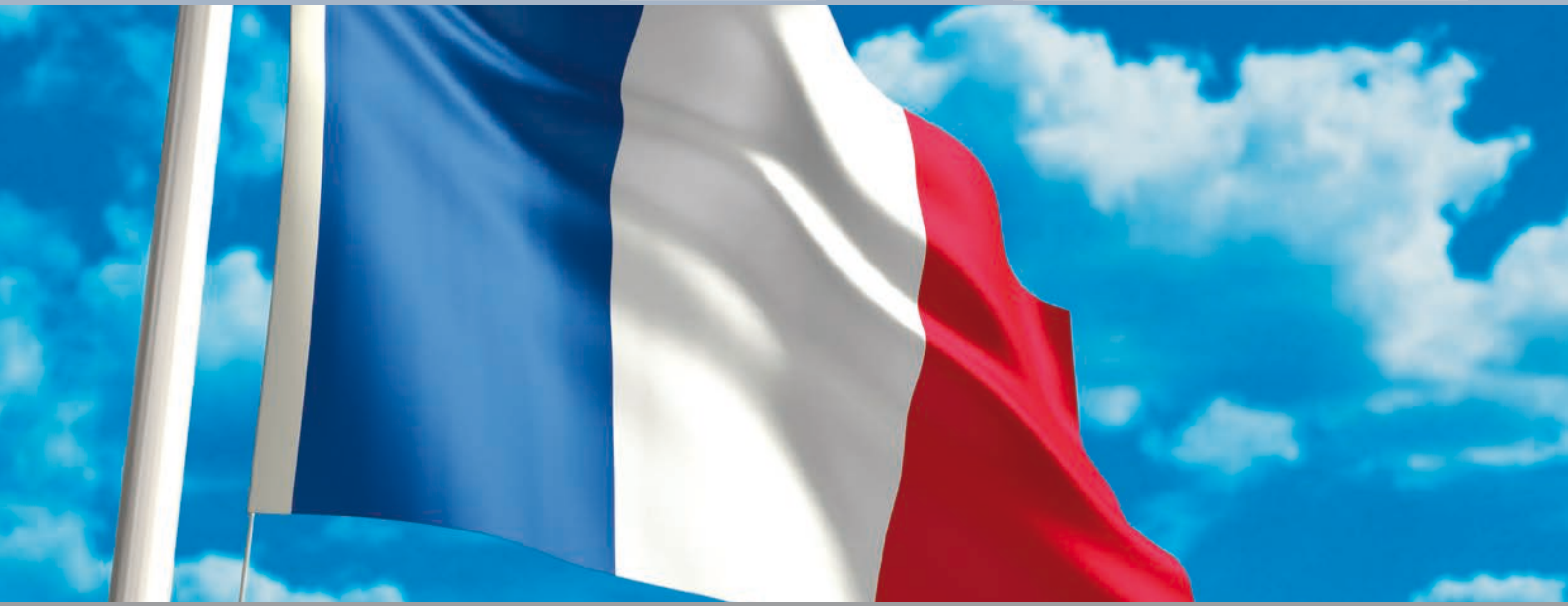

Alpha Pyrenees Trust

Annual report and financial statements 2017

For the year ended 31 December 2017

Contents

Alpha Pyrenees Trust Limited ("the Trust" or "the Group" or "the Company") was primarily invested in properties in France, particularly in the Ile-de-France region around Paris, focusing on commercial property in the office, industrial, logistics and retail sectors. The Trust is in an advanced stage in the orderly realisation of its investment property and has the support of its lender in this process.

Dividends

The Trust does not pay dividends.

Listing

The Trust is a closed-ended Guernsey registered investment company which has been declared under the relevant legislation to be an Authorised Closed-Ended Collective Investment Scheme. Its shares are listed on the Official List of the UK Listing Authority and traded on the London Stock Exchange.

Management

The Trust's Investment Manager is Alpha Real Capital LLP ("the Investment Manager"). Control of the Trust rests with the non-executive Guernsey-based Board of Directors.

ISA/SIPP status

The Trust's shares are eligible for Individual Savings Accounts (ISAs) and Self Invested Personal Pensions (SIPPs).

Website

www.alphapyreneestrust.com

Chairman's statement

The Investment Manager has been focused on achieving asset sales to support the settlement of the bank borrowings which mature on 31 October 2018. The Board notes the progress achieved on this front during the year with the sale of a further two properties in France at prices totalling £4.9 million (€5.5 million) and the remaining two properties in Spain at prices totalling £1.0 million (€1.2 million) with the net proceeds being used to partially repay bank borrowings. The Investment Manager is focused on selling the Trust's remaining property asset, St Cyr L'Ecole, located in France, in a consensual manner in accordance with a formal agreement with Barclays Bank PLC ("Barclays"). To further this process the Investment Manager continues to undertake active asset management for St. Cyr, with particular emphasis on the letting of vacant space to enhance property income and the marketability of the property (see property review section). The Board is aware of the risks and uncertainties that the Company and Group are facing whilst pursuing this final property sale and provide further detail on these in notes 19 and 20 to the financial statements.

Going concern

During the year, the Board has made further progress in the planned orderly realisation of its investment properties and subsequent partial repayment of the bank borrowings. The maturity date of the remaining bank borrowings is 31 October 2018. The Trust has the support of its lender for the sale of its remaining property with a view to winding up the Trust's group in due course. The accounts are therefore not prepared on a going concern basis.

Results

Results for the year to 31 December 2017 show a consolidated loss of £12.4 million (loss of 10.5 pence per share). The loss primarily reflects the losses on disposal of investment properties during the year and the finance costs.

Revaluation and Net Asset Value

The remaining investment property held for sale is included in the consolidated balance sheet at a valuation of £5.9 million (€6.7 million) as assessed by the independent valuers (note 10). As at 31 December 2017, the net asset value per ordinary share is negative 63.5p (31 December 2016: negative 50.2p): the movement in the year primarily reflecting the loss in the year, losses on revaluation and sale of properties and adverse foreign exchange movement.

Brexit

In June 2016, the "Brexit" Referendum was held, in which the United Kingdom voted to leave the European Union. The Board considers that this event will not have any material adverse impact on the realisation of the Trust's remaining property.

Finance Commentary

Following net repayments in the period of £5.8 million (€6.6 million), as at 31 December 2017 the Trust had principal borrowings of £77.0 million (€86.8 million) under its facilities with Barclays.

The current interest rates will continue to apply to the facilities until maturity and the 2% extension fees (per annum pro-rated), charged on the initial and all extensions up to 15 April 2016, are deferred to the maturity date and will be payable to the extent that the Trust has sufficient cash funds at that time (note 14). No additional fee was charged on the latest extension to 31 October 2018.

There is a cash-pooling arrangement in place which provides the Trust with working capital for its operations.

Formal marketing of the Trust's remaining property is ongoing and the results of the marketing process to date indicate that, although there is no certainty that a transaction will take place, if it does, the price achieved is most likely to be lower than the valuation at 31 December 2017. The Trust will provide further updates on progress in due course.

As the Board has previously stated, the sale process will not result in any return to ordinary shareholders after repayment of the Trust's bank borrowings, to the extent that this is possible, has taken place.

Serena Tremlett
Chairman
8 March 2018

Property review

Portfolio overview

The Trust owns one property in France (St Cyr L'Ecole) of approximately 6,340 square metres of commercial real estate. This is a vacant property, which, although well located and offering good value accommodation to occupiers, suffers from weak tenant demand at the present time.

The valuation of St Cyr L'Ecole as at 31 December 2017 was £5.9 million (€6.7 million).

Property Sales

On 30 March 2017 and 23 May 2017 respectively, the Trust sold its properties located at Champs sur Marne and Ivry-sur-Seine in France totalling approximately 13,350 square metres for a total of £4.9 million (€5.5 million).

On 12 and 21 December 2017 respectively, the Trust sold its properties located at Alcalá de Guadaíra and Écija in Spain totalling approximately 11,650 square metres for a total of £1.0 million (€1.2 million).

These sales form part of the orderly realisation process supported by the Trust's lender, Barclays, and the net proceeds from these sales have been used in the reduction of the Trust's bank borrowings.

The remaining property held by the Trust is being actively marketed and the Trust will provide further updates on the result of the marketing process in due course.

Paul Cable
For and on behalf of the Investment Manager
8 March 2018

Directors

David Jeffreys

Director
Aged 58

David Jeffreys qualified as a Chartered Accountant with Deloitte Haskins and Sells in 1985. He works as an independent non-executive director to a number of Guernsey based investment fund companies and managers and is a Guernsey resident.

From 2007 until 2009 David was the Managing Director of EQT Funds Management Limited, the Guernsey management office of the EQT group of private equity funds. He was previously the Managing Director of Abacus Fund Managers (Guernsey) Limited between 1993 and 2004, a third party administration service provider to primarily corporate and fund clients.

In addition to the Company, David is a director of two listed entities, Alpha Real Trust Limited and Tetragon Financial Group Limited, and a number of other unlisted entities.

Serena Tremlett

Director
Aged 53

Serena has over 25 years' experience in financial services, specialising in closed-ended property and private equity funds and fund administration over the last 19 years.

She is a non-executive director on the listed company board of Alpha Real Trust Limited in addition to various unlisted property and private funds and general partners. Serena was previously company secretary (and a director) of Assura Group, at that time a FTSE 250 company listed on the London Stock Exchange, investing in primary healthcare property and ran Assura's Guernsey head office.

Prior to working for Assura, Serena was head of Guernsey property funds at Mourant International Finance Administration (now State Street) for two years and worked for Guernsey International Fund Managers (now Northern Trust) for seven years where she sat on a number of listed and unlisted fund boards. In 2008, Serena co-founded Morgan Sharpe Administration Limited, a specialist closed-ended fund administrator which was sold to Estera, a leading provider of fiduciary and administration services in April 2017 and is now known as Estera Administration (Guernsey) Limited. Serena remains its managing director.

Directors' and corporate governance report

The Directors present their report and financial statements of the Company and the Group for the year ended 31 December 2017.

Principal activities and status

Since its incorporation on 16 November 2005, the Company, an authorised closed-ended Guernsey registered investment company, has carried on the business of a property investment company, investing in commercial property in France and Spain. The Trust is pursuing an orderly realisation of its investment property and has the support of its lender in this process.

Its shares are listed on the Official List of the UK Listing Authority and have been traded on the London Stock Exchange since 29 November 2005.

Business review, results and dividends

The Chairman's statement on page 2 contains a review of the Group's business for the year.

The results for the year are set out in the financial statements, commencing on page 14.

The Trust does not pay dividends.

Corporate governance

The Company is authorised by the Guernsey Financial Services Commission ('GFSC') and for this reason is required to follow the principles and guidance set out in the Finance Sector Code of Corporate Governance issued by the GFSC and effective from 1 January 2012 (re-issued in 2016 effective from 1 April 2016 year ends onwards) ('Guernsey Code').

As a company with a standard listing on the London Stock Exchange, the Company is not required to comply with the UK Corporate Governance Code ('UK Code'). However, the Board does take into consideration the UK Code in determining its governance procedures whilst also taking into account the size of the Company, the nature of its business and its entirely non-executive board.

The Board

Biographies of the current Directors are set out on page 4.

The Directors' interests in shares of the Company as at 31 December 2017 are set out below and there have been no changes in such interests up to the current date:

	Number of ordinary shares 2017	Number of ordinary shares 2016
Dick Kingston*	710,616	710,616
David Jeffreys	250,000	250,000
Phillip Rose*	1,290,079	1,290,079
David Rowlinson*	-	-
Serena Tremlett	121,472	121,472

* resigned on 3 June 2016 (see page 6)

Non-executive Directors are not appointed for specified terms. However, appointments of Board members can be terminated at any time without penalty and the Company's Articles of Association ("Articles") require each Director to retire and submit himself/herself to re-election by the shareholders at every third year. In addition, the Board believes that continuity and experience adds to its strength.

The Annual General Meeting of the Company will take place on 27 April 2018.

Individual Directors may seek independent legal advice in relation to their duties on behalf of the Company.

Senior Independent Director

The Board has appointed David Jeffreys as its Senior Independent Director and has agreed that he will be available for discussions with shareholders independently of his peers, to the extent appropriate.

Operations of the Board

The Board's primary role is to review matters which are of strategic importance to the Company, including the following:

1) Setting, and continuing to review, the objectives and strategy of the Company, taking into account market conditions.

2) Reviewing the capital structure of the Company including gearing.

3) Appointing the Investment Manager, administrator and other appropriately skilled service providers; monitoring their effectiveness and performance through regular reports and meetings.

4) Reviewing the Company's performance including net asset value and earnings per share.

The Board considers these matters at its quarterly meetings.

The Board meets at least four times per annum and on an ad-hoc basis to consider specific issues reserved for decision by the Board including all potential disposals, significant capital expenditure and leasing matters and decisions relating to the Company's financial gearing.

Certain matters relating to the implementation of strategy are delegated either to the Investment Manager or the administrator but the performance of such delegation by these agents is regularly monitored by the Board.

At the Board's quarterly meetings it considers papers circulated in advance including reports provided by the Investment Manager and the administrator in its capacity as Company Secretary. The Investment Manager's report comments on:

- The French and Spanish property markets including recommendations for any changes in strategy that the Investment Manager considers may be appropriate.

Directors' and corporate governance report (continued)

- Performance of the Group's portfolio and key asset management initiatives.
- Transactional activity undertaken over the previous quarter and being contemplated for the future.
- The Group's financial position including relationships with bankers and lenders.

The administrator provides a quarterly compliance, company secretarial and regulatory report.

Together, these reports enable the Board to assess the success with which the Group's strategy is being implemented, consider any relevant risks (such as the general economic climate) and to consider how they should be properly managed.

Board and Director appraisals

The Board is aware of the ongoing requirement to evaluate its performance, composition (and whether it has an appropriate mix of knowledge, skills and experience) and the ongoing relationships between with the Investment Manager and Administrator, together with the information provided to and communication between Board members.

A decision has been taken by the remaining members of the Board that a formal process is not required at this stage of the Company's life, however the Board will continue to self assess on an ongoing basis keeping in mind that evaluation of the Board's performance and relationships is central to good corporate governance.

At the June 2016 Board meeting, the Board considered its composition in terms of size and cost to manage the completion of the sales process described above. As a result of these considerations, David Rowlinson, Phillip Rose and Dick Kingston resigned from the Board, effective 3 June 2016. David Jeffreys and Serena Tremlett, who have been with the Company since inception, continue as Directors and the Board will take responsibility going forward for matters previously dealt with by its sub-committees.

Board meeting attendance

The table below shows the attendance at Board meetings during the year to 31 December 2017:

Director	No of meetings attended	No of meetings eligible to attend
David Jeffreys	10	10
Serena Tremlett	10*	10

* two meetings were attended by Serena Tremlett's alternate Director: Mel Torode.

Directors' and officers' insurance

An appropriate level of Directors' and Officers' insurance is maintained whereby Directors are indemnified against liabilities to third parties to the extent permitted by Guernsey company law.

Board Committees

The Board had established three standing committees, all of which operated under detailed terms of reference, copies of which are available on request from the Company Secretary. Following the decisions taken at the June 2016 Board meeting, the Board Committees were dissolved. Responsibilities of the Board Committees have been taken over by the two remaining non-executive Directors.

Audit Committee

The Audit Committee had consisted of David Jeffreys (Chairman), Dick Kingston, David Rowlinson and Serena Tremlett.

Role of the Committee

The role of the Audit Committee, which met at least twice a year, included:

- The engagement, review of the work carried out by and the performance of the Company's external auditor.
- To monitor and review the independence, objectivity and effectiveness of the external auditor.
- To develop and apply a policy for the engagement of the external audit firm to provide non-audit services.
- To assist the Board in discharging its duty to ensure that financial statements comply with all legal requirements.
- To review the Company's financial reporting and internal control policies and to ensure that the procedures for the identification, assessment and reporting of risks are adequate.
- To review regularly the need for an internal audit function.
- To monitor the integrity of the Company's financial statements, including its annual and half year reports and announcements relating to its financial performance, reviewing the significant financial reporting issues and judgements which they contain.
- To review the consistency of accounting policies and practices.
- To review and challenge where necessary the financial results of the Company before submission to the Board.

The Audit Committee made recommendations to the Board which were within its terms of reference and considered any other matters as the Board might have referred to it.

Directors’ and corporate governance report (continued)

Policy for non audit services

The Board has adopted a policy for the provision of non-audit services by its external auditor, BDO Limited and reviews and approves all material non-audit related services in accordance with the need to ensure the independence and objectivity of the external auditor. No services, other than audit-related ones, were carried out by BDO Limited during 2017.

Internal audit

The Board relies upon the systems and procedures employed by the Investment Manager and the administrator which are regularly reviewed and are considered to be sufficient to provide it with the required degree of comfort. Resulting from this and the fact that the Group only has one employee, the Board continues to believe that there is no need for an internal audit function.

Nomination Committee

The Nomination Committee had consisted of Serena Tremlett (Chairman), David Jeffreys, Dick Kingston, Phillip Rose and David Rowlinson.

The Committee’s principal task was to review the structure, size and composition of the Board in relation to its size and position in the market and to make recommendations to fill Board vacancies as they arose and it met at least annually.

Remuneration Committee and attendance

The Remuneration Committee had consisted of the independent non-executive Directors being David Jeffreys (Chairman), Dick Kingston, David Rowlinson and Serena Tremlett.

The Board approved formal terms of reference for the Committee and a copy of these is available on request from the Company Secretary.

As the Company comprises only non-executive directors, the Committee’s main role was to determine their remuneration within the cap set out in the Company’s Articles.

Remuneration report

The fees payable to the Directors were limited to £200,000 per annum in aggregate under the Company’s Articles and the annual fees payable to each Director had not changed since the Company’s shares were listed in 2005 to the June 2016 Board meeting. At that meeting, the Board was reduced to two non-executive Directors with their fees being reduced to £40,000 per annum in aggregate. The fees payable to the Directors are expected to reflect their expertise, responsibilities and time spent on the business of the Company, taking into account market equivalents, the activities and the size of the Company and market conditions. Under their respective appointment letters, each director is entitled to an annual fee together with a provision for reimbursement for any reasonable out of pocket expenses.

During the year the Directors received the following emoluments in the form of fees from the Company:

	Year ending 31 December 2017 £	Year ending 31 December 2016 £
Dick Kingston*	-	15,000
David Jeffreys	20,000	21,500
Phillip Rose*	-	10,000
David Rowlinson*	-	10,000
Serena Tremlett	20,000	20,000
Total	**40,000**	**76,500**

* resigned on 3 June 2016 (see page 6)

Internal control and risk management

The Board understands its responsibility for ensuring that there are sufficient, appropriate and effective systems, procedures, policies and processes for internal control of financial, operational, compliance and risk management matters in place in order to manage the risks which are an inherent part of business. Such risks are managed rather than eliminated in order to permit the Company to meet its financial and other objectives.

As the Company has only one employee, the Board reviews the internal procedures of both its Investment Manager and its administrator upon which it is reliant. The Investment Manager has a schedule of matters which have been delegated to it by the Board and upon which it reports to the Board on a quarterly basis. These matters include quarterly management accounts and reporting against key financial performance indicators. Further, a compliance report is produced by the administrator for the Board on a quarterly basis.

The Company maintains a risk management framework which considers the non-financial as well as financial risks and this is reviewed by the Board.

Investment management agreement

The Company has an agreement with the Investment Manager. This sets out the Investment Manager’s key responsibilities, which include proposing a property investment strategy to the Board, identifying property investments to recommend for sale and managing appropriate lending facilities. The Investment Manager is also responsible to the Board for all issues relating to property asset management.

Directors' and corporate governance report (continued)

Substantial shareholding

Shareholders with holdings of more than three per cent of the issued ordinary shares of the Company as at 9 February 2018 were as follows:

Name of investor	No. of ordinary shares	% held
Antler Investment Holdings Limited	21,437,393	18.22
Alpha Global Property Securities Fund Pte. Ltd	9,390,800	7.98
Peel Hunt	9,002,977	7.65
Mr K. Dhana	7,095,960	6.03
Interactive Investor	6,741,973	5.73
Mr Richard M. Peskin	6,000,000	5.10
Mrs Rosemary J. Skelley	5,857,607	4.98
Halifax Share Dealing Clients	5,499,273	4.68
Hargreaves Lansdown Asset Management	4,628,425	3.93
Barclays Wealth Management (UK)	4,355,336	3.70

Shareholder relations

The Board places high importance on its relationship with its shareholders, with members of the Investment Manager's Investment Committee making themselves available for meetings with key shareholders and sector analysts. Reporting of these meetings and market commentary is received by the Board on a quarterly basis to ensure that shareholder communication fulfils the needs of being useful, timely and effective. One or more members of the Board and the Investment Manager will be available at the Annual General Meeting to answer any questions that shareholders attending may wish to raise.

Directors' Responsibilities Statement

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group at the end of the year and of the profit or loss of the Company and the Group for that year.

In preparing those financial statements, the Directors are required to:

(1) select suitable accounting policies and then apply them consistently;

(2) make judgements and estimates that are reasonable and prudent;

(3) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

(4) prepare the financial statements on the going concern basis unless it is appropriate to assume that the Company and Group will not continue in business (as detailed in the going concern paragraph below and in note 2 of the financial statements, these financial statements have not been prepared on a going concern basis).

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

So far as each of the Directors is aware, there is no relevant information of which the Company's auditor is unaware, and they have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant information and to establish that the Company's auditor is aware of that information.

Going concern

During the year, the Board has made further progress in the planned orderly realisation of its investment properties and subsequent partial repayment of the bank borrowings. The maturity date of the remaining bank borrowings is 31 October 2018. The Trust has the support of its lender for the sale of its remaining property with a view to winding up the Trust's group in due course. The accounts are therefore not prepared on a going concern basis.

Annual General Meeting

The AGM will be held in Guernsey at 9 a.m. on 27 April 2018 at Old Bank Chambers, La Grande Rue, St Martin's, Guernsey. The meeting will be held to receive the Annual Report and Financial Statements, re-elect Directors and propose the reappointment of the auditor and that the Directors be authorised to determine the auditor's remuneration.

Independent auditor

BDO Limited has expressed its willingness to continue in office as auditor of the Company.

By order of the Board,

David Jeffreys
Director

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the Directors' and corporate governance report, confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS') in accordance with the requirements of the London Stock Exchange, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company, and
- the Chairman's statement and the property review include a fair review of the development and performance of the business and the position of the Company and Group and notes 19 and 20 to the financial statements provide a description of the principal risks and uncertainties that they face.

By order of the Board,

David Jeffreys
Director

Corporate responsibility – benefits, risks and controls

The Board has reviewed the Company's Corporate Responsibility Policy and considers this to be appropriate for the Company. The Company's policy is as follows:

Alpha Pyrenees Trust Limited is committed to managing its property in a way that delivers positive environmental, social and economic benefits. The Company recognises that the way in which buildings are designed, built, managed and occupied, significantly influences their impact on the environment and affected communities and it seeks to manage these issues.

The Company believes that, through the implementation of socially responsible policies, the Company can manage effectively our sustainability related risks, associated with, for example, climate change (more severe and regular floods, increasing storm damage costs and rising energy prices), site contamination and remediation, use of hazardous materials, waste management (rising landfill and disposal costs) and local community relations.

The Company's standard business process ensured that appropriate environmental reports were obtained as part of the due diligence process for property acquisitions and the Company assessed the accessibility of each property to public transportation.

The Company's managers and appointed agents are required to comply with all relevant laws and regulations affecting the Company's business, and managers are expected to be aware of the environmental issues associated with property investment including environmental health and safety legislation, energy use, pollution and waste management.

Independent auditors' report

To the members of Alpha Pyrenees Trust Limited

We have audited the financial statements of Alpha Pyrenees Trust Limited (the 'parent company') and its subsidiaries ('the group') for the year ended 31 December 2017 which comprise the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss and parent company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Emphasis of Matter – financial statements prepared on a basis other than that of a going concern

We draw attention to the disclosures made in note 2 to the financial statements which explains that it is the intention of the Board to sell the group's remaining investment property with a view to winding up the group in due course. As a consequence, the financial statements have therefore been prepared on a basis other than that of a going concern. Our opinion is not modified in this respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditors' report (continued)

Key audit matter	Audit response
Property Valuation (note 10) Property valuations are a highly subjective area as the valuer will make judgements as to property yields, quality of tenants and other variables to arrive at the current open market value of the remaining property. Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the group statement of comprehensive income and the group statement of financial position.	We evaluated the competence of the external valuer, Knight Frank, which included consideration of their qualifications and expertise. We read the terms of engagement with the group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We found no evidence to suggest that the objectivity of the valuer in their performance of the valuations was compromised. We have read the valuation report for the remaining property, discussed the basis of the property valuation with valuer to understand the process undertaken by them and we confirmed that valuation had been prepared in accordance with professional valuation standards and IFRS. We have considered the reasonableness of the inputs used by Knight Frank in the valuation, such as the terms of void periods, rent free periods and other assumptions that impact the value.
Disposal of subsidiary entities (note 9) Two subsidiaries, Alpha Pyrenees Spain SLU and Alpha Pyrenees Athis Mons SCI, were liquidated during the year. For such disposals, IFRS requires any foreign currency translation reserve to be recycled through the statement of comprehensive income. This is a material figure to the financial statements and requires analysis of the results of the subsidiaries disposed of from the date of their incorporation.	We agreed the calculation of the reclassification of foreign exchange gains on translation of foreign operations on disposal to audited figures going back to the date of incorporation of the two subsidiaries. We also reviewed the disclosure made in the financial statements in respect of the disposals to ensure compliance with the requirements of IFRS.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

For planning, we considered materiality to be the level by which misstatements individually or in aggregate, including omissions, could influence the economic decisions of the relevant users. Based on our professional judgment, we determined materiality for the group financial statements as a whole to be £102,600 (2016: £222,000), which is based on a level of 1% of total assets held for the majority of the year, and we determined materiality for the parent company financial statements as a whole to be £5,130 (2016: £11,000). We considered total assets to be the most appropriate benchmark due to the nature of the group being an investment property fund.

Performance materiality for the group has been set at £71,820 (2016: £155,400) which is 70% of materiality. This has been set based upon the control environment in place, the directors assessment of risk and our past experience of adjustments.

International Standards on Auditing (UK) also allow the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply to rental income and sensitive fees including investment management fees, directors' fees, property operating expenses, administration fees, audit fees and legal fees. We determined materiality for these areas to be £10,530.

Independent auditors' report (continued)

Component materiality has been set for the components which are significant to the group financial statements. Materiality for these components has been set at £67,000 (2016: £165,000).

We agreed with the Board of Directors that we would report all audit differences in excess of £5,130 (2016: £11,000).

An overview of the scope of our audit

We tailored the scope of our audit taking into account the nature of the group's and parent company's investments, involvement of the Investment Manager and the company's Administrator, the accounting and reporting environment and the industry in which the group and parent company operates.

This assessment took into account the likelihood, nature and potential magnitude of any misstatement. As part of this risk assessment we considered the group's and parent company's interaction with the Investment Manager and the company's Administrator. We assessed the control environment in place at the Investment Manager and the company's Administrator to the extent that it was relevant to our audit. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

The parent company and each subsidiary form separate components of the group. The parent company and the significant component, Alpha Pyrenees Offices SCI have both been subject to a full scope audits. Alpha Pyrenees Athis Mons SCI, Alpha Pyrenees Alcala SLU and Alpha Pyrenees Ecija SLU have had specific procedures performed on them. We have performed desktop reviews on all the remaining subsidiaries, as they are not significant to the group.

The audit work on Alpha Pyrenees Offices SCI and the specific procedures on Alpha Pyrenees Athis Mons SCI, Alpha Pyrenees Alcala SLU and Alpha Pyrenees Ecija SLU were completed by the component auditors and reviewed by us. In addition to the work performed by the component auditors, we have performed audit procedures on all key risk areas.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement within the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

We were appointed by the board of directors on 22 November 2006 to audit the financial statements for the year ending 31 December 2006 and subsequent financial periods. The period of total uninterrupted engagement is 12 years, covering the years ended 31 December 2006 to 31 December 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the board of directors.

The engagement director on the audit resulting in this independent auditor's report is Richard Searle.

Richard Michael Searle

Richard Michael Searle FCA
For and on behalf of BDO Limited
Chartered Accountants and Recognised Auditor
Place du Pré, Rue du Pré, St Peter Port, Guernsey
8 March 2018

Consolidated statement of comprehensive income

	Notes	For the year ended 31 December 2017 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 December 2016 Revenue £'000	Capital £'000	Total £'000
Income							
Revenue	3	413	-	413	1,033	-	1,033
Property operating expenses	3	(827)	-	(827)	(1,241)	-	(1,241)
Net rental expense		**(414)**	**-**	**(414)**	**(208)**	**-**	**(208)**
Losses on disposal of investment properties held for sale	10	-	(5,398)	(5,398)	-	(1,461)	(1,461)
Gains on disposal of subsidiaries		-	1,531	1,531	-	676	676
Losses on revaluation of investment properties held for sale	10	-	(966)	(966)	-	(7,268)	(7,268)
Expenses							
Investment Manager's fee	18	(747)	-	(747)	(867)	-	(867)
Other administration costs	4	(395)	-	(395)	(948)	-	(948)
Operating loss		**(1,556)**	**(4,833)**	**(6,389)**	**(2,023)**	**(8,053)**	**(10,076)**
Finance costs	5	(5,324)	(672)	(5,996)	(5,462)	(17)	(5,479)
Loss before taxation		**(6,880)**	**(5,505)**	**(12,385)**	**(7,485)**	**(8,070)**	**(15,555)**
Taxation	6	-	-	-	-	-	-
Loss for the year		**(6,880)**	**(5,505)**	**(12,385)**	**(7,485)**	**(8,070)**	**(15,555)**
Other comprehensive income/(loss)							
Items that may be reclassified to profit or loss in subsequent periods:							
Foreign exchange losses on translation of foreign operations (translation reserve)		-	(1,691)	(1,691)	-	(6,498)	(6,498)
Reclassification of foreign exchange gains on translation of foreign operations following disposals		-	(1,531)	(1,531)	-	(676)	(676)
Other comprehensive loss for the year		**-**	**(3,222)**	**(3,222)**	**-**	**(7,174)**	**(7,174)**
Total comprehensive loss for the year		**(6,880)**	**(8,727)**	**(15,607)**	**(7,485)**	**(15,244)**	**(22,729)**
Loss per share - basic & diluted	8			**(10.5)p**			**(13.2)p**

The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with IFRS as adopted by the European Union. The revenue and capital columns are supplied as supplementary information permitted under IFRS. All items in the above statement derive from continuing operations. All income is attributable to the equity holders of the parent company. There are no non-controlling interests.

The accompanying notes on pages 22 to 38 are an integral part of the financial statements.

Consolidated balance sheet

As at 31 December 2017	Notes	2017 £'000	2016 £'000
Current assets			
Investment properties held for sale	10	5,945	16,824
Trade and other receivables	11	228	685
Restricted cash	12	2,313	3,897
Cash and cash equivalents	12	788	1,213
		9,274	**22,619**
Current liabilities			
Trade and other payables	13	(1,165)	(1,294)
Bank borrowings	14	(82,629)	(2,889)
Liabilities directly associated with investment properties		(190)	(257)
		(83,984)	**(4,440)**
Non-current liabilities			
Bank borrowings	14	-	(77,282)
Net liabilities		**(74,710)**	**(59,103)**
Equity			
Share capital	15	-	-
Special reserve	16	113,131	113,131
Translation reserve	16	13,838	17,060
Capital reserve	16	(179,748)	(174,243)
Revenue reserve	16	(21,931)	(15,051)
Total equity		**(74,710)**	**(59,103)**
Net asset value per share		**(63.5)p**	**(50.2)p**

The financial statements were approved by the Board of Directors and authorised for issue on 8 March 2018.
They were signed on its behalf by:

David Jeffreys
Director

The accompanying notes on pages 22 to 38 are an integral part of the financial statements.

Consolidated cash flow statement

	Notes	For the year ended 31 December 2017 £'000	For the year ended 31 December 2016 £'000
Operating activities			
Loss for the year		(12,385)	(15,555)
Adjustments for :			
Losses on disposal of investment properties held for sale		5,398	1,461
Gains on disposal of subsidiaries		(1,531)	(676)
Losses on revaluation of investment properties held for sale		966	7,268
Finance costs		5,996	5,479
Operating cash flows before movements in working capital		**(1,556)**	**(2,023)**
Movements in working capital:			
Movement in trade and other receivables		707	1,013
Movement in trade and other payables		(250)	(1,454)
Cash flows used in operating activities		**(1,099)**	**(2,464)**
Investing activities			
Proceeds from disposal of investment properties		5,120	25,319
Cash flows from investing activities		**5,120**	**25,319**
Financing activities			
Repayment of borrowings		(5,781)	(28,702)
Bank loan interest paid and costs		(65)	(1,385)
Restricted cash movement	12	1,706	7,412
Cash flows used in financing activities		**(4,140)**	**(22,675)**
Net (decrease)/increase in cash and cash equivalents		**(119)**	**180**
Cash and cash equivalents at beginning of year		**1,213**	**1,309**
Exchange translation movement		(306)	(276)
Cash and cash equivalents at end of year (note 12)		**788**	**1,213**

The accompanying notes on pages 22 to 38 are an integral part of the financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016	Share capital	Special reserve	Translation reserve	Capital reserve	Revenue reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2016	**-**	**113,131**	**24,234**	**(166,173)**	**(7,566)**	**(36,374)**
Total comprehensive loss for the year						
Loss for the year	-	-	-	(8,070)	(7,485)	(15,555)
Other comprehensive loss	-	-	(7,174)	-	-	(7,174)
Total comprehensive loss for the year	**-**	**-**	**(7,174)**	**(8,070)**	**(7,485)**	**(22,729)**
At 31 December 2016	**-**	**113,131**	**17,060**	**(174,243)**	**(15,051)**	**(59,103)**
Note 15, 16						

For the year ended 31 December 2017	Share capital	Special reserve	Translation reserve	Capital reserve	Revenue reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	**-**	**113,131**	**17,060**	**(174,243)**	**(15,051)**	**(59,103)**
Total comprehensive loss for the year						
Loss for the year	-	-	-	(5,505)	(6,880)	(12,385)
Other comprehensive loss	-	-	(3,222)	-	-	(3,222)
Total comprehensive loss for the year	**-**	**-**	**(3,222)**	**(5,505)**	**(6,880)**	**(15,607)**
At 31 December 2017	**-**	**113,131**	**13,838**	**(179,748)**	**(21,931)**	**(74,710)**
Note 15, 16						

The accompanying notes on pages 22 to 38 are an integral part of the financial statements.

Company statement of comprehensive income

		For the year ended 31 December 2017			For the year ended 31 December 2016		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Expenses							
Investment Manager's fee	18	(747)	-	(747)	(867)	-	(867)
Other administration costs	4	(203)	-	(203)	(458)	-	(458)
Total expenses		**(950)**	**-**	**(950)**	**(1,325)**	**-**	**(1,325)**
Operating loss		**(950)**	**-**	**(950)**	**(1,325)**	**-**	**(1,325)**
Finance costs	5	-	(1)	(1)	(1)	(18)	(19)
Movement in impairment of amounts receivable from and investments in subsidiary undertakings	9, 19	-	1,095	1,095	-	1,208	1,208
(Loss)/profit before taxation		**(950)**	**1,094**	**144**	**(1,326)**	**1,190**	**(136)**
Taxation	6	-	-	-	-	-	-
(Loss)/profit for the year		**(950)**	**1,094**	**144**	**(1,326)**	**1,190**	**(136)**
Total comprehensive (loss)/income for the year		**(950)**	**1,094**	**144**	**(1,326)**	**1,190**	**(136)**

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with IFRS as adopted by the European Union. The revenue and capital columns are supplied as supplementary information permitted under IFRS. All items in the above statement derive from continuing operations.

The accompanying notes on pages 22 to 38 are an integral part of the financial statements.

Company balance sheet

As at 31 December 2017	Notes	2017 £'000	2016 £'000
Current assets			
Trade and other receivables	11	13	15
Cash and cash equivalents	12	3	1
		16	**16**
Total assets		**16**	**16**
Current liabilities			
Trade and other payables	13	(643)	(787)
Total liabilities		**(643)**	**(787)**
Net liabilities		**(627)**	**(771)**
Equity			
Share capital	15	-	-
Special reserve	16	113,131	113,131
Capital reserve	16	(137,035)	(138,129)
Revenue reserve	16	23,277	24,227
Total equity		**(627)**	**(771)**

The financial statements were approved by the Board of Directors and authorised for issue on 8 March 2018.
They were signed on its behalf by:

David Jeffreys
Director

The accompanying notes on pages 22 to 38 are an integral part of the financial statements.

Company cash flow statement

	For the year ended 31 December 2017 £'000	For the year ended 31 December 2016 £'000
Operating activities		
Profit/(loss) for the year	144	(136)
Adjustments for :		
Finance costs	1	19
Movement in impairment of amounts receivable from subsidiary undertakings	(1,095)	(1,208)
Operating cash flows before movements in working capital	**(950)**	**(1,325)**
Movement in operating trade and other receivables	3	(3)
Movement in operating trade and other payables	(144)	104
Cash flows used in operations	**(1,091)**	**(1,224)**
Interest paid	-	(1)
Cash flows used in operating activities	**(1,091)**	**(1,225)**
Investing activities		
Current account loans repaid	1,093	1,194
Cash flows from investing activities	**1,093**	**1,194**
Net increase/(decrease) in cash and cash equivalents	**2**	**(31)**
Cash and cash equivalents at beginning of year	**1**	**36**
Exchange translation movement	-	(4)
Cash and cash equivalents at end of year	**3**	**1**

The accompanying notes on pages 22 to 38 are an integral part of the financial statements.

Company statement of changes in equity

For the year ended 31 December 2016	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 January 2016	-	**113,131**	**(139,319)**	**25,553**	**(635)**
Total comprehensive income/(loss) for the year					
Income/(loss) for the year	-	-	1,190	(1,326)	(136)
Total comprehensive income/(loss) for the year	**-**	**-**	**1,190**	**(1,326)**	**(136)**
At 31 December 2016	**-**	**113,131**	**(138,129)**	**24,227**	**(771)**
Note 15, 16					

For the year ended 31 December 2017	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 January 2017	**-**	**113,131**	**(138,129)**	**24,227**	**(771)**
Total comprehensive income/(loss) for the year					
Income/(loss) for the year	-	-	1,094	(950)	144
Total comprehensive income/(loss) for the year	**-**	**-**	**1,094**	**(950)**	**144**
At 31 December 2017	**-**	**113,131**	**(137,035)**	**23,277**	**(627)**
Note 15, 16					

The accompanying notes on pages 22 to 38 are an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 December 2017

1. General information

The Company is a limited liability, closed-ended investment company incorporated in Guernsey. The address of the registered office is given on page 39. The nature of the Group's operations and its principal activities are set out in the Chairman's statement on page 2. The financial statements were approved and authorised for issue on 8 March 2018 and signed by David Jeffreys on behalf of the Board.

2. Significant accounting policies

A summary of the principal accounting policies is set out below. The policies have been consistently applied to all years presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a high degree of judgement or complexity or areas where the assumptions and estimates are significant to the financial statements are disclosed in this note.

Basis of preparation

These financial statements have been prepared in accordance with IFRS, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standards Interpretations Committee's interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union.

Going concern

During the year, the Board has made further progress in the planned orderly realisation of its investment properties and subsequent partial repayment of the bank borrowings. The maturity date of the remaining bank borrowings is 31 October 2018. The Trust has the support of its lender for the sale of its remaining property with a view to winding up the Trust's group in due course. The accounts are therefore not prepared on a going concern basis.

a) Adoption of new and revised Standards

A number of new standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee are effective for the current year. The adoption of these standards has not led to any changes in the Group's accounting policies; an exception is represented by the Disclosure Initiative Amendments to IAS7: this amendment requires disclosure of changes in liabilities arising from financing activities (see note 14).

b) Standards and Interpretations in issue and not yet effective

At the date of authorisation of these financial statements, there were a number of standards and interpretations, which have not been applied in these financial statements that were in issue but not yet effective. These are either not relevant to the Company and Group or, given the orderly disposal of its remaining investment property and intended winding up of the Company and Group, are not expected to have a significant impact.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the subsidiary undertakings controlled by the Company, made up to 31 December each year. Control is achieved where the Company has power over the investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power to affect the amount of the investor's returns.

The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal as appropriate.

When necessary, adjustments are made to the financial statements of subsidiary undertakings to bring their accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Presentation of statement of comprehensive income

In order to better reflect the activities of an investment company and in accordance with guidance issued by the Association of Investment Companies ("AIC"), supplementary information, which analyses the statement of comprehensive income between items of a revenue and capital nature, has been presented alongside the Company and Group's statements of comprehensive income.

Revenue recognition

Rental income from investment property leased out under an operating lease is recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore also recognised on the same straight line basis. Rental revenues are accounted for on an accruals 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 Group and the amount of revenue can be measured reliably. Upon early termination of a lease by the lessee, the receipt of a surrender premium is immediately recognised as revenue.

The Company's interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable. Provisions against recoverability of interest income are recognised as an expense within the movement in impairment of amounts receivable from subsidiary undertakings.

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Significant accounting policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Foreign currencies

a) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured in the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

b) Transactions and balances

Transactions in currencies other than the functional currency of the Group's entity involved are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the year.

c) Group companies

The results and financial position of all the Group entities that have a functional currency which differs from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at the average exchange rate prevailing in the period; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, the exchange differences arising from the translation of the Company's net investment in foreign entities are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

The year-end exchange rate used is £1:€1.127 (2016: £1:€1.169) and the average rate for the year used is £1:€1.142 (2016: £1:€1.226).

Operating profit

a) Company

Operating profit includes interest income from subsidiary entities, as reduced by Investment Manager's fees and administrative expenses and excludes the movement on impairment of loans from and investments in subsidiaries, finance costs and finance income.

b) Group

Operating profit includes net gains or losses on revaluation of investment properties and net gains or losses on disposal of investment properties and subsidiaries, as reduced by administrative expenses and property operating costs and excludes finance costs and finance income.

Expenses

All expenses are accounted for on an accruals basis and include fees and other expenses paid to the administrator, the Investment Manager and the Directors.

In respect of the analysis between revenue and capital items presented within the statement of comprehensive income, all expenses have been presented as revenue items except:

(i) realised gains or losses from disposal of investment properties and subsidiaries and unrealised gains or losses on revaluation of investment properties;

(ii) foreign exchange losses.

Taxation

The Company is exempt from Guernsey taxation on income derived outside of Guernsey and bank interest earned in Guernsey. A fixed annual fee of £1,200 (2016: £1,200) is payable to the States of Guernsey in respect of this exemption. No charge to Guernsey taxation arises on capital gains. The Group is liable to foreign tax arising on activities of the overseas subsidiaries. The Company has subsidiary operations in Luxembourg, Belgium, France and Spain.

The tax expense represents the sum of the tax currently payable and deferred tax.

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Significant accounting policies (continued)

Fair value measurement

The Group measures certain non-financial assets such as investment property held for sale, at fair value at the end of each reporting period, using recognised valuation techniques and following the principles of IFRS 13. In addition, fair values of financial instruments measured at amortised cost are disclosed in the financial statements.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investment property held for sale

Investment property, which was property held to earn rentals and/or for capital appreciation, was initially recognised at cost being the fair value of consideration given including related transaction costs. As from prior year, the Group investment properties are all classified as held for sale. Investment properties are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business. For this to be the case, the property must be available for immediate sale in its present condition, management must be committed to and have initiated a plan to sell the property which, when initiated, was expected to result in a completed sale within twelve months. Property assets that are classified as held for sale are measured at fair value based on half yearly professional valuations made by Knight Frank LLP, in accordance with IAS 40 Investment Property. The valuations are in accordance with standards complying with the Royal Institution of Chartered Surveyors Appraisal and Valuation manual and the International Valuation Standards Committee.

Gains or losses arising from changes in the fair value of investment property held for sale are included in the statement of comprehensive income in the period in which they arise. Properties were treated as acquired when the Group assumed the significant risks and returns of ownership and are treated as disposed of when these are transferred to the buyer.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

For management purposes, the Group is organised into one main operating segment, which invests in commercial property located in Europe. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

All of the Group's revenue is from entities that are incorporated in Europe.

The Group does not have non-current assets at the balance sheet date (2016: none).

With the exception of cash and cash equivalents and restricted cash, which are located in Europe and Guernsey, all of the Group's current assets are located in Europe only.

Investment in subsidiaries

Investments in subsidiaries are initially recognised and subsequently carried at cost in the Company's financial statements less, where appropriate, provisions for impairment.

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Company and Group's balance sheet when the Company and Group become a party to the contractual provisions of the instrument. The Company and Group shall offset financial assets and financial liabilities if the Company and Group has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

(a) Financial assets

The Company and Group's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. The Company and Group have not classified any of its financial assets as held to maturity or as available for sale.

Unless otherwise indicated, the carrying amounts of the Company and Group's financial assets are a reasonable approximation of their fair values.

(i) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through rental leases with tenants (e.g. trade receivables and cash and cash equivalents) but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company and Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such impairments directly reduce the carrying amount of the impaired asset and are recognised against the relevant income category in the statement of comprehensive income.

Cash and cash equivalents are carried at cost and consist primarily of short term deposits in banks with an original maturity of three months or less.

Restricted cash is carried at cost and relates to trapped cash held on the cash pooling account controlled by Barclays.

(ii) Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either:

- when the Company and Group has transferred substantially all the risks and rewards of ownership; or
- when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the asset or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

(b) Financial liabilities

The Company and Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was issued and its characteristics.

Unless otherwise indicated, the carrying amounts of the Company and Group's financial liabilities are a reasonable approximation of their fair values.

(i) Financial liabilities measured at amortised cost

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.
- Bank borrowings are initially recognised at fair value net of attributable transaction costs incurred. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

(ii) Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Company and Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

(c) Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments. For the purposes of the disclosures given in note 19 the Company considers all its share capital, share premium and all other reserves as equity. The Company is not subject to any externally imposed capital requirements.

(d) Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees or amounts 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.

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Significant accounting policies (continued)

Significant accounting estimates and judgements

The Directors make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Investment property

The gross property value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Transaction costs normally borne by the seller are not deducted in arriving at gross property value, in accordance with IFRS 13. The fair value is calculated by deducting the costs normally borne by the purchaser from the gross property value. Fair value is not intended to represent the liquidation value of the property, which would be dependent upon the price negotiated at the time of sale less any associated selling costs. The fair value is largely based on estimates using property appraisal techniques and other valuation methods. Such estimates are inherently subjective and actual values can only be determined in a sales transaction.

Investment properties held for sale are measured at fair value. The Board determines that a property is available for sale where it is intended and expected to sell within one year from the date of classification as held for sale.

The fair value of the Group's investment properties held for sale as at 31 December 2017 was £5.9 million (2016: £16.8 million). Refer to note 10 for further details.

3. Revenue

	Group 2017	Company 2017	Group 2016	Company 2016
	£'000	£'000	£'000	£'000
Rental income	280	-	375	-
Other income	-	-	357	-
Service and management charges	133	-	301	-
Total	**413**	**-**	**1,033**	**-**

At 31 December 2017, the Group recognised non recoverable property operating expenditure as follows:

	2017	2016
	£'000	£'000
Service charge income	133	301
Property operating expenditure	(827)	(1,241)
Non recoverable property operating expenditure	**(694)**	**(940)**

PProperty operating expenses relating to investment properties that did not generate any rental income were £0.3 million (2016: £0.5 million).

Revenue from one tenant in Spain, Fitness 4 All, amounted to £0.1 million (2016: Fitness 4 All for £0.1 million). Total revenue from tenants located in France amounted to £0.2 million (2016: £0.5 million) and total revenue from tenants located in Spain amounted to £0.2 million (2016: £0.2 million).

The Group leased out its investment property solely under operating leases. Leases were typically for terms of standard institutional 3/6/9 years in France and 5 + 5 years in Spain. At the balance sheet date, the Group owns only one vacant property, St. Cyr l'Ecole, located in France, so it has no contracted rent with tenants and hence no future minimum lease payments are expected for the foreseeable future:

	2017	2016
	£'000	£'000
Within one year	-	256
In the second to fifth years inclusive	-	1,053
After five years	-	1,968
Total	**-**	**3,277**

Notes to the financial statements (continued)

For the year ended 31 December 2017

4. Other administration costs

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Accounts and administrative fees	187	74	265	126
Non-executive Directors' fees	40	40	77	77
Auditors' remuneration for audit services	57	35	70	37
Other professional fees	107	54	532	218
Staff costs	4	-	4	-
Total	**395**	**203**	**948**	**458**

The Group has one employee. The Directors are the only key management personnel of the Group.

5. Finance costs

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Interest on bank borrowings	5,236	-	5,134	-
Loan fee amortisation	60	-	276	-
Foreign exchange loss	672	1	17	18
Other charges	28	-	52	1
Total	**5,996**	**1**	**5,479**	**19**

Other than net losses on financial liabilities held at fair value through profit or loss, finance costs arise on financial liabilities measured at amortised cost using the effective interest rate method.

6. Taxation

(a) Taxation on profit on ordinary activities

Group

The Group's tax position for the year comprises:

	Group 2017 £'000	Group 2016 £'000
Deferred taxation		
France	-	-
Spain	-	-
Total	**-**	**-**
Tax expense reconciliation		
Loss for the year	(12,385)	(15,555)
Loss for the year at the tax rate of 33.33%	(4,128)	(5,184)
Less: income not taxable	(591)	(359)
Add: expenditure not taxable	1,431	2,957
Add: un-provided deferred tax asset movement	3,288	2,586
Tax charge	**-**	**-**

Notes to the financial statements (continued)

For the year ended 31 December 2017

6. Taxation (continued)

Tax at domestic rates applicable to profits in the country concerned.

	Group 2017 £'000	Group 2016 £'000
French taxation at 33.33%	-	-
Spanish taxation at 25%	-	-

(b) Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon.

	Revaluation of investment properties £'000	Accelerated tax depreciation £'000	Tax losses £'000	Interest rate swap £'000	Total £'000
At 31 December 2015	**(13,775)**	**13,833**	**(58)**	**-**	**-**
Charged/(credited) to profit or loss	7,415	(7,479)	64	-	-
Charged/(credited) to other comprehensive income	(1,854)	1,860	(6)	-	-
At 31 December 2016	**(8,214)**	**8,214**	**-**	**-**	**-**
Charged/(credited) to profit or loss	2,591	(2,591)	-	-	-
Charged/(credited) to other comprehensive income	(1,642)	1,642	-	-	-
At 31 December 2017	**(7,265)**	**7,265**	**-**	**-**	**-**

At the balance sheet date the Group has unused tax losses of £211.0 million (2016: £170.6 million). Due to the unpredictability of future taxable profits, the Directors believe it is not prudent to recognise deferred tax assets in respect of the losses.

The French unused tax losses of £101.6 million (2016: £89.7 million), Belgian unused tax losses of £0.2 million (2016: £0.9 million), Spanish unused tax losses of £12.5 million (2016: £29.9 million) and unused tax losses in Luxembourg of £96.7 million (2016: £50.1 million) can be carried forward indefinitely.

7. Dividends

The Company does not pay dividends.

8. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	1 January 2017 to 31 December 2017	1 January 2016 to 31 December 2016
Losses after tax per statement of comprehensive income (£'000)	(12,385)	(15,555)
Basic and diluted losses per share	**(10.5)p**	**(13.2)p**
Weighted average number of ordinary shares (000's)	117,627	117,627

Notes to the financial statements (continued)

For the year ended 31 December 2017

9. Investment in subsidiary undertakings

A list of the significant investments in subsidiaries, including the name, country of incorporation and the proportion of ownership interest is given below.

Name of subsidiary undertaking	Class of share	% of class held with voting rights	Country of incorporation	Principal activity
Alpha Pyrenees Luxembourg SARL	Ordinary	100%	Luxembourg	Holding company
Alpha Pyrenees Belgium SA	Ordinary	100%	Belgium	Holding company
Alpha Pyrenees Athis Mons SARL	Ordinary	100%	France	Holding company
Alpha Pyrenees Offices SARL	Ordinary	100%	France	Holding company
Alpha Pyrenees Offices SCI	Ordinary	100%	France	Property investment
Alpha Pyrenees Alcalá SLU	Ordinary	100%	Spain	Property investment
Alpha Pyrenees Ècija SLU	Ordinary	100%	Spain	Property investment

The Group's investment properties are held by its subsidiary undertakings.

During the year, Alpha Pyrenees Spain SLU and Alpha Pyrenees Athis Mons SCI, both property investment companies, were dissolved.

The Company has made the following loans to its subsidiary undertakings as at 31 December 2017:

	2017 Interest bearing £'000	2017 Non-interest bearing £'000	2017 Total £'000	2016 Interest bearing £'000	2016 Non-interest bearing £'000	2016 Total £'000
Loans	110,528	76,071	186,599	106,557	68,590	175,147
Impairment	(110,528)	(76,071)	(186,599)	(106,557)	(68,590)	(175,147)
Total	-	-	-	-	-	-

The loans are denominated in Euros, unsecured and are subject to a range of interest rates, fixed for the term of the relevant loan. At 31 December 2017 the weighted average interest rate was 5.17% (2016: 4.81%).

A total impairment of £186.6 million (2016: £175.1 million) has been made against amounts receivable from subsidiary undertakings to reflect the current mark to market impact of the property valuations which have arisen within the Group subsidiaries and that Barclays has first charge over all investment properties held for sale.

During the year, the Company received £1,093,000 (2016: £1,194,000) as loan repayment from subsidiaries, as shown in the cash flow statement under investing activities: this is due to the cash release mechanism of the cash pooling account controlled by Barclays (see note 12) and impacts the Company's statement of comprehensive income through the movement in impairment of amounts receivable from and investments in subsidiary undertakings.

The Company's investment in subsidiaries is also fully impaired.

10. Investment properties held for sale

	2017 £'000	2016 £'000
Investment properties held for sale at 1 January	**16,824**	**39,283**
Subsequent capital expenditure after acquisition	-	-
Disposals	(10,159)	(19,891)
Movement in rent incentives/initial costs	(230)	(280)
Fair value adjustment in the year	(966)	(7,268)
Effect of foreign exchange	476	4,980
Investment properties held for sale at 31 December	**5,945**	**16,824**

Investment properties held for sale represent the fair value of properties that have been actively marketed for disposal at the balance sheet date.

The fair value of the Group's investment properties held for sale at 31 December 2017 and 31 December 2016 (with the exception of Ivry in France, which was valued by the Directors at its selling price), has been arrived at on the basis of valuations carried out at that date by Knight Frank LLP, independent valuers not connected to the Group. The portfolio has been valued on a fair value basis as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards ("RICS").

The approved RICS definition of 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."

Notes to the financial statements (continued)

For the year ended 31 December 2017

10. Investment properties held for sale (continued)

During the year, the Group sold two properties in France and two properties in Spain: Ivry for £2.6 million (€2.9 million) and Champs sur Marne for £2.3 million (€2.6 million) in France and Alcalá de Guadaíra for £0.6 million (€0.7 million) and Écija for £0.4 million (€0.5 million) in Spain.

At 31 December 2017, the Group has pledged one investment property held for sale valued at £5.9 million (€6.7 million) (2016: £16.8 million (€19.7 million)) to secure borrowings (note 14).

No provision is made for potential disposal costs as these will be contingent upon ultimate realisation values and specific arrangements that may be agreed.

Formal marketing of the Trust's remaining property is ongoing and the results of the marketing process to date indicate that, although there is no certainty that a transaction will take place, if it does, the price achieved is most likely to be lower than the valuation at 31 December 2017. The Trust will provide further updates on progress in due course.

11. Trade and other receivables

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Trade receivables	14	-	53	-
Amounts receivable from Property Managing Agents	59	-	34	-
Prepayments	39	13	41	11
Other receivables	22	-	438	4
VAT receivable	94	-	119	-
Total	**228**	**13**	**685**	**15**

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Note 19 provides an ageing of trade receivables.

12. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Cash at bank in the balance sheet	**3,101**	**3**	**5,110**	**1**
Cash balance held on the cash pooling account	(2,313)	-	(3,897)	-
Cash and cash equivalents	**788**	**3**	**1,213**	**1**

The cash balance held on the cash pooling account is subject to certain restrictions; accordingly this balance has not been classified as cash and cash equivalents for the purposes of the cash flow statement.

In November 2013, the Group entered into a cash pooling arrangement with Barclays over the Group's cash-flows from the whole property portfolio in order to provide further security to Barclays but which provides the Group and the Company with working capital for its operations. The resulting cash pooling account is controlled by Barclays and a cash release mechanism is in place whereby cash is released by Barclays following review of the Group's working capital budget, which is updated quarterly.

13. Trade and other payables

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Trade payables	90	19	277	128
Deferred income	4	-	241	-
Investment Manager's fee payable	596	596	627	627
VAT payable	8	-	3	-
Accruals	467	28	146	32
Total	**1,165**	**643**	**1,294**	**787**

Notes to the financial statements (continued)

For the year ended 31 December 2017

13. Trade and other payables (continued)

Trade payables and accruals primarily comprise amounts outstanding for trade purchases and ongoing costs. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

14. Bank borrowings

	Group 2017	Company 2017	Group 2016	Company 2016
	£'000	£'000	£'000	£'000
Current liabilities: interest payable and bank borrowings	82,629	-	2,889	-
Non-current liabilities: bank borrowings	-	-	77,282	-
Total liabilities	**82,629**	**-**	**80,171**	**-**
The borrowings are repayable as follows:				
Interest payable	5,645	-	2,889	-
On demand or within one year	76,984	-	-	-
In the second to fifth years inclusive	-	-	77,282	-
After five years	-	-	-	-
	82,629	**-**	**80,171**	**-**

During the year, the Group sold four investment properties at prices totalling £5.9 million (€6.7 million) with the net proceeds from these sales contributing to bank borrowings repayments of £5.8 million (€6.6 million).

At 31 December 2017, £77.0 million (€86.8 million) (2016: £77.3 million (€90.3 million)) was outstanding on all borrowings. Borrowings are secured over the shares in the Company's operating subsidiaries and mortgages over properties with a total value of £5.9 million (€6.7 million) (2016: £16.8 million (€19.7 million)).

The weighted average rate of interest at 31 December 2017 on all fixed rate loans is 5.17% (2016: 5.19%) and 9.62% (2016: 9.59%) on floating rate loans.

The repayment date of all borrowings is 31 October 2018.

Extension fees of 2% (per annum pro-rated) are charged on all borrowings from 10 February 2015: these are deferred to the new maturity date and will be payable to the extent that the Group has sufficient cash funds at that time. No additional fee was charged on the latest extensions to 31 October 2016 and to 31 October 2018. As at 31 December 2017, the Board considers it probable, based on cash flow forecasts, that there will be insufficient cash funds to settle this amount and hence this represents a contingent liability of €6.3 million (£5.6 million), which has not been recognised in these financial statements.

The table below sets out an analysis of net debt and the movements in net debt for the year ended 31 December 2017.

15. Share capital

Authorised share capital

The Company's authorised share capital is unlimited.

Issued and fully paid

	Number of shares
At 31 December 2015	**117,627,056**
Shares cancelled/issued during the year	-
At 31 December 2016	**117,627,056**
Shares cancelled/issued during the year	-
At 31 December 2017	**117,627,056**

The Company has one class of shares which carry no right to fixed income. All ordinary shares have nil par value.

Notes to the financial statements (continued)

For the year ended 31 December 2017

16. Reserves

The movements in the reserves for the Group and the Company are shown on pages 17 and 21 respectively

Special reserve

On 9 December 2005, the Royal Court of Guernsey confirmed the reduction of the Company's capital by way of cancellation of the amount standing to the credit of its share premium account on that date. The amount was transferred to the special reserve. The special reserve is a distributable reserve to be used for all purposes permitted under Guernsey company law, including the buyback of shares and payment of dividends.

Translation reserve

The translation reserve contains exchange differences arising on consolidation of the Group's overseas operations. These amounts may subsequently be reclassified to profit or loss.

Capital reserve

The capital reserve contains gains and losses on the disposal of investment properties, and increases and decreases in the fair value of the Group's investment properties and currency swap derivative financial instruments, together with expenses allocated to capital.

Revenue reserve

Any surplus arising from net profit after tax is taken to this reserve, which may be utilised for the buyback of shares and payment of dividends.

17. Events after the balance sheet date

Part of the sale's proceeds of the Ecija property in Spain were used to repay borrowings in January 2018 for £0.3 million (€0.3 million).

18. 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. Alpha Real Capital LLP is the Investment Manager to the Company under the terms of the Investment Manager Agreement and is thus considered a related party of the Company.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Following the disposal of the majority of the property portfolio, the Board has agreed, in line with the consensual sales programme established with Barclays, a monthly fee reflecting the need for the Investment Manager to maintain adequate resources to complete the disposal of the remaining properties and winding up of the Group. This fee is separately disclosed on the face of the statement of comprehensive income. The consensual sales programme requires 30% of fees earned by the Investment Manager to be deferred and only released when sales milestones have been achieved. The outstanding balance for Investment Manager's fees as at 31 December 2017 is £596,000 (31 December 2016: £627,000).

The Directors of the Company received fees for their services as detailed below.

Directors fees	2017	2016
	£'000	£'000
Dick Kingston**	-	15
David Jeffreys	20	22
Phillip Rose**	-	10
David Rowlinson*	-	10
Serena Tremlett (Chairman)	20	20
Total	**40**	**77**

* David Rowlinson is a director of Antler Investment Holdings Limited ("Antler") and the managing director of Liberation Management Limited, which is a trustee of the Rockmount Purpose Trust that indirectly is a partner of Alpha Real Capital LLP. As such he was considered to be in a position in which he was able to exercise significant influence over the Investment Manager. David Rowlinson resigned as Director of the Company with effective date 3 June 2016.

** Resigned with effective date 3 June 2016

Notes to the financial statements (continued)

For the year ended 31 December 2017

18. Related party transactions (continued)

Serena Tremlett is the Managing Director of Estera Administration (Guernsey) Limited ('EAGL'), the Company's administrator and secretary. EAGL was formerly Morgan Sharpe Administration Limited, which was purchased by Estera on 28 April 2017. Serena is a minority shareholder of EAGL's parent company. During the period the Company paid Estera fees of £48,000 (31 December 2016: £81,000).

During the year, in addition to the Directors' fees above, David Jeffreys and Serena Tremlett received £1,000 (2016: £1,750) and £6,500 (2016: £3,750) respectively for their position as Directors of Company's subsidiaries.

Directors' shareholdings in the Company are detailed in the Directors' and corporate governance report.

The following, being partners of the Investment Manager, hold or have an interest in the following shares in the Company at 31 December 2017:

	2017 Number of shares held	2016 Number of shares held
Rockmount Ventures Limited and ARRCO Limited**	21,437,393	21,437,393
P. Rose***	1,290,079	1,290,079
B. Bauman	544,809	544,809
B. Frith	229,078	229,078
K. Devon-Lowe	108,650	24,650

** Rockmount Ventures Limited is the parent company of ARRCO Limited. The interest attributed to the two corporate partners represents 21,437,393 shares held by a related party, Antler. As such these companies are considered to be in a position in which they are able to exercise significant influence over the Investment Manager.

*** Phillip Rose is the CEO and a partner of the Investment Manager.

Alpha Global Property Securities Fund Pte. Ltd, a wholly owned subsidiary of ARC registered in Singapore, holds 9,390,800 (31 December 2016: 9,390,800) shares in Alpha Pyrenees Trust Limited.

Paul Cable, being the Investment Manager's Fund Manager responsible for the Company's investments, holds 84,918 (2016: 84,918) shares in the Company.

19. Financial instruments risk exposure and management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group and Company, from which financial instrument risk arises, are as follows:

	Financial assets and liabilities carrying value			
	Group 2017	Company 2017	Group 2016	Company 2016
	£'000	£'000	£'000	£'000
Current financial assets				
Trade and other receivables (excluding prepayments and VAT)	95	-	525	4
Restricted cash	2,313	-	3,897	-
Cash and cash equivalents	788	3	1,213	1
Total current financial assets	**3,196**	**3**	**5,635**	**5**
Current financial liabilities				
Trade and other payables (excluding deferred income)	1,161	643	1,053	787
Bank borrowings	82,629	-	2,889	-
Liabilities directly associated with investment properties held for sale	190	-	257	-
Total current financial liabilities	**83,980**	**643**	**4,199**	**787**
Non-current financial liabilities				
Bank borrowings	-	-	77,282	-
Total non-current financial liabilities	**-**	**-**	**77,282**	**-**
Total financial liabilities	**83,980**	**643**	**81,481**	**787**

Notes to the financial statements (continued)

For the year ended 31 December 2017

19. Financial instruments risk exposure and management (continued)

Net changes in realised and unrealised gains or losses on financial instruments can be summarised as follows:

	Group 2017	Company 2017	Group 2016	Company 2016
	£'000	£'000	£'000	£'000
Net change in realised gains or losses on loans and receivables				
Movement in impairment of amounts receivable from and investments in subsidiary undertakings	-	1,095	-	1,208
Total	**-**	**1,095**	**-**	**1,208**

	Group 2017	Company 2017	Group 2016	Company 2016
	£'000	£'000	£'000	£'000
Bank interest income	-	-	-	-
Interest on bank borrowings	(5,235)	-	(5,134)	-
Loan fee amortisation	(60)	-	(276)	-
Total interest expense	**(5,295)**	**-**	**(5,410)**	**-**

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The above financial risk management policies apply equally to the Group and the Company. Further details regarding these policies are set out below.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

a) Group

The Group's credit risk principally arises from cash and cash equivalents as well as credit exposures with respect to tenants including other receivables. In the event of a default by an occupational tenant, the Group will suffer a rental shortfall and incur additional costs in maintaining, insuring and re-letting the property until it is re-let. 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 occupational tenants. Where possible, tenants' risk is mitigated through rental guarantees.

At year end, the Group only owns one vacant property so there are no tenants left in the portfolio (in 2016 Fitness 4 All was the largest tenant within the portfolio representing 27.0% of the annual contracted rent).

At 31 December 2017, trade and other receivables past due but not impaired amounted to nil (2016: £0.1 million).

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking into account the value of rent deposits obtained. Details of the Group's receivables are summarised in note 11 of the financial statements.

The Group policy is to maintain its cash and cash equivalent balances with a reasonable diversity of banks. The Board monitors the placement of cash balances on an ongoing basis and has policies to limit the amount of credit exposure to any financial institution. As at 31 December 2017, the Group had spread its cash across four financial institutions and had placed circa 75% in one bank, this mainly representing cash held on the cash pooling account (note 12).

b) Company

The Company's credit risk principally arises from cash and cash equivalents and amounts receivable from subsidiaries. The Company follows the same Group policy with regards to diversification of banking arrangements. Amounts receivable from subsidiaries are of mainly a long term nature and the loans are monitored on a regular basis.

An impairment of £186.6 million (2016: £175.1 million) has been made against amounts receivable from subsidiary undertakings to reflect the current mark to market impact of the investment properties valuations, loss realised on investment properties disposals, which have arisen within the Group's subsidiaries (note 9) and the fact that Barclays has first charge over all investment properties held for sale.

Notes to the financial statements (continued)

For the year ended 31 December 2017

19. Financial instruments risk exposure and management (continued)

	2017 Total £'000	2016 Total £'000
Impairment at 1 January	175,147	146,923
Movement	(1,095)	(1,208)
Effect of foreign exchange	12,547	29,432
Impairment at 31 December	**186,599**	**175,147**

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk. Details of the Company's loans and receivables are summarised in notes 9 and 11 of the financial statements.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group and Company have developed procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having in place an adequate amount of committed credit facilities. Cash and cash equivalents are placed with financial institutions on a short term basis reflecting the Group's and Company's desire to maintain a level of liquidity in order to enable timely payments to creditors.

The cash balance held on the cash pooling account is subject to certain restrictions; accordingly this balance has not been classified as cash and cash equivalents for the purposes of the cash flow statement (note 12).

The cash pooling account is controlled by Barclays and a cash release mechanism is in place whereby cash is released by Barclays following review of the Group's working capital budget, which is updated quarterly. This allows the Group to settle its liabilities for working capital requirements in a timely manner.

a) Group

The following table illustrates the contractual maturity analysis of the Group's financial liabilities based, where relevant, on interest rates and exchange rates prevailing at the balance sheet date.

2017	Within 1 year £'000	1-2 years £'000	Total £'000	Total carrying amount £'000
Trade and other payables (excluding deferred income)	1,161	-	**1,161**	**1,161**
Liabilities directly associated with investment properties held for sale	190	-	**190**	**190**
Bank borrowings	87,623	-	**87,623**	**82,629**
	88,974	**-**	**88,974**	**83,980**

2016	Within 1 year £'000	1-2 years £'000	Total £'000	Total carrying amount £'000
Trade and other payables (excluding deferred income)	1,053	-	**1,053**	**1,053**
Liabilities directly associated with investment properties held for sale	257	-	**257**	**257**
Bank borrowings	2,889	87,181	**90,070**	**80,171**
	4,199	**87,181**	**91,380**	**81,481**

Given the current economic environment and the maturity of the Group's bank borrowings on 31 October 2018 the Board will continue to seek the support of its lender for the sale of its remaining investment property with a view to winding up the Group in due course. The financial statements are therefore not prepared on a going concern basis.

b) Company

The Company only has trade payables and other payables which are payable within one year.

Notes to the financial statements (continued)

For the year ended 31 December 2017

19. Financial instruments risk exposure and management (continued)

Market risk

a) Foreign exchange risk

The Group operates in Europe and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Euros. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations.

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency (primarily Euros or Sterling) with the cash generated from their own operations in that currency.

As the property portfolio was acquired and mortgaged in Euros the Board considers it appropriate from a risk perspective to review currency exposure on a net assets basis. For illustrative purposes, therefore, the effect of a strengthening of the Euro by 5 cents would decrease Group net liabilities by £0.3 million (2016: decrease by £0.8 million). A weakening of the Euro by 5 cents would increase net liabilities by £0.3 million (2016: increase by £0.7 million).

As the Company impairs its large intercompany loan book to reflect the underlying net asset value of its Group companies, the overall net asset sensitivity of the Company to foreign currency movements is the same as the Group's above.

b) Cash flow and fair value interest rate risk

The Group's principal interest rate risk arises from borrowings.

The Group's cash flow is regularly monitored by the Group's management.

For the Group, an increase of 100 basis points in interest rates would result in an increased post-tax loss of £0.3 million (2016: £0.3 million). A decrease in 100 basis points in interest rates would result in a reduced post-tax loss for the period of £0.3 million (2016: £0.3 million).

For the Company, in line with prior year, an increase or decrease of 100 basis points in interest rates would not result in a significant change of post-tax loss.

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

c) Capital risk management

The Group's objectives when managing capital had been to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As stated in note 2, the Group is not a going concern and the Board will continue to seek the support of its lender in an orderly realisation of its remaining one investment property in order to repay borrowings and with a view to winding up the Group in due course.

Consistent with others in the industry, the Board monitors capital on the basis of the gearing ratio in the currency in which properties and associated borrowings are held and takes action where appropriate.

The Company has no borrowings; all borrowings are by subsidiaries within the Group.

d) Fair values

The following methods and assumptions are used to estimate fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments.
- The fair value of floating rate borrowings is calculated by discounting future cash flows using rates currently available for debt of similar terms and remaining maturities. The carrying value does not approximate fair value.
- The fair value of fixed rate borrowings is estimated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The carrying value does not approximate fair value.
- The fair value of the floating rate and fixed rate borrowings approximates £7.9 million (note 20).

Notes to the financial statements (continued)

For the year ended 31 December 2017

20. Fair value measurement

IFRS 13 requires disclosure of the fair value measurement of the Group's assets and liabilities, the related valuation techniques, the valuations' recurrence and the inputs used to assess and develop those measurements.

The Group discloses fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the asset or liability is categorised is determined on the basis of the lowest input that is significant to the fair value measurement. Assets and liabilities are classified in their entirety into one of the three levels.

Investment properties held for sale are valued on a recurring basis: half yearly.

The Group's valuers derive the fair value by applying the methodology and valuation guidelines as set out by the Royal Institution of Chartered Surveyors in the United Kingdom in accordance with IAS 40. This approach is based on discounting the future net income receivable from properties to arrive at the net present value of that future income stream. Future net income comprises the rent secured under existing leases, less any known or expected non-recoverable costs and the current market rent attributable to vacant units. The consideration basis for this calculation excludes the effects of any taxes on the net income. The discount factors used to calculate fair value are consistent with those used to value similar properties with comparable leases in each of the respective markets. A decrease in the net rental income or an increase in the discount rate will decrease the fair value of the investment property.

In December 2016, the Ivry property had been valued by the Directors at its selling price, this being the best approximation to its fair value at year end.

The following table shows an analysis of the fair values of assets and liabilities recognised in the balance sheet by level of the fair value hierarchy described above:

31 December 2017	Assets and liabilities measured at fair value			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets measured at fair value				
Investment properties held for sale	-	-	5,945	5,945
Liabilities for which fair values are disclosed				
Current				
Bank borrowings (note 19 d))	-	-	(7,919)	(7,919)
Total	**-**	**-**	**(1,974)**	**(1,974)**

31 December 2016	Assets and liabilities measured at fair value			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets measured at fair value				
Investment properties held for sale	-	-	16,824	16,824
Liabilities for which fair values are disclosed				
Current				
Bank borrowings (note 19 d))	-	-	(2,889)	(2,889)
Non current				
Bank borrowings (note 19 d))	-	-	(18,179)	(18,179)
Total	**-**	**-**	**(4,244)**	**(4,244)**

The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between level 1 and level 2 fair value measurements.

Notes to the financial statements (continued)

For the year ended 31 December 2017

20. Fair value measurement (continued)

Movements in level 3 of the fair value measurements, during the year ended 31 December 2017 can be summarised as follows:

	2017 £'000	2016 £'000
At 1 January	**16,824**	**39,283**
Subsequent capital expenditure after acquisition	-	-
Disposals	(4,892)	(18,496)
Loss recognised in profit or loss	(5,267)	(1,395)
Rent incentives movement	(230)	(280)
Fair value adjustment	(966)	(7,268)
Effect of foreign exchange	476	4,980
At 31 December	**5,945**	**16,824**

The fair value of investment properties is based on unobservable inputs and it is therefore disclosed as level 3. The following methods, assumptions and inputs were used to estimate fair values of investment properties:

31 December 2017

Class of investment properties	Carrying amount / fair value '000	Area square meters	Valuation technique	Significant unobservable inputs	Range	Weighted average
Europe	£5,945 (€6,700)	6,340	Income capitalisation	Gross ERV per sqm p.a.	€50 / €150	n/a*
				Net initial yield	(1.7)%	n/a
				Reversionary yield	13.6%	n/a
				Gross equivalent yield	10.0%	n/a

* not applicable since only one property in portfolio

31 December 2016

Class of investment properties	Carrying amount / fair value '000	Area square meters	Valuation technique	Significant unobservable inputs	Range	Weighted average
Europe	£14,363 (€16,790)	23,920	Income capitalisation	Gross ERV per sqm p.a.	€36 / €150	€105.7
				Net initial yield	(8.1)% / 0.1%	(3.0)%
				Reversionary yield	12.2% / 14.8%	13.1%
				Gross equivalent yield	10.0% / 11.5%	10.6%
Europe	£2,461 (€2,877)	7,420	Selling price	-	-	-

The Directors assessed at the balance sheet date whether the Group's investment properties are being exploited according to their highest and best use and they are satisfied that this is the case.

Property risk

The majority of properties have been valued by an independent third party (see note 10) and the fair value has been arrived at on the basis of a sale between a willing buyer and willing seller. Should the Group be required to dispose of its investment properties not as a willing seller the sale proceeds could vary.

In 2016, one investment property was valued based upon the agreed selling price.

Liabilities for which fair value is disclosed

The fair value of the Group's borrowings has been determined by reference to what will be realised in an orderly wind up of the Group and hence the amount that will be repaid.

Company

The Company did not have any financial assets or financial liabilities at fair value through profit or loss.

Directors and Trust information

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Shareholder information

Share price

The Company's Ordinary Shares are listed on the London Stock Exchange.

Change of address

Communications with shareholders are mailed to the addresses held on the share register. In the event of a change of address or other amendment, please notify the Company's Registrar under the signature of the registered holder.

Investment Manager

The Company is advised by Alpha Real Capital LLP which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Financial calendar

Financial reporting	Reporting/Meeting dates
Annual results announcement	9 March 2018
Annual report published	29 March 2018
Annual General Meeting	27 April 2018
First trading update statement (Qtr 1)	8 June 2018
Half year report	10 Aug 2018
Second trading update statement (Qtr 3)	9 November 2018

Alpha Pyrenees Trust