increased borrowing capacity all allied to increased returns. The strategy change was necessary due to the significant and well trailed challenges that endured in the prime London sector and the impact on yields with the resultant pressure on banking arrangements and available credit.

The transaction facilitated the investment of £4.5m in new equity into the Fund, the significant majority of which is being used to Fund our first acquisition of 37 units in Bedford. The macroeconomic environment remains challenging though significant uncertainty has been removed with the recent election of a Conservative government. It is the expectation that, regardless of uncertainty as to what Brexit will look like, the new political stability in the UK will once again attract inward investment, aiding our ability to fundraise. Fundraising and the ability to scale the Fund in relatively short order remains critical to improving the efficiency of the Fund and with it a stable income return profile. With visibility over a strong pipeline, a mild recovery in the market for the residual prime London properties and access to funds, we believe the Fund is well positioned to capitalise on the opportunity and return to delivering good quality, attractive returns and underlying growth for its investors.

Pinnacle Investment Management Limited
Manager of Pinnacle Residential Fund

Pinnacle Residential Fund
(Formerly, The Prime London Capital Fund)

Property Portfolio
As at 30 September 2019

Investment Properties	**Market Value £**	**Percentage of Total Assets**	**Vacant Possession Value £**
Flat 9, 26/27 Hans Place, London, SW1X 0JY	1,900,000	15.30%	2,650,000
Flat 3, 74 Cadogan Square, London, SW1X 0EA	1,700,000	13.69%	2,400,000
Flat 2, 69 Cadogan Square, London, SW1X 0EA	2,375,000	19.12%	3,650,000
Flat B, 18 Lennox Gardens, London, SW1X 0DG	2,350,000	18.92%	3,150,000
Flat 4, 79 Cadogan Square, London, SW1X 0DY	1,900,000	15.30%	2,850,000
	10,225,000	82.33%	14,700,000
Cash	1,249,890	10.05%	
Other assets	947,110	7.62%	
Total assets	12,422,000	100.00%	

Pinnacle Residential Fund
(Formerly, The Prime London Capital Fund)

Unaudited Statement of Total Comprehensive Income
For the six months ended 30 September 2019

	Notes	***30 September 2019*** **£**	*30 September 2018* £
Revenue	7	152,156	142,986
Property operating expenses	8	(102,290)	(57,312)
Net rental income		49,866	85,674
Net fair value loss on investment property	12	(3,935,000)	(1,085,000)
Net fair value loss on investment property held for sale		-	(432,508)
Net realised loss on sale of investment property		-	(232,758)
Net losses on investment properties		(3,885,134)	(1,664,592)
Administrative expenses	9	(313,647)	(216,197)
Operating loss		(4,198,781)	(1,880,789)
Finance income	10	108	15
Finance costs	11	(207,443)	(154,936)
Net loss for the period		(4,406,116)	(2,035,710)
Other comprehensive income		-	-
Total comprehensive loss for the period		(4,406,116)	(2,035,710)
Basic and diluted loss per unit	25	(34.09 pence)	(16.39 pence)

The notes on pages 11 to 29 form an integral part of these unaudited interim financial statements.

Pinnacle Residential Fund
(Formerly, The Prime London Capital Fund)

Statement of Financial Position
As at 30 September 2019

	Notes	*30 September 2019* *Unaudited* £	*31 March 2019* *Audited* £
Non-current assets			
Investment properties	12	10,225,000	14,160,000
		10,225,000	14,160,000
Current assets			
Trade and other receivables	15	153,610	116,166
Restricted cash	16	793,500	175,000
Cash and cash equivalents	17	1,249,890	60,445
		2,197,000	351,611
Total assets		12,422,000	14,511,611
Current liabilities			
Borrowings	20	7,935,000	7,930,705
Trade and other payables	18	846,417	477,445
Deferred revenue	19	21,670	30,806
Loan interest due		824	48,450
		8,803,911	8,487,406
Total liabilities (excluding net assets attributable to holders of redeemable units)		8,803,911	8,487,406
Net assets attributable to holders of redeemable units		3,618,089	6,024,205
Represented by:			
Number of redeemable units in issue	22	27,801,492	12,416,877
Net asset value per redeemable unit		13.01 pence	48.52 pence

The Interim Financial Statements on pages 7 to 29 were approved by the Board of Directors of the Manager and authorised for issue on **28 January 2020.**

Michael McKean
Director
Pinnacle Investment Management Limited
Manager of Pinnacle Residential Fund

The notes on pages 11 to 29 form an integral part of these unaudited interim financial statements.

Pinnacle Residential Fund
(Formerly, The Prime London Capital Fund)

Unaudited Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
For the six months ended 30 September 2019

	Number of Units Issued	£
Balance of Net Assets Attributable to Holders of Redeemable Units on 31 March 2018	12,431,370	9,516,579
Redemption of redeemable units	(14,493)	(10,000)
Net decrease from redeemable units transactions	(14,493)	(10,000)
Total comprehensive loss for the period	-	(2,035,710)
Balance of Net Assets attributable to holders of redeemable units on 30 September 2018	12,416,877	7,470,869
Balance of Net Assets Attributable to Holders of Redeemable Units on 31 March 2019	12,416,877	6,024,205
Subscription of redeemable units	15,384,615	2,000,000
Net increase from redeemable units transactions	15,384,615	2,000,000
Total comprehensive loss for the period	-	(4,406,116)
Balance of Net assets attributable to holders of redeemable units on 30 September 2019	27,801,492	3,618,089

The notes on pages 11 to 29 form an integral part of these unaudited interim financial statements.

Pinnacle Residential Fund
(Formerly, The Prime London Capital Fund)

Unaudited Statement of Cash Flows
For the six months ended 30 September 2019

	Notes	***30 September 2019*** **£**	*30 September 2018* £
Cash flows from operating activities			
Total comprehensive loss for the period		(4,406,116)	(2,035,710)
Adjustments for:			
Net loss from fair value adjustments on investment properties and investment - properties held for sale	12	3,935,000	1,517,508
Realised loss on sale of investment property		-	232,758
Finance income	10	(108)	(15)
Finance costs	11	207,443	154,936
Operating loss before changes in working capital		(263,781)	(130,523)
Increase in receivables		(37,444)	(3,023)
Increase in payables		368,972	164,126
Decrease in deferred revenue		(9,136)	(9,337)
Net cash inflow from operating activities		58,611	21,243
Cash flows from investing activities			
Interest received	10	108	15
Sale of investment properties held for sale		-	1,474,734
Net cash inflow from investing activities		108	1,474,749
Cash flows from financing activities			
Issue of redeemable units	22	2,000,000	-
Redemption of redeemable units		-	(20,000)
Repayment of borrowings	20	-	(2,019,295)
Advance of borrowings	20	4,295	-
Finance costs paid		(255,069)	(183,120)
(Increase)/decrease in restricted cash	16	(618,500)	110,440
Net cash inflow/(outflow) from financing activities		1,130,726	(2,111,975)
Net increase/(decrease) in cash and cash equivalents		1,189,445	(615,983)
Cash and cash equivalents at the beginning of the period		60,445	74,360
Cash and cash equivalents at the end of the period	17	1,249,890	(541,623)

The notes on pages 11 to 29 form an integral part of these unaudited interim financial statements.

1. General information

Pinnacle Residential Fund (the "Fund") (formerly, The Prime London Capital Fund) is an open-ended unit trust established in Guernsey by a Trust Instrument dated 18 January 2007 with a maximum duration of 100 years. The registered office of the Manager is 11 New Street, St Peter Port, Guernsey, GY1 2PF.

The Fund aims to provide investors with an attractive, stable income return with good prospects for both income and capital growth. This will strike a balance between total return and income return.

The Fund's investment activities are managed by Pinnacle Investment Management Limited (the "Manager") (formerly, D&G Investment Management Limited) and trusteeship by Vistra Fund Services (Guernsey) Limited (formerly, Kleinwort Benson (Guernsey)) Limited. The administration is delegated to Vistra Fund Services (Guernsey) Limited.

All issued redeemable units have been admitted to the official listing of The International Stock Exchange ('TISE').

2. Accounting policies

The principal accounting policies applied in the preparation of these interim financial statements are set out below. These policies have been consistently applied during the period unless otherwise stated.

2.1 Basis of preparation

Statement of compliance

The interim financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") and applicable legal and regulatory requirements of The Companies (Guernsey) Law, 2008. The interim financial statements have been prepared under the historical cost convention except for investment properties which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

In the current period, the Fund has adopted all the applicable new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 April 2019. The adoption of the standards and interpretations has not had a significant impact on the content or presentation of the accounts; refer to below for additional consideration.

New IFRS accounting standards and interpretations

There was one new major standard effective for the first time for periods beginning on or after 1 January 2019 that had the potential to impact the Fund's accounting policies. The new standard and its impact on the interim financial statements is detailed below:

IFRS 16 Leases

IFRS 16 Leases is the IASB's replacement of IAS 17 Leases which eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. The standard's approach to lessor accounting is substantially unchanged from IAS 17 and as such it has not had a significant impact on the Fund's accounting of property leased out.

2.1 Basis of preparation (continued)

New standards, interpretations and amendments in issue but not yet effective

There are a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2020 which will be adopted from their effective date. The one which is relevant to the Fund's future financial statements is considered below:

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting estimates and Errors were amended to refer to the 2018 Conceptual Framework rather than the Framework in respect to definitions of items, recognition criteria and measurement concepts. These amendments see changes to definitions like materiality in the financial statements presentation and disclosures which will determine the amount of disclosure required in the financial statement. The amendments are effective for periods beginning on or after 1 January 2020. The Directors do not expect these amendments to have a material effect on the Fund.

2.2 Revenue and other income

Lease income is recognised over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Rental revenues are accounted for on an accrual basis. Therefore, deferred revenue generally represents advance payments from tenants. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Fund and the amount of revenue can be measured reliably.

Interest income is accounted for on an accruals basis. Interest income relates only to interest on bank balances.

2.3 Expenses

All expenses are accounted for on an accrual basis and include those of the Administrators, the Manager and the Manager's directors. All expenses have been presented as operating items except as follows:

Expenses which are incidental to the acquisition of an investment property are included within the cost of that investment property as well as costs incurred subsequently in any major redevelopment when it is probable that the future economic benefits associated with the redevelopment will flow to the entity, and the cost of it can be measured reliably.

2.4 Operating profit/(loss)

Operating profit/(loss) includes net gains and losses on revaluation of investment properties as well as rental income, as reduced by administrative expenses and property operating costs and excludes finance costs and finance income.

2.5 Taxation

The Fund is exempt from taxation under the terms of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and pays an annual fee of £1,200 (2018: £1,200). This amount is included within Administration expenses under Registration fees.

The Fund is liable to UK Income Tax on rental income from the United Kingdom. The Fund is registered under the Non-Resident Landlord Scheme to receive rental income with no tax deducted and submits an annual return. During the period the Fund paid no tax on its United Kingdom rental income, as allowable expenses exceeded rental income.

The Fund is relieved from Annual Tax on Enveloped Dwellings as the properties are available for rent in the course of a qualifying property rental business.

The Fund is exempt from UK Capital Gains Tax on the sale of UK residential property as the fund has Genuine Diversity of Ownership.

2.6 Investment properties

Property that is held for long-term rental yields or capital appreciation or both and that is not occupied by the Fund, is classified as investment property. Investment properties comprise of long leasehold buildings held under finance leases.

Investment properties are initially recognised at cost, including related transaction costs. Subsequently, investment properties are stated at their fair value at the Statement of Financial Position date. Gains or losses arising from changes in the fair value of investment properties are included in the Statement of Total Comprehensive Income for the period in which they arise. Gains or losses arising on sale of investment properties represent the difference between the fair value of the consideration received and the cost of the assets disposed and are recognised in the Statement of Total Comprehensive Income in the period in which they arise.

Fair value is defined as 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.

Investment properties are stated at fair value and are valued independently by accredited independent valuers, Cushman & Wakefield ("CW") and Savills on a yearly basis. For quarterly reporting, internal valuation models are used to value the investment properties.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Statement of Total Comprehensive Income during the financial period in which they are incurred.

Investment properties for which there is a committed plan to sell and for which the sale is anticipated to complete within one year of the accounting reference date are classified as Investment Properties held for sale (Note 13).

2.7 Financial instruments

A financial instrument is recognised in the Fund's Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Fund commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Fund's obligations, specified in the contract, expire or are discharged or cancelled. Financial assets are derecognised if the Fund's contractual rights to the cash flows from the financial assets expire or are extinguished.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income (“FVOCI”) – debt investment;
- FVOCI – equity investment; or
- Fair value through profit or loss (“FVTPL”).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Fund only has financial assets that are measured at amortised cost.

(a) Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2.7 Financial instruments (continued)

(a) Financial assets at amortised cost (continued)

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributed to its acquisition, unless it is a trade receivable without a significant financing component which is initially measured at its transaction price.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses as detailed below.

Fair values of financial assets at amortised cost, which are determined for disclosure purposes, are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date only if the discounting is material.

(a)(i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through deposits on account with landlords (e.g. trade and other receivables and rent deposits), but also incorporate other types of contractual monetary assets.

Trade and other receivables that were classified as loans and receivables and measured at initial recognition at fair value and subsequently measured at amortised cost under IAS 39 are now classified at amortised cost using the effective interest.

(a)(ii) Cash and cash equivalents

Cash and cash equivalents are carried at cost and comprise cash in current accounts, demand deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(a)(iii) Restricted cash

Restricted cash is carried at cost and represents funds held in an account with RBSI charged to the bank as stipulated in the

Impairment of financial assets held at amortised cost

IFRS 9 has introduced the expected credit loss (“ECL”) model which brings forward the timing of impairments.

Under IFRS 9 for trade receivables, including lease receivables, the Company has elected to apply the simplified model as the trade receivables all have a maturity of less than one year and do not contain a significant financing component. Under the simplified approach the requirement is to always recognise lifetime ECL. Under the simplified approach practical expedients are available to measure lifetime ECL but forward looking information must still be incorporated. Under the simplified approach there is no need to monitor significant increases in credit risk and entities will be required to measure lifetime expected credit losses at all times. The Board consider that a significant movement would be required to the credit quality of the lessees to increase the ECL.

The Directors have concluded that any ECL on the lease receivables would be highly immaterial to the financial statements following consideration of:

• the historical payment history of the lessees which have always been met in accordance with the lease agreement terms.

• the ability of the lessees to pay their outstanding amounts.

• the collateral being held in the form of a security deposit for each lease which can be utilised should there be any payment

• The credit risk of the lessees.

Other receivables are immaterial to the financial statements and therefore no assessment of the ECL has been completed.

2.7 Financial instruments (continued)

(b) Financial liabilities at amortised cost

(b)(i) Trade and other payables

Trade payables and other short-term monetary liabilities (e.g. deferred revenue) are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. The effect of discounting on these financial instruments is not considered to be material.

(b)(ii) Borrowings

Borrowings are initially recognised at fair value net of attributable transaction costs incurred. Such liabilities are subsequently stated at amortised cost using the effective interest method. The effect of discounting on these financial instruments is not considered to be material.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income and expense over relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the financial position date.

(b)(iii) Redeemable Units

The Fund issues redeemable units, which are redeemable at the holder's option and are classified as Financial Liabilities. Redeemable units can be put back to the Fund at any time for cash equal to a proportionate unit of the Fund's net asset value.

Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of the redeemable units by the total number of outstanding redeemable units. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

In net inflow months, the Subscription Price and Redemption Price or Special Redemption Price, as the case may be, of the Units will be based on the Vacant Possession Value and the spread between the Subscription Price and Redemption Prices or Special Redemption Prices, as the case may be, will be approximately 1 per cent. In net outflow months the Redemption Price will be based on an adjustment to the Net Asset Value for those properties that would need to be sold at market value to meet the net outflow less sale costs. The properties that would be sold to meet the net outflow, and accordingly to be valued at a price that reflects the ability to sell immediately, will be at the Manager’s discretion. This would have the effect of significantly widening the spread between the Subscription Price and Redemption Prices. The benefit of any spread will be retained for the benefit of the Fund and remaining investors.

Redemptions were suspended for a period of 18 months beginning 24 September 2019.

(c) Fair value measurement hierarchy

This note explains the judgements and estimates made determining the fair values of the Financial Instruments and non-financial assets and liabilities that are recognised at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Fund has classified its financial and non-financial assets and liabilities into the three levels prescribed under the accounting standards.

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

2.7 Financial instruments (continued)

(c) Fair value measurement hierarchy (continued)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the financial instruments and non financial assets and liabilities are categorised and determined on the basis of the lowest input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into one of the three levels.

The following table presents the Fund's financial and non financial assets and liabilities that are measured at fair value at 30 September 2019 by level of their fair value hierarchy.

	Level 1 & 2	Level 3	Total
	£	£	£
Non-financial assets:			
Investment property	-	10,225,000	10,225,000
Total	**-**	**10,225,000**	**10,225,000**

The following table presents the Fund's financial and non financial assets and liabilities that are measured at fair value at 31 March 2019 by level of their fair value hierarchy.

	Level 1 & 2	Level 3	Total
	£	£	£
Non-financial assets:			
Investment property	-	14,160,000	14,160,000
Total	**-**	**14,160,000**	**14,160,000**

The Fund engaged two accredited, independent valuers, CW and Savills to determine the fair value of the investment property as per notes 2.6 and 5.1.

The following table presents the changes in Level 3 instruments for the periods ended 30 September 2019 and 30 September 2018.

	Investment property held for sale	Investment property	Total
	£	£	£
Opening balance 1 April 2018	3,000,000	16,290,000	19,290,000
Disposals	(1,474,734)	-	(1,474,734)
Losses recognised in total comprehensive income	(665,266)	(1,085,000)	(1,750,266)
Closing balance 30 September 2018	860,000	15,205,000	16,065,000
Opening balance 1 April 2019	-	14,160,000	14,160,000
Losses recognised in total comprehensive income	-	(3,935,000)	(3,935,000)
Closing balance 30 September 2019	-	10,225,000	10,225,000

There have been no transfers between levels during the period.

2.8 Functional and presentation currency
The functional and presentation currency is Sterling. The Manager considers Sterling the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Sterling is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors.

3. Going Concern

The financial statements have been prepared on a going concern basis. The Directors of the Manager have examined significant areas of possible financial risk, in particular cash requirements and the ongoing obligations of the banking covenants.

After due consideration the Directors of the Manager believe that the Fund will have adequate resources, through the issue of additional units, the sale of property, purchase of additional investment, together with the restrictions on redemptions and the renewal of the loan facility during the period, to continue in operational existence for a period of not less than twelve months from the date of the approval of the financial statements, and as such it is deemed appropriate to adopt the going concern basis in preparing the financial statements.

4. Financial instruments risk exposure and management

The Fund's activities expose it to a variety of financial risks: market risk (including income risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: trade and other receivables, restricted cash, rent deposits, cash and cash equivalents, trade and other payables and borrowings. The accounting policies in respect of these financial instruments are described in Note 2.

The Fund's overall risk management programme focuses on the unpredictability of property markets and seeks to minimise potential adverse effects on the Fund's financial performance.

4.1 Market risk

(i) Market rental income risk

Rental income is generally affected by the overall conditions in the local economy, such as:

- growth in gross domestic product;
- employment trends;
- inflation; and
- changes in interest rates.

Changes in gross domestic product may also impact employment levels, which in turn may impact on the demand for premises. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies.

Rental income may also be affected by other factors specific to the real estate market such as:

- competition from other property owners;
- the perceptions of prospective tenants of the attractiveness;
- convenience and safety of properties;
- the inability to collect rents because of bankruptcy or the insolvency of tenants or otherwise;
- the periodic need to renovate, repair and release space and the costs thereof;
- the costs of maintenance and insurance; and
- increased operating costs.

The Manager aims to minimise the risk through careful selection and thorough due diligence on prospective properties.

(ii) Currency risk

The Fund is not exposed to currency risk as all assets and liabilities are denominated in Sterling and all income and expenses are transacted in Sterling.

4. Financial instruments risk exposure and management (continued)

4.1 Market risk (continued)

(iii) Cash flow and fair value interest rate risk

A significant portion of the Fund's financial assets and liabilities at the Statement of Financial Position date are interest bearing. As a result, the Fund's position and cash flows are subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

Any cash and cash equivalents are invested at short-term market rates. This risk is linked to the Fund not being able to invest all of its committed capital or identify suitable investment opportunities which satisfy the Fund's investment objectives.

The current loan borrowed bears interest at a rate of 3% over 3 Month LIBOR and, as it is not hedged, is subject to any changes in 3 Month LIBOR.

Management consider the use of interest rate caps to mitigate against interest risk. Given the relatively short term of the current loan, management do not consider it necessary to utilise an interest rate cap at the current time.

The amount charged to the Statement of Total Comprehensive Income for loan and bank interest payable, including loan agreement fees, was £207,443 (30 September 2018: £154,936).

The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

At 30 September 2019	**Interest bearing - variable**	**Non-interest bearing**	**Total**
	£	**£**	**£**
Assets			
Trade and other receivables	-	153,610	153,610
Restricted cash	793,500	-	793,500
Cash and cash equivalents	1,249,890	-	1,249,890
Total assets	2,043,390	153,610	2,197,000
Liabilities			
Trade and other payables	-	846,417	846,417
Borrowings	7,935,000	-	7,935,000
Total liabilities	7,935,000	846,417	8,781,417
At 31 March 2019	**£**	**£**	**£**
Assets			
Trade and other receivables	-	98,801	98,801
Restricted cash	175,000	-	175,000
Cash and cash equivalents	60,445	-	60,445
Total assets	235,445	98,801	334,246
Liabilities			
Trade and other payables	-	477,445	477,445
Borrowings	7,930,705	-	7,930,705
Total liabilities	7,930,705	477,445	8,408,150

4. Financial instruments risk exposure and management (continued)

4.1 Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

The sensitivity analysis below is based on a change in an assumption while holding all other assumptions consistent. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated - for example, change in interest rates and change in market values.

	Change in interest rates (basis points)	Interest bearing - variable £	Statement of Total Comprehensive Income £
Cash and cash equivalents	50	1,249,890	6,249
Borrowings	50	(7,935,000)	(39,675)

(iv) Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net assets attributable to holders of redeemable units can change significantly on a quarterly basis as the Fund is subject to quarterly subscriptions and redemptions. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits to stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- Monitor the level of quarterly subscriptions and redemptions relative to the assets it expects to be able to liquidate within the quarter and adjust the amount of distributions the Fund pays to redeemable unitholders.

- Redeem and issue new units in accordance with the constitutional documents of the Fund, which include the ability to scale back redemptions and require certain minimum holdings and subscriptions.

The Fund monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by the Fund as total borrowings less cash and cash equivalents. Total capital is calculated as net assets attributable to holders of redeemable units as shown in the statement of financial position, plus net debt.

	30 September 2019 £	31 March 2019 £
Total interest bearing borrowings	7,935,000	7,930,705
Less cash and cash equivalents	(1,249,890)	(60,445)
Net debt	6,685,110	7,870,260
Total capital	10,303,199	13,894,465
Gearing ratio	64.88%	56.64%

The Manager monitors and reviews the structure of the Fund's capital at and between board meetings. The review includes:

- the current gearing; and
- the current and future distribution policy.

4. Financial instruments risk exposure and management (continued)

4.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the Statement of Financial Position date.

The Fund's credit risk principally arises from cash and cash equivalents and restricted cash as well as credit exposures in respect of tenants and other receivables. In the event of default by an occupying tenant, the Fund will suffer a rental shortfall and incur additional costs, including legal expenses in maintaining, insuring and advertising the property until it is re-let. The Manager seeks to mitigate default risk by assessing the credit worthiness of potential and current tenants. General economic conditions may affect the financial stability of tenants and prospective tenants and/or demand for and value of real estate assets. A property advisor monitors the tenants in order to anticipate, and minimise the impact of, default by occupying tenants.

The Fund Manager monitors the placement of cash balances on an ongoing basis. All cash is placed with reputable institutions. Royal Bank of Scotland International Limited has a Fitch rating of A.

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

	30 September 2019 £	31 March 2019 £
Cash and cash equivalents	1,249,890	60,445
Restricted cash	793,500	175,000
Trade and other receivables	83,220	98,801
Total credit risk exposure	2,126,610	334,246

4.3 Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its financial commitments. Investments in property are relatively illiquid, and as such the Fund aims to mitigate this risk through maintaining sufficient cash; the availability of funding through an adequate amount of committed credit facilities; the availability to close out market positions; and through investment in higher volume lower value property assets.

Once the Fund has made property investments, most of these will be illiquid. It may take considerable time to dispose of the property investments. Redemptions are subject to limitations (see note 22) to minimise liquidity risk.

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

	Less than 1 year £	Between 1 and 5 years £	Over 5 years £
30 September 2019			
Borrowings (i)	7,935,000	-	-
Finance cost of borrowings	824	-	-
Trade and other payables	846,417	-	-
31 March 2019			
Borrowings (i)	7,930,705	-	-
Finance cost of borrowings	48,450	-	-
Trade and other payables	477,445	-	-

(i) For an explanation of the contractual maturities of the borrowings please refer to Note 20.

5. Critical accounting estimates and judgments

5.1 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment are:

Fair value of investment property

During the period, valuations of properties have been prepared by CW and Savills on a rolling basis as described in Note 12, in accordance with the definition of Market Value as set out in the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards July 2017 (“the Red Book”), which meet the requirements of IFRS 13. The significant inputs and assumptions are developed in close consultation with management, and include a request for a Market Value - "Vacant Possession" and a Market Value - "On basis of existing tenancy". The valuation processes are reviewed by the Manager at the reporting date.

The fair value of investment property and investment property held for sale is based on valuations provided as described above. These values are determined by using recognised valuation techniques and taking into consideration any recent market transactions for similar properties in similar locations to the investment properties held by the Fund.

Assumptions and valuation models used by the professionally-qualified property valuers are typically market related, such as comparable sales adjusted to reflect individual characteristics, including: location, size, outside space, condition and tenure. These are based on their professional judgement and market observation. The significant unobservable inputs used in arriving at the fair value are as follows:

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

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

The fair value of investment properties at 30 September 2019 are disclosed in note 12.

5.2 Critical judgements

Going Concern
These interim financial statements have been prepared on a going concern basis. This determination requires significant judgement. In making this judgement, the Manager evaluates the Fund's expected cash flows. For the Manager's consideration of going concern, please refer to Note 3.

6. Segment information

Operating Segments are reported in a manner consistent with the internal reporting provided to the Board of Directors of the Manager of the Fund. The Chief Operating Decision Maker ("CODM"), which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Manager.

The Fund is organised into one main business segment, focusing on achieving long-term total returns through acquisition, refurbishment and holding predominantly residential property interests. The Fund’s secondary segment is the geographical segment, based on the one main location of the investments, in Prime Central London. There has been no change in reportable

For information about significant customers see Note 21 showing rental contracts currently in place.

Additional information on the total fair value of the segment and equivalent percentages of the total value of the Fund can be found in the Property Portfolio Statement on page 6.

The operating segments derive their revenue primarily from rental income from lessees. The investment properties, in relation to the income received, are based in UK wide with focus on key urban centres.

7. Revenue

	30 September 2019	*30 September 2018*
	£	£
Gross lease payments collected	152,156	142,986
	152,156	142,986

The Fund leases its investment property under operating leases.

8. Property operating expenses

Tabled below are the amounts of property operating expenses arising from investment property that generated and did not generate rental income during the period:

	30 September 2019	*30 September 2018*
Income generating expenses	**£**	£
Agent fees	24,735	23,936
Insurance costs	357	1,460
Property expenses	77,198	31,916
	102,290	57,312

There were no investment properties which did not generate rental income during the period.

9. Administrative expenses

	30 September 2019	*30 September 2018*
	£	£
Manager's fees	104,819	135,667
Legal and professional fees	138,868	9,031
Trail Commission fees	22,176	14,867
Audit fee	7,383	7,856
Administration fee	9,969	6,893
Trustee's fees	9,423	7,558
Sub - Registrar fees	7,960	10,000
Manager's Directors' remuneration	7,787	7,490
Listing fees	2,142	1,755
Registration and regulatory fee	2,273	-
Consultancy fees	384	10,016
Sundry expenses	375	1,990
Bank charges	88	322
Travel, printing and marketing expenses	-	2,752
	313,647	216,197

10. Finance income

	30 September 2019	*30 September 2018*
	£	£
Bank interest received	108	15

11. Finance costs

	30 September 2019	*30 September 2018*
	£	£
Bank loan arrangement fees	55,000	-
Charges on bank borrowings	152,443	154,936
	207,443	154,936

12. Investment property	***30 September 2019***	*31 March 2019*
	£	£
Fair value at the beginning of the period	14,160,000	16,290,000
Net fair value loss on investment property	(3,935,000)	(2,130,000)
Fair value at the end of the period	10,225,000	14,160,000

Investment properties are stated at fair value and are valued independently by accredited independent valuers, Cushman & Wakefield ("CW") and Savills on a yearly basis. For quarterly reporting, internal valuation models are used to value the investment properties.

Directors are of the opinion that the values disclosed as at 30 September 2019 are reflective of the actual property values and there have been no material changes for properties valued in August and September as at 30 September 2019.

All the properties are held on leasehold. Details of properties provided as securities for bank loans are in Note 20.

13. Held for sale investment property

As required by IFRS 5, from the point at which investment property accounted for under the fair value model meets the criteria for classification as held for sale, the asset is presented as held for sale in the statement of financial position, but it continues to be measured at fair value in accordance with the entity's accounting policy for investment property.

	30 September 2019	*31 March 2019*
	£	£
Fair value at the beginning of the period/year	-	3,000,000
Sale of investment property	-	(2,279,881)
Loss on sale of investment property held for sale	-	(720,119)
Fair value at the end of the period/year	-	-

The table below represents the revenue earned and expenditure incurred in relation to these held for sale investment properties.

Revenue	***30 September 2019***	*31 March 2019*
	£	**£**
Gross lease payments collected	-	26,473
Property operating expenses		
Agent fees	-	4,848
Insurance costs	-	62
Property expenses	-	11,986
	-	16,896

14. Loss through profit or loss on investment property disposed of	***30 September 2019***	***31 March 2019***
	£	£
Carrying value of property disposed of during the period	-	3,000,000
Cost of investment property sold	-	(2,420,067)
Unrealised gain previously recognised through P&L	-	579,933
Proceeds from sale during the period	-	2,279,881
Cost of investment property sold	-	(2,420,067)
Realised loss on sale of investment property	-	(140,186)
Gain already recognised through P&L in prior periods	-	579,933
Loss for recognition through P&L during the period	-	(720,119)
Realised loss on sale of investment property	-	(140,186)

15. Trade and other receivables	***30 September 2019***	*31 March 2019*
	£	£
Trade receivables	17,000	16,999
Subscription monies due from Investment Manager	26,220	26,221
Loan arrangement fee prepaid	40,000	-
Amount advanced for purchase of freehold	-	54,557
Sundry debtor	-	1,024
Prepayments	70,390	17,365
	153,610	116,166

16. Restricted cash

As at 30 September 2019, an amount of £793,500 (31 March 2019: £175,000) represents funds held in an account with RBSI charged to the bank as stipulated in an agreement for a facility of up to £7,935,000 (31 March 2019: £7,930,705).

17. Cash and cash equivalents	***30 September 2019***	*31 March 2019*
	£	£
Cash at bank	1,249,890	60,445

18. Trade and other payables	***30 September 2019***	*31 March 2019*
	£	£
Accrued management fees*	439,092	334,273
Other payables	239,987	3,953
Audit fee	23,940	16,558
Administration fee	6,197	3,727
Managers Directors remuneration	3,863	-
Registrar fees	23,066	15,285
Trustee fees	11,370	2,749
Loan arrangement fee	74,904	91,015
Trail commission fees	23,998	9,885
	846,417	477,445

* Included in accrued management fees are management fees payable to the former owner of the Manager. The total amount due to the former owner of the Manager is £435,051 (31 March 2019: £334,273). Refer to Note 23 for additional detail.

19. Deferred revenue	***30 September 2019***	*31 March 2019*
	£	£
Rent received in advance	21,670	30,806

20. Borrowings	***30 September 2019***	*31 March 2019*
	£	£
Bank loans		
Opening RBSI loan	7,930,705	9,950,000
Repayment for the period/year	-	(2,019,295)
Drawdown for the period/year	4,295	-
Closing RBSI loan	7,935,000	7,930,705

The maturity of borrowings is as follows:

	30 September 2019	*31 March 2019*
	£	£
Payable within 1 year	7,935,000	7,930,705

The Fund renegotiated the terms of the loan facility with RBSI. As a result, the loan amount was increased to £7,935,000 and the loan terms were updated as disclosed on the next page.

20. Borrowings (continued)

During the period an extension to the loan facility was agreed with RBSI and the facility will now expire on 31 August 2020. The covenants and interest margin of the new facility are as follows:

Interest is charged at 3% p.a. over 3 month LIBOR.

The loan to value of the charged properties (as valued by the independent valuer) must not exceed 57.5% as at 31 May 2020 and quarterly thereafter.

As at 30 September 2019, the amount required to be held by RBSI in the charged deposit account was set as £793,500 (31 March 2019: £175,000). According to the agreement the Fund agrees to maintain an amount of 10% of the drawn Loan amount in the account above until it is due to repaid.

The borrowings are secured against Flat 9, 26/27 Hans Place, Flat B, 16-18 Lennox Gardens, Flat 3, 74 Cadogan Square, Flat 2, 69 Cadogan Square, Flat 4, 79 Cadogan Square and the flats respective associated assets. The borrowing is also secured against 4 bank accounts designated as a General Account, a Collection Account, a Disposals Account and a Deposit Account.

The Fund pays the interest instalments on a quarterly basis. As stated in note 2.7 (b) (ii), the borrowing is stated at amortised cost. The effect of discounting is not considered to be material. Using information available, it is estimated that the net present value of the borrowing at 30 September 2019 is £7,935,000 (31 March 2019: £7,930,705).

21. Operating lease commitments	***30 September 2019***	*31 March 2019*
	£	£
Receivable within 1 year	133,185	165,105
Receivable in 2 to 5 years	111,692	253,340
	244,877	418,445

Agreements

The tenancy agreement for Flat 4, 79 Cadogan Square, London, SW1X ODY is a 12 months agreement generating £21,320 semi-annually which ended in late May 2019, followed by a 12 months agreement generating £42,640 per annum ending in May 2020. *

The tenancy agreement for Flat B 18 Lennox Gardens, London, SW1X 0DG is a 12 months agreement generating £54,600 per annum ending in December 2019. The previous agreement ended in December 2018 and generated £52,000 per annum until extension date.*

The tenancy agreement for Flat 3, 74 Cadogan Square, London, SW1X 0EA is a 36 months agreement generating £59,800 per annum ending in May 2022 .*

The tenancy agreement for Flat 9 26/27 Hans Place, London, SW1X 0JY is 26 months agreement generating £52,000 per annum ending in July 2020. The previous agreement was a 12 months agreement generating £59,796 per month which ended on July 2018.*

The tenancy agreement for Flat 2, 69 Cadogan Square, London, SW1X 0EA is a 36 months agreement generating £72,000 per annum ending on 08 April 2022. *The previous agreement was a 12 months agreement generating £62,400 per annum ending in April 2019.*

* The tenants of these properties have each contributed more than 10% of the rental income during the period.

22. Units issued

All issued redeemable units are fully paid and have been admitted to the official listing of The International Stock Exchange ('TISE'). The Fund's capital is represented by these redeemable units. They are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date.

The Fund has the following specific restrictions with regards to subscriptions and redemption of units. The minimum subscription for units was £10,000 per investor and increments of £10,000 thereafter in 2008. This was changed to a minimum subscription of £1,000 per investor effective from 11 February 2009. The Manager may, at any time, declare suspension, deferral or a scale back in dealings for the purpose of redemptions so as to allow an orderly disposal of such of its assets as may be required to effect redemptions.

As per the Scheme Particulars dated 24 September 2019, subscriptions have been approved and are no longer restricted. Dealing day for subscriptions has been set to quarterly.

There were no redemptions during the period. As per the proposed changes to the terms of the Fund, there will be no redemption for a period of 18 months until 24 March 2021 following the implementation of the proposal in order to allow the financial stability of the Fund to improve.

The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with the objectives outlined in Note 1 and the risk management polices in Note 4, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions. To determine the net asset value of the Fund for redemptions, total liabilities of the Fund are deducted from the total assets of the Fund on the relevant valuation day using the market value for investment properties. To determine the net asset value of the Fund for subscriptions, total liabilities of the Fund are deducted from total assets of the Fund on the relevant valuation day using Vacant Possession value for investment properties. The number of units in issue at 30 September 2019 was 27,801,492 units (31 March 2019: 12,416,877).

23. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(i) Manager's fees

On 24 September 2019, the Manager of the Fund changed its name from D&G Investment Management Limited to Pinnacle Investment Management Limited. As per the terms of the Trust deed dated 18 January 2007 the Fund paid fees to Pinnacle Investment Management Limited (formerly, D&G Investment Management Limited) for its services as Manager of the Fund. The charge was equal to 1.75% of the gross asset value of the fund and was payable quarterly in arrears. As at 30 September 2019, there are no fees separately payable to another Manager.

Gross Asset Value of Fund (Quarterly)	Management Fee calculated as percentage of Gross Asset Value
£0 - £30,000,000	1.50%
£30,000,001 - £50,000,000	1.25%
£50,000,001 - £150,000,000	1.00%
£150,000,001 or greater	0.75%

The total charge to the income statement was £104,819 (30 September 2018: £135,667). A total amount of £439,092 (31 March 2019: £334,273) was outstanding at the end of the period, out of which £435,051 and £4,041 was due to D&G Investment Management Limited (former owner of the Manager) and Pinnacle Investment Management Limited (current owner of the Manager), respectively.

23. Related party transactions (continued)

(ii) Trustee's fees

Until 23 September 2019, as per the terms of the Trust deed dated 18 January 2007 the Fund paid fees to Kleinwort Benson (Guernsey) Limited for its services as Trustee of the Fund. The trustee fee is payable quarterly in arrears, at the rate of 0.1% per annum of the Net Asset Value of the Fund up to £50 million, and 0.05% per annum of the Net Asset Value of the Fund thereafter, subject to an annual minimum fee of £15,000. The trustee fee increased with effect from 01 March 2019 to 0.12% of the NAV per annum subject to a minimum of £18,000. The Trustee also received a transaction fee for each investment transaction charged on a time spent basis.

As from 24 September 2019, following the new terms of the Supplemental Trust Instrument, the Fund pays fees to Vistra Fund Services (Guernsey) Limited for its services as Trustee of the Fund. The trustee fee is payable quarterly in arrears, at the rate of 0.08% per annum of the Net Asset Value of the Fund, subject to an annual minimum fee of £20,000 (or such higher percentages or amounts as may from time to time be agreed between the Manager and the Trustee). The Trustee will also receive a transaction fee for each investment transaction charged on a time spent basis.

The total charge to the income statement was £9,423 (30 September 2018: £7,558) of which £8,654 and £769 relates to Kleinwort Benson and Vistra Fund Services (Guernsey) Limited respectively. An amount of £22,176 (31 March 2019: £2,749) was outstanding at the end of the period.

(iii) Board of Directors' remuneration

The Fund pays remuneration to the Manager's directors for their services. The total charge to the income statement was £7,787 (30 September 2018: £7,490). An amount £3,863 (31 March 2019: £Nil) was outstanding at the end of the period. Mr Stephen Yorke agreed to waive his director's fee with effect from 22 November 2016.

Mr Stephen Yorke recharged an amount of £215 (30 September 2018: £1,795) in travel expenses to the Fund during the period, all of which were paid at period end.

(iv) Directors' holdings

As at 30 September 2019, Mr Stephen Yorke has an interest in 122,987.013 (31 March 2019: 122,987.013 units) units in the Fund by way of a Self Invested Pension Plan.

Mr Simon Yorke, brother of Stephen, has an interest in 215,384.615 (31 March 2019: 215,384.615 units) in the Fund by way of a Self Invested Pension Plan.

(v) Investment Advisory fees

Until 23 September 2019, D&G Asset Management LLP, as Investment Advisor, received 5% of the sale price of properties and for services provided in relation to the sale of the properties. D&G Asset Management LLP was the parent and immediate controlling party of the Investment Manager D&G Investment Management Limited.

During the period 30 September 2018, the Investment Advisor received an amount of £75,000, including VAT, all of which was paid directly out of the sale proceeds of the property. The Fund received the net proceeds of the sale after the deduction of these fees. No investment advisor fees will be reflected in the financial statements as no direct charge was incurred by the Fund.

On 24 September 2019, Pinnacle Investments (Holdings) Limited was appointed as Investment Advisor. During the period ended 30 September 2019, the Investment Advisor was not entitled to any fees as there was no sale of properties during the period.

23. Related party transactions (continued)

(vi) Trail fees

D&G Asset Management LLP was the investment advisor until 24 September 2019 after which it was replaced by Pinnacle Investment (Holdings) Limited.

During the period, D&G Asset Management LLP charged an amount of £22,176 (30 September 2018: £14,867) as trail commission. An amount of £23,998 (31 March 2019: £9,885) was outstanding at the period end.

Pinnacle Investment (Holdings) Limited did not receive any trail commissions fees for the period and no amounts were outstanding at the end of the period.

24. Material contracts

(i) Administrator's fees

The Fund pays fees to Vistra Fund Services (Guernsey) Limited for the following services: accounting, administration and compliance of the Fund. As per the Scheme Particulars dated 24 September 2019, the Administrator has agreed with the Manager to charge a fee, payable quarterly in arrears from the Fund at the rates below, subject to a minimum fee of £40,000 per annum. These are detailed below;

- or Net Asset Values of less than £100 million, 0.1 per cent. of Net Asset Value per annum; and
- for Net Asset Values greater than £100 million, 0.08 per cent. of Net Asset Value per annum

The Administrator is also entitled to be reimbursed in respect of expenses incurred in connection with the performance of its services including but not limited to facsimile, courier and long distance telephone charges.

The total charge to the income statement during the period was £9,969 (30 September 2018: £6,893). An amount £6,197 (31 March 2019: £3,727) was outstanding at the end of the period.

(ii) Sub - Registrar fees

Until 23 September 2019, R&H Fund Services (Jersey) Limited ("R&H"), as Sub-Registrar was entitled to an annual fee of £20,000. As at period end, an amount of £23,066 (31 March 2019: £15,285) was outstanding.

As from 24 September 2019, Vistra Fund Services (Guernsey) Limited was appointed as the Sub-Registrar and under the new administration agreement are entitled to receive registrar fees as part of the administration costs. Refer to administrator fees contract details above. During the period an amount of £7,960 was charged (30 September 2018: £10,000) in respect of these services.

25. Earnings per share

	30 September 2019	***31 March 2019***
	£	£
Loss for the period	(4,406,116)	(3,482,374)
Weighted average number of units in issue	12,924,062	12,418,068
Loss per unit	(34.09) pence	(28.04) pence

A weighted average number of units in issue was calculated to enable users to gain a fairer understanding of the earnings generated per unit through the period. The weighted average has been calculated with reference to the number of days units have actually been in issue and hence their ability to influence income generated.

26. Controlling party

Due to the nature of the ownership of the units, the Directors believe that there is no ultimate controlling party.

27. Reconciliations

(i) Reconciliation to subscription and redemption price

	30 September 2019	***31 March 2019***
	£	**£**
Net asset value per Statement of Financial Position	3,618,089	6,024,205
Properties valued on higher of vacant possession or market value (a)	-	(1,725,000)
Special dealing adjustment	(2,000,000)	-
Adjustments to trade and other receivables and payables (b)	34,545	(91,276)
Net asset value per valuation (c)	1,652,634	4,207,929
Dealing Net Asset Value per unit for valuation purposes	13.31p	33.89p

(a) For valuation purposes the investment properties are valued at Vacant Possession (i.e. for sale without sitting tenant). For the financial statements, properties are valued at Fair Value, as defined by IFRS.

(b) Adjustment to payables and receivables for transactions between special dealing day NAV and the NAV as at 30 September 2019.

(c) The NAV published on TISE is for the special dealing day on the 23rd of September 2019. The reconciliation of IFRS NAV to published NAV has therefore been done to this date.

28. Post balance sheet events

Following the period end the Investment adviser submitted a proposal to the Manager and the trustees to purchase an additional investment in a block of flats. Approvals were received from the Trustees in order to exchange contracts. The Fund will purchase the property when final approvals are received following changes to the scheme particulars. Completion is due at the end of February 2020.

The Fund was actively selling two of its investments. Offers have been accepted on the properties at Flat 3, 74 Cadogan Square, London, SW1X ODY and Flat 4, 79 Cadogan Square, London, SW1X ODY with completion expected by the end of February 2020.

There have been no other significant events subsequent to the financial period end that require disclosure in the financial statement.

On 20 November 2019, Julian Carey was appointed as alternate director to John Michael McKean.