Annual Report & Financial Statements

RNS Number : 1088T
GCP Asset Backed Income Fund Ltd
23 March 2021

GCP Asset Backed Income Fund Limited

("GCP Asset Backed" or the "Company")

LEI 213800FBBZCQMP73A815

Annual report and financial statements for the year ended 31 December 2020

23 March 2021

The Directors of the Company are pleased to announce the Company's annual results for the year ended 31 December 2020. The full annual report and financial statements can be accessed via the Company's website at www.graviscapital.com/funds/gcp-asset-backed/literature and will be posted to shareholders who elected to receive full copy statutory documents over the course of the next few weeks.

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GCP ASSET BACKED INCOME FUND LIMITED

Annual report and financial statements for the year ended 31 December 2020

GCP Asset Backed Income Fund Limited is a listed investment company which focuses predominantly on investments in UK asset backed loans.

The Company seeks to provide shareholders with attractive risk-adjusted returns through regular, growing distributions and modest capital appreciation over the long term.

The Group is currently invested in a diversified portfolio of asset backed loans across the social infrastructure, property, energy and infrastructure, and asset finance sectors, located predominantly in the UK.

The Company is a closed-ended investment company incorporated in Jersey. The Company has a premium listing on the Official List of the FCA with its shares admitted to trading on the Premium Segment of the Main Market of the LSE since 23 October 2015.
At 31 December 2020, its market capitalisation was £401.9 million. The Company is a constituent of the FTSE All-Share Index.

AT A GLANCE - 31 DECEMBER 2020

	2018	2019	**2020**
Market capitalisation £m	397.1	479.1	**401.9**
Value of investments £m	378.4	453.9	**446.0**
Dividends for the year p	6.35	6.45	**6.475**[1]
Ordinary share price p	104.50	108.50	**91.30**
NAV per ordinary share p	101.74	102.33	**102.18**
Profit for the year £m	21.6	28.0	**27.4**

HIGHLIGHTS FOR THE YEAR

- Dividends of 6.475[1] pence per share in respect of the year, including a special dividend of 0.25 pence. Achieving the Company's stated aim to grow the dividend year-on-year, for the fifth consecutive year.
- Total shareholder return[2] of -9.8%, total NAV return[2] of 6.5% (31 December 2019: 10.2% and 7.2%) and an annualised total shareholder return[2] since IPO of 3.8%.
- Profit for the year of £27.4 million (31 December 2019: £28.0 million), with total income of £33.9 million generated from the investment portfolio (31 December 2019: £34.0 million).
- NAV per ordinary share of 102.18 pence at 31 December 2020, a marginal decrease from 102.33 pence in the prior year, reflecting adjustments to discount rates on some of the loans. See below for further detail. Excluding these adjustments the NAV would have increased in the year by 1%.
- Exposure to a diversified, partially inflation and/or interest rate-protected portfolio of 50 asset backed loans with a third party valuation of £444.2 million at 31 December 2020.
- Loans of £126.8 million advanced by the Group, secured against 28 projects with a further £14.5 million secured against five projects, advanced post year end.
- Loans of £131.0 million repaid in the year generating repayment fees of £1.8 million, with a further £1.0 million of repayments received post year end.

1. Includes a dividend of 1.575 pence per share for the quarter to 31 December 2020, which was paid post year end.
2. Alternative performance measure - refer below for definitions and calculation methodology.

Alex Ohlsson, Chairman, commented:

"In a challenging year, the Company has proven its resilience, collecting all expected interest and principal payments, whilst growing its dividend for the fifth consecutive year.

This year the Covid-19 pandemic tested the resilience of the portfolio through the significant macro-economic uncertainty this event created. I am pleased to report that

despite these significant headwinds, the Investment Manager's focus on assets that are integral to society continues to deliver a portfolio that is performing strongly for the Group. The portfolio comprised 50 loans at 31 December 2020, 89% of which are secured against physical assets offering strong downside and capital protection. The remainder of the loans are secured against contracted cash flows with robust underlying contractual protection in place.

As a Board we remain confident that the Company's investment strategy and business model remains well placed to continue to deliver for investors even in these uncertain times. We would like to thank our investors for their continued support."

INVESTMENT OBJECTIVES AND KPIs

The Company's purpose as a closed-ended investment company is to meet its investment objective, which is to generate attractive risk-adjusted returns through regular, growing distributions and modest capital appreciation over the long term.

ATTRACTIVE RISK ADJUSTED RETURNS	REGULAR, GROWING DISTRIBUTIONS	CAPITAL APPRECIATION
To provide shareholders with returns that are attractive with regard to the level of risk taken.	To provide shareholders with regular, growing dividend distributions.	To achieve modest appreciation in shareholder value over the long term.
KEY PERFORMANCE INDICATORS		
The Company has generated an annualised total shareholder return[1] since IPO of 3.8%.	The Company has grown its dividend year-on-year, achieving its stated aim for the fifth consecutive year.	The Company's ordinary shares were trading at 91.30 pence per share at the year end.
-9.8% Total shareholder return[1] for the year 31 December 2019: 10.2%	**6.475p** Dividends in respect of the year 31 December 2019: 6.45p	**91.30p** Ordinary share price at 31 December 2020 31 December 2019: 108.50p
8.0% Weighted average annualised yield[1] on investment portfolio 31 December 2019: 8.2%	**45%** Percentage of portfolio by value with inflation and/or interest rate protection 31 December 2019: 41%	**10.6%** Discount[1] to NAV at 31 December 2020 31 December 2019: 6.0% premium[1]

Further information on Company performance can be found below.

1. Alternative performance measure - refer below for definitions and calculation methodology.

PORTFOLIO AT A GLANCE

Portfolio of 50 asset backed loans with an average life of six years which are partially inflation and/or interest rate protected. The loans fall within the following sectors and are secured predominantly against assets and cash flows in the UK:

PROPERTY
- 19 loans within sector
- £215.0m
- 49%

ASSET FINANCE
- 6 loans within sector
- £45.5m
- 10%

ENERGY AND INFRASTRUCTURE
- 8 loans within sector
- £37.2m
- 8%

SOCIAL INFRASTRUCTURE
- 17 loans within sector
- £146.5m
- 33%

SENIOR RANKING SECURITY
71%

UK EXPOSURE
82%

SECURED AGAINST PHYSICAL ASSETS
89%

CHAIRMAN'S STATEMENT

In a challenging year, the Company has proven its resilience, collecting all expected interest and principal payments, whilst growing its dividend for the fifth consecutive year.

Introduction
The Company is focused on the delivery of sustainable, long-term income to shareholders, generated through its portfolio of secured loans. These investments utilise debt investment protections whilst offering reliable income, secured against high-quality assets and/or contracted cash flows.

This year the Covid-19 pandemic tested the resilience of the portfolio through the significant macro-economic uncertainty this event created. I am pleased to report that despite these significant headwinds, the Group and its portfolio of loans performed throughout the period. The Company received all expected payments[1] of interest and significant repayments in the year. It has redeployed these repayments into projects with existing strong counterparties, as well as into some new and exciting areas that have become available as a result of market uncertainty.

Whilst the performance of the portfolio has been strong, allowing the Company to grow its dividend for the fifth consecutive year, we continue to be mindful of the potential impact of economic uncertainty on the Company's loans. The Board, with advice from the Valuation Agent, took the conservative decision in March 2020 to reflect a number of downward revaluations against the Company's loans, due to the increased pricing of risk which was prevailing in the market.

These revaluations have gradually been released throughout the year as assets continued to perform. We remain cautious and at the year end a number of these revaluations are still in place, reflecting an impact of 1.19 pence per share on the earnings and NAV of the Company.

We continue to closely monitor the Company's share price, which has predominantly traded at a discount[2] to NAV throughout the year, on the back of both the market sentiment and the significant issues that a number of our peers have experienced. Alongside the Investment Manager, the Company has looked to engage further with shareholders and increase both the quality and detail of our portfolio disclosures. Feedback on the disclosures has been positive and both the Board and the Investment Manager are delighted to engage with shareholders and address any questions or concerns they may have.
The Investment Manager's focus on assets that are integral to society continues to deliver a portfolio that is performing strongly for the Group. The portfolio comprised 50 loans at 31 December 2020, 89% of which are secured against physical assets offering strong downside and capital protection. The remainder of the loans are secured against contracted cash flows with robust underlying contractual protection in place.

During the year eleven loans were repaid in full. Whilst the Board does not like to lose high-quality borrowers, we believe these repayments highlight the quality of our asset base and the attractiveness of the book. A significant proportion of our assets were refinanced as a result of being sold to institutional investors or pension funds. We have maintained excellent relationships with these borrowers and hope to be able to complete more transactions with them over time.

1. As previously reported by the Company, the CHP loan remains in default and as such no payments are expected until the anticipated sale completes.

2. Alternative performance measure - refer below for definitions and calculation methodology.

Net assets
At the year end, the net assets of the Company were £449.8 million. The NAV per share decreased from 102.33 pence at 31 December 2019 to 102.18 pence at 31 December 2020. The valuation of investments decreased during the year to £446.0 million from £453.9 million at 31 December 2019, with the largest single asset exposure reducing to 5.4% of total assets. The decrease to NAV is primarily as a result of the downward market revaluations taken against assets as detailed above. Excluding these revaluations, the Company's NAV would have increased in the year by 1.0%.

Financing
The Company has in place an RCF of £50 million with RBSI. The Company uses this RCF to ensure that it effectively uses its cash to reduce any cash drag which would impact its dividend coverage. The Board believes the use of the facility is a benefit of the maturity and strong track record of the Company. The RCF was extended in the year until August 2021, with all terms remaining the same as the previous £40 million facility.

FIVE YEAR ANNIVERSARY
The Company celebrated its fifth anniversary this year. This milestone presented the opportunity to look back on what has been achieved over the past five years:

£625.5m
INVESTMENTS MADE

£151.3m
PRINCIPAL REPAID

£98.3m
PROFITS GENERATED

£91.4m
DIVIDENDS PAID

23
ASSET CLASSES

Investments
During the year, the Group advanced £126.8 million in the form of 28 investments, 16 new and twelve follow-on transactions, improving the diversification and risk profile of the portfolio. All the new investments were consistent with the Group's standard investment approach.

In March 2019, the Group experienced a default on a loan which was secured against CHP grid entry units. The Investment Manager has been working to dispose of the asset since default and has been engaging with a large infrastructure investment bank since October 2020. It is expected that the Company will ultimately recover slightly more than the written down value with a conclusion expected on this transaction in the coming weeks. The disposal of this asset has proved complex with two previous transactions falling away at the eleventh hour and the sale being delayed by Covid-19 and the subsequent fall in gas prices. The Board and the Investment Manager have learnt significant lessons from this loan which have been included in origination and monitoring processes.

The Company's focus remains on financing assets and contracted cash flows supported by a structural demand for the goods and services provided. The Group invests using a project finance, 'covenant-heavy' approach to debt. The Board believes this method, along with a stringent borrower selection process, contributes significantly to the strength of the loan portfolio.

The Board is aware that the attractiveness of investments is sensitive to interest rate and inflation changes. As a result, the Group has sought partial inflation and/or interest rate protection where possible and has achieved this on approximately 45% of investments by value.

Share price performance and share repurchase
The Company's shares have predominantly traded at a discount to NAV throughout the year, with an average discount[1] of 9.5%. At 31 December 2020, the ordinary share price was 91.30 pence, representing a discount[1] to NAV of 10.6%.

During the year the Company repurchased 1,875,000 shares at a weighted average price of 80.67 pence per share, a significant discount to the prevailing NAV. The Company will continue to look to make opportunistic repurchases of shares where the Board considers there to be a benefit for shareholders.

Dividend policy
The Company paid 6.225 pence in interim dividends and a special dividend of 0.25 pence, giving a total dividend of 6.475 pence per share. The Board did not set a dividend target for 2020 due to the onset of Covid-19. However, the Company met its stated aim to grow its annual dividend year-on-year with the final interim dividend increasing to 1.575 pence per share. The total dividend was 96% covered by EPS of 6.21 pence for the period and 114% covered by an adjusted EPS[1] of 7.40 pence. In respect of the forthcoming financial year the Company is targeting an annual dividend of 6.3 pence per ordinary share.[2]

Governance and compliance
The Board recognises the importance of a strong corporate governance culture and continues to maintain principles of good corporate governance as set out in the AIC Code. Refer below for further details.

Key risks
Economic, political and regulatory risks are inherent in any UK focused business at present. At the time of writing, the full impact of Brexit and the Covid-19 pandemic remain uncertain. Aside from the macro-economic impact, there is the risk of an increase in operating costs for certain of the Group's borrowers.

Across the loan portfolio, the Group has exposure to UK house prices. The Board closely monitors activity in the market and its current view on the UK property market remains stable, with the Group's housing investments performing well throughout the year. The Board believes the fundamentals remain relatively strong and the continued demand versus supply dynamic provides comfort against a significant correction of prices. The Group's loan portfolio has a large degree of inbuilt protection due to being advanced against an average LTV of c.63%.

The Group has two fully hedged non-Sterling loans, representing less than 3% of the portfolio by value. Any increased volatility in currency markets should have a limited impact on the profitability of the Company.

The Board and the Investment Manager are cognisant of these risks and continue to carry out stress testing on loans during the structuring process to ensure they remain viable in a variety of possible scenarios. To date all expected payments of interest and principal have been received[3].

The times we live in remain uncertain and the modelling of impacts continues to be difficult, with the UK continuing to be in lockdown; restrictions easing and consumer behaviour are difficult to predict going forward. Our borrowers and service providers continue to adhere to Government guidelines and with the continued rollout of vaccines we remain hopeful that we can move swiftly to a new normal.

Responsible investment
The Board believes that a commitment to strong principles of responsible investment should be embedded within and complement all investment decisions. The Group intends to continue supporting borrowers who have a positive impact on society.

Fundamentally, the Investment Manager believes that such positive impact enhances the security of the portfolio.

Outlook
We remain cautious on the macro-economic outlook and this continues to be reflected in our prudent approach to discount rates. We do, however, remain positive on the performance of our loans in the medium term and believe market conditions remain favourable for the assets we lend against. We will continue the Company's core investment strategy of lending against assets that are integral to society and capable of delivering high-quality risk-adjusted cash flows.

During the year, the Company's overseas exposure rose to 17.2% of gross assets. The Company currently has an investment restriction on its maximum exposure outside of the UK of 20% of gross assets. The Investment Manager is increasingly seeing potential, attractive lending opportunities in overseas jurisdictions, primarily in countries, sectors, and with counterparties, in or with which it has experience of lending. The Investment Manager and the Company's Broker will be reaching out to discuss with shareholders whether they would be supportive of increasing this non-UK limit to 30% at the next AGM.

As a Board we remain confident that we and our borrowers can continue to adapt and that the Company's investment strategy and business model remains well placed to continue to deliver for investors even in these uncertain times.

We would like to thank our investors for their continued support.

Alex Ohlsson
Chairman
22 March 2021

1. Alternative performance measure - refer below for definitions and calculation methodology.
2. The target dividend set out above is a target only and not a profit forecast or estimate and there can be no assurance that it will be met.
3. As previously reported by the Company, the CHP loan remains in default and as such no payments are expected until the anticipated sale completes.

For more information, please refer to the strategic report below.

HIGH-QUALITY ASSETS

The portfolio is secured against high-quality assets with secure, identifiable valuations, across a range of sectors and geographies.

Throughout the year a number of mature loans have been repaid through the sale of the secured assets to institutional investors, achieving prices in excess of valuation. These transactions demonstrate the demand for the assets the Company invests in, even in adverse market conditions.

CARE HOMES
A group of purpose-built care homes offering stylish accommodation, quality facilities and gold standard care to vulnerable people.

OAKLEAF RECYCLING
A recycling facility using the latest technology to sort waste and recycle a variety of usable materials.

OLD OAK CO-LIVING
One of a portfolio of market-leading co-living projects providing bespoke living, working and leisure facilities to residents.

SCAPE AUSTRALIA
A portfolio of high-end student accommodation assets across Australia.

CNG STATIONS
CNG stations powering haulage vehicles with a low-carbon alternative to diesel fuels to support the transport of essential goods across the UK.

BATTERY STORAGE
Energy storage projects supporting the growth in renewable energy sources by providing flexibility to the National Grid.

NURSERIES
A group of new and operational nurseries providing a high standard of care and education to children across London in purpose-built facilities.

RESIDENTIAL PROPERTY
Portfolios of property development projects providing high-quality new homes in areas of undersupply.

STRATEGIC OVERVIEW

The Company's investment objective is to generate attractive risk-adjusted returns through regular, growing distributions and modest capital appreciation over the long term.

The Group will at all times invest and manage its assets in a manner which is consistent with the objective of spreading investment risk.

Investment objective
The Company's investment objective is to generate attractive risk-adjusted returns through regular, growing distributions and modest capital appreciation over the long term.

Investment policy
The Company seeks to meet its investment objective through a diversified portfolio of investments which are secured against, or comprise, contracted, predictable medium to long-term cash flows and/or physical assets. The Company's investments will predominantly be in the form of medium to long-term fixed or floating rate loans which are secured against cash flows and/or physical assets which are predominantly UK based.

The Company's investments will typically be unquoted and will include, but not be limited to, senior loans, subordinated loans, mezzanine loans, bridge loans and other debt instruments. The Company may also make limited investments in equities, equity-related derivative instruments such as warrants, controlling equity positions (directly or indirectly) and/or directly in physical assets.

The Company will at all times invest and manage its assets in a manner which is consistent with the objective of spreading investment risk.

Investment restrictions
The Company observes the following investment restrictions:

- any single investment, or any investments with a single counterparty, will be limited to 20% of the gross assets of the Company;
- investments in equities and equity-related derivative instruments, including controlling equity positions and any direct investments in physical assets, will be limited to 10% of the gross assets of the Company;
- no more than 20% of the gross assets of the Company will be used to finance investments outside the UK; and
- the Company will not invest in other listed closed-ended funds.

The limits set out above shall all apply as at the time of investment, as appropriate.

As stated above the Investment Manager and the Company's Broker will be reaching out to discuss with shareholders whether they would be supportive of increasing the non-UK limit to 30% at the next AGM.

Structure of investments
The Company currently anticipates that it will make investments directly or indirectly through one or more underlying special purpose vehicles which will typically be wholly owned by the Company and over which the Company will exercise control as regards investment decisions. The Company may from time to time invest through vehicles which are not wholly owned by it. In such circumstances, the Company will seek to secure controlling rights over such vehicles through shareholder agreements or other legal arrangements.

In the event of a breach of the investment restrictions set out above, the Investment Manager shall inform the Directors upon becoming aware of the same and if the Directors consider the breach to be material, notification will be made to a regulatory information service.

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.

Non-financial objectives of the Company
The key non-financial objectives of the Company are:

- to maintain strong and positive working relationships with all stakeholders, including shareholders and borrowers; and
- to promote the development of emerging asset backed sectors by developing financial products that match the requirements of these sectors.

Key policies
Borrowing and gearing policy
The Company may, from time to time, use borrowings for investment purposes, to manage its working capital requirements or in order to fund the market purchase of its own shares. Gearing, represented by borrowings, will not exceed 25% of NAV, calculated at the time of borrowing.

Hedging and derivatives
The Company may invest through derivatives for investment purposes and efficient portfolio management. In particular, the Company may engage in interest rate hedging or otherwise seek to mitigate the risk of interest rate changes as part of the Company's efficient portfolio management.

Investments will be denominated primarily in Sterling. However, the Company may make limited investments denominated in currencies other than Sterling, including US Dollars, Euros and Australian Dollars. In the event of the Company making such investments, the Investment Manager will use its judgement, in light of the Company's investment policy, in deciding whether or not to effect any currency hedging in relation to any such investments. In addition, the Company may do so where the

Investment Manager considers such hedging to be in the interests of efficient portfolio management and may utilise derivative instruments to seek to achieve this. The Company will not engage in currency trading for speculative purposes.

Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the remainder of the Company's investment portfolio and will be subject to the investment restrictions described above.

Dividend policy
The Company pays dividends on a quarterly basis, with dividends typically declared in January, April, July and October and paid in or around February, May, August and November in each financial year.

The Company has authority to offer a scrip dividend alternative to shareholders. The offer of scrip dividend alternative was suspended at the Board's discretion, for all 2020 dividends, as a result of the discount between the likely scrip dividend reference price and the relevant quarterly NAV per share of the Company. The Board intends to keep the payment of future scrip dividends under review.

Conflicts of interest
Where there is any overlap for a potential investment with GCP Infra, GCP Infra has a right of first refusal over such investment.

In the event that the Investment Manager or any shareholders, directors, officers or employees of the Investment Manager are directly or indirectly interested in any entity or asset in relation to any investment proposal, the potential investment is presented to the Board for its approval. Further details can be found below.

BUSINESS MODEL

The Group's purpose is to invest in a diversified portfolio of asset backed loans to provide regular, growing distributions and modest capital appreciation over the long term.

<table>
<tr><th>INVESTMENT SECTOR</th><th>INVESTMENT OBJECTIVES</th><th colspan="2">IMPLEMENTATION OF INVESTMENT STRATEGY</th><th>MEASUREMENT</th><th>SUSTAINABILITY</th></tr>
<tr><td rowspan="3">ASSET BACKED LOANS

Predetermined, asset backed cash flows</td><td rowspan="2">Attractive risk adjusted returns
To provide shareholders with returns that are attractive with regard to the level of risk taken.</td><td>INDEPENDENT BOARD</td><td>STRONG GOVERNANCE

Read more below</td><td rowspan="2">Annualised total shareholder return[1] since IPO was 3.8%.

-9.8%
Total shareholder return[1] for the year</td><td rowspan="2">Environmental and social
Read how the Company's activities benefit the environment and contribute to society in the sustainability section below.</td></tr>
<tr><td colspan="2">INVESTMENT MANAGER</td></tr>
<tr><td>Regular, growing distributions
To provide shareholders with regular, growing dividend distributions.</td><td>LOAN ORIGINATION AND EXECUTION

The Group invests in asset backed loans utilising the Investment Manager's expertise and a proven track record in loan originating and monitoring. The Group is able to provide bespoke lending solutions where traditional lenders cannot due to reasons other than credit quality.</td><td>OPERATIONAL MANAGEMENT

The operations of the Company are delegated to the Investment Manager and overseen by the Board. The Investment Manager maintains a robust control environment and undergoes an internal controls review from an external audit provider on an annual basis.</td><td>The Company has increased its dividend year-on-year.

6.475p
Dividends in respect of the year</td><td>Governance
Read how the Company is governed and the activities of the Board during the year in the governance section below.</td></tr>
<tr><td>Capital appreciation
To achieve modest appreciation in shareholder value over the long term.</td><td>FINANCIAL MANAGEMENT

The Company operates a disciplined approach to capital raising, only increasing its capital when it has a highly executable pipeline of investments. The Company uses hedging where appropriate to manage foreign exchange exposure.</td><td>RISK MANAGEMENT

The Company operates a robust risk management and mitigation process along with active controls monitoring and stress testing procedures.
The Investment Manager is appointed as AIFM to the Company and is responsible for the management of risk alongside the Board.</td><td>The shares have traded at an average discount[1] to NAV throughout the year.

10.6%
Discount[1] to ordinary share NAV at year end</td><td>Financial
Read about the Company's financial performance and dividend cover in the financial review and its long-term viability below.</td></tr>
<tr><td></td><td></td><td>THIRD PARTY SERVICE PROVIDERS</td><td>ADVISORY AND ADMINISTRATION</td><td></td><td></td></tr>
</table>

1. Alternative performance measure - refer below for definitions and calculation methodology.

INVESTMENT MANAGER'S REPORT

The Company's target market remains underserviced by mainstream lenders and therefore presents an opportunity for generating attractive risk-adjusted returns.

Asset backed lending
Asset backed lending is an approach to structuring investments used to fund infrastructure, industrial or commercial projects and asset financing. Asset backed lending relies on the following to create security against which investment can be provided:

- the intrinsic value of physical assets; and/or
- the value of long-term, contracted cash flows generated from the sale of goods and/or services produced by an asset.

Asset backed lending is typically provided to a Project Company, a corporate entity established with the specific purpose of owning, developing and operating an asset. Financing is provided to the Project Company with recourse solely to the shares held in, and assets held by, that Project Company.

Cash generation to service loans and other financing relies on the monetisation of the goods and/or services that a Project Company's assets provide. Lenders implement

a security structure that allows them to take control of the Project Company and its assets to optimise the monetisation of goods and/or services associated with such assets if the Project Company has difficulties complying with its financing terms.

The Investment Manager uses a 'covenant heavy' approach to lending within these structures. This is an approach which tailors loans to each borrower and requires the borrowers to meet well defined and specific performance measurements or covenants. The Investment Manager continues to see significant benefits in this lending approach with extensive information reporting requirements providing visibility of potential issues.

Maturing portfolio
Entering into the sixth year since inception, the Group is starting to see material levels of loan repayment as loans reach maturity and are repaid to the Company. Throughout the year £131.0 million of capital was repaid to the Group, significantly more than all previous years combined.

The number of repayments made by borrowers throughout 2020 is particularly noteworthy given the economic and societal impact of Covid-19 felt through the year. The ability for borrowers to adapt their businesses to continue operations and meet principal and interest payments as well as the continued interest of institutional investors in the assets of the portfolio, demonstrates the quality of the loan book and the projects that the Company supports.

The table below shows a selection of repayments received to settle loans in full during the year and their respective reasons for repayment. As can be seen, these include refinancing by supportive equity, new finance or through excess cash flow built from operations. These exit routes demonstrate the institutional quality of the underlying assets.

In addition to providing capital to fund new investments, many of these repayments attracted prepayment fees, with £1.8 million generated during the year.

The Investment Manager looks to include non-call periods and repayment fees in new investments with longer dated loans to maintain good visibility of returning capital and ensure efficient redeployment. The Investment Manager was effectively able to redeploy the proceeds in the period, through strong pipeline management in addition to the use of the RCF. We are expecting significant repayments during the course of the coming year and the RCF has already been drawn down in anticipation of these cash inflows.

FULL REPAYMENTS DURING THE YEAR (SAMPLE)

Sector	Amount repaid	Interest rate	IRR[1]	Origination date	Type of loan	Reason
Social infrastructure	£21.1m	9.5%	10.0%	August 2016	Term - mezzanine	Underlying asset sold to a pension fund
Social infrastructure	£21.8m	9.5%	10.0%	November 2018	Development - mezzanine	Underlying asset sold to a pension fund
Energy and infrastructure	£7.6m	7.5%	8.7%	March 2018	Development - senior	Underlying asset sold to an infrastructure fund
Energy and infrastructure	£5.4m	7.5%	8.4%	July 2018	Term - senior	Underlying asset sold to an infrastructure fund
Energy and infrastructure	£0.7m	8.0%	9.0%	November 2017	Term - senior	Underlying asset sold to infrastructure operator
Asset finance	£1.5m	10.8%	14.4%	September 2020	Term - senior	Repaid using available cash flows
Property	£3.3m	8.1%	8.1%	March 2019	Development - senior	Refinanced by project co-lender
Total/weighted average	**£61.4m**	**9.0%**	**9.7%**			

1. Alternative performance measure - refer below for definitions and calculation methodology.

Quality portfolio
As outlined above, the exit routes of loans maturing through the year demonstrate the institutional quality of assets which the Company is invested in.

Further examples of the type of high-quality assets can be found across the portfolio, including:

- four high-end purpose-built care homes;
- two operational co-living developments with c.1,300 residential units;
- two CNG stations;
- a group of six high-quality children's nurseries; and
- four purpose-built student accommodation projects with units for c.4,000 students.

The Investment Manager anticipates c.£70 million will be received in repayments throughout 2021 as assets mature and reach scheduled repayment, with a number of further assets in active discussion with new equity investors. In all instances, the Investment Manager works to build and maintain strong relationships with the Company's borrowers. This is evident in the number of follow-on transactions completed with existing counterparties and in the investment pipeline. This includes one completed transaction with the sponsor of an asset listed in the table below, redeploying funds into a new project within the same three month period as the repayment.

Active management
In addition to the project-finance approach taken to origination, the Investment Manager works to be an active asset manager. This has been particularly valuable for the Group's borrowers throughout the period who are facing unique challenges brought on by rapidly evolving regulatory change resulting from Brexit and Covid-19.

One of the key considerations during the due diligence process on new investments is the quality of the borrower's management team. The Investment Manager looks to invest in experienced and knowledgeable management teams to ensure that when challenges arise, the borrower company has the resources and know-how to manage their business effectively.

Through active management and co-operation with borrowers, the Investment Manager is able to build strong relationships, ensuring information is shared early to flag any potential issues and involving the Company in any key decisions impacting on the loan portfolio. This relationship building has proven invaluable in understanding the challenges presented by Covid-19 throughout 2020 and has contributed to the strong performance of the portfolio over the year.

Investment pipeline
The Investment Manager notes the current economic climate with regard to Covid-19 and the impact that this has had on the market. Therefore, following discussion with the Board, the Investment Manager's primary focus at this time is the redeployment of returning capital through an active pipeline of transactions available to complete.

The Investment Manager maintains an attractive pipeline of potential investments on behalf of the Group. At the year end, the pipeline represented c.£41 million of new opportunities. Since the year end, c.£13 million has been successfully transacted with borrowers.

The Group has surplus cash reserves in addition to access to its RCF, which expires in August 2021. The Investment Manager has approached RBSI regarding an extension and the initial feedback was positive. The Company will provide an update on progress later in the year, however in the meantime the Group remains well capitalised and has the capacity to fund the current pipeline of transactions as well as cover operating expenses out of existing cash flows.

The Investment Manager continues to focus on borrowers and sectors where there is potential to complete follow-on transactions. This enables the Investment Manager to obtain significant sector knowledge and confidence over the certainty of the investment pipeline, ensuring new capital raised and capital returned to the Company is deployed efficiently.

Currently c.95% of the pipeline consists of transactions with existing borrowers; these transactions can be scheduled to complete on a timetable which matches the repayment profile of existing loans.

Investment analysis
Investments made in the year
Existing borrowers 50%
New borrowers 50%

Pipeline
Existing borrowers 95%
New borrowers 5%

TARGET SECTOR UPDATES
SOCIAL INFRASTRUCTURE

Assets such as homes for the elderly, student accommodation and nurseries.

33%
Percentage of portfolio by value

£146.5m
Valuation of sector within the portfolio

This sector provides a core element of the Group's investments. Social infrastructure as a sector is long-term in nature and requires significant amounts of upfront due diligence to determine the quality and long-term structural demand position for the asset.

Due diligence includes analysis of existing market participants, the potential future competitive landscape, demand demographics, affordability and legislative impact. The Investment Manager is targeting areas where demand for an asset is:

- not supported by existing infrastructure; and
- where structural issues exist that present barriers to entry for future competitors.

Assets in this sector have, by their nature, been impacted by the Covid-19 pandemic and associated restrictions throughout the year.

However, the management teams in place have been able to act decisively and manage their businesses effectively despite the challenging environment.

The Group has continued to support a group of care homes caring for vulnerable people with dedicated staff working to minimise risk of Covid-19 infection. The assets have proven resilient, with the high-quality purpose-built accommodation designed with en-suite bathrooms and separated wings allowing for isolation to manage and reduce infection. With the introduction of vaccines to the vulnerable population in early 2021, it is hoped that the occupancy of the projects will continue to increase and operations return to normal.

Two of the Group's student accommodation assets in this sector repaid in full in 2020, providing an IRR[1] of 10.0%. In addition, the Company's portfolio de-risked through completing construction of three student assets.

The Investment Manager continues to look at opportunities for development in this sector. As the Company typically supports the construction phase of the projects, LTV coverage on these assets remains strong as they benefit from a valuation uplift on completion.

The nursery assets have also proven resilient with the borrower's management team supporting children of key workers through each lockdown and are continuing to provide services as the sites remain open. All of the projects in the portfolio are now operational and maintain good levels of attendance. The Investment Manager sees further opportunities in the nursery sector with the development assets in the portfolio entering their operational phase and experiencing high demand for places.

This sector includes loans secured against assets located in the UK (23%), Europe (5%), Australia (4%) and the US (1%).

Structural characteristics
- Provide core services
- Generate stable cash flows
- Require longer-term funding solutions
- Can benefit from RPI protections
- Benefit from supply/demand imbalances in particular geographies

Current investments
- Supported living
- Care homes
- Student accommodation
- Nursery facilities
- Multi-use community facilities

New investment asset classes
- Private schools

1. Alternative performance measure - refer below for definitions and calculation methodology.

ENERGY AND INFRASTRUCTURE

Assets such as waste management facilities, battery storage and CNG stations.

8%
Percentage of portfolio by value

£37.2m
Valuation of sector within the portfolio

The Investment Manager targets assets in this sector which meet a structural need in society, providing downside protection and supporting a sustainable future. Financing for core energy and infrastructure assets remains competitive. However, there are opportunities for smaller, bespoke investments in this space.

The Investment Manager is pleased to have supported an additional CNG fuel station during the year. The station will provide further capacity for CNG and dual-fuel haulage vehicles for major UK businesses and hauliers. The switch to low carbon fuel forms part of the UK Government's strategy to target net zero carbon emissions by 2050.

The first station supported by the Group has displaced 4.5 million litres of diesel fuel over the last year with 100% renewable waste-derived biomethane. Biomethane emits c.80% less CO_2 than diesel, meaning the trucks contribute significantly to lowering CO_2 emissions.

The recycling facility financed by the Group has been well managed through the impact of Covid-19. The plant experienced a change in waste material at the start of the first lockdown as commercial waste reduced and domestic waste increased. It was also required to manage its offtake arrangements by increasing storage capacity to ensure efficient operations of the plant.

The Investment Manager is looking to identify new asset classes in this sector where the Company can provide support.

This sector includes loans secured against assets in the UK (7%) and Hong Kong (1%).

Structural characteristics
- Provide core services
- Generate stable cash flows
- Rapidly changing energy system drives need for ancillary investment
- Capital intensive sector

Current investments
- Solar O&M
- Water infrastructure
- Battery storage
- Material recovery facility
- CNG fuel stations

New investment asset classes
- Electric vehicle infrastructure

ASSET FINANCE

Assets such as solar panel O&M servicing, FX contracts and football finance.

10%
Percentage of portfolio by value

£45.5m
Valuation of sector within the portfolio

Asset finance has seen a number of new investments through the year, including football finance which represents a new asset class for the Group.

During the year, the Group advanced two loans, one to a Spanish football club competing in La Liga, and one to a Premier League football club in the UK. In both instances, the loans were secured against contractual income due to the clubs, under league broadcasting contracts which is paid directly to the lender.

The structuring of the loans allows for acceleration under a relegation of the clubs to match cash flows received by the borrowers in each scenario and provide debt coverage. The Investment Manager continues to see opportunities in this sector which meet the risk and return requirements of the Company whilst having strong contractual protections in place.

Elsewhere in the portfolio, the Group's investments in rooftop solar panel O&M servicing, FX contracts and boiler servicing continue to perform well, with borrower companies adapting their operations to manage the Covid-19 risk in their business whilst maintaining a good service to their clients.

This sector includes loans secured against assets located in the UK (7%) and Europe (3%).

Structural characteristics
- Physical assets
- Stable cash flows from fixed contracts
- RPI/CPI linkage

Current investments
- Boiler servicing
- Management fees
- Credit margins against trades
- Football finance

New investment asset classes
- Royalty finance

PROPERTY

Assets such as financing for property purchases or development and co-living spaces.

49%
Percentage of portfolio by value

£215.0m
Valuation of sector within the portfolio

The Investment Manager seeks to provide bespoke financing solutions to support underserved areas of the property market.

The Group has invested into a buy-to-let warehousing facility. The facility operates by building up over a six month period until it has the scale to be securitised. Three securitisations have now completed, including one in March 2020 and one in September 2020. The security and quality rating of the of the portfolio was high, with 85% rated AAA in the most recent securitisation. Once securitisation is completed, the Group's financing is reinvested into the warehousing facility as it builds up again to securitisation, providing an attractive 7.8% return against a high-quality loan book with an exit into regular securitisations.

In February 2020, the Group refinanced a £39.6 million investment to a group developing and operating market-leading co-living accommodation, alongside another lender. Following a strong start to the year, the co-living sector has been impacted by the restrictions on travel, particularly across the short-stay market. However, the borrower has consistently improved occupancy at their co-living projects throughout the year and sold one project to a co-living fund backed by institutional capital, demonstrating the particular value of these assets in the market.

Elsewhere in the portfolio, the Group has made further investments in residential development projects to experienced developers, supporting the supply of new homes across the UK.

Despite a backdrop of uncertainty in the market, it has been pleasing to note that requests for payment deferrals or holidays have been minimal and there has been no impact on any borrower's ability to meet expected debt and interest payments to the Company.

The Investment Manager has strong relationships with brokers, developers and specialist lenders in the sector. We anticipate further follow-on transactions in this space over the coming year as our existing loans repay.

This sector includes loans secured against assets based in the UK (45%), Europe (2%) and the US (2%).

Structural characteristics
- Secured against physical assets
- Generate stable cash flows
- Short-term financing
- Well understood and valued sector

Current investments
- Bridging loans
- Buy-to-let
- Co-living
- Land
- Warehousing of buy-to-let

New investment asset classes
- Social housing

PORTFOLIO SUMMARY

Portfolio
The Group's investments are supported by a diverse range of assets located predominantly in the UK. At 31 December 2020, the weighted average annualised yield[1] was 8.0% across the portfolio with a weighted average expected term of six years (31 December 2019: 8.2% and six years respectively). In total, 42 loans have been advanced to companies with operating assets. The remaining eight loans have been advanced to companies with assets under construction (31 December 2019: 38 operating and seven construction loans respectively).

Investment valuation
The Valuation Agent carries out a fair market valuation of all the Group's investments on behalf of the Board on a semi-annual basis. Any assets which may be subject to discount rate changes are valued on a quarterly basis. The valuation principles used by the Valuation Agent are based on a discounted cash flow methodology. A fair value for each asset acquired by the Group is calculated by applying a discount rate (determined by the Valuation Agent) to the cash flow expected to arise from each asset. Further detail on the valuation methodology is given in note 17.

The weighted average discount rate[1] across the portfolio at 31 December 2020 was 8.5% (31 December 2019: 8.1%). The valuation of investments is sensitive to changes in discount rates applied. There were a number of investments subject to discount rate changes during the year; these were made to reflect the uncertainties associated with the Covid-19 pandemic, see below for further information. Sensitivity analysis detailing the impact of a change in discount rates is given in note 17.

Portfolio by sector type
Property **49%**
Social infrastructure **33%**
Asset finance **10%**
Energy and infrastructure **8%**

Portfolio by security ranking
Senior **71%**
Mezzanine **29%**

Portfolio by term profile
<5 yrs **71%**
5-10 yrs **8%**
>10 yrs **21%**

Portfolio by interest rate profile
<7% **17%**
7-8% **46%**
>8% **37%**

Portfolio by location
UK **82%**
Europe **10%**
Rest of World **8%**

1. Alternative performance measure - refer below for definitions and calculation methodology.

INVESTMENT PORTFOLIO

TOP TEN INVESTMENTS BY VALUE

Key
1. Sector type
2. % of portfolio by value
3. Asset class
4. Multi/single asset exposure

Development Fin Co 6
1. Property
2. 9.2%
3. Residential property
4. Multi asset

Co-living Co 3
1. Property
2. 7.2%
3. Co-living
4. Multi asset

Student Accom 3
1. Social infrastructure
2. 5.4%
3. Student accommodation
4. Single asset

Bridging Co 1
1. Property
2. 4.9%
3. Residential property
4. Multi asset

Bridging Co 2
1. Property
2. 4.8%
3. Residential property
4. Multi asset

Student Accom 2
1. Social infrastructure
2. 4.6%
3. Student accommodation
4. Single asset

Property Co 2
1. Social infrastructure
2. 3.9%
3. Social housing
4. Multi asset

Waste Infra. Co
1. Energy and infrastructure
2. 3.6%
3. Material recovery facility
4. Single asset

Contract Income 3
1. Asset finance
2. 3.4%
3. Contract income
4. Single asset

Property Co 7
1. Property
2. 3.3%
3. Residential property
4. Multi asset

Further information on the Group's portfolio can be found on the Company's website.

Portfolio performance
All investments are closely monitored by the Investment Manager against strict reporting and information requirements as set out in the loan documentation.

During the year, the Group experienced a high level of investment activity despite the ongoing Covid-19 pandemic, including £131.0 million of principal repayments offset by £126.8 million of investments. The return of these principal repayments is indicative of a high-quality loan book able to meet scheduled repayments as the loans reach maturity. The Investment Manager is pleased to confirm that the Group's portfolio performed particularly well during a volatile year.

The operational performance of the assets has been in line with, or better than, the Investment Manager's expectations. Interest and principal payments have been received from the underlying investments in accordance with expectations[1]. The dividend continues to be fully covered on an adjusted EPS[2] basis and the regular repayment of loans indicates a robust secondary market for the Group's underlying investments. Moreover, two of the Group's student accommodation investments were sold during the year to a large pension fund, signalling strong institutional demand for this asset class.

Many of the asset valuations have recovered to pre-Covid-19 levels on the back of strong operating performance throughout a year of severely reduced economic

activity. The weighted-average discount rate[2] as at the end of the financial year was 8.5%. This discount rate reflects a number of market adjustments made as a result of Covid-19.

Property represented the largest sector at year end with c.34% of the portfolio comprising residential and co-living investments. The low average LTV of c.64% against the property assets continues to provide significant security against market downturns and financial covenants across the residential and commercial property assets have largely remained robust.

The Investment Manager has been particularly pleased with the performance of the assets in the social infrastructure sector, despite a challenging year. Social infrastructure comprised 33% of the portfolio at year end. The Group's social infrastructure assets are led by experienced management teams who prudently manage their businesses and acted decisively to preserve cash flows and manage occupancy/attendance levels to support debt service during the pandemic.

The portfolio also includes three assets which are currently of principal focus to the Investment Manager: two loans to separate multi-use community facilities and the CHP loan which defaulted in the prior year[1].

The multi-use community facilities host food outlets, community spaces, artist studios, bars, and event and co-working areas. The Investment Manager is working closely with these borrowers as they prepare to relaunch in the spring in the hope that the Government's road map out of lockdown restrictions will remain as currently planned. The facilities represent a combined 1.2% of the portfolio by value.

The Investment Manager has been working to dispose of the CHP asset since default and has been engaging with a large infrastructure investment bank since October 2020. It is expected that the Company will ultimately recover slightly more than the written down value with a conclusion expected on this transaction in the coming weeks.

Notwithstanding the focus loans mentioned above, the portfolio remained highly cash-generative during the year despite eight investments, or 12.0% of the portfolio, being development loans at year end, the majority of which are capitalising interest. The total dividend was 96% covered by EPS of 6.21 pence and 114% covered by an adjusted EPS[2] of 7.40 pence.

Assets under construction are proceeding materially on time and budget, with a number of investments completing construction in the first half of the year. One of the Group's larger student development loans funding the construction of two sites is expected to achieve practical completion in the first half of 2021, ahead of schedule. This will reduce the Group's overall construction exposure by approximately 4.6% and significantly de-risk the portfolio.

The bridging and development finance investments have exposure to UK residential property prices. However, the low LTV of these investments means that there is significant headroom in the underlying asset values to absorb movements in property valuations. Further, the tenor of any particular loan is short relative to the duration of the facility, offering further protection from any market changes over the medium to long term.

1. As previously reported by the Company, the CHP loan remains in default and as such no payments are expected until the anticipated sale completes.
2. Alternative performance measure - refer below for definitions and calculation methodology.

Covid-19 impact

Whilst the categories of principal risks and uncertainties of the Company have not changed, similar to many businesses, the risk profile and the residual risk profile of the Company continues to be impacted by the Covid-19 pandemic.

The Board, on advice from its Valuation Agent and Investment Manager, has sought to quantify this increase in risk in the year by increasing the discount rate of a number of the loans in the portfolio. When assessing changes to discount rates, the Board, on advice from its Valuation Agent and Investment Manager, takes account of the movements in pricing of risk across the market as a whole, such as those caused by the uncertainties associated with the Covid-19 pandemic.

It also considers an asset specific approach to the assessment of residual risk which takes into account a number of other variables that can impact the discount rate, such as:

- the underlying loan structure (senior or mezzanine);
- the operational stage (construction or operational);
- risk rating factors, such as each project's revenue and cost drivers which could impact the debt service loan cover ratios; and
- the value of the underlying security structure.

The Investment Manager has continued to monitor the portfolio by classifying investments depending on the impact of Covid-19 on the investments. The table below sets out a summary of the risk rating factors and discount rate movements for each asset class at 31 December 2020 experiencing a 'high', 'medium' or 'low' impact.

Since the publication of the Company's half-yearly report, the percentage of the portfolio at 31 December 2020 that experienced a 'medium' impact from the Covid-19 pandemic decreased from 60.1% to 39.1% primarily due to the reclassification of the care homes, some student accommodation and boiler investments as 'low' and the refinancing of a number of assets previously held as medium risk. The ongoing impact of the pandemic and any enforced restrictions on each asset class continues to be monitored closely.

It should be noted that whilst this prudent approach to value adjustment (through the increasing of discount rates) has been taken in respect of the portfolio, the principal amount of debt owed by the underlying borrowers has not changed.

In the event of non-payment of interest by a borrower, outstanding amounts would be added to the principal owed and therefore become recoverable in final repayments or against any enforcement proceeds, taking into account the value of the underlying security structure for each loan.

Changes to discount rates result in a revaluation of investments, which is reflected through fair value movements in the statement of comprehensive income. The impact of discount rate changes on the portfolio and their impact on dividend cover ratio[1] is explained further in the financial review below.

The discount rate adjustments set out below had a negative impact of 1.19 pence per share on the earnings and NAV of the Company.

CHANGES TO DISCOUNT RATES DURING THE YEAR

Covid-19 impact on borrower	% of portfolio	Impacted asset class	31 December 2020 £'000	Risk rating factors	Average % discount rate change
High	8.8%	CHP	1,900	Gas prices and impact on asset sale	51.0%
		Co-living	32,064	Occupancy levels and LTV	1.5%
		Multi-use community facility	5,157	Regulatory risk and occupancy	8.8%
Total			**39,121**		
Medium	39.1%	Student accommodation	25,909	Occupancy, operating costs and construction timetables	1.0%
		Residential property	129,435	Default rates and LTV	0.3%
		Nurseries	9,650	Occupancy and operating costs	0.4%
		Buy-to-let mortgages	8,729	Underlying default risk	0.3%
Total			**173,723**		
Low	52.1%	Various asset classes	231,391	Multiple factors	(0.1)%
Total			**231,391**		
Valuation of portfolio			**444,235**		

1. Alternative performance measure - refer below for definitions and calculation methodology.

Key investment highlights

The Group made 28 advances during the year totalling £126.8 million, comprising 16 new loans and twelve extensions to existing facilities. From these advances, two were in the energy and infrastructure sector; three in asset finance; eight in property; and three in social infrastructure projects. The Group received capital repayments of £131.0 million, along with prepayment fees of £1.8 million. Post year end, the Group made a further six advances totalling £14.5 million and received six repayments totalling £1.0 million.

Investments made during the year[1]

SECTOR	AVERAGE TERM	SECURITY	STATUS	INVESTMENTS	REPAYMENTS
Asset finance	7 years	Senior	Operational	£25.5 million	£5.4 million

Energy and infrastructure	6 years	Senior	Operational/construction	£5.0 million	£15.9 million
Property[2]	2 years	Senior/subordinated	Operational/construction	£73.5 million	£61.6 million
Social infrastructure	9 years	Senior/subordinated	Operational/construction	£22.8 million	£48.1 million
			Total	**£126.8 million**	**£131.0 million**

Investments made post year end[1]

SECTOR	AVERAGE TERM	SECURITY	STATUS	INVESTMENTS	REPAYMENTS
Asset finance	2 years	Senior	Operational	£6.8 million	-
Social infrastructure	7 years	Senior	Operational	£6.3 million	-
Property[2]	1 year	Subordinated	Operational	£1.4 million	£1.0 million
			Total	**£14.5 million**	**£1.0 million**

Investment commitments at the date of the report[1]

SECTOR	AVERAGE TERM	SECURITY	STATUS	AMOUNT
Energy and infrastructure	3 years	Senior	Construction	£4.6 million
			Total	**£4.6 million**

1. The Company makes its investments through its wholly owned Subsidiary. Refer to note 1 for further information.
2. Includes projects that were subject to review by the Board under the Company's investment approval process, refer below.

FEATURED ASSETS

BATTERY STORAGE

The Group has supported two companies in the development and operation of battery storage facilities across the UK.

The asset

Battery storage projects are infrastructure assets supporting the growth of renewable energy facilities in the UK. The assets comprise large units connected to the electricity grid and containing battery units which charge from the grid, store electricity and release stored energy back into the grid as required.

The Group financed two borrowers in developing a total capacity of 30MW across three projects. All three projects have Firm Frequency Response and Capacity Market contracts for the assets which provide a baseline of contracted revenue for activities of the batteries during operation. The contracted cash flows and asset protection from the grid-connected projects provide downside protection against the debt investment in these projects.

The projects were able to secure additional revenue through:

- exporting power or avoiding charging during three most demanding half-hour periods over the winter period (known as 'Triads');
- providing balancing services to the National Grid; and
- trading on the intra-day and day-ahead electricity markets to achieve the best price differential between charging and discharging.

Since the Company's first investment in these projects in 2017, the market has evolved substantially with more understanding around the technology and optimisation strategies of the batteries. Utility companies and institutional investors are recognising the value in these projects with two projects entering into asset management contracts with contractually guaranteed floor prices (minimum prices) from a strong, creditworthy counterparty.

Demonstrating the strength of these assets, two of the original projects have now repaid their debt in full (incurring prepayment fees) and providing an 8.6% total return to the Company, following a sale to an infrastructure fund.

CARE HOMES

In 2016 and 2017, the Group financed the development of four high-quality care homes in the UK all owned and operated by a single operator.

The assets

In April 2016, the Investment Manager was approached by the business owners who required funding to build the first of six new care homes that would provide purpose-built, high-end facilities. The operating company is comprised of individuals who have a long track record of successfully funding and building quality care homes and have generated excellent returns for shareholders since first investing in this sector in 1998.

The market for high-end care homes is growing alongside the UK's ageing population. With the consistent increases in life expectancy, existing services have become strained due to chronic underfunding and lack of land availability which have both contributed to supply bottlenecks.

The management team have been able to secure sites across the UK from a number of sellers including a local authority whose own budget was too constrained to finance additional facilities.

The care home sector has had a challenging year. The dedicated staff of the care homes supported by the Group have worked tirelessly throughout the year to minimise the risk of infection and provide a safe, comfortable home for their vulnerable residents. With the prioritisation of care home staff and residents in the vaccine roll-out, there is cause for cautious optimism for re-opening of the homes to visitors and a relaxation of restrictions.

Looking to the future, the Investment Manager is comforted by the strength of the management team, the favourable supply and demand dynamics, as well as the resilient market valuations underpinning the Group's security pool. The Investment Manager is actively looking at new transactions in this sector with the same management team.

On a loan-to-value basis the loans remain well secured, with an average LTV of less than 60%.

FINANCIAL REVIEW OF THE YEAR

The Company has generated total income of £33.9 million and paid dividends of 6.475 pence per share. The total shareholder return[1] for the year was -9.8% and total NAV return[1] was 6.5%.

Financial performance

In the year to 31 December 2020, the Company's portfolio generated interest payments of £35.5 million and fee income of £2.6 million (including prepayment fees of £1.8 million in respect of loans prepaid in the year). This was offset by net unrealised valuation losses of £5.2 million in respect of discount rate adjustments to the market value of loans as a result of Covid-19. Further information is given in note 3.

The Company incurred total expenses of £5.8 million (31 December 2019: £5.0 million) which include the Investment Manager's fee and other third party service provider costs. Further information is given in notes 4 and 18.

Finance costs have remained broadly static for the year with the Company utilising its RCF throughout the year. At the year end £5.0 million was drawn (31 December 2019: £9.5 million). Further information on the RCF is given in note 14.

Total profit and comprehensive income for the year was £27.4 million (31 December 2019: £28.0 million).

Dividends

The Company paid 6.225 pence per share in interim dividends and a special dividend of 0.25 pence, giving a total dividend of 6.475 pence. The Board did not set a dividend target for 2020 due to the onset of Covid-19. However, the Company met its stated aim to grow its annual dividend year-on-year with the final interim dividend increasing to 1.575 pence per share. The total dividend was 96% covered by EPS of 6.21 pence for the period and 114% covered by an adjusted EPS[1] of 7.40 pence. In respect of the forthcoming financial year, the Company is targeting an annual dividend of 6.3 pence per ordinary share.[2]

Earnings

The Company generated EPS of 6.21 pence, which includes an adjustment to discount rates of 1.19 pence per share to reflect the market uncertainties associated with the Covid-19 pandemic, as detailed above. EPS excluding these discount rate adjustments (adjusted EPS[1]) for the period was 7.40 pence per share, which more than fully covered the dividend for the period of 6.475 pence per share.

Adjustments to discount rates result in the revaluation of investments, which are reflected through fair value movements in the statement of comprehensive income, in accordance with IFRS.

Where discount rate adjustments result in a downward revaluation, as the loans approach their maturity dates, income recognised in future years will be higher than the interest accrued on the loan due to a phenomenon known as 'pull-to-par' where loans converge on their par value at maturity (see below). This phenomenon leads to an increase in the Company's dividend cover ratio[1] on an earnings basis (under IFRS) which the Investment Manager estimates to be c.£0.8 million per annum over the coming years. The opposite effect is noted on any loans which have been revalued upwards. The Board and the Investment Manager consider these pull-to-par movements when setting dividend targets and declaring dividends.

Pull-to-par
The valuation principles used by the Valuation Agent are based on a discounted cash flow methodology calculated by applying a relevant discount rate to the contractual cash flows expected to arise from each asset.

At acquisition, the value of an investment will be equal to its nominal par value, expressing the fact that it has been priced in accordance with prevailing market conditions with a relevant discount rate.

As time progresses and market conditions change - and with that discount rates - the valuation will also change, meaning it will no longer be equal to the nominal par value.

At maturity of the loan, the calculated valuation will converge on the nominal par value, reflecting the fact that the borrower's loan is repayable at par despite the discount rate.

1. Alternative performance measure - refer below for definitions and calculation methodology.
2. The target dividend set out above is a target only and not a profit forecast or estimate and there can be no assurance that it will be met

Ongoing charges
The Company's ongoing charges percentage[1], calculated in accordance with the AIC methodology, was 1.2% (31 December 2019: 1.2%) for the year to 31 December 2020.

	31 December 2020	31 December 2019
Ongoing charges	**£'000**	£'000
Investment Manager	**3,917**	3,740
Directors' fees[2]	**201**	136
Administration expenses	**1,635**	1,173
Total expenses	**5,753**	5,049
Non-recurring expenses	**(470)**	(23)
Total	**5,283**	5,026
Average NAV[3]	**445,830**	435,594
Ongoing charges ratio	**1.18**	1.15

NAV and share price performance
Net assets attributable to equity holders at 31 December 2020 were £449.8 million, down from £451.8 million at 31 December 2019. The Company's NAV per ordinary share has decreased from 102.33 pence at 31 December 2019 to 102.18 pence per ordinary share at 31 December 2020. Refer to the chart below for further analysis.

The Company's share price has predominantly traded at an average premium[1] to NAV since IPO of the Company in 2015, with an average premium[1] of 2.5% over this period. The Covid-19 pandemic has negatively impacted the Company's share price this financial year with the shares trading at an average discount[1] of 9.5%.

Share repurchases
The Company commenced a share buyback scheme during the year. The Company's share price discount to NAV offered value to shareholders. A total of 1,875,000 shares at a weighted average price of 80.67 pence per share were repurchased during the year. At 31 December 2020, there were 442,033,518 ordinary shares in issue, of which 1,875,000 were held in treasury.

Post year end, the Company repurchased an additional 325,000 ordinary shares at a weighted average price of 90.22 pence per share, all of which are held in treasury.

1. Alternative performance measure - refer below for definitions and calculation methodology.
2. The costs for the current year include four Directors compared to three in the prior year.
3. Based on average NAV for the twelve month period to 31 December 2020.

Conflicts of interest
During the year, the Group committed to an investment of up to £11.6 million to finance the development of co-living accommodation in Boston, USA, of which £9.8 million was drawn. The Company also committed to finance up to £8.1 million for the development of student accommodation in London, UK, of which £6.7 million was drawn. The Company has continued to finance existing construction projects of a number of private student accommodation developments in Australia, USA and the UK.

During the year two conflicted investments to finance student accommodation projects repaid in full, returning £42.9 million of capital to the Company and generating an IRR[1] on investment of 10%.

The directors and/or shareholders of the Investment Manager directly or indirectly own an equity interest in these development projects. In accordance with the Company's investment approval process, these investments were reviewed and approved by the Board.

Where there is any overlap for a potential investment with GCP Infra, a third party company advised by the Investment Manager, GCP Infra has a right of first refusal over such investment. GCP Infra has not exercised this right of first refusal since the Company's IPO.

Cash position
The Company received interest payments of £35.5 million and capital repayments of £130.6 million from its Subsidiary in the year. The Company paid dividends of £27.9 million (excluding dividends settled in shares[2]) during the year and a further £6.9 million post year end. The Company advanced £126.5 million to the Subsidiary to make investments in accordance with the Group's investment policy. Post year end, the Group has made a further six advances totalling £14.5 million and received six repayments totalling £1.0 million. At the date of the report, investment commitments were £4.6 million. Total cash reserves at the year end were £10.0 million.

1. Alternative performance measure - refer below for definitions and calculation methodology.
2. Dividends settled in shares are where shareholders have elected to take the scrip dividend alternative.

STAKEHOLDERS

Stakeholders
The Company engages with its stakeholders in different ways. This section outlines the key stakeholder groups, the importance of engagement and how the Company and the Board interacts.

The Board values the importance of maintaining a high standard of business conduct and stakeholder engagement and ensuring a positive impact on the environment in which the Group operates.

Stakeholders in this section have been grouped into six key categories with an overview of why and how the Company engages including, where relevant, key Board decisions made which impacted these groups and the ways in which the Board considered their interests. All Board discussions involve careful consideration of the longer-term consequences of any decisions and their implications for stakeholders.

Section 172:
PROMOTING THE SUCCESS OF THE COMPANY

As a member of the AIC, the Company reports against the AIC Code on a comply or explain basis. Whilst the Company is not domiciled in the UK, by reporting against the AIC Code, the Company voluntarily meets any obligations in relation to the 2018 UK Corporate Governance Code and specifically section 172 of the Companies Act 2006.

The Board of Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in section 172 of the Companies Act 2006) in the decisions taken during the year as set out below.

The interests of the Company's employees
The Company has no employees but has close working relationships with the employees of the Investment Manager and the Administrator to which it outsources its main functions.

Refer to stakeholder engagement and governance sections below.

The impact of the Company's operations on the community and the environment
The Investment Manager has integrated ESG considerations into its investment management processes during the year as it believes this creates a more sustainable businesses over the long term.

Refer to sustainability section below.

The need to foster the Company's business relationships with suppliers, customers and others
The Board has a close working relationship with all its advisers and regularly engages with all parties.

Refer to stakeholder engagement section below.

The desirability of the Company maintaining a reputation for high standards of business conduct
Under the leadership of the Chairman, the Board operates with core values of integrity and impartiality with an aim of maintaining a reputation for high standards in all areas of the business it conducts.

Refer to Board values and culture within the corporate governance statement below.

The need to act fairly between shareholders of the Company
The Board actively engages with shareholders and considers their interests when setting the Company's future strategy.

Refer to stakeholder engagement section below.

The stakeholder model below demonstrates how the Company interacts with all of its stakeholders.

SOCIETY
The Company positively impacts society through its investing activities, providing funding for assets which are integral to society.

SHAREHOLDERS
All investors in the Company, be these institutional, such as pension funds or wealth managers, or retail, such as private individuals.

SUPPLIERS
Suppliers across the UK and Jersey who provide services to the Company.

BORROWERS
Owners of the Project Companies to which the Group advances loans.

LENDER
Provider of the Company's credit facilities.

GOVERNMENT AND REGULATORS
Governmental organisations providing public services for society, or financial services regulators.

SOCIETY
The Company positively impacts society through its investing activities, providing funding for assets which are integral to society.

Why engage
Through responsible investing the Company can ensure the long-term success of not only itself but also of the environments within which it operates. As part of the investment process, ESG due diligence is carried out by the Investment Manager to ensure that sustainability and impact on society is considered.

How the Company engages
Indirectly, the Company engages with society through its social infrastructure investing, providing funding for housing for vulnerable adults, care for the elderly and urban regeneration, in addition to funding assets that manage energy and/or process waste. The Company reports on the benefits to society through its normal methods of shareholder engagement.

Since IPO, the Group's investment activities have facilitated the creation of c.900 jobs, of which c.300 have been created at care homes, c.250 at urban regeneration projects, c.250 at nurseries, with the remainder at student accommodation schemes.

SHAREHOLDERS
All investors in the Company, be they institutional, such as pension funds or wealth managers, or retail, such as private individuals.

Why engage
Through the provision of capital, shareholders enable the Company to pursue its investment objective. In return, the Company generates earnings for shareholders as well as safeguarding and growing the capital value of the portfolio.

How the Company engages
The Company, primarily through its Investment Manager and Broker, engages in ongoing communication with its shareholders via market interactions, webinars and shareholder, analyst and marketing presentations.

Shareholder engagement is reported to the Board on a quarterly basis. Feedback obtained through this engagement is taken into consideration when setting the future strategy of the Company and any Board decisions which may impact shareholders. The Board encourages shareholders to attend and vote at general meetings of the Company so they may discuss governance and strategy and to understand shareholders' issues and concerns.

The Investment Manager has been working to increase shareholder engagement throughout the year by holding more meetings, hosting webinars and portfolio updates for investors.

Alongside the Investment Manager, the Company has looked to engage further with shareholders by increasing both the quality and detail of its portfolio disclosures. Feedback on the disclosures has been positive and both the Board and the Investment Manager are delighted to engage with shareholders to address any questions or concerns they may have.

KEY BOARD DECISION:
Share buybacks
Decision:
In March 2020, the Company commenced a series of share buybacks in response to market volatility experienced due to the Covid-19 pandemic and its subsequent impact on the Company's share price.

The Directors can consider repurchasing the Company's shares in the market if they believe it to be in shareholders' interests as a whole and as a means of correcting any imbalance between supply of and demand for the shares. The authority to repurchase up to 14.99% of share capital was granted at the 2020 AGM.

At the date of commencement of the scheme, the share price offered value to shareholders with a significant discount[1] to NAV.

Process:
In March 2020, the Investment Manager asked the Board to consider a potential buyback of the Company's shares.

A Board meeting was held to discuss the proposal with the Investment Manager and Broker present, to decide whether it would be in the best interests of shareholders. Furthermore, it was considered whether this would have an impact on the NAV and the share price discount.

The Board also considered the current investment pipeline, a potential slowdown in investment activity and the total funding availability.

Outcomes:
It was concluded by the Board that a share repurchase scheme was clearly in the interest of shareholders as it would have a positive impact on the NAV. Whilst it was concluded that the scheme would not have a significant impact on the share price, it was felt that it would be positively perceived by shareholders.

The Board authorised the Broker to commence the scheme. During the year the Company bought back 1,875,000 shares which are currently held in treasury. The repurchase of shares has contributed to a NAV uplift of 0.09 pence per share for the year.

SUPPLIERS
Suppliers across the UK and Jersey who provide services to the Company.

Why engage
The Company's suppliers include third party service providers engaged to provide corporate or administration services, in addition to the investment management services provided by the Investment Manager. These services are critical to the ongoing operational performance of the Company.

How the Company engages
The Board has a close working relationship with all its advisers and regularly engages with all parties. The Management Engagement committee regularly monitors the performance and reviews the terms of each service contract annually. To ensure suppliers meet the Company's high level of conduct, all suppliers are required to confirm on an annual basis, in the form of a questionnaire, that they have adequate policies and procedures in place. This informs decision making at Board level in regard to the continuing appointment of service providers.

The annual Management Engagement committee meeting was held on 12 November 2020 where the committee reviewed the performance, and considered the continued appointment, of the Company's service providers. In addition, the Board usually attends the offices of the Investment Manager at least once a year to perform an oversight review and consider matters such as strategy, portfolio performance and principal risks. As a result of Covid-19 travel restrictions, this year the review was held virtually post year end on 23 February 2021; refer below for further information.

KEY BOARD DECISIONS:
Change in corporate broker
Decision:
In January 2020, the Company announced a change in corporate Broker and financial adviser to the Company.

The change followed a comprehensive review by the Board, with assistance from the Investment Manager, of the Company's corporate broking arrangements.

Process:
The change in corporate Broker included a selection process of potential service providers who were requested to submit a proposal document. Three parties were shortlisted from a possible six based on their credentials who were then invited to present to the Board.

The Board considered each proposal and which appointment would be in the best interests of the Company and its stakeholders. This was supplemented by advice from the Investment Manager.

Outcomes:
It was concluded that Investec Bank plc offered the best fit in terms of achieving the Company's strategic objectives. Investec has strong relationships with the Company's existing shareholders and were appointed with a view to improving shareholder engagement and introducing the Company to new investors, therefore widening its investor base. Investec were appointed with effect from 28 January 2020.

Investment Manager change of control
Decision:
In December 2020, the Company announced that the Investment Manager had entered into a strategic partnership with ORIX Corporation, whereby ORIX would acquire a 70% equity stake in the Investment Manager's business.

Process:
Upon notification of the intended transaction, a sub-committee was formed, comprised of all members of the Board, with the purpose of overseeing the change of control within the Investment Manager. During this time, the Board and sub-committee met six times to formally discuss the change of control with certain individuals from the Investment Manager, Broker and UK Legal Counsel.

The sub-committee undertook due diligence and attended discussions with ORIX on 28 October 2020 to understand the extent of ORIX's involvement and to obtain clarifications such as:

- that the Company's investment objective or service levels would not be affected by the change of control; and
- that there would be no personnel changes within the Investment Manager.

Outcomes:
The change of control was announced on 4 December 2020. The sub-committee and the Board believe that the change of control to ORIX is in the best interests of the Company and its stakeholders, by expanding the global presence of the Investment Manager and, over the long term, providing it with additional experience, expertise and access in areas such as asset sourcing, financing and potential new investors.

BORROWERS
Owners of the Project Companies to which the Group advances loans.

Why engage
By engaging with borrowers and understanding their needs, the Group is able to offer bespoke lending solutions which reflect the contractual fundamentals and inherent risks of the underlying assets and cash flows. Borrower contact enables direct feedback and informs strategic decision making at Board level.

How the Company engages
The Investment Manager's designated portfolio monitoring team engages with borrowers on an ongoing basis. Engagement is in the form of regular interaction with the borrowers. Ordinarily, this would include periodic site visits to the underlying assets held by Project Companies. However, given the Covid-19 restrictions, there have been fewer opportunities for visits this year but these are anticipated to recommence as soon as restrictions permit. The regular monitoring of information and financial covenant obligations is also carried out to ensure compliance with financial covenants to ensure the early identification of potential issues.

The Investment Manager reports to the Board on asset performance on a quarterly basis.

As detailed in the Chairman's statement, the Group had a default on one of its smaller loans in March 2019. The Group has been working to dispose of the asset and it is hoped that a conclusion will be reached on this transaction in the coming weeks.

The Board engages with the Investment Manager with regard to 'conflicted investments', where the Investment Manager or any shareholders, directors or employees of the Investment Manager are directly or indirectly interested in any entity or asset in relation to the investment.

LENDER
Provider of the Company's credit facilities.

Why engage
The Company's lender, RBSI, provides a credit facility used in the making of investments in accordance with the investment policy, access to which creates an efficient method of investing capital and minimises the effect of cash drag.

How the Company engages
The day-to-day management of the credit facility is delegated to the Investment Manager who engages with RBSI to ensure that it remains fully informed on all relevant business of the Company. This high level of engagement helps to support the relationship with RBSI. The Investment Manager reports to the Board on a quarterly basis on current and future financing requirements, as well as the quantum and duration of the RCF. This information forms the basis of decision making at Board level.

GOVERNMENT AND REGULATORS
Governmental organisations providing public services for society, or financial services regulators.

Why engage
Good governance and compliance with applicable regulations is vital in ensuring the continued success of the Company and the regimes within which it operates.

How the Company engages
The Board encourages openness and transparency and promotes proactive compliance with new regulation. The Company engages with local government and regulatory bodies at regular intervals and participates in focus groups and research projects where relevant. The Company, through its Investment Manager and Administrator, files AIFMD and Jersey regulatory statistics on a quarterly basis and assists the JFSC in collecting data to conduct a national risk assessment of money laundering and terrorist financing threats to Jersey. Government and regulatory policy informs strategic decision making at Board level with consideration given to the impact the Company has on the sector.

SUSTAINABILITY

The Company aims to operate a sustainable business model which does not detrimentally impact the environment and provides benefits to society where possible.

Introduction
ESG has become an increasingly important topic in both the assessment of impact of investments in the future and investor assessment of opportunities. In the last year, the UK Government has brought in legislation to target net zero greenhouse gas emissions by 2050 and introduced new ESG reporting requirements for pension scheme trustees in recognition of the role investment plays in policy change. In addition, the UK Stewardship Code 2020 and the UN Principles for Responsible Investment ("UNPRI"), both of which have been adopted by the Investment Manager, focus on the process of incorporating ESG considerations into the investment process and disclosures to investors to better inform investment decisions and promote sustainable investment.

ESG strategy
During the year, the Board, with the assistance of the Investment Manager, began the process of defining its policy on sustainability and approach to ESG. This process is to be continued during 2021 in order that the Company will have a clearly defined approach regarding its ESG strategy, governance, risk management and metrics and targets. The Company intends to adopt the recommendations of the TCFD where appropriate and has made additional disclosures in regard to climate change.

Investment process
The Investment Manager has enhanced its investment processes in respect of the provision of investment management services to the Company during the year. It believes that integrating ESG considerations into investment management processes and ownership practices can help to create more successful and sustainable businesses over the long term and generate enhanced value for clients and society at large. It has developed a responsible investment process which incorporates the following:

Deal screening
The Investment Manager has implemented processes to positively screen for investments that promote sustainability or benefit society, including, but not limited to: the areas of climate change mitigation and adaptation; energy transition; critical infrastructure; affordable living; social housing; education and healthcare. It excludes investments which focus on animal testing; armaments; alcohol production; pornography; tobacco; coal production and power; and nuclear fuel production.

ESG due diligence processes
The Investment Manager is working with the Board on the implementation of its responsible investment checklist for new investments which assesses how the investment fares against key relevant ESG criteria. The checklist covers the counterparty's commitment and capability to effectively identify, monitor and manage potential ESG-related risks and opportunities, and, to the extent applicable, the availability of relevant policies and procedures; alignment with industry or investment specific standards and ratings; and compliance to relevant ESG-related regulation and legislation.

Monitoring and engagement
Following the investment, investments are monitored in accordance with the relevant covenants and information requirements for the project. The requirements are tailored to manage risks specific to each project and typically include financial, regulatory, operational and construction reporting, where relevant. Through the new responsible investment checklist process, the Investment Manager is seeking to identify ESG indicators to include in reporting and monitoring of borrowers to inform the way in which the investment is managed.

Reporting
The Investment Manager intends to report on its progress on responsible investment on an annual basis. This information will be made publicly available on its website: www.graviscapital.com.

The responsible investment policy can be found on its website. The policy sets out its commitment to responsible investment and investment processes within its organisation.

Responsible investment
The Investment Manager is a signatory to the UNPRI, a global network of investors working together to incorporate responsible investment into investment practice.

The principles were developed by an international group of institutional investors reflecting the increasing relevance of ESG issues. The Investment Manager recognises that applying these principles better aligns investment activities with the broader interests of society and has committed to the adoption and implementation as follows:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3**: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the principles.

More information can be found on the UNPRI website: www.unpri.org.

CLIMATE CHANGE IMPACT

The Investment Manager directly and/or indirectly addresses climate-related risks and opportunities when evaluating and approving new investments.

The Board intends to seek to adopt the recommendations of the TCFD where appropriate and has made additional disclosures this year in regard to climate change. The Board will seek to expand these disclosures for future years as further guidance on adoption is issued.

INVESTMENT PROCESS

GOVERNANCE	STRATEGY	RISK MANAGEMENT	METRICS AND TARGETS
Governance in regard to climate-related risks and opportunities.	Impacts of climate-related risks and opportunities on the Company strategy[1].	Risk identification, assessment and management.	Metrics and targets used to assess and manage relevant climate-related risks and opportunities.
The Investment Manager has established a responsible investment policy and a dedicated responsible investment committee to monitor and implement ESG initiatives across its organisation. It has integrated ESG considerations into its investment management processes during the year as it believes this creates a more sustainable businesses over the long term. Further information can be found above. The Investment Manager also carries out ongoing performance monitoring, including site visits (when possible) by experienced personnel. Detailed reports on asset performance are provided to the Board.	The portfolio is diversified across a number of asset classes where the impact of climate change would vary across the portfolio. Environmental impact assessments are carried out as part of the due diligence process to identify potential transition and physical short, medium and long term impacts to costs and viability across service providers and investments. Further information can be found above.	The Investment Manager directly and/or indirectly addresses climate-related risks and opportunities when evaluating and approving new investments. This includes the completion of a responsible investment checklist for each new investment. Ongoing due diligence is carried out during the life of each asset to identify any new risks and changes to existing risks. This includes changes to Government and industry legal and regulatory requirements and assessment, the impact of flooding and the Covid-19 pandemic.	As an externally managed investment company, the Company has no employees, does not own any property, and it does not purchase electricity, heat, steam or cooling for its own use. The Company outsources all services on a fee basis and, as such, has no reportable emissions to which it can measure or set targets against. During the coming year, as part of the development of the Company's approach to ESG, the Directors will consider the extent to which appropriate portfolio metrics and targets can be reported on.

1. The Company defines short, medium and long-term risk time horizons as follows: short term: zero to three years; medium term: three to eight years; long term: more than eight years.

MAKING A DIFFERENCE

ENVIRONMENTAL IMPACT
Green energy projects

The Group has invested in a number of green energy projects, including an operational CNG station. The CNG station is located in Lancashire, UK, within the immediate vicinity of the major customer. The site has been operational since March 2016 and was developed as a flagship project with National Grid/Cadent as the first high-pressure gas fuel station in the UK.

As a form of transportation, CNG trucks have a significant positive impact on air quality and the environment, emitting c.80% less CO_2 than diesel trucks. In total 4.5 million litres of diesel have been displaced during the year by vehicles fuelling at this station. The Group is actively working with the developer to support the project and has invested in a second station this year, expanding the number of fuel dispensers supported from two to six.

The Company has also invested in a number of battery storage projects which support the deployment of renewable energy projects throughout the UK by providing flexible capacity and balancing services to the National Grid. Further information can be found above. Further, the Company has invested in companies providing operation and maintenance services for rooftop solar panels, in turn contributing to increased renewable capacity in the UK.

SOCIAL IMPACT

Societal benefits

The Company's business model targets assets for which there is a structural demand within society. The Group provides benefits to society through its investing activities, by providing funding for assets, such as housing for vulnerable adults, care for the elderly and urban regeneration, in addition to assets that meet a structural demand for producing or managing energy and/or processing waste. The Group also provides finance for property purchases or developments which mainstream lenders cannot serve, for reasons other than credit quality.

Since IPO, the Group's investment activities have facilitated the creation of c.900 jobs, of which c.300 have been created at care homes, c.250 at urban regeneration projects, c.250 at nurseries, with the remainder at student accommodation schemes.

The Group intends to continue to support borrowers that have a positive impact on society, as it further enhances the security of the portfolio.

RISK MANAGEMENT

The Board and the Investment Manager recognise that risk is inherent in the operation of the Group and are committed to effective risk management to protect and maximise shareholder value.

Risk management strategy and risk appetite

The Board has the ultimate responsibility for risk management and internal controls within the Company. The Board and the Investment Manager recognise that risk is inherent in the operation of the Group and are committed to effective risk management to protect and maximise shareholder value. When setting the Company's risk management strategy, the Board also considers the nature of the risks they are willing to take and the appetite they have for those risks to achieve the Company's strategic objective.

Risk management process

At least twice a year, the Board, with the assistance of the Risk committee, undertakes a robust assessment of the principal and emerging risks facing the Company, including those that might threaten its business model, future performance, solvency and liquidity.

The Board also reviews the effectiveness of the Company's risk management process and internal control systems. Refer to the Risk committee report below for further information. This review covers the strategy, investment, financial, operational and financial crime risks facing the Company, as well as any emerging risks. During the year, the Board did not identify, nor has been advised of, any failings or weaknesses which it has determined to be of a material nature.

The Board will continue to assess these risks on an ongoing basis. In relation to the AIC Code, the Board is confident that the procedures that the Company has put in place are sufficient to ensure that the necessary monitoring of risks and controls has been carried out throughout the year under review.

Role of the AIFM

The Investment Manager has been appointed as AIFM to the Company. The AIFM is required to operate an effective and suitable risk management framework to allow the identification, monitoring and management of the risks to which the AIFM and the AIFs under its management are exposed.

The AIFM's permanent risk management function has a primary role alongside the Board in shaping the risk policy of the Company, in addition to responsibility for risk monitoring and risk measuring in order to ensure that the risk level complies on an ongoing basis with the Company's risk profile.

Principal uncertainties

The Board continues to consider Covid-19 and Brexit, as detailed below, to be principal uncertainties for the Company.

UNCERTAINTY 1: COVID-19

At the time of writing, the UK is in its third lockdown due to an increase in the number of diagnosed cases of Covid-19 and the identification of new, more transmissible variants. The pandemic continues to cause significant disruption in the global and national economy.

Whilst there has been no impact on the Company's cash flows to date, the Board is continuing to monitor the situation and has considered:

- the impact of a further prolonged period of lockdown and any enforced restrictions on business or operations;
- regulatory changes introduced by the Government to manage Covid-19 risk on operations; and
- vulnerable populations supported by the Company's investments (e.g. care homes).

The Company has BCPs in place through its service providers. The Investment Manager and the Administrator have established BCPs to ensure they can continue to service the Company. The Investment Manager and Administrator have both enacted these BCPs and they are operating effectively.

The Board will continue to monitor the development of the Covid-19 pandemic and any potential impact on the portfolio.

UNCERTAINTY 2: BREXIT

The UK officially left the EU on 31 January 2020, with the free trade deal between the UK and EU coming into force on 1 January 2021. There remains a considerable amount of uncertainty regarding the long-term impact of the UK's exit from the EU. A general and persistent weakening of the UK economy and a general fall in market sentiment caused by this uncertainty has the potential to impact the performance of the Group's underlying investments.

The Board has considered the impact of Brexit as a principal uncertainty on its principal risks. Specifically, in relation to any impact on the Company's principal risks and uncertainties, the Board has considered:

- the portfolio's reliance on the EU for materials and/or labour;
- the potential impact on the Group's access to pipeline transactions, financing and share price; and
- foreign exchange risk.

The Board will continue to monitor the potential macro-economic and political impacts of Brexit and the detailed implications for the Group's investments and wider impact on the UK economy.

Principal risks

The Board considers the principal risks faced by the Company during the year, together with the potential effects, controls and mitigating factors, to be as detailed below:

CATEGORY 1: CREDIT RISK

Risk	Impact	How the risk is managed	Change in residual risk over the year
Borrower default, loan non-performance and collateral risks Borrowers to whom the Group has	The success of the Group is dependent upon borrowers fulfilling their payment obligations when they fall due. Failure of the Group to receive payments or to recover part or all amounts owed together with potential additional costs	The Investment Manager continuously monitors the actual performance of projects and their borrowers, taking action where appropriate, and reports on performance of the Group's	***Increase*** The Group's investment portfolio has continued to perform in line with expectations during the year. The Investment Manager has

provided loans default or become insolvent.	incurred from the renegotiation and/or restructuring of loans can result in substantial irrecoverable costs being incurred. This could have a material adverse effect on the NAV of the Company and its ability to meet its stated target returns and dividend.	portfolio to the Board each quarter.	assessed the impact of Covid-19 on the investments in the portfolio (as noted in the Chairman's statement above). Across the sectors which the Company has provided finance to, the most affected to date have been public-facing projects (such as multi-use community facilities and co-living projects). The Investment Manager is working closely with these borrowers to ensure they are taking steps to minimise the impact to their businesses. The impact of Brexit remains a risk, albeit that the portfolio has not seen any impact to date. The Investment Manager will continue to monitor the impact of any changes in Government policy on these borrowers.

CATEGORY 2: ECONOMIC RISK			
Risk	**Impact**	**How the risk is managed**	**Change in residual risk over the year**
Property Loans made by the Group to projects involved in property or the development of property are indirectly exposed to the performance of the underlying real estate market in the relevant area.	If the market value of any property investments to which the Group has provided finance is found to be materially lower than assumed or projected, this may adversely impact the Group's ability to recover the value of its investments in the event of a borrower default or sale process.	The Group's property investments are at a low average LTV level. In addition, the credit risk associated with each Project Company is mitigated as the cash flows receivable are secured over the assets of the Project Company, which in turn have security over multiple assets at the underlying project level.	***Increase*** Whilst there have not been any material revaluations of property investments in the portfolio during the year, reduced transaction activity across the property market and the current economic recession in the UK have increased the risk that assets may have reduced in value. With Government incentives on stamp duty expected to end in 2021, transaction volumes are anticipated to reduce. The Investment Manager and the Board continue to monitor the market.
Valuation risk Due to the nature of the investments made by the Group, observable market data or comparable prices may not exist for some of the assumptions used in their valuation.	Uncertainty about valuation assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets in the portfolio in the future.	The Company has engaged an experienced Valuation Agent to carry out the valuation of investments on a regular basis. In addition, the Investment Manager, as part of its due diligence process, uses market-recognised professionals to provide initial valuations where possible.	***Increase*** During periods of market uncertainty, valuations of assets can be more difficult to estimate due to a reduction in comparable market transactions. Both Brexit and Covid-19 have a potential impact on the volume of transactions in the market and on certainty of valuations. During the year, the Board, together with the Investment Manager and Valuation Agent, took a prudent approach to increase discount rates on a number of investments in the portfolio which have experienced an impact from Covid-19. These revaluations have gradually been released throughout the year as assets continued to perform. We remain cautious and at the year end a number of these revaluations are still in place.

CATEGORY 3: KEY RESOURCE RISK			
Risk	**Impact**	**How the risk is managed**	**Change in residual risk over the year**
Reliance on key personnel at the Investment Manager The Company is dependent on key people within the Investment Manager to meet its investment objective.	An inability by the Investment Manager to retain and recruit the required level of personnel with the appropriate skills and experience may adversely impact its ability to service the needs of the Company.	The Company has entered into a contractual engagement with the Investment Manager. The performance of the Investment Manager is monitored by the Board along with the Company's other key service providers on an ongoing basis. The Investment Manager provides regular updates to the Board on its resourcing plans and has a competitive remuneration and retention plan focused on key employees. The Investment Manager has robust BCPs in place to enable it to continue to manage the Company if and when circumstances require.	***Stable*** The Investment Manager continues to provide adequate resources and act with due skill, care and diligence in its responsibilities as Investment Manager and AIFM to the Company. The Investment Manager has also continued to improve its systems and to strengthen its control processes during the year. For further information on the responsibilities of the Investment Manager refer to note 18.

CATEGORY 4: REGULATORY RISK			
Risk	**Impact**	**How the risk is managed**	**Change in residual risk over the year**
Change in laws, regulation and/or policy The Company, its operations and the underlying Project Companies are subject to laws and regulations enacted by national and local governments.	Any change in the laws, regulations and/or Government policy affecting the Company or the underlying Project Companies may have a material adverse effect on the ability of the Company to successfully pursue the investment policy and meet its investment objective, which therefore may impact the value of the Company.	The Company has a comprehensive compliance monitoring programme relevant to its operations that ensures compliance with developments and changes in legislation and regulation in the Channel Islands and the UK, including monitoring the impact of Brexit in the jurisdictions in which the Group invests. The programme also monitors compliance with listing and FCA marketing rules.	***Increase*** There is continued uncertainty about the long-term impact of the UK's exit from the EU, which the Directors anticipate will continue to be the case in the short to medium term. In the longer term, there may be opportunities to streamline regulation, to be more responsive to the needs of companies, making it easier to do business in the UK. For more information, refer to the Chairman's statement above. In addition, Covid-19 has required wide-ranging legislative and regulatory changes to be introduced impacting on all facets of society. The wide-ranging changes and speed of implementation have introduced new regulatory risk which the Investment Manager continues to monitor closely.

CATEGORY 5: EXECUTION RISK			
Risk	**Impact**	**How the risk is managed**	**Change in residual risk over the year**
Reinvestment risk and availability of suitable investments The Company is not able to deploy capital in a timely manner.	The decline or lack of availability of suitable investments meeting the risk and return profile of the Company's investment strategy within the required timescales may have a negative impact on the Company's returns as a result of holding uninvested cash balances.	The Investment Manager is continuously in contact with the market, seeking new deals, and builds a specific investment pipeline before recommending the raising of additional finance to ensure that capital is deployed in a timely manner.	**Stable** The Investment Manager continues to see attractive investment opportunities across a variety of sectors, including energy, social infrastructure, waste and specialist property. At the year end, the Group had an significant pipeline of investment opportunities of which c.£13 million has been transacted post year end. For further information refer to the Investment Manager's report above.

Emerging risks

Emerging risks include trends which are characterised by a high degree of uncertainty in terms of their occurrence, probability and their potential impact. As part of the Company's risk management processes, emerging risks are considered at the formal reviews of the Company's risks, described above and in the Risk committee report below.

In the prior year's annual report, the Board and the Risk committee identified emerging risks in the following areas: climate change, global financial volatility, supply chain management and Covid-19.

During the year, the Board, with the assistance of the Investment Manager, began the process of defining its policy on sustainability and approach to ESG which included climate change. The emerging risks of supply chain and global financial volatility were identified as an impact of Covid-19 due the considerable uncertainty at the time of publication of the 2019 annual report. As time has progressed, the impact on the Company has become clearer and therefore the Board no longer considers these as emerging risks.

For the year ended 31 December 2020, the Board has not identified there to be any new emerging risks that they believe the Company to be exposed to.

Going concern and viability assessment

Assessment

The Directors have assessed the financial prospects of the Company for the foreseeable future, being a period of at least twelve months from the date these financial statements were approved, and made an assessment of the Company's ability to continue as a going concern. The Directors are satisfied that the Company has the resources to continue in business for the foreseeable future and furthermore are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Refer to note 2.1 for further details on the assessment.

The Board regularly reviews the principal risks facing the Company, including those that would threaten its strategy. The Board also assesses the Company's policies and procedures for monitoring, managing and mitigating its exposure to these risks.

The Directors have carried out a robust assessment of each of the Company's principal risks, including those that would threaten its business model, future performance, solvency or liquidity, uncertainty, as detailed above and, through stress testing as described below, have also assessed the prospects of the Company over a longer period than the twelve months required by the going concern provision.

Stress testing

In order to analyse the effect of the principal risks and uncertainties on the Company's net cash flows, key financial ratios, viability and dividend cover, the Investment Manager has stress tested the Company's financial model by flexing a number of key assumptions used in order to model the aggregated impact of plausible scenarios, including:

- significant reductions in interest income received;
- new and reinvested capital levels;
- borrower default and recovery rates;
- significant increases in the Company's operating expenses and debt financing costs;
- the impact on the portfolio of downside stress tests on a sector-by-sector basis; and
- Covid-19 pandemic recovery scenarios.

The Investment Manager believes that the above scenarios represent a robust sensitivity analysis. The Company's principal activity is investing in loans to third parties supported by the value of physical assets and contracted cash flows. The Company is reliant on the performance of interest and principal repayment obligations as part of these loans in order to meet its overheads, service its borrowings and to pay the discretionary dividends.

Time period

The Board has determined that a five year period constitutes an appropriate period over which to provide its viability statement. The weighted average term of the loans within the investment portfolio is six years and in the view of the Board and the Investment Manager, financial forecasts that support the analysis may be subject to further capital raises for which the impact beyond a five year term is difficult to assess. In addition, the extent to which macro-economic, political, social, technological and regulatory changes beyond a five year term may have a plausible impact on the Company are difficult to forecast. The assessment involved an evaluation of the potential impact on the Company of these risks occurring through the use of stress testing as detailed above.

Conclusion
Based on this assessment and the stress testing performed on the Company's prospects, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment to 31 December 2025.

Approval of strategic report
The strategic report has been approved by the Board and is signed on its behalf by the Chairman.

Alex Ohlsson
Chairman
22 March 2021

GOVERNANCE

BOARD OF DIRECTORS

The Board of Directors is responsible for the effective stewardship of the Company's activities in order to ensure the long-term success of the Company in the interest of stakeholders.

Alex Ohlsson
Chairman
Alex Ohlsson, a Jersey resident, is the managing partner of the law firm Carey Olsen, and is recognised as an expert in corporate and finance law in Jersey with a particular focus on international real estate finance and structures. Mr Ohlsson joined Carey Olsen in 1991, became a Jersey solicitor in 1994 and an Advocate of the Royal Court of Jersey and a partner of Carey Olsen in 1995. He was educated at Queens' College, Cambridge, where he obtained an MA (Hons) in Law. Mr Ohlsson served as the independent chairman of the States of Jersey's audit committee from 2009 until 2018. He is an advisory board member of Jersey Finance, Jersey's financial services promotional body. He acts as a non-executive director of a number of companies. He is also chairman of the LSE Main Market listed company Foresight Solar Fund Limited.

Skills and experience:
Substantial board level and legal experience in the corporate and finance sectors in Jersey.

Date of appointment:
14 September 2015

Joanna Dentskevich
Senior Independent Director and chair of the Risk committee
Joanna Dentskevich, a Jersey resident, has over 30 years of risk, finance and investment banking experience gained in leading global banks worldwide, alternative investments and the offshore funds industry. Previously, she was a director at Morgan Stanley heading up its Global Customer Valuation Group, a director of risk at Deutsche Bank and chief risk officer of a London-based hedge fund. Mrs Dentskevich has a BSc (Hons) in Maths and Accounting. Mrs Dentskevich also serves on the board of another LSE listed company, EJF Investments Limited, where she is chair of the board.

Skills and experience:
Substantial relevant risk and board level experience in the investment sector.

Date of appointment:
7 September 2015

Colin Huelin FCA
Chair of the Audit committee
Colin Huelin, a Jersey resident, graduated in mechanical engineering with a first class honours BSc degree and Diploma at Southampton University in June 1982. He completed his graduate management development and monitored professional development scheme with Shell UK and the Institute of Mechanical Engineers in 1986. Mr Huelin qualified as a chartered accountant with Ernst & Young in 1989 and was appointed finance director for Computer Patent Annuities ("CPA") in February 1990. He was appointed CEO for CPA in 1995. In November 1998, he joined Abbey National Offshore as head of financial planning, was promoted to finance director in 2003 and then managing director of Santander Private Banking in Jersey in November 2007, a position he held until 31 May 2015.

Skills and experience:
Substantial board level and financial experience in the banking and private sectors in Jersey.

Date of appointment:
7 September 2015

Marykay Fuller
Chair of the Management Engagement committee and the Remuneration and Nomination committee
Marykay Fuller, a UK resident, is a banking and finance professional with 30 years' experience in debt and equity markets, working with a broad range of businesses across a variety of jurisdictions including the UK, USA, Europe, South America and Asia. Most recently, she was a senior deal advisory partner at KPMG LLP where she also represented the firm on the board of the trade group, British American Business. Ms Fuller is currently a non-executive director of the UK Civil Aviation Authority, where she is a member of the audit and remuneration committees. She is chair of the Air Travel Trust and also serves on the Alumni Advisory Board of Heinz College, Carnegie Mellon University in the USA. Ms Fuller was appointed to the board of Southern Water on 15 June 2020.

Skills and experience:
Substantial business and debt experience across a variety of jurisdictions.

Date of appointment:
6 November 2019

THE INVESTMENT MANAGER

The Board of Directors has appointed the Investment Manager to provide day-to-day investment management services to the Group.

INVESTMENT TEAM

David Conlon
Director
David Conlon is a director of the Investment Manager and the lead fund manager for the Company.

David is a qualified chartered accountant, having trained at PwC before moving to the project finance team at KPMG. He has significant experience in project finance investment and has been involved in investing and arranging both debt and equity in a wide range of projects in the PFI, renewable and social infrastructure sectors. David joined the Investment Manager in 2013.

David has an LLB in Law from Nottingham Trent University.

Joanne Fisk
Associate director
Jo Fisk is an associate director of the Investment Manager, focusing on origination for the Company across all sectors.

Prior to joining the Investment Manager, Jo qualified as a lawyer in the project finance team of UK based law firm Burges Salmon, where she specialised in UK renewables project finance. Jo is experienced in a wide range of sectors including onshore wind, fuelled renewables and solar. She has particular expertise in portfolio-financing transactions. Jo joined the Investment Manager in 2017.

Jo has a degree in Neuroscience from the University of Sussex.

Kyle Bajtos
Senior portfolio manager
Kyle Bajtos is a senior portfolio manager of the Investment Manager and is responsible for monitoring the ongoing performance of the Company.

Originally from California, Kyle started his career in London working at Sequoia Investment Management Company as a credit analyst for two years before settling into his role as assistant portfolio manager. In this role, Kyle was primarily responsible for portfolio valuations, offering documentation, ongoing portfolio monitoring and data analysis. Kyle joined the Investment Manager in 2020.

Kyle has a Bachelor of Arts in Political Science from Yale University.

PORTFOLIO ADMINISTRATION

Luther Ward-Faint
Portfolio manager

William Parry-Jones
Fund financial controller

Martie Chawla
Assistant fund financial controller

Kate Arnold
Portfolio administrator

FINANCIAL AND CORPORATE ADVISORY

Saira Johnston
Chief financial officer

Dion Di Miceli
Funds corporate adviser

Chloe Marlow
Head of corporate reporting

Sarah Bowe
Compliance and risk officer

BOARD LEADERSHIP AND PURPOSE

CORPORATE GOVERNANCE STATEMENT

I am pleased to present the Company's corporate governance statement for the year ended 31 December 2020.

Introduction from the Chairman
In this corporate governance statement the Company reports on its compliance with the AIC Code, sets out how the Board and its committees have operated during the year and describes how the Board exercises effective stewardship over the Company's activities for the benefit of its members as a whole.

The Board recognises the importance of a strong corporate governance culture and has established a framework for corporate governance which it considers to be appropriate to the business of the Company. All Directors contribute to Board discussions and debates. The Board believes in providing as much transparency for shareholders as is reasonably possible.

The AIC Code
As a member of the AIC, the Company reports against the principles and provisions of the AIC Code.

The Board has considered the principles and provisions of the AIC Code. The AIC Code addresses the relevant principles and provisions set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company. The AIC Code can be found on the AIC website at www.theaic.co.uk. The AIC Code includes an explanation of how it adapts the principles and provisions set out in the UK Code to make them relevant for investment companies. The UK Code is available at www.frc.org.uk.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC and supported by the JFSC, provides better and more relevant information to shareholders.

Alex Ohlsson
Chairman

Statement of compliance with the AIC Code
The Board has made the appropriate disclosures in this report to ensure that the Company meets its continuing obligations. It should be noted that, as an investment company, most of the Company's day-to-day responsibilities are delegated to third party service providers. The Company has no executive employees and the Directors are all non-executive, therefore not all of the provisions of the UK Code are directly applicable to the Company. The Board considers that the Company has complied with the recommendations of the AIC Code.

The Board
At 31 December 2020, the Board comprised four Directors, all of whom are non-executive and are considered independent. Biographical details of the Directors are shown above.

Under the leadership of the Chairman, the Board is responsible for the long-term success of the Company. It provides overall leadership, sets the strategic aims of the Company and ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls. The Board has overall responsibility for the Company's investment policy, investment strategy and activities, including the review of investment activity and performance and control of the Investment Manager.

Matters reserved for the Board
The Board has approved a formal schedule of matters reserved for its approval which is available on the Company's website and upon request from the Company Secretary. The principal matters considered by the Board during the year included:

- the declaration of interim and special dividends;
- possible capital raises;
- share buybacks;
- Investment Manager change of control;
- the Company's annual expenditure budget;
- conflicted investments
- extending the RCF; and
- recommendations from its committees.

Culture and purpose
The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He demonstrates objective judgement, promotes a culture of openness and debate and facilitates constructive Board relations and the effective contribution of all Directors. In liaison with the Company Secretary, he ensures that the Directors receive accurate, timely and clear information. The Directors are required to act with integrity, lead by example and promote this culture within the Company.

The Board seeks to ensure the alignment of its purpose, values and strategy with this culture of openness, debate and integrity through ongoing dialogue and engagement with its service providers, principally the Investment Manager. The culture of the Board is considered as part of the annual performance evaluation process which is undertaken by each Director. The culture of the Company's service providers, including their policies, practices and behaviour, is considered by the Board as a whole during the annual review of the performance and continuing appointment of all service providers.

DIVISION OF RESPONSIBILITIES

The Board is responsible for the effective stewardship of the Company's affairs, including corporate strategy, corporate governance, risk management and overall investment policy.

THE BOARD

PURPOSE:

Responsible for the long-term success of the Company.

Provides overall leadership, sets out the strategic aims of the Company and ensures that the necessary resources are in place for the Company to meet its objective and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls.

Composition at 31 December 2020:

Chairman: Alex Ohlsson	Colin Huelin FCA	Joanna Dentskevich	Marykay Fuller

BOARD COMMITTEES

Remuneration and Nomination committee	***Audit committee***	***Risk committee***	***Management Engagement committee***
PURPOSE:			
Considers appointments to the Board and its individual committees, makes recommendations in regard to changes to maintain a balanced and effective Board and reviews the remuneration of the Directors.	Ensures that the Company's financial performance is properly monitored, controlled and reported, in addition to engaging with the Company's external auditor.	Reviews, monitors and assesses the risks the Company is exposed to, its risk appetite and the effectiveness of the risk management framework.	Reviews the performance and continuing appointment of the Investment Manager and other service providers.
COMPOSITION AT 31 DECEMBER 2020			
Chair: Marykay Fuller Joanna Dentskevich Alex Ohlsson Colin Huelin FCA	Chair: Colin Huelin FCA Joanna Dentskevich Marykay Fuller	Chair: Joanna Dentskevich Alex Ohlsson Colin Huelin FCA Marykay Fuller	Chair: Marykay Fuller Joanna Dentskevich Alex Ohlsson Colin Huelin FCA
See Remuneration and Nomination committee report below.	*See Audit committee report below.*	*See Risk committee report below.*	

On 21 January 2020, Alex Ohlsson resigned as a member of the Audit committee and Marykay Fuller became chair of the Management Engagement committee. Ms Fuller replaced Mrs Dentskevich as chair of the Remuneration and Nomination committee post year end, on 19 January 2021.

The terms of reference of the Board committees can be found on the Company's website.

Chairman and Senior Independent Director

The Chairman, Alex Ohlsson, is deemed by his fellow independent Board members to be independent in character and judgement and free of any conflicts of interest.

He considers himself to have sufficient time to spend on the affairs of the Company. He has no significant commitments other than those disclosed in his biography above. The Chairman's independence has previously been noted by Institutional Shareholder Services, a proxy adviser which publishes voting recommendations for its clients in respect of listed issuers, in their report for the Company's AGM due to his position as managing partner of Carey Olsen, the Company's advisers on Jersey law. The relationship between the Company and Carey Olsen is not material in nature and is not considered to present a conflict of interest. The fees paid to Carey Olsen in the financial year ended 31 December 2020 represented 0.3% of the total expenses of the Company. Furthermore, the Company and Carey Olsen, a firm of over 50 partners, maintain procedures to ensure that the Chairman has no involvement in either the decisions concerning the engagement of Carey Olsen or the provision of legal services to the Company.

Joanna Dentskevich was appointed Senior Independent Director of the Company with effect from 21 January 2020. She acts as a sounding board for the Chairman, meets with major shareholders as appropriate, provides a channel for any shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman by the Directors.

In the event the Company experiences a period of stress, the Senior Independent Director would work with the Chairman, the other Directors and/or shareholders to resolve any issues.

A schedule of responsibilities of the Chairman and the Senior Independent Director is available on the Company's website.

Committees

At the year end, the structure included an Audit committee, a Risk committee, a Management Engagement committee and a Remuneration and Nomination committee. The terms of reference for each of the committees are available on the Company's website or upon request from the Company Secretary.

Audit committee

The membership and activities of the Audit committee are described in its report below.

Risk committee

The membership and activities of the Risk committee are described in its report below.

Management Engagement committee

The Management Engagement committee comprises all Directors. It meets at least once a year to consider the performance of the Company's key service providers, including the Investment Manager; the terms of their engagement and their continued appointment. This was undertaken at the annual committee meeting held in November 2020. As with previous years, it included consideration of a questionnaire completed by the Investment Manager, the Administrator and the Depositary rating the services provided by each service provider and giving feedback where necessary.

The committee discussed the questionnaire, the overall performance of the Investment Manager and the terms of the investment management agreement, as set out in note 18 below, and, based on results, the continued appointment of the Investment Manager is considered to be in the best interests of the shareholders as a whole. It was recommended, and subsequently approved by the Board, that Gravis Capital Management Limited be retained as Investment Manager. Details on the Directors' consideration of the Investment Manager's change of control can be found above.

In addition, the continued engagement of the third party service providers whom the committee independently evaluates was recommended to, and approved by, the Board.

Towards the end of 2019, the Board decided it would be in the best interests of shareholders to conduct a formal broker tender process in order to assist in assessing the performance of the existing Broker against other providers in the market and to determine whether it was appropriate to seek a new firm as Broker. As a result of this process, the Board found that the experience within the sector as well as the strength of the overall team demonstrated by Investec Bank plc would be more aligned to the Company. Therefore, Investec Bank plc was appointed as sole Broker with effect from 28 January 2020.

Remuneration and Nomination committee

The membership and activities of the Remuneration and Nomination committee are described in its report below.

Meetings

The Board holds meetings on a quarterly basis and additional meetings are held when necessary. The number of scheduled meetings of the Board and committees held during the year and the attendance of individual Directors are shown below:

	Quarterly Board		Audit		Risk	
Meetings	Number entitled to attend	Number attended	Number entitled to attend	Number attended	Number entitled to attend	Number attended
Alex Ohlsson	4	4	-	-	3	2
Joanna Dentskevich	4	4	3	3	3	3
Colin Huelin	4	4	3	3	3	3
Marykay Fuller	4	4	3	3	3	3

	Management Engagement		Remuneration and Nomination	
Meetings	Number entitled to attend	Number attended	Number entitled to attend	Number attended
Alex Ohlsson	1	1	1	1

Joanna Dentskevich	1	1	1	1
Colin Huelin	1	1	1	1
Marykay Fuller	1	1	1	1

During the year, 13 additional Board meetings and four ad-hoc sub-committee meetings were held. These meetings were in respect of:

- possible capital raises;
- share buybacks;
- extending the RCF;
- Investment Manager change of control;
- amendments to the investment management agreement;
- approval of the half-yearly and annual financial statements;
- approval of special dividend;
- allotment of shares; and
- conflicted investments.

Directors are encouraged when they are unable to attend a meeting to give the chair their views and comments on matters to be discussed, in advance. In addition to their meeting commitments, the non-executive Directors also liaise with the Investment Manager whenever required and there is regular contact outside the Board meeting schedule.

At each Board and committee meeting, the Directors follow a formal agenda, circulated in advance by the Company Secretary, which may include a review of the Group's investments and associated matters such as gearing, dividend policy, asset allocation, risks, marketing and investor relations, economic and sector issues, regulatory changes and corporate governance best practice. The Company's service providers also provide the Board with relevant information to support each formal agenda.

The Board also considers the Company's investment policy, objective and strategy at these meetings.

During the year, the Directors were unable to visit the offices of the Investment Manager due to travel restrictions as a result of Covid-19. Post year end, on 23 February 2021, the Directors held a review meeting with the Investment Manager to obtain confirmations that would usually be sought at the annual visit to the Investment Manager's offices.

During this call, the Directors and the Investment Manager considered the following:

- the Company's strategy;
- AIC Governance Code: plans for the Board's engagement with stakeholders;
- update on causal analysis and lessons learned from specific higher risk loans and results of review of implications for the entire portfolio;
- key controls to mitigate the principal risks and assurance work undertaken to test their effectiveness, including valuation risk, credit risk, key resource risk, execution risk, Investment Manager internal audit procedures; and
- conflicted investments process.

Company Secretary
The Board has access to the Company Secretary to advise on governance and day-to-day administrative matters. The Company Secretary is also responsible to the Board for ensuring the timely delivery of the information and reports which the Directors require and that the statutory obligations of the Company are met.

Market Abuse Regulation
Following the implementation of MAR on 3 July 2016, the Board formally adopted revised procedures in relation to the management, identification and disclosure of inside information and share dealing in accordance with MAR.

Anti-bribery and tax evasion
The Company has developed appropriate anti-bribery policies and procedures. The Company has a zero-tolerance policy towards bribery and is committed to carry out its business fairly, honestly and openly.

The Company does not tolerate tax evasion in any of its forms in its business. The Company complies with the relevant UK law and regulation in relation to the prevention of facilitation of tax evasion and supports efforts to eliminate the facilitation of tax evasion worldwide. The Company works to make sure its stakeholders share this commitment.

AIFMD
The Company is classed as an externally managed AIF under AIFMD. The Board has appointed the Investment Manager as the authorised AIFM to the Company and Apex Financial Services (Corporate) Limited as the Company's Depositary under AIFMD.

AIFM remuneration
The Company's Investment Manager is authorised as an AIFM by the FCA under the AIFMD Regulation. The Company has provided disclosures on its website incorporating the requirements of the AIFMD regulations.

The total remuneration paid to the Investment Manager by the Company is disclosed in note 18 to the financial statements.

MiFID II
The ordinary shares and C shares (while in issue) of the Company are considered as 'non-complex' in accordance with MiFID II.

Non-mainstream pooled investments
The Board notes the rules of the FCA on the promotion of non-mainstream pooled investments.

The Board confirms that it conducts the Company's affairs, and intends to continue to conduct its affairs, so that the Company's shares will be 'excluded securities' under the FCA's rules. This is on the basis that the Company would qualify for approval as an investment trust by the Commissioners for HM Revenue and Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010 if resident and listed in the UK. Therefore, the Company's shares will not amount to non-mainstream pooled investments. Accordingly, promotion of the Company's shares will not be subject to the FCA's restriction on the promotion of non-mainstream pooled investments.

COMPOSITION, SUCCESSION AND EVALUATION

REMUNERATION AND NOMINATION COMMITTEE REPORT

I am pleased to present the Remuneration and Nomination committee report for the year ended 31 December 2020.

Statement from the chair
At 31 December 2020, the committee comprised all four Directors of the Company, all of whom are considered independent.
The committee met once during the year. The main duties of the committee include:

- to review the structure, size and composition, including skills, knowledge, experience and diversity, of the Board and its committees and make recommendations to the Board to ensure a balanced, independent and effective board in the context of the requirements of the Company;
- to assist the Board in developing a fair and transparent framework for setting the levels of Directors' remuneration while having regard to the Company's financial position and performance, remuneration in other companies of comparable scale and complexity and market statistics generally; and
- to regularly review the policies of the Company on remuneration, appointments, diversity, succession planning and tenure.

A copy of the terms of reference within which the committee operates is available on the Company's website or from the Company Secretary upon request.

Board and committee composition
The Board believes that it and its committees have an appropriate composition and blend of skills, experience, independence and diversity of backgrounds to discharge their duties and responsibilities effectively. The Board is of the view that no one individual or small group dominates decision making. The Board, via its Remuneration and Nomination committee, keeps its membership, and that of its committees, under review to ensure that an acceptable balance is maintained, and that the collective skills and experience of its members continue to be refreshed.

As a result of the internal Board evaluation carried out in 2019, the following Board and committee changes were recommended to, and subsequently approved by, the Board on 21 January 2020:

- Alex Ohlsson to resign as a member of the Audit committee;
- Marykay Fuller to become chair of the Management Engagement committee;

- Marykay Fuller to become chair of the Remuneration and Nomination committee; and
- Joanna Dentskevich to be appointed as Senior Independent Director.

All the recommendations were with immediate effect except for the change to the chair of the Remuneration and Nomination committee which became effective 19 January 2021, following Marykay Fuller reaching one year's membership of the committee.
Directors' attendance at all committee meetings held during the year and their relevant experience is detailed above.

Induction of new Directors and training
The Chairman, in conjunction with the Company Secretary, ensures that all new Directors receive a full, formal and tailored induction on joining. An induction pack is provided to new Directors containing relevant information about the Company, its constitutional documents, terms of reference, policies, processes and procedures. New Directors meet with relevant persons at the Investment Manager and the Chairman provides guidance and mentoring as appropriate. A programme of induction training is agreed with each new director.

The Directors are encouraged to keep up to date and attend training courses on relevant matters. The Company has a continuing professional development policy which is reviewed annually.

Independence
The committee has reviewed the conflicts, relationships, other positions and tenure of all the Board members and continues to be satisfied that no material interests exist which would materially impact the ability of each Director to exercise independent judgement.

Accordingly, the Board considers all Directors on the Board to be independent in character and judgement and entirely independent of the Investment Manager. The Directors' conflicts of interest are detailed in note 18.

Tenure
The Board's policy regarding tenure of service, including in respect of the Chairman, is that any decisions regarding tenure will balance the need to provide and maintain continuity, knowledge, experience and independence, against the need to periodically refresh the Board composition in order to maintain an appropriate mix of the required skills, experience, age and length of service.

Succession
The Board does not consider that lengthy service in itself necessarily undermines a Director's independence nor that each Director, including the Chairman, should serve for a finite fixed period. However, based on the principles of the AIC Code, the committee reviewed and recommended to the Board, subject to annual re-election, the staged rotation of Directors to ensure the continuity and stability of experience remains.

Diversity
Diversity is an important consideration in ensuring that the Board and its committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The right blend of perspectives is critical to ensuring an effective board and a successful company.

Board diversity, including, but not limited to, gender, ethnicity, professional and industry specific knowledge and expertise, understanding of geographic markets and different cultures, is taken into account when evaluating the skills, knowledge and experience desirable to fill vacancies on the Board as and when they arise.

Board appointments are made based on merit and calibre with the most appropriate candidate, who is the best fit for the Company, being nominated for appointment and as a result no measurable targets in relation to Board diversity have been set. As at the date of this report, the Board consists of two males and two females.

The committee believes the Directors provide, individually and collectively, the breadth of skill and experience to manage the Company.

Overboarding
The Directors consider that as an investment company, the Company demands less time commitment than would be required of an executive director of an operating company. The Directors also believe that a formulaic approach to assessing whether a director is able to effectively discharge their duties is not appropriate given the nature of the Company and directorships.

Prior to appointment to the Board, a Director must disclose existing significant commitments and confirm that they are able to allocate sufficient time to the business of the Company. In addition, a Director must consult with the Chairman or Senior Independent Director prior to taking on any listed company, conflicted, time-consuming or otherwise material board appointment and promptly notify the Company Secretary of any new board appointments which they take on. On an annual basis, through the Board's internal evaluation, as described below, each Director's continuing ability to meet the time requirements of the role is assessed by considering, amongst other things, their attendance at Board, committee and other ad hoc meetings and events of the Company held during the year as well as the nature and complexity of other, both public and private, roles held.

Directors' attendance at all Board and committee meetings held during the year is detailed above. None of the Directors hold an executive position of a public company or chair a public operating company.

The committee believes all the Directors have sufficient time to meet their Board responsibilities.

Performance evaluation
The Directors are aware that they need to continually monitor and improve performance and recognise that regular Board evaluation provides a valuable feedback mechanism for improving Board effectiveness.

An external evaluation is carried out every three years with intervening years seeing internal evaluations by means of a questionnaire. The questionnaire is specifically designed to assess the strengths and independence of the Board, the Chairman and the individual Directors, the performance and focus of Board and committee meetings, the need of additional information required to facilitate Board discussions and each Director's continuing capacity.

During the year, all Directors undertook an internal evaluation to review the effectiveness of the Board, its committees and the individual Directors. The results of the internal evaluation were presented to the Remuneration and Nomination committee, with the below recommendations being approved by the Board on 25 January 2021:

- to engage with the Company's Broker to gain a better understanding of shareholders' thoughts on the Company from a governance perspective; and
- to work with the Investment Manager to enhance their reporting to the Board.

As a result of the evaluation, the Board considers that all Directors continue to make an effective contribution and have the requisite skills and experience to continue to provide able leadership and direction for the Company.

Re-election
Beyond the requirements of the Articles, and in accordance with the AIC Code, the Board has agreed a policy whereby all Directors will seek annual re-election at the Company's AGM. Any Director not re-elected would resign in accordance with applicable Jersey regulatory requirements.

Accordingly, all of the Directors who held office throughout the year will offer themselves for re-election at the AGM. The Board has considered the positions of the retiring Directors as part of the evaluation process and believes that it would be in the Company's best interests for the Directors to be proposed for re-election at the AGM given their material level of contribution and commitment to the role.

Having considered the Directors' performance within the annual Board performance evaluation process, the Board believes that it continues to be effective and the Directors bring extensive knowledge and commercial experience together with demonstrating a range of business, financial, and asset management skills. The Board therefore recommends that shareholders vote in favour of each Director's proposed re-election.

Remuneration
The Directors' remuneration report below details the remuneration policy and the Directors' remuneration during the year.

Marykay Fuller
Chair of the Remuneration and Nomination committee
22 March 2021

AUDIT, RISK AND INTERNAL CONTROL

AUDIT COMMITTEE REPORT

I am pleased to present the Audit committee report for the year ended 31 December 2020.

Statement from the chair
The Board is supported by the Audit committee with formally delegated duties and responsibilities, with written terms of reference which are available on the Company's website or upon request from the Company Secretary. The committee's primary role and responsibility is to review and monitor the integrity of the Company's financial

reporting to ensure it is fair, balanced and understandable and provides the information necessary for shareholders and other users to assess the Company's position and performance, business model and strategy.

The committee is also responsible for monitoring internal controls, in conjunction with the Risk committee, and the external audit process, which includes making recommendations to the Board in respect of the appointment, re-appointment or removal of the Auditor and to approve its remuneration and terms of engagement. The committee met with the Auditor in December 2020 to review, challenge and agree their audit plan, and again in March 2021 to discuss their audit report and opinion, after the conclusion of the audit.

Composition and meetings
At 31 December 2020, the committee comprised three of the Company's independent Directors.

The Board has agreed that the committee chair, Colin Huelin, a chartered accountant, has recent and relevant financial experience as required by the provisions of the AIC Code.

The committee formally met three times during the year ended 31 December 2020. Details of attendance at meetings held during the year under review are set out above.

Although not members of the committee, the Company Secretary, the Investment Manager, the lead audit partner and representatives from the Company's Auditor are invited to attend committee meetings. The Auditor has the opportunity to meet with the committee without representatives of the Investment Manager being present.

The committee chair meets when appropriate with the Auditor ahead of committee meetings to review key audit areas for discussion with the committee.

The Auditor is not present when their performance and/or remuneration is discussed.

Financial reporting
The committee considered the requirements of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 with which it is complying voluntarily, in line with best practice reporting. The committee specifically reviewed the Company's annual report and financial statements to conclude whether it is fair, balanced, understandable, comprehensive and consistent with prior year reporting and how the Board assesses the performance of the Company's business during the financial year, as required under the AIC Code.

As part of this review, the committee considered if the annual report and financial statements provided the information necessary to shareholders to assess the Company's position and performance, strategy and business model, and reviewed the description of the Company's key performance indicators as well as updating the governance section of the annual report.

The committee presented its recommendations to the Board and the Board concluded that it considered the annual report and financial statements, taken as a whole, to be fair, balanced and understandable and to provide the information necessary for the shareholders to assess the Company's position and performance, business model and strategy.

A key area examined this year was matters of judgement in relation to the discount rates applied in the valuation process and the performance of the investments in light of the impact of Covid-19 on the operations of the Group's borrowers. Additional disclosures on this can be found in the Investment Manager's report above.

In addition to the above matters, the committee's work was focused on the following areas:

- reviewing and challenging the results of the Investment Manager's stress tests for the purpose of the viability statement. This included obtaining confirmation that the assumptions applied were in accordance with those previously approved by the Board and reflected the impact of Covid-19 on the equity financing, debt financing and investment portfolio of the Group, as well as being satisfied with the rationale for selecting the duration of five years for the viability period;
- reviewing, in conjunction with the Risk committee, the effectiveness of the internal control environment of the Company and the Company's compliance with its legal and regulatory requirements;
- reviewing and recommending to the Board significant accounting matters and accounting disclosures in the half-yearly and annual financial statements of the Company, including those relating to the impact of Covid-19; and
- overseeing the Company's relations with its Auditor including assessing the conduct and effectiveness of the audit process and the Auditor's independence and objectivity and recommending the Auditor's re-appointment.

The committee has direct access to the Auditor and to the key senior staff of the Investment Manager and reports its findings and recommendations to the Board, which retains the ultimate responsibility for the financial statements of the Company. All recommendations during the year were accepted by the Board.

Significant issues considered
After discussions with the Investment Manager and the Auditor, the committee determined that the key risk of material misstatement of the Company's financial statements was in relation to the valuation of investments.

Valuation of investments
As outlined in note 11, the total value of financial assets at fair value at 31 December 2020 was £446.0 million. Market quotations are not available for these financial assets such that their valuation is undertaken using a discounted cash flow methodology. This requires a series of material judgements and estimates to be made to the financial statements, as further explained in note 17.

The Valuation Agent performs semi-annual financial asset valuations and provides valuation reports to the Board. Any assets which may be subject to discount rate changes are valued and reported to the Board on a quarterly basis. The fair value of the financial assets is discussed with the Investment Manager at each quarterly Board meeting. The committee has given close consideration to the continuing impact of Covid-19 on the valuation of investments. Since the outbreak of Covid-19 in March 2020, the committee has met with the Valuation Agent and the Investment Manager prior to consideration of each quarterly NAV to discuss, and to challenge the determination of, the discount rate of a number of loans within the portfolio to reflect the movements in pricing of risk across the market as a whole, caused by the uncertainties associated with Covid-19. Further details on this approach can be seen in the Investment Manager's report above.

In addition to the aforementioned quarterly discussions with the Valuation Agent, the committee meets with the Valuation Agent twice a year, in January and July, to discuss the half-year and year-end valuation process and methodology.

In December 2020, the committee met with the Auditor to review and agree their plan for the audit of the financial statements. As part of this, the committee sought confirmation with the Auditor's valuation technical specialists for the sample selection for the valuation audit. Those loans that were particularly considered were where the financial position of the underlying borrowers had been impacted in light of the Covid-19 pandemic. Following discussions with the Auditor in March 2021 regarding the findings and conclusion of their audit, the committee concluded that the methodology adopted for the valuation and the discount rates applied were appropriate and in accordance with the terms of engagement of the Valuation Agent.

The discount rates adopted to determine the valuation are selected and recommended by the Valuation Agent. The discount rates are applied to the expected future cash flows for each investment's financial forecasts, to arrive at a valuation (discounted cash flow valuation). The resulting valuation is sensitive to the discount rate selected. The Valuation Agent is experienced and active in the area of valuing these investments and adopts discount rates reflecting their current and extensive experience of the market.

The discount rate assumptions and the sensitivity of the valuation of the investments to this discount rate are disclosed in note 17.9 to the financial statements.

The committee discussed the material estimates and judgements applied in the valuation process and also compared this to feedback from the Investment Manager. After discussions with the Auditor, the committee was satisfied that the range of discount rates was appropriate for the valuation carried out by the Valuation Agent.

Performance of investments
The Board discusses with the Investment Manager the performance of individual investments within the portfolio each quarter. As explained in the Chairman's statement and Investment Manager's report, the Group has been working to dispose of its small CHP loan since default in March 2019. The Group has been engaging with a large infrastructure investment bank regarding the purchase of the asset since October 2020 and it is hoped that a conclusion will be reached on this transaction in the coming weeks. It is expected that the Company will ultimately recover slightly more than the written down value. The Board and the Investment Manager have learnt significant lessons from this loan which have been included in origination and monitoring processes.

Accounting policies, narrative reporting, critical accounting estimates and key judgements
The committee reviewed the narrative reporting, accounting policies and note 2.2 to the financial statements that relate to critical accounting estimates and key judgements and confirmed that they are appropriate for the Company.

Going concern and viability statement
The committee considered the Investment Manager's forecasts of cash flows and net debt as well as the financing facilities available to the Company. Following this review and a discussion of the sensitivities, including the risks and uncertainties associated with Covid-19 and Brexit, the committee confirmed that it continues to be appropriate to follow the going concern basis of accounting in the annual report and financial statements.

Further detail on the basis of the going concern and viability assessment by the Directors is set out in the strategic report above.

External audit

Independence and objectivity of the Auditor

Mr Karl Hairon is the partner from PwC responsible for the audit. The first audit performed by Mr Hairon and PwC was in respect of the annual report and financial statements for the period ended 31 December 2016.

Mr Hairon is subject to mandatory rotation at the end of the 2020 audit process and will be replaced by Ms Lisa McClure for the audit of the 2021 annual accounts and financial statements. In accordance with the statutory requirements relating to the appointment of auditors, the Company would need to conduct an audit tender no later than for the accounting period beginning 1 January 2026.

To fulfil its responsibility regarding the independence and objectivity of the Auditor, the Audit committee considered:

- a report from the Auditor describing its arrangements for maintaining independence; and
- the extent and nature of the non-audit services provided by the Auditor.

The Audit committee reviews the scope and nature of all proposed non-audit services before engagement, to seek to ensure that the independence and objectivity of the Auditor is safeguarded. The committee has agreed a policy whereby, in order to avoid any potential impact on the independence and objectivity of the Auditor, the Company will not seek to obtain any non-audit services from the Auditor, with the exception of the review of the half-yearly report and financial statements.

During the year under review, the Auditor carried out a review of the half-yearly report and financial statements for the period ended 30 June 2020. PwC confirmed that this had not impacted their independence and outlined the reasons for this. The committee considered this and is satisfied that these non-audit related services had no bearing on the independence of the Auditor.
The following table summarises the remuneration paid to PwC for audit and non-audit services during the year ended 31 December 2020:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Audit fees		
Annual audit of the Company	**90**	75
Non-audit services		
Review of half-yearly report	**28**	24
Total	**118**	99

Effectiveness of the external audit

The Audit committee reviews the effectiveness of the external audit process on an annual basis, considering performance, fees, objectivity, independence, relevant experience and materiality with PwC. To assess the effectiveness of the Auditor, the committee reviewed:

-
- the Auditor's fulfilment of the agreed audit plan and variations from it;
- the Auditor's assessment of its objectivity and independence as auditor of the Company;
- the Auditor's report to the committee, highlighting any issues that arose during the course of the audit; and
- feedback from the Investment Manager and the Administrator evaluating the performance of the audit team.

In March 2021, the Auditor explained the results of their audit and that on the basis of their audit work, there were no adjustments proposed that were material in the context of the financial statements as a whole.

Re-appointment of the Auditor

Following consideration of the performance of the Auditor, the services provided during the year and a review of its independence and objectivity, the Audit committee continues to be satisfied with the performance of the Auditor and has therefore recommended the re-appointment of PwC as the Company's Auditor at the 2021 AGM.

Colin Huelin FCA
Chair of the Audit committee
22 March 2021

RISK COMMITTEE REPORT

I am pleased to present the Risk committee report for the year ended 31 December 2020.

Statement from the chair

The Risk committee was established in October 2019 to satisfy the recommendation of the 2018 external Board evaluation.
The purpose of the committee is to assist the Board in its oversight and assessment of the risks that the Company is exposed to, its risk appetite, the effectiveness of the risk management framework and ensuring the external reporting of the Company gives a fair, balanced and understandable reflection of risk having due regard to the Company's investment objective and policy.

Composition

The committee comprises all four Directors of the Company, all of whom are considered independent. Details of attendance at meetings held during the year are set out above.

Responsibilities

The committee's key responsibilities, amongst others, are to:

- review the risks the Company is exposed to and consider their likelihood and impact if they were to materialise;
- review, in conjunction with the Audit committee, the effectiveness of the internal controls;
- review the risk management framework;
- carry out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity and ability to deliver its strategy;
- review the report of the risk officer of the AIFM prior to consideration of the principal and emerging risks and the principal uncertainties to be included in the half-yearly and annual reports and financial statements; and
- include in the annual report of the Company a description of the principal and emerging risks along with explanations on how they are being managed or mitigated and any change from previous years.

A copy of the terms of reference within which the committee operates is available on the Company's website or from the Company Secretary upon request.

Risk management and monitoring

The Company has in place a risk register to manage and track identified risks and uncertainties and potential emerging risks that the committee believes the Company is exposed to. For each risk, the committee considers, inter alia, their impact on the Company achieving its investment policy along with the nature and extent of the risk, their mitigants and any driving factors which may increase the risk.

The level of residual risk determined as part of this analysis assists the Board (on the committee's recommendation) to determine whether it is within the Company's appetite and any actions needed to be taken. The register is reviewed at least twice a year by the committee and serves as a useful component in tracking the principal and emerging risks of the Company.

Details of the Company's risk management framework, including the role of the AIFM, are set out above.

Principal risks and uncertainties

Post year end, the Risk committee met, with the Investment Manager present, to review and recommend for approval by the Board the principal risks and uncertainties of the Company. As a result of this review and supporting their assessment in the half-yearly report and unaudited interim condensed financial statements for the period ended 30 June 2020, the committee confirmed that although it did not consider there to be any new principal risks or uncertainties during the year, as a result of Covid-19 and the ongoing uncertainty of Brexit, the residual risk of some of the principal risks had increased over the year. Descriptions of these, along with explanations on how they are being managed and mitigated and the change from last year, are detailed above.

Emerging risks

Last year, the emerging risks of the Company were reported as being climate change, global financial volatility, supply chain management and Covid-19.

With respect to climate risk, during the year, as reported above, with assistance from the Investment Manager, the Board began a process of defining its policy on sustainability and ESG. The Board looks forward to reporting on this further during this upcoming year.

The emerging risks of global financial volatility, supply chain management were identified as an impact of Covid-19 and along with Covid-19, have been incorporated into the risk management processes of the Company and captured within the principal risks and uncertainties already identified by the committee and therefore are not considered to now be emerging risks.

At the time of writing, the Risk committee, through the procedures it has in place, has not identified any new emerging risks to the Company.

Joanna Dentskevich
Chair of the Risk committee
22 March 2021

REMUNERATION

DIRECTORS' REMUNERATION REPORT

The Directors are pleased to present their remuneration report for the year ended 31 December 2020.

The Directors' remuneration report provides details on remuneration in the year. Although it is not a requirement under Companies Law to have the Directors' remuneration report or the Directors' remuneration policy approved by shareholders, the Board believes that as a company whose shares are admitted to trading on the LSE, it is good practice for it to do so.

The Directors' remuneration policy will be put to a shareholder vote at least once every three years and in any year if there is to be a change in the Directors' remuneration policy. The remuneration policy was approved by shareholders in 2019 and as there will be no change in the way in which the policy will be implemented during the course of the next financial year, there is no requirement for the policy to be put to shareholders at this year's AGM.

A resolution will be put to shareholders at the forthcoming AGM to be held on 17 May 2021 to receive and approve the Directors' remuneration report and shareholders will have the opportunity to express their views and raise any queries in respect of the remuneration policy at this meeting. To date, no shareholders have commented in respect of remuneration.

This report is not subject to audit.

Voting at AGM
The Directors' remuneration report for the year ended 31 December 2019 and the Director's remuneration policy were approved by shareholders at the AGMs held on 7 July 2020 and 23 May 2019 respectively. The votes cast by proxy were as follows:

	Directors' remuneration report		Directors' remuneration policy	
	Number of votes cast	% of votes cast	Number of votes cast	% of votes cast
For	222,469,546	92.71	147,074,473	99.65
Against	17,479,876	7.28	-	-
At the Chairman's discretion	12,000	0.01	523,935	0.35
Total votes cast	239,961,422	100	147,598,408	100
Number of votes withheld	16,232	-	6,232	-

Performance of the Company
The Board is responsible for the Company's investment strategy and performance. The management of the Group's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in note 18.

The tables below illustrate the total shareholder return[1] for a holding in the Company's shares as compared to the GBP Corporate Bond Index. The Company considers this to be an appropriate index against which to measure the Company's performance, in the absence of a meaningful quoted benchmark index.

Cumulative performance to 31 December 2020

Period	Three months	Six months	One year	Two years	Four years	Since launch
GCP Asset Backed Income Fund Limited	7.4%	7.4%	(9.8)%	(0.6)%	13.2%	21.6%
GBP Corporate Bond Index	4.0%	5.6%	9.1%	21.0%	24.1%	39.9%

Annual performance to 31 December 2020

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016
GCP Asset Backed Income Fund Limited	(9.8)%	10.2%	9.1%	4.4%	6.7%
GBP Corporate Bond Index	9.1%	11.0%	(2.2)%	4.9%	12.3%

Source: Bloomberg. Basis: percentage growth, shareholder total return with net income reinvested.

Past performance is not a guide to future performance.

Directors' remuneration for the year ended 31 December 2020
The fees paid to the Directors in the year ended 31 December 2020 are set out below.

	Directors' fee £		Chairman fee £		Committee chair fee £		Expenses £		Total £	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Alex Ohlsson	**40,000**	35,000	**15,000**	11,000	**-**	-	**-**	442	**55,000**	46,442
Colin Huelin	**40,000**	35,000	**-**	-	**10,000**	7,000	**104**	347	**50,104**	42,347
Joanna Dentskevich	**40,000**	35,000	**-**	-	**10,000**	5,000	**-**	679	**50,000**	40,679
Marykay Fuller[1]	**40,000**	6,000	**-**	-	**5,000**	-	**463**	120	**45,463**	6,120
Total	**160,000**	111,000	**15,000**	11,000	**25,000**	12,000	**567**	1,588	**200,567**	135,588

1. Appointed as a Director of the Company on 6 November 2019.

The fees paid to the Directors were in relation to non-executive Director services. At 31 December 2020, liabilities in respect of these services amounted to £50,000. No variable remuneration, discretionary payments or payments for loss of office were made during the year.

Directors' remuneration was increased with effect from 1 July 2019 so that each Director receives £40,000, with an additional £15,000 paid to the Chairman and an additional £10,000 paid to the chairs of the Audit committee and the Risk committee. In January 2020, the Board approved the recommendation of the Remuneration and Nomination committee for Marykay Fuller to receive an additional £5,000 for her roles as chair of the Management Engagement committee and the Remuneration and Nomination committee.

1. Alternative performance measure - refer below for definitions and calculation methodology.

Five-year fee comparison
Over the last five years, Directors' pay has increased as set out in the table below:

	Year ended 31 December 2020 £'000	Year ended 31 December 2015 £'000	Change %
Chairman	**55**	38	44.7
Director	**40**	32	25.0
Additional fee for chair of the Audit committee	**10**	4	150.0

Additional fee for chair of the Risk committee	**10**	-	-
Additional fee for chair of the Management Engagement committee and the Remuneration and Nomination committee	**5**	-	-

As previously noted, the Company does not have any employees and hence no comparisons are given in respect of the comparison between Directors' and employees' pay increases.

Relative importance of spend on pay
The table below sets out, in respect of the year ended 31 December 2020:

a) total income;
b) the remuneration paid to the Directors;
c) the distributions made to shareholders by way of dividend; and
d) share repurchases.

Period	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000	Change %
Total income	**33,919**	33,961	0.1
Directors' remuneration	**200**	134	49.3
Dividends paid to shareholders (including dividends settled in shares[1])	**28,463**	26,461	7.6
Share repurchases	**1,514**	-	-

1. Dividends settled in shares are where shareholders have elected to take the scrip dividend alternative.

Directors' interests
There is no requirement under the Company's Articles for Directors to hold shares in the Company. At 31 December 2020, the interests of the Directors in the ordinary shares of the Company are as set out below[2]:

Period	**31 December 2020 Number of shares**	31 December 2019 Number of shares
Alex Ohlsson	**50,000**	50,000
Colin Huelin	**34,142**	34,142
Joanna Dentskevich	**40,379**	40,379
Marykay Fuller	**-**	-

2. The Directors' shareholdings are either direct and/or indirect holdings of the ordinary shares in the Company.

There have been no changes to any of the above holdings between 31 December 2020 and the date of this report.

DIRECTORS' REMUNERATION POLICY

In accordance with the AIC Code, no Director is involved in deciding his/her own remuneration.

The Board considers that Directors' fees should reflect duties, responsibilities and the value of their time spent and as such the Chairman and the chairs of the Board committees receive additional remuneration for these roles.

Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits in respect of their services as non-executive Directors of the Company. In addition, no payment will be made to a Director for loss of office, or as consideration for or in connection with his/her retirement from office.

The Board may, however, allow for additional remuneration to be paid where Directors, at the request of the Company, are involved in ad hoc duties beyond those normally expected as part of the appointment.

The remuneration of each of the Directors is subject to fixed fee arrangements, paid quarterly in arrears. Part of the Directors' fee may be paid in the form of fully paid shares in the capital of the Company.

The aggregate of all the Directors' remuneration is subject to an annual cap of £300,000 in accordance with the Articles and shall be reviewed annually.

The Company will reimburse the Directors all reasonable travelling, hotel and other expenses properly incurred by them in or about the proper performance of their duties and the taking of reasonable independent legal advice concerning matters relating to their directorship, provided that if and when required by the Company, they produce to the Company receipts or other evidence of actual payment of expenses.

The Company is committed to ongoing shareholder dialogue and any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' remuneration policy and in the annual review of Directors' fees.

Directors' fee levels
The Board has set four fee levels: one for the Chairman, one for the other Directors, an additional fee for the chairs of the Audit and Risk committees and an additional fee for the chair of the Management Engagement committee and the Remuneration and Nomination committee. Fees are reviewed annually in accordance with the above policy. The fee for any new Director appointed will be determined on the same basis.

The fees payable to Directors in respect of the year ended 31 December 2020 and the expected fees payable in respect of the year ending 31 December 2021 are set out in the table below.

	Expected annual fees for the year to 31 December 2021 £	Annual fees for the year to 31 December 2020 £
Chairman	**55,000**	55,000
Chair of the Audit committee	**50,000**	50,000
Chair of the Risk committee	**50,000**	50,000
Chair of the Management Engagement committee and the Remuneration and Nomination committee	**45,000**	45,000
Total remuneration paid to Directors	**200,000**	200,000

Approval
The Directors' remuneration report was approved by the Board and signed on its behalf by:

Marykay Fuller
Chair of the Remuneration and Nomination committee
22 March 2021

DIRECTORS' REPORT

The corporate governance statement set out above forms part of this report.

Principal activity and business review
The strategic report has been prepared by the Directors and should be read in conjunction with the Chairman's statement and forms part of the annual report to shareholders.

Directors
The Directors in office during the year and at 31 December 2020 are shown above.

The terms and conditions of the appointment of the Directors are formalised in letters of appointment, copies of which are available for inspection at the Company's registered office. None of the Directors have a contract of service with the Company nor has there been any other contract or arrangement between the Company and

any Director at any time during the year.

The Company has Directors' and Officers' liability insurance and civil liability insurance. Under the Company's Articles, the Directors are provided, subject to the provisions of the Jersey legislation, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment.

Director conflicts of interest
It is the responsibility of each individual Director to avoid a conflict of interest situation arising. The Director must inform the Board as soon as he or she is aware of the possibility of an interest that might possibly conflict with the interests of the Company. The Company's articles of association authorise the Board to approve such situations, where deemed appropriate. A register of conflicts is maintained by the Company Secretary and is reviewed at Board meetings, to ensure that any authorised conflicts remain appropriate. The Directors are required to confirm at these meetings whether there has been any change to their position.

The Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

Further details of the Directors' conflicts of interest can be found in note 18.

2020 general meetings
The 2020 AGM of the Company was held on 7 July 2020. Resolutions 1 to 11 related to ordinary business. Resolutions 12 and 13 related to special business as follows:

- that the Company be authorised to purchase up to 14.99% of its own ordinary shares; and
- that the Directors be authorised to allot and issue up to 44,203,351 ordinary shares (representing approximately 10% of the ordinary shares in issue at the date of the AGM notice), as if the pre-emption rights in the Articles did not apply.

An EGM of the Company was also held on 7 July 2020 where the following resolution was put to shareholders:

- that in addition to resolution 13 passed at the AGM the Directors be authorised to allot and issue up to 44,203,351 ordinary shares (representing approximately 10% of the ordinary shares in issue at the date of the EGM notice), as if the pre-emption rights in the Articles did not apply.

All resolutions put to shareholders at the AGM and EGM were passed with in excess of 90% of votes cast in favour.

2021 Annual General Meeting
The 2021 AGM will be held on 17 May 2021 at the registered office of the Company: 12 Castle Street, St Helier, Jersey JE2 3RT.

A separate notice convening the AGM will be distributed to shareholders with the annual report and financial statements on or around 7 April 2021, which includes an explanation of the items of business to be considered at the meeting. A copy of the notice will also be published on the Company's website.

Share capital
As detailed above, at the general meetings held on 7 July 2020, the Company was granted the authority to allot ordinary shares up to 20% of its total issued share capital at that date on a non-pre-emptive basis, amounting to 88,406,702 ordinary shares. No ordinary shares have been allotted under this authority during the year. Details of the movements in share capital during the period are set out in the statement of changes in equity below and in note 16.

The Company will be seeking shareholder approval at the Company's AGM scheduled to be held on 17 May 2021 to renew its authority in respect of the disapplication of pre-emption rights over 10% of its ordinary shares in issue which it may then be able to issue by way of placings. This will provide the Company with the ability to take advantage of investment opportunities as they arise and further broaden its investor base over time.

As previously mentioned, at the AGM held on 7 July 2020, the Company was granted the authority to purchase up to 14.99% of the Company's ordinary share capital in issue at the date on which the notice of the AGM was published, amounting to 66,260,824 ordinary shares. This authority will expire at the conclusion of, and renewal will be sought at, the AGM to be held on 17 May 2021.

The Company may hold any ordinary shares that it purchases in treasury or cancel them, in accordance with the Articles and the Companies Law. The Directors believe that it is desirable for the Company to have this choice. Holding the shares purchased in treasury gives the Company the ability to re-sell or transfer them quickly and cost effectively and provides the Company with additional flexibility in the management of its capital base. The decision whether to cancel any shares purchased by the Company or hold such shares in treasury will be made by the Directors at the time of purchase, on the basis of the Company's and shareholders' best interests.

At 31 December 2020, the Company's issued share capital comprised 442,033,518 ordinary shares of no par value, 1,875,000 of which were repurchased by the Company and are held in treasury. The total voting rights of the Company at 31 December 2020 were 440,158,518, being the issued share capital minus the shares held in treasury. At general meetings of the Company, every ordinary shareholder shall have one vote in respect of every ordinary share and every C shareholder, if any, shall have one vote in respect of every C share.

Since the year end and up until the date of this report, the Company has repurchased an additional 325,000 ordinary shares. Therefore, the total voting rights of the Company at the date of this report are 439,833,518. All shares repurchased are held in treasury

Dividends
Details of the dividends paid and declared during the period are set out in note 9.

As the last dividend in respect of any financial period is payable prior to the relevant AGM, it is declared as an interim dividend and, accordingly, there is no final dividend payable. The Board is conscious that this means that shareholders will not be given the opportunity to vote on the payment of a final dividend. Accordingly, it has been decided that shareholders will be asked to confirm their approval of the Company's dividend policy at the forthcoming AGM.

Greenhouse gas emissions reporting
The Company has no employees and does not own any property, and it does not purchase electricity, heat, steam or cooling for its own use. The Company outsources all services on a fee basis and, as such, it is not practical to attempt to measure or quantify emissions in respect of any outsourced energy use.

Significant voting rights
At 31 December 2020, the Company had been informed of the following holdings representing more than 3% of the voting rights of the Company:

Name	Shares held	Percentage of total voting rights
Valu-Trac Investment Management	43,034,277	9.78%
CCLA Investment Management	39,153,674	8.90%
Close Asset Management	35,113,054	7.98%
Foresight Group	21,733,304	4.94%
West Yorkshire Pension Fund	17,421,098	3.96%
Raymond James Investment Services	14,743,195	3.35%
EFG Harris Allday	14,023,555	3.19%
Canopius	13,544,656	3.08%
Integrated Financial Arrangements	13,394,367	3.04%

The table of significant shareholders disclosed forms part of note 2.2 of the notes to the financial statements.

The Company has not been informed of any changes to the interests between 31 December 2020 and the date of this report.

Auditor
The Directors holding office at the date of this annual report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

PwC has expressed its willingness to continue as Auditor of the Company and resolutions for its re-appointment and to authorise the Audit committee to determine its remuneration will be proposed at the forthcoming AGM.

Financial risk management
Information about the Company's financial risk management objectives and policies is set out in note 17 to the financial statements.

Requirements of the Listing Rules
Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. The information required under Listing Rule 9.8.4(7) in relation to allotments of shares is set out under the heading 'Share capital' above. The

Directors confirm that there are no other disclosures required in relation to Listing Rule 9.8.4.

Approved by the Board

Alex Ohlsson
Chairman
22 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

Under the terms of the DTRs of the FCA, the Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and IFRS.

Companies Law requires the Directors to prepare financial statements for each year, which give a true and fair view of the state of affairs of the Company and the profit and loss for that year.

The Directors are required to:

- properly select suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- make judgements and estimates that are reasonable and prudent; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have overall responsibility for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement
In accordance with the FCA's DTRs, each of the Directors, whose names are set out above, confirms that to the best of his or her knowledge:

- the annual report and financial statements have been prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the strategic report, including the Directors' report, includes a fair and balanced review of the development and performance of the business, and the financial position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

So far as the Directors are aware, there is no relevant audit information of which the Auditor is unaware, and each Director has taken all steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Auditor is aware of that information.

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

The annual report and financial statements, taken as a whole, are considered by the Board to be fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

On behalf of the Board

Alex Ohlsson
Chairman
22 March 2021

INDEPENDENT AUDITOR'S REPORT
To the members of GCP Asset Backed Income Fund Limited

Report on the audit of the financial statements

Our opinion
In our opinion, the financial statements give a true and fair view of the financial position of GCP Asset Backed Income Fund Limited (the "Company") as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited
The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements of the Company, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach
Overview
Audit scope
The Company is based in Jersey and the financial statements include its investments in the Subsidiary and other investments as financial assets through profit or loss rather than consolidated in accordance with IFRS 10 requirements for investment companies.

Our audit work was performed solely in Jersey and London for the audit of the financial statements of the company.

We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties and the accounting processes and controls.

Key audit matters
- Valuation of investments in the Subsidiary.
- Acquisition of investments in the Subsidiary.
- Directors' consideration of the impact of Covid-19.

Materiality
- Overall materiality: £11.2 million (2019: £11.3 million) based on 2.5% of net assets.
- Performance materiality: £8.4 million.

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where

the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of investments in the Subsidiary **Refer to Audit committee report, note 11 and note 17 of the financial statements** The valuation of investments in the Subsidiary drives a number of key performance indicators, such as net asset value, which is of significant interest to investors and the market. The fair value of the investments in the Subsidiary is derived from the fair value of the underlying loans to the end borrower. The valuations are performed using contractual cash flows generated by each loan facility over a medium to long term period and by selecting key assumptions such as the discount rate and macroeconomic assumptions. The nature of the discounted cash flow ("DCF") is inherently subjective due to key assumptions used for the discount rate and the amount or timing of cash flows supporting the interest and capital repayments on debt positions held. The existence of significant estimation uncertainty, coupled with the fact that small percentage differences in assumptions to the valuations when aggregated could result in material misstatement, are the reasons for our specific audit focus and attention to this area.	We have performed the following procedures: Discussions were held with the Directors and Investment Manager, as appropriate, to ascertain the controls over valuations and gain understanding of the portfolio and movements during the year. We evaluated the competency of the Company's external valuation agent in the context of their ability to generate a reliable estimate of the fair value, by assessing their professional qualifications, experience and independence from the Company. We engaged valuation experts from PwC UK London to assess the reasonableness of the methodology applied by management's expert with regards to a sample of investments and the reasonableness of key assumptions used. We held discussions with the Investment Manager to understand the monitoring process of the borrowers' payments and financial performance, in identifying circumstances that can materially impact the recoverability of the contractual cash flows. We agreed a sample of the contractual cash flows used in the DCF to the contractual payment schedule of the loan facility agreements and tested the mathematical accuracy of the DCF calculation. We challenged the assumptions used in the valuation models. We considered the adequacy of the Company's disclosures in respect of the fair value of the unlisted investments, specifically the estimates and judgements taken by the Company in arriving at the fair value of the unlisted investments. We also considered the disclosure of the degree of sensitivity when a reasonably possible change in a key assumption could give rise to a change in the fair value of the unlisted investments. Based on the above procedures, we found the fair values adopted by the Company and the disclosures to be appropriate and the assumptions used to be supportable and within a reasonable range.
Acquisition of investments in the Subsidiary **Refer to note 11 to the financial statements** During the year, the Company has acquired new secured loan notes to the value of £126.5 million through the Subsidiary. The acquisition of the new secured loan notes were the most prominent investment activity for the Company during the year and represents a significant balance on the statement of financial position, as a result was an area of audit focus.	Our audit procedures with respect to the acquisition of the new underlying loans included understanding the controls over the process and approval of the new loan notes. For a sample of secured loan notes repaid during the year, we tested the movement to facility agreements and cash payments. For a sample of new secured loan notes advanced during the year, we tested the movement to facility agreements, note certificates and cash payments. Based on the above procedure, no differences were identified by our testing which required reporting to those charged with governance.
Directors' consideration of the impact of Covid-19 **Refer to note 2 to the financial statements** The Directors have considered the impact of the events that have been caused by the pandemic, Covid-19, on the current and future operations of the Company. In doing so, the Directors have made estimates and judgements that are critical to the outcomes of these considerations with particular focus on the Company's ability to continue as a going concern. As a result of the impact of Covid-19 on the wider financial markets, we have determined the Directors' consideration of the impact of Covid-19 (including their associated estimates and judgement) to be a key audit matter.	In assessing the Directors' consideration of the impact of Covid-19, we have performed the following procedures: – we obtained the Directors' assessment of the financial forecasts and liquidity analysis underpinning their going concern assessment; – we held meetings with the investment manager and the Directors to discuss their assessment of going concern and challenged their estimates and judgements; and – we then considered the appropriateness of the disclosures made by the Directors in respect to the impact of Covid-19 on the current and future operations of the Company. Based on our procedures and the information available at the time of the Directors' approval of the financial statements, we have not identified any matters to report with respect to the directors' consideration of the impact of Covid-19 on the operations of the Company, albeit acknowledging that the situation continues to evolve.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£11.2 million (2019: £11.3 million).
How we determined it	2.5% of net assets
Rationale for benchmark applied	We believe that net assets is the most appropriate benchmark because this is the key metric of interest to investors. It is also a generally accepted measure used for companies in this industry.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £8.4 million for the Company financial statements.

In determining the performance materiality, we considered a number of factors - risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit committee that we would report to them misstatements identified during our audit above £562,000 (2019: £565,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information
The Directors are responsible for the other information. The other information comprises all the information included in the annual report and financial statements (the "annual report") but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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, 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 based on these responsibilities.

Responsibilities for the financial statements and the audit
Responsibilities of the Directors for the financial statements
As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Jersey law and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report
This report, including the opinions, has been prepared for and only for the members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements
Company Law exception reporting
Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Corporate governance statement
The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

The Company has reported compliance against the 2019 AIC Code of Corporate Governance (the "Code") which has been endorsed by the UK Financial Reporting Council as being consistent with the UK Corporate Governance Code for the purposes of meeting the Company's obligations, as an investment company, under the Listing Rules of the FCA.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance section is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;

- the disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
- the Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position, performance, business model and strategy;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- the section describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Karl Hairon
For and on behalf of
PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands
22 March 2021

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
Income			
Loan interest realised	3	**35,544**	36,516
Net unrealised loss on investments at fair value through profit or loss	3	**(3,850)**	(3,163)
Net (loss)/gain on derivative financial instruments	3	**(394)**	322
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss		**31,300**	33,675
Fee income	3	**2,615**	274
Deposit interest income		**4**	12
Total income		**33,919**	33,961
Expenses			
Investment management fees	18	**(3,891)**	(3,715)
Operating expenses	4	**(1,661)**	(1,198)
Directors' remuneration	6	**(201)**	(136)
Total expenses		**(5,753)**	(5,049)
Total operating profit before finance costs		**28,166**	28,912
Finance costs			
Finance expense	7	**(772)**	(875)
Total profit and comprehensive income		**27,394**	28,037
Basic and diluted earnings per share (pence)	10	**6.21**	6.81

All items in the above statement are derived from continuing operations.

The accompanying notes below form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2020

	Notes	**As at 31 December 2020 £'000**	As at 31 December 2019 £'000
Assets			
Financial assets at fair value through profit or loss	11	**445,962**	453,877
Other receivables and prepayments	12	**108**	63
Derivative financial instruments	17	**158**	4
Cash and cash equivalents	13	**9,994**	8,687
Total assets		**456,222**	462,631
Liabilities			
Other payables and accrued expenses	15	**(1,604)**	(1,473)
Revolving credit facilities	14	**(4,856)**	(9,312)
Total liabilities		**(6,460)**	(10,785)
Net assets		**449,762**	451,846
Equity			
Share capital	16	**442,900**	443,915
Retained earnings		**6,862**	7,931
Total equity		**449,762**	451,846
Ordinary shares in issue (excluding treasury shares)	16	**440,158,518**	441,544,019
NAV per ordinary share (pence per share)		**102.18**	102.33

The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2021 and signed on its behalf by:

Alex Ohlsson
Chairman

Colin Huelin FCA
Director

The accompanying notes below form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Notes	**Share capital £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance as at 1 January 2020		**443,915**	**7,931**	**451,846**
Total profit and comprehensive income for the year		**-**	**27,394**	**27,394**
Equity shares issued	16	**518**	**-**	**518**

Share issue costs	16	**(19)**	**-**	**(19)**
Share repurchases	16	**(1,514)**	**-**	**(1,514)**
Dividends	9	**-**	**(28,463)**	**(28,463)**
Balance as at 31 December 2020		**442,900**	**6,862**	**449,762**

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Notes	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2019		380,235	6,355	386,590
Total profit and comprehensive income for the year		-	28,037	28,037
Equity shares issued	16	64,690	-	64,690
Share issue costs	16	(1,010)	-	(1,010)
Dividends	9	-	(26,461)	(26,461)
Balance as at 31 December 2019		443,915	7,931	451,846

The accompanying notes below form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Notes	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
Cash flows from operating activities			
Total operating profit before finance costs		**28,166**	28,912
Adjustments for:			
Net changes in fair value of financial assets at fair value through profit or loss	3	**(31,300)**	(33,675)
Realised (losses)/gains on derivative financial instruments		**(548)**	352
Increase/(decrease) in other payables and accrued expenses		**139**	(137)
(Increase)/decrease in other receivables and prepayments		**(45)**	240
Total		**(3,588)**	(4,308)
Interest received from Subsidiary		**35,544**	36,929
Investment in Subsidiary		**(126,545)**	(89,865)
Capital repayments from Subsidiary	11	**130,610**	10,761
Net cash flow generated from/(used in) operating activities		**36,021**	(46,483)
Cash flows from financing activities			
Proceeds from revolving credit facilities	14	**54,599**	48,808
Repayment of revolving credit facilities	14	**(59,075)**	(39,332)
Proceeds from issue of ordinary shares	16	**-**	63,333
Share issue costs		**(19)**	(1,033)
Share repurchases	16	**(1,514)**	-
Finance costs paid		**(760)**	(708)
Dividends paid	9	**(27,945)**	(25,104)
Net cash flow (used in)/generated from financing activities		**(34,714)**	45,964
Net increase/(decrease) in cash and cash equivalents		**1,307**	(519)
Cash and cash equivalents at beginning of the year		**8,687**	9,206
Cash and cash equivalents at end of the year		**9,994**	8,687
Net cash flow used in operating activities includes:			
Interest received from bank deposits		**4**	12
Interest received from Subsidiary		**35,544**	36,929
Non-cash items:			
Purchase of financial assets: indexation		**(304)**	(420)
Interest received from Subsidiary		**304**	420
Scrip dividend	9	**(518)**	(1,357)
Equity issue in respect of scrip dividend	16	**518**	1,357

The accompanying notes below form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. General information

The Company is a public closed-ended investment company incorporated on 7 September 2015 and domiciled in Jersey, with registration number 119412. The Company is governed by the provisions of the Companies Law and the CIF Law.

The ordinary shares and C shares (when in issue) of the Company are admitted to the Official List of the FCA and are traded on the Premium Segment of the Main Market of the LSE.

The Company makes its investments through its wholly owned Subsidiary, by subscribing for the Secured Loan Notes issued by the Subsidiary. The Subsidiary subsequently on-lends the funds to borrowers.

At 31 December 2020, the Company had one wholly owned Subsidiary, GABI UK (31 December 2019: one), incorporated in England and Wales on 23 October 2015 (registration number 9838893). GABI UK has two subsidiaries (2019: one): GABI Housing (registration number 10497254) incorporated in England and Wales on 25 November 2016, and GABI GS (registration number 10546087) incorporated in England and Wales on 4 January 2017. GABI UK acquired ownership of GABI Housing on 20 March 2020. The Company, GABI UK, GABI Housing (including its subsidiary, GABI Blyth) and GABI GS comprises the Group. The registered office address for GABI UK, GABI Housing, GABI Blyth and GABI GS is 24 Savile Row, London W1S 2ES.

The Company, through its Subsidiary, seeks to meet its investment objective through a diversified portfolio of investments which are secured against, or comprise, contracted, predictable medium to long-term cash flows and/or physical assets.

The Group's investments will predominantly be in the form of medium to long-term fixed or floating rate loans which are secured against cash flows and/or physical assets which are predominantly UK based.

The Group's investments will typically be unquoted and will include, but not be limited to, senior loans, subordinated loans, mezzanine loans, bridge loans and other debt instruments. The Group may also make limited investments in equities, equity-related derivative instruments such as warrants, controlling equity positions (directly or indirectly) and/or directly in physical assets.

The Group will at all times invest and manage its assets in a manner which is consistent with the objective of spreading investment risk.

Where possible, investments are structured to benefit from partial inflation and/or interest rate protection.

GABI GS was set up to hold shares as security for loans issued to underlying borrowers, where required. Its purpose is to isolate any potential liabilities that may arise from holding shares as security, from the Company. During the year, one of the loans was refinanced leaving one such arrangement in place.

GABI Housing was set up for the sole purpose of investing in the five underlying properties and the social income stream that will be derived from these properties through letting them to specialist housing associations.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and in the subsequent notes. These policies, except for those changes discussed in this note, have been consistently applied throughout the years presented.

2.1 Basis of preparation
The annual report and financial statements for the year ended 31 December 2020 have been prepared on a going concern basis and in accordance with IFRS, which includes standards and interpretations approved by the IASB, and as applied in accordance with the Companies Law.

In accordance with the investment entities exemption contained in IFRS 10 Consolidated Financial Statements, the Directors have determined that the Company continues to meet the definition of an investment entity and as a result the Company is not required to prepare consolidated financial statements. The Company's investment in its Subsidiary is measured at fair value and treated as a financial asset through profit or loss in the statement of financial position (refer to note 2.2(b)).

The presentation of 'net changes in fair value of financial assets and financial liabilities at fair value through profit or loss' in the statement of comprehensive income has been expanded as, in the Directors' view, the change in presentation is more appropriate and provides a better understanding of the income generated by the Company's portfolio to the users of financial statements. The comparative period has been re-presented accordingly.

The Company raises capital through the issue of ordinary shares and C shares. The net assets attributable to the C share class, when in issue, are accounted for and managed by the Company as a distinct pool of assets, with the Company ensuring that separate cash accounts are created and maintained. Expenses are either specifically allocated to an individual share class or split proportionately by the NAV of each share class. When in issue, C shares are classified as a financial liability.

New standards, amendments and interpretations adopted in the year
In the current period, the Company has applied a number of amendments to IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements including updates relating to Covid-19.

The adoption of these updates has not had any material impact on these or prior years' financial statements.
Further to the above, there are no new IFRS or IFRIC interpretations that are issued but not effective that would be expected to have a material impact on the Company's financial statements.

Going concern
The financial statements have been prepared on a going concern basis and on the basis that approval as a closed-ended investment company will continue to be met. The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date when these financial statements were approved.

In making the assessment, the Directors have considered the likely impacts of the current Covid-19 pandemic on the Company, operations and the investment portfolio.

The Directors noted the cash balance exceeds any short-term liabilities and the Company is able to meet the obligations of the Company as they fall due. The surplus cash reserves in addition to the RCF enables the Company to meet any funding requirements and finance future additional investments. The Company is a closed-ended investment company, where assets are not required to be liquidated to meet day-to-day redemptions.

The Directors have reviewed stress tests carried out by the Investment Manager which assess the impact of changes in valuation of the underlying investment portfolio and/or income. In making this assessment, they have considered plausible downside scenarios. These tests included analysis of possible recovery scenarios from the Covid-19 pandemic. The conclusion was that in these plausible downside scenarios the Company could continue to meet its liabilities as they fall due. Whilst the economic future is uncertain, and the Directors believe that it is possible the Company could experience further reductions in income and/or valuation of the underlying investment portfolio, this should not be to a level which would threaten the Company's ability to continue as a going concern.

The Directors, the Investment Manager and other service providers have enacted BCPs to minimise disruption from the Covid-19 pandemic. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern, having taken into account the liquidity of the Group's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments. Therefore, the financial statements have been prepared on the going concern basis. In addition to a going concern statement, the Directors have undertaken a longer-term assessment of the Company, the result of which can be seen in the viability statement above.

2.2 Significant accounting estimates and judgements
The preparation of financial statements, in accordance with IFRS, requires the Directors to make estimates and judgements that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and judgements could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future. There are no changes in estimates reported in prior financial statements that require disclosure in these financial statements.

(a) Critical accounting estimates and assumptions
Fair value of instruments not quoted in an active market
The Company's investments are made by subscribing for the Secured Loan Notes issued by the Subsidiary. The Subsidiary's assets consist of investments held by the Subsidiary, which represent secured loan facilities issued to the Project Companies. The Subsidiary's assets are not quoted in an active market; therefore, the fair value is determined using a discounted cash flow methodology, adjusted as appropriate for market, credit and liquidity risk factors (refer to note 17.4 for further information). This requires assumptions to be made regarding future cash flows and the discount rate applied to these cash flows. The Subsidiary's investments are valued by a third party Valuation Agent on a semi-annual basis. Investments which may be subject to discount rate changes are valued on a quarterly basis.

The models used by the Valuation Agent use observable data to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require estimates to be made. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

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

The investment in the Subsidiary is held at fair value through profit or loss, with income distributions and interest payments from the Subsidiary included as part of the fair value movement calculation together with any unrealised movement in the fair value of the holding in the Subsidiary.

The value of the investment in the Subsidiary is based on the aggregate of the NAV of the Subsidiary and the value of the Secured Loan Notes issued by the Subsidiary. Refer to note 11 for further details.

(b) Critical judgements
Assessment as an investment entity
The Directors have concluded that the Company continues to meet the definition of an investment entity.

Entities that meet the definition of an investment entity within IFRS 10 Consolidated Financial Statements are required to measure their subsidiaries at fair value through profit or loss rather than consolidate. The criteria which define an investment entity are as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Directors have concluded that the Company continues to meet the characteristics of an investment entity in that it:

- raises funds from investors through the issue of equity, has more than one investor and its investors are not related parties other than those disclosed in note 18;
- invests in a portfolio of investments held by the Subsidiary for the purpose of generating risk-adjusted returns through regular distributions and capital appreciation; and
- the Company investments are held at fair value through profit or loss with the performance of its portfolio evaluated on a fair value basis.

Accordingly, the Company's Subsidiary is not consolidated, but rather the investment in the Subsidiary is accounted for at fair value through profit or loss. The value of the investment in the Subsidiary is based on the aggregate of the NAV of the Subsidiary and the value of the Secured Loan Notes issued by the Subsidiary.

(c) Functional and presentation currency
The primary objective of the Company is to generate returns in Pound Sterling, its capital-raising currency. The Company's performance is evaluated in Pound Sterling. Therefore, the Directors consider Pound Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

The financial statements are presented in Pound Sterling and all values have been rounded to the nearest thousand pounds (£'000), except where otherwise indicated.

(d) Segmental information
The Directors view the operations of the Company as one operating segment, being the investment portfolio of asset backed loans held through the Subsidiary, which is a registered UK company. All significant operating decisions are based upon analysis of the Subsidiary's investments as one segment. The financial results from this segment are equivalent to the financial results of the Company as a whole, which are evaluated regularly by the Directors.

Significant shareholders are disclosed in the Directors' report above.

3. Operating income

The table below analyses the operating income derived from the Company's financial assets at fair value through profit or loss:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Loan interest realised	**35,544**	36,516
Unrealised (loss)/gain on financial assets at fair value through profit or loss[1]:		
Debt - Secured Loan Notes up to £1,000,000,000	**(5,161)[2]**	(3,525)
Equity - representing one ordinary share in the Subsidiary	**1,311**	362
Net unrealised loss on investments at fair value through profit or loss	**(3,850)**	(3,163)
Unrealised gain on forward foreign exchange contracts	**154**	-
Unrealised loss on forward foreign exchange contracts	**-**	(30)
Realised gain on forward foreign exchange contracts	**174**	544
Realised loss on forward foreign exchange contracts	**(722)**	(192)
Net (loss)/gain on derivative financial instruments	**(394)**	322
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	**31,300**	33,675

1. Refer to note 11 for further information.
2. Includes unrealised losses in respect of discount rate adjustments made to reflect the uncertainties associated with the Covid-19 pandemic.

The table below analyses the fees and other income earned from borrowers of the Company by type:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Arrangement fee income	**173**	200
Commitment fee income	**677**	44
Early repayment fees	**1,762**	30
Sundry income	**3**	-
Total	**2,615**	274

Accounting policy

Interest income and interest expense other than interest received on financial assets held at fair value through profit or loss are recognised on an accruals basis in the statement of comprehensive income.

Net movements in fair value of financial assets at fair value through profit or loss includes changes in the fair value of the investment in the Subsidiary held at fair value through profit or loss, loan interest realised and net gains and losses on forward foreign exchange contracts.

Arrangement fee income comprises fees relating to the issue and set up of Secured Loan Notes. The Investment Manager, at its discretion, is entitled to an arrangement fee of up to 1% of the value of each investment made by the Group. The Investment Manager expects the costs of any such fee to be covered by the borrowers, and not the Company. To date, such fee in respect of all but six of the Group's investments has been met and paid by borrowers. To the extent any arrangement fee negotiated by the Investment Manager with a borrower exceeds 1%, the benefit of any such excess is paid to the Company.

Commitment fees are accounted for on an accruals basis and are paid by the borrowers.

Early repayment fee income is income in relation to the redemption of loans before maturity and is recognised in the financial statements when contractual provisions are met and the amounts become due.

The Company holds derivative financial instruments comprising forward foreign exchange contracts to hedge its exposure to movements in foreign currency exchange rates on loans denominated in currency other than Pound Sterling. It is not the Company's policy to trade in derivative financial instruments.

Forward foreign exchange contracts are stated at fair value, being the difference between the agreed price of selling or buying the financial instrument on a future date and the price quoted for selling or buying the same or similar instrument on the statement of financial position date. The Company does not apply hedge accounting and consequently all gains or losses in fair value are recognised in the statement of comprehensive income.

4. Operating expenses

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Corporate administration and Depositary fees	**620**	606
Registrar fees	**50**	48
Audit fees	**90**	75
Legal and professional fees	**103**	97
Valuation Agent fees	**150**	162
Other	**648**	210
Total	**1,661**	1,198

Key service providers other than the Investment Manager (refer to note 18 for disclosures of transactions with the Investment Manager):

Administrator and Company Secretary

The Company has appointed Apex Financial Services (Alternative Funds) Limited as Administrator and Company Secretary. Fund accounting, administration and company secretarial services are provided to the Company pursuant to an agreement dated 28 September 2015. All Directors have access to the Company Secretary, who provides guidance to the Board, through the Chairman, on governance and administrative matters. The fee for the provision of administration and company secretarial services during the year was £486,000 (31 December 2019: £475,000) of which £122,000 remains payable at year end (31 December 2019: £123,000).

Depositary

Depositary services are provided to the Company by Apex Financial Services (Corporate) Limited pursuant to an agreement dated 28 September 2015. The fee for the provision of these services during the year was £134,000 (31 December 2019: £131,000) of which £34,000 remains payable at year end (31 December 2019: £34,000).

Accounting policy

Operating expenses and investment management fees in the statement of comprehensive income are recognised on an accruals basis.

5. Auditor's remuneration

The following table summarises the remuneration paid to the Auditor for audit and non-audit related services:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Audit fees		
Annual audit of the Company	**90**	75
Non-audit services		
Review of the half-yearly report	**28**	24
Total	**118**	**99**

In order to maintain auditor independence, the Board appointed BDO LLP as reporting accountant of the Company on 25 September 2017. Since BDO's appointment, no non-audit related services have been carried out by PwC, with the exception of the review of the half-yearly report and financial statements.

6. Directors' remuneration

The Directors of the Company were remunerated as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Alex Ohlsson	**55**	46
Colin Huelin	**50**	42
Joanna Dentskevich	**50**	40
Marykay Fuller	**45**	6
	200	134
Directors' expenses	**1**	2
Total	**201**	136

Full details of the Directors' remuneration policy can be found in the Directors' remuneration report above.

7. Finance expenses

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Arrangement fees relating to the RCF	**284**	243
Commitment fees relating to the RCF	**350**	254
Early repayment costs relating to the RCF	**2**	19
Interest expense relating to the RCF	**136**	359
Total	**772**	875

The presentation of arrangement fees relating to the RCF has been expanded to note the early repayment costs relating to the RCF. The comparative period has been re-presented accordingly.

Accounting policy

Finance expenses in the statement of comprehensive income comprise loan arrangement and commitment fees which are accounted for on an accruals basis, along with interest accrued on the RCF (refer to note 14) incurred in connection with the borrowing of funds. Arrangement fees are amortised over the life of the RCF.

8. Taxation

Profits arising in the Company for the year ended 31 December 2020 are subject to tax at the standard rate of 0% (31 December 2019: 0%) in accordance with the Income Tax (Jersey) Law 1961, as amended.

9. Dividends

Quarter ended	Dividend	Pence per share	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
Current year dividends				
31 December 2020[1]	2020 fourth interim dividend	1.575	-	-
31 December 2020	2020 special dividend	0.250	**1,100**	-
30 September 2020	2020 third interim dividend	1.550	**6,832**	-
30 June 2020	2020 second interim dividend	1.550	**6,843**	-
31 March 2020	2020 first interim dividend	1.550	**6,844**	-
Total		6.475	**21,619**	-
Prior year dividends				
31 December 2019	2019 fourth interim dividend	1.550	**6,844**	-
30 September 2019	2019 special dividend	0.250	**-**	1,103
30 September 2019	2019 third interim dividend	1.550	**-**	6,837
30 June 2019	2019 second interim dividend	1.550	**-**	6,833
31 March 2019	2019 first interim dividend	1.550	**-**	5,894
Total		6.450	**6,844**	20,667
31 December 2018	2018 fourth interim dividend	1.525	**-**	5,794
Dividends in statement of changes in equity			**28,463**	26,461
Dividends settled in shares[2]			**(518)**	(1,357)
Dividends in the statement of cash flows			**27,945**	25,104

On 26 January 2021, the Company announced a fourth interim dividend of 1.575 pence per ordinary share amounting to £6,932,000 which was paid on 5 March 2021 to ordinary shareholders on the register at 5 February 2021.

Accounting policy

In accordance with the Company's Articles, in respect of the ordinary shares, the Company will distribute the income it receives to the fullest extent that is deemed appropriate by the Directors. Dividends due to the Company's shareholders are recognised as a liability in the period in which they are paid or approved by the Directors and are reflected in the statement of changes in equity. Dividends declared and approved by the Company after the statement of financial position date have not been recognised as a liability of the Company at the statement of financial position date.

The Company pays dividends on a quarterly basis with dividends typically declared in January, April, July and October and paid in or around February, May, August and November in each financial year.

1. The current year fourth interim dividend was declared after the year end and is therefore not accrued for as a provision in the financial statements.
2. Dividends settled in shares are where shareholders have elected to take the scrip dividend alternative. The amount of £518,000 above relates to the 2019 fourth interim dividend. The offer of scrip dividend alternative was suspended at the Board's discretion, for all 2020 dividends, as a result of the discount between the likely scrip dividend reference price and the relevant quarterly NAV per share of the Company. The Board intends to keep the payment of future scrip dividends under review.

10. Earnings per share

Basic earnings per ordinary share are calculated by dividing profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per ordinary share are calculated by dividing the profit attributable to ordinary shareholders by the diluted weighted average number of ordinary shares.

	Profit £'000	Weighted average number of ordinary shares	Pence per share
Year ended 31 December 2020			
Basic earnings per ordinary share	**27,394**	**441,287,075**	**6.21**
Diluted earnings per ordinary share	**27,394**	**441,287,075**	**6.21**
Year ended 31 December 2019			
Basic earnings per ordinary share	28,037	411,559,294	6.81
Diluted earnings per ordinary share	28,037	411,559,294	6.81

11. Financial assets at fair value through profit or loss: investment in Subsidiary

The Company's financial assets at fair value through profit or loss comprise its investment in the Subsidiary, which represents amounts advanced to finance the Group's investment portfolio in the form of Secured Loan Notes and equity, in addition to derivatives (see note 17.1) utilised for the purpose of hedging foreign currency exposure. The Company's investment in the Subsidiary at 31 December 2020 comprised:

	31 December 2020 £'000	31 December 2019 £'000
Debt - Secured Loan Notes up to £1,000,000,000	**£'000**	£'000

Opening balance	**453,081**	377,916
Purchase of financial assets	**126,545**	89,451
Repayment of financial assets	**(130,610)**	(10,761)
Unrealised (loss)/gain on investments at fair value through or profit or loss:		
Unrealised valuation (loss)/gain[1]	**(5,233)**	(1,001)
Unrealised foreign exchange gain/(loss)	**133**	(386)
Other unrealised movements on investments[2]	**(61)**	(2,138)
Total unrealised loss on investments at fair value through profit or loss	**(5,161)**	(3,525)
Total[3]	**443,855**	453,081

1. Comprises downward revaluation in respect of defaulted loan of £0.6 million and unrealised losses in respect of discount rate adjustments made to reflect the uncertainties associated with the Covid-19 pandemic.
2. Other unrealised movements on investments at fair value through profit or loss are attributable to the timing of the debt service payments and principal indexation applied.
3. Refer to the table below for further analysis.

The difference between the valuation of the Secured Loan Notes and the underlying investments of the Subsidiary is as a result of payment timings and differing application of the effective interest rate in respect of the underlying investments, as set out in the table below:

	31 December 2020 £'000	31 December 2019 £'000
Valuation of the underlying investments held by the Subsidiary	**444,235**	453,439
Principal received from the Subsidiary in respect of an underlying investment	**(400)**	(400)
Principal received from underlying investments and held by the Subsidiary	**12**	1
Interest rate differential	**8**	41
Fair value of Secured Loan Notes	**443,855**	453,081

Equity - representing one ordinary share in the Subsidiary	**31 December 2020 £'000**	31 December 2019 £'000
Opening balance	**796**	434
Unrealised gains on investment at fair value through profit or loss	**1,311**	362
Total	**2,107**	796

Financial assets at fair value through profit or loss	**445,962**	453,877

The above represents a 100% interest in the Subsidiary at year end 31 December 2020 (31 December 2019: 100%).

Secured Loan Notes
The Subsidiary has issued a loan note instrument to the Company for a programme of up to £1 billion variable funding notes limited to the cash available by the Company. Each series of loan notes issued has a maximum nominal amount, fixed at the date of issue, a base amount and a subscribed amount.

Accounting policy
The Company classifies its investment in the Subsidiary as financial assets at fair value through profit or loss in accordance with IFRS 9 Financial Instruments as set out below.

Financial assets at fair value through profit or loss
The category which includes financial assets at fair value through profit or loss consists of financial instruments that have been designated at fair value through profit or loss upon initial recognition. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Company.

Upon initial recognition, the Company designates the investment in the Subsidiary as part of 'financial assets at fair value through profit or loss'. The investment in the Subsidiary is included initially at fair value, which is taken to be its cost (excluding expenses incidental to the acquisition which are written off in the statement of comprehensive income).

All financial assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

The financial information about the financial assets of the Company is provided by the Investment Manager to the Directors with the valuation of the portfolio being carried out by the Valuation Agent.

The Company recognises a financial asset when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and
- either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company transfers its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

After initial measurement, the Company measures financial instruments classified at fair value through profit or loss at fair value. Subsequent changes in the fair value of financial instruments are recorded in the statement of comprehensive income.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques used by the Valuation Agent include using recent arm's length market transactions, referenced to appropriate current market data, and discounted cash flow analysis, at all times making as much use of available and supportable market data as possible.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 17.9.

12. Other receivables and prepayments

	31 December 2020 £'000	31 December 2019 £'000
Arrangement fees	**49**	2
Intercompany receivable	**-**	7
Other income debtors	**6**	6
Prepayments	**53**	48
Total	**108**	63

Accounting policy
Other receivables and prepayments are recognised and carried at the lower of their original invoiced value and recoverable amount or, where the time value of money is material, at amortised cost. The Company recognises a loss allowance for expected credit losses on other receivables where necessary.

13. Cash and cash equivalents

	31 December 2020 £'000	31 December 2019 £'000
Cash and cash equivalents	**9,994**	8,687
Total	**9,994**	8,687

Accounting policy
Cash comprises cash in hand and demand deposits. Cash equivalents are short-term with original maturities of three months or less and highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

14. Revolving credit facilities

	31 December 2020 £'000	31 December 2019 £'000
Opening balance	**9,476**	-
Proceeds from amounts drawn on the RCF	**54,599**	48,808
Repayment of amounts drawn on the RCF	**(59,075)**	(39,332)
RCF drawn at the year end	**5,000**	9,476
Loan arrangement fees unamortised	**(144)**	(164)
Total	**4,856**	9,312

Any amounts drawn under the RCF are to be used in, or towards, the making of investments (including a reduction of available commitment as an alternative to cash cover for entering into forward foreign exchange contracts) in accordance with the Company's investment policy.

On 16 April 2019, the Company entered into an agreement with RBSI to increase the existing RCF from £30 million to £50 million, represented by £40 million (tranche A) maturing in August 2020 (plus a twelve month extension option, with lender approval) and £10 million (tranche B) maturing in December 2019.

On 16 January 2020, the Company extended its RCF in respect of the £10 million tranche B, such that it would also mature in August 2020. The other terms of the RCF remained unchanged. The total costs incurred to extend the facility were £33,000, of which £25,000 was the arrangement fee and £8,000 in associated legal fees. The legal fees are included as arrangement fees for reporting purposes. An amount of £33,000 was amortised during the period to 20 August 2020, charged through the statement of comprehensive income, and forms part of the total of £284,000 amortised for the year.

On 20 August 2020, the Company exercised the twelve month extension option of the £40 million tranche and increased it to £50 million, maturing in August 2021. All terms of the RCF are unchanged. The £10 million tranche ceased to exist after 20 August 2020.

The total costs incurred to extend the facility to August 2021 were £240,000, of which £230,000 was the arrangement fee and £10,000 in associated legal fees. The legal fees are included as arrangement fees for reporting purposes. £8,000 of these legal costs are unpaid and are accrued for.

A total of £284,000 (2019: £243,000) of costs were amortised as loan arrangement fees during the year and charged through the statement of comprehensive income, refer to note 7.

The RCF with RBSI is secured against the investment in the Subsidiary.

The amounts drawn down during the year are all related to the tranche A facility. The tranche B facility, when in existence, was undrawn during the year.
Total drawdowns of £5.0 million were repayable at 31 December 2020 (31 December 2019: £9.5 million).

Interest on amounts drawn under the RCF is charged at LIBOR plus 2.10% per annum. A commitment fee is payable on undrawn amounts at a rate of 0.84% per annum.

A repayment on 17 February 2020 totalling £19.4 million resulted in early repayment breakage costs of £2,000 on drawdowns due to mature on 31 March 2020.

In December 2020, utilisation requests for the sum of £845,000 (31 December 2019: £358,000) were submitted to RBSI in relation to two open forward foreign exchange contracts at year end. This has restricted the amount available for drawdown on the RCF to £49.2 million.

At 31 December 2020, the Company is in full compliance with all loan covenants in the RCF agreement.

Leverage
For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its NAV and is calculated under the gross and commitment methods, in accordance with the AIFMD.

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD, at 31 December 2020; figures are as follows:

Leverage exposure	Maximum limit	Actual exposure
Gross method	1.25	0.99
Commitment method	1.25	1.01

The leverage figures above represent leverage calculated under the AIFMD methodology as follows:

Leverage exposure	Gross £'000	Commitment £'000
Investments at fair value through profit or loss	445,962	445,962
Cash and cash equivalents	-	9,994
Total exposure under the AIFMD	445,962	455,956
Total shareholders' funds	449,762	449,762
Leverage	0.99	1.01

The Company's leverage limit under the AIFMD is 1.25, which equates to a gearing limit of 25% of NAV. The Company has maintained significant headroom against the limit throughout the year.

Accounting policy
All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are amortised over the lifetime of the facility through the statement of comprehensive income.

15. Other payables and accrued expenses

	31 December 2020 £'000	31 December 2019 £'000
Accruals	**520**	356
Amounts due to Subsidiary	**-**	15
Loan commitment fee accrued	**84**	74
Loan interest accrued	**2**	20
Investment management fees	**998**	1,008
Total	**1,604**	1,473

Accounting policy
Other payables and accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method where appropriate.

16. Authorised and issued share capital

	31 December 2020		31 December 2019	
Share capital	**Number of shares**	**£'000**	Number of shares	£'000
Ordinary shares issued at no par value and fully paid				
Shares in issue at beginning of the year	**441,544,019**	**443,915**	379,962,298	380,235
Equity shares issued through:				
Placing and offer for subscription	**-**	**-**	60,317,181	63,333

Dividends settled in shares[1]	**489,499**	**518**	1,264,540	1,357
Total shares issued in the year	**489,499**	**518**	61,581,721	64,690
Share issue costs	**-**	**(19)**	-	(1,010)
Total shares in issue	**442,033,518**	**444,414**	441,544,019	443,915
Treasury shares				
Shares repurchased and held in treasury	**(1,875,000)**	**(1,514)**	-	-
Total ordinary share capital excluding treasury shares	**440,158,518**	**442,900**	441,544,019	443,915

1. Dividends settled in shares are where shareholders have elected to take the scrip dividend alternative. The amount of £518,000 above relates to the 2019 fourth interim dividend. The offer of scrip dividend alternative was suspended at the Board's discretion, for all 2020 dividends, as a result of the discount between the likely scrip dividend reference price and the relevant quarterly NAV per share of the Company. The Board intends to keep the payment of future scrip dividends under review.

During the year, 1,875,000 (31 December 2019: nil) ordinary shares of no par value and fully paid were repurchased and held in treasury for an aggregate consideration of £1,514,000 (31 December 2019: nil).

The Company's authorised share capital is represented by an unlimited number of no par value ordinary shares. At 31 December 2020, the Company's issued share capital comprised 442,033,518 ordinary shares (31 December 2019: 441,544,019), 1,875,000 of which are held in treasury (31 December 2019: nil).

The ordinary shares carry the right to dividends out of the profits available for distribution as determined by the Board. Each holder of an ordinary share is entitled to attend meetings of shareholders and, on a poll, to one vote for each share held.

The Company may issue C shares which, when in issue, are classified as a financial liability.

Accounting policy
Upon issuance of equity shares, the consideration received is included in equity.
Transaction costs incurred by the Company in issuing, acquiring or reselling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

No gain or loss is recognised in the statement of comprehensive income in respect of the purchase, sale, issuance or cancellation of the Company's own equity instruments.

17. Financial instruments
The table below sets out the carrying amounts of the Company's financial assets and financial liabilities into categories of financial instruments.

	31 December 2020 £'000	31 December 2019 £'000
Financial assets		
Cash and cash equivalents	**9,994**	8,687
Other receivables and prepayments	**108**	63
Financial assets at amortised cost[1]	**10,102**	8,750
Derivative financial instruments	**158**	4
Investment in the Subsidiary	**445,962**	453,877
Financial assets at fair value through profit or loss	**446,120**	453,881
Total	**456,222**	462,631
Financial liabilities		
Other payables and accrued expenses	**(1,604)**	(1,473)
Revolving credit facility	**(4,856)**	(9,312)
Financial liabilities at amortised cost	**(6,460)**	(10,785)
Total	**(6,460)**	(10,785)

1. The carrying value of the financial assets/liabilities stated at amortised cost approximates their fair value.

17.1 Derivative financial instruments
Derivative financial assets and liabilities comprise forward foreign exchange contracts for the purpose of hedging foreign currency exposure of the Company to two Euro-denominated loan investments made by the Subsidiary (for which the final repayment dates are 5 April 2023 and 1 June 2025); the investments represent c.3% of the portfolio by value at the year end. The Company intends to utilise one of the forward foreign exchange contracts on a rolling one month basis and the other on a rolling three month basis, for the term of the investments.

The table below sets out the forward foreign exchange contracts held by the Company at year end:

31 December 2020	**Maturity**	**Principal amount**	**Hedged amount**	**Fair value £'000**
Contract EUR/GBP	**12 January 2021**	**(£9,931,464)**	**€10,945,467**	**96**
Contract EUR/GBP	**22 March 2021**	**(£4,618,223)**	**€5,064,806**	**62**
Total		**(£14,549,687)**	**€16,010,273**	**158**

31 December 2019	Maturity	Principal amount	Hedged amount	Fair value £'000
Contract EUR/GBP	23 March 2020	(£5,466,129)	€6,401,384	4

Information on the forward foreign exchange contracts executed post year end can be found in note 20.

Accounting policy
Recognition of derivative financial assets and liabilities takes place when the hedging contracts are entered into. They are initially recognised and subsequently measured at fair value; transaction costs, where applicable, are included directly in finance costs. The Company does not apply hedge accounting and consequently all gains or losses are recognised in the statement of comprehensive income in net change in fair value of financial assets and financial liabilities through profit or loss.

17.2 Capital management
The Company's capital is represented by share capital comprising issued ordinary share capital and its credit facilities, as detailed in note 14.

The Company may seek to raise additional capital from time to time to the extent that the Directors and the Investment Manager believe the Company will be able to make suitable investments. The Company raises capital only when it has a clear view of a robust pipeline of advanced investment opportunities to ensure the rapid deployment of capital.

The Company may borrow up to 25% of its NAV at such time any such borrowings are drawn down. Refer to note 14 for further information.

17.3 Financial risk management objectives
The Company has an investment policy and strategy that sets out the Company's overall investment strategy and general risk management philosophy and has established processes to monitor and control these in a timely and accurate manner. These guidelines are subject to regular operational reviews undertaken by the Investment Manager to ensure that the Company's policies are adhered to as it is the Investment Manager's duty to identify and assist in the management of risk. The Investment Manager reports regularly to the Directors who have ultimate responsibility for the overall risk management approach.

The Directors and the Investment Manager ensure that all investment activity is performed in accordance with investment guidelines. The Company's investment activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. Risk is inherent in the Company's activities and it is managed through a process of ongoing identification, measurement and monitoring. The financial risks to which the Company is exposed include market risk (which includes interest rate risk), credit risk, currency risk and liquidity risk.

The Board and the Investment Manager note the continued impact of Covid-19 and Brexit and the disruption that these events are having on the overall economy. The ability for borrowers to pivot their businesses to continue operations and meet principal and interest payments, as well as the continued interest of institutional investors in the assets of the portfolio, shows the quality of the loan book and the projects which the Company supports. The BCPs of all key suppliers have enabled ongoing service provision across all areas of the Company's activities. The Directors and the Investment Manager continue to assess the potential impact of Covid-19 and Brexit across the business in order to instigate appropriate mitigation plans.

As explained in notes 11 and 17.1, the Company's financial assets and liabilities at fair value through profit or loss comprise the investment in the Subsidiary and derivatives used for the purpose of hedging foreign currency exposure. The Subsidiary is a holding vehicle existing solely to hold the Company's investments and, therefore, exposure to market risk, interest rate risk, credit risk, liquidity risk and credit and counterparty risk are highly dependent on the performance of the Subsidiary's

investments.

17.4 Market risk

The value of the investment in the Subsidiary is based on the aggregate of the NAV of the Subsidiary and the value of the Secured Loan Notes issued by the Subsidiary. The key driver of the Subsidiary's NAV is the valuation of its portfolio of secured loan facilities issued to the Project Companies.

There is a risk that market movements in interest rates, credit markets, exchange rates and observable yields may decrease or increase the value of the Subsidiary's assets without regard to the assets' underlying performance. The Subsidiary's portfolio of assets is held at fair value, and their values are monitored on a semi-annual basis by the Valuation Agent. Investments subject to discount rate changes are valued on a quarterly basis. The Company's assets are stable with predictable cash flows and are not exchange traded.

In assessing the expected future cash flows from each of the investments, the Valuation Agent considers the movements in comparable credit markets and publicly available information around each project.

The valuation principles used are based on a discounted cash flow methodology. A fair value for each asset acquired by the Group is calculated by applying a relevant market discount rate to the contractual cash flow expected to arise from each asset.

The Valuation Agent determines the discount rate that it believes the market would reasonably apply to each underlying investment taking, inter alia, into account the following significant inputs:

- Pound Sterling interest rates;
- movements of comparable credit markets; and
- observable yield on other comparable instruments.

In addition, the following are also considered as part of the overall valuation process:

- market activity and investor sentiment; and
- changes to the economic, legal, taxation or regulatory environment.

The Valuation Agent exercises its judgement in assessing the expected future cash flows from each investment. Given that the investments are generally fixed income debt instruments (in some cases with elements of inflation and/or interest rate protection) or other investments with a similar economic effect, the focus of the Valuation Agent is on assessing the likelihood of any interruptions to the debt service payments, in light of the operational performance of the underlying asset.

The Covid-19 pandemic has impacted the global economy and has led to significant volatility in comparable credit markets. The Board and the Investment Manager, in conjunction with the Company's independent Valuation Agent, adjusted the discount rates during the year on a number of assets to reflect the increase in market pricing of risk. Further analysis on the discount rate changes is presented above.

The valuations are reviewed by the Investment Manager and the Directors and the subsequent NAV is reviewed by the Investment Manager and the Directors on a quarterly basis.

The table below shows how changes in discount rates affect the changes in the valuation of financial assets through profit or loss. The range of discount rate changes has been determined with reference to historic discount rate changes made by the Valuation Agent.

In March 2020, discount rates were adjusted on a number of loans, giving an overall discount rate increase of 106 basis points across the portfolio to reflect the uncertainties associated with the Covid-19 pandemic. The analysis below has been updated to include a bigger range than in previous years to reflect these adjustments.

31 December 2020					
Change in discount rates	**(1.00%)**	**(0.50%)**	**0.00%**	**0.50%**	**1.00%**
Valuation of financial assets at fair value through profit or loss (£'000)	**461,747**	**453,684**	**445,962**	**438,557**	**431,447**
Change in value of financial assets at fair value (£'000)	**15,785**	**7,722**	**-**	**(7,405)**	**(14,515)**

31 December 2019				
Change in discount rates		(0.50%)	0.00%	0.50%	
Valuation of financial assets at fair value through profit or loss (£'000)		461,743	453,877	446,274	
Change in value of financial assets at fair value (£'000)		7,866	-	(7,603)	

17.5 Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing level of market interest rates on the fair value of financial assets, future cash flows and borrowings.

Interest rate risk has the following effect:

Fair value of financial assets

Interest rates are one of the factors which the Valuation Agent takes into account when valuing the financial assets.

Future cash flows

The Company primarily invests, via its Subsidiary, in a diversified portfolio of investments which are secured against, or comprise, contracted, predictable medium to long-term cash flows and/or physical assets. The Group's investments will predominantly be in the form of medium to long-term fixed or floating rate loans which are secured against cash flows and/or physical assets which are predominantly UK based.

Interest rate hedging may be carried out to seek to provide protection against falling interest rates in relation to assets that do not have a minimum fixed rate of return acceptable to the Company in line with its investment policy and strategy. The Company has not entered into an interest rate hedging agreement during the year, or in the prior year.

Borrowings

During the year the Company made use of its RCF, which was used towards the making of investments in accordance with the Company's investment policy. Details of the RCF are given in note 14.

Any potential financial impact of movements in interest rates on the cost of borrowings to the Company is mitigated by the short-term nature of such borrowings.

17.6 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty is not an exchange clearing house. The assets classified at fair value through profit or loss do not have a published credit rating, however the Investment Manager monitors the financial position and performance of the Project Companies on a regular basis to ensure that credit risk is appropriately managed.

The Company is exposed to differing levels of credit risk on all its assets. Per the statement of financial position, the Company's total exposure to credit risk is £456.2 million (31 December 2019: £462.6 million) represented by its cash, receivables and investment assets.

Cash is held at a number of financial institutions to spread credit risk. Cash awaiting investment is currently held on behalf of the Company at banks carrying a minimum rating of A-2, P-2 or F2 from Standard and Poor's, Moody's and Fitch respectively.

The Company's investments are debt and equity securities in the Subsidiary and, therefore, the credit risk of the Company's investments is highly dependent on the performance of the Subsidiary's investment portfolio, which is valued on a semi-annual basis by the Valuation Agent. Investments which may be subject to discount rate changes are valued on a quarterly basis. The Valuation Agent takes into account the credit risk associated with these investments in their valuation.

Credit risk is considered by the Valuation Agent both during the origination process and at valuation updates. The Company's investments are stable with predictable cash flows and are not exchange traded. Depending on the nature of the underlying projects, residual credit risk is considered by reference to a number of factors including, but not limited to: relative benchmark analysis, comparable bond pricing, market analysis such as the capital asset pricing model, and fundamental credit analysis of a borrower's underlying performance by reference to any applicable loan covenants.

After an investment is made, the forecasts are regularly updated with information provided by the borrowers in order to monitor ongoing financial performance. In

addition, the credit risk associated with each borrower is mitigated by way of the assets of the Project Company, being secured on either a senior or subordinated basis. At year end, the concentration of credit risk to any one counterparty did not exceed 20% (31 December 2019: <20%) of the Company's total assets, in line with its investment restrictions.

The Directors currently consider the fair value of the financial instruments at par plus accumulated interest to be reasonable. The impact of such fair value attributable to any change in credit risk will continue to be reviewed at each quarter end and specifically when investments mature and their ongoing performance can be assessed. Therefore, no additional sensitivity analysis to that disclosed in note 17 has been provided in this respect.

17.7 Currency risk

All of the Group's investments at 31 December 2020 are denominated in Sterling, save for two investments which are denominated in Euros (31 December 2019: one Euro-denominated investment) and secured against Euro-valued contracted cash flows. The Company's only currency exposure is through the trading activities of its investee companies. The Company engages in currency hedging, in the form of two forward foreign exchange contracts, to reduce the risk of adverse movements in currency exchange rates in relation to its Euro-denominated investments. Realised and unrealised gains or losses on forward foreign exchange contracts are disclosed in note 3.

As an alternative to cash cover/margin required on these forward foreign exchange contracts, the Company has made use of its RCF, as disclosed in note 14.

17.8 Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Company ensures it maintains adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. During the year ended 31 December 2020, investments made by the Group were funded by Company cash reserves, amounts received from repayments and the utilisation of the RCF.

The table below analyses all of the Company's assets and liabilities into relevant maturity groupings based on the remaining period from 31 December 2020 to the contractual maturity date. The Directors have elected to present both assets and liabilities in the liquidity disclosure below to illustrate the net liquidity exposure of the Company.

All cash flows in the table below are presented on an undiscounted basis.

31 December 2020	**Less than one month £'000**	**One to three months £'000**	**Three to twelve months £'000**	**Greater than twelve months £'000**	**Total £'000**
Financial assets					
Financial assets at fair value through profit or loss	**-**	**10,409**	**94,589**	**516,071**	**621,069**
Other receivables and prepayments	**55**	**7**	**46**	**-**	**108**
Derivative financial instruments	**96**	**62**	**-**	**-**	**158**
Cash and cash equivalents	**9,994**	**-**	**-**	**-**	**9,994**
Total financial assets	**10,145**	**10,478**	**94,635**	**516,071**	**631,329**
Financial liabilities					
Other payables and accrued expenses	**(179)**	**(1,378)**	**(47)**	**-**	**(1,604)**
Revolving credit facilities	**(4,856)**	**-**	**-**	**-**	**(4,856)**
Total financial liabilities	**(5,035)**	**(1,378)**	**(47)**	**-**	**(6,460)**
Net exposure	**5,110**	**9,100**	**94,588**	**516,071**	**624,869**

31 December 2019	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	Total £'000
Financial assets					
Financial assets at fair value through profit or loss	16	34,637	70,616	508,092	613,361
Other receivables and prepayments	15	6	42	-	63
Derivative financial instruments	-	4	-	-	4
Cash and cash equivalents	8,687	-	-	-	8,687
Total financial assets	8,718	34,647	70,658	508,092	622,115
Financial liabilities					
Other payables and accrued expenses	(21)	(1,395)	(57)	-	(1,473)
Revolving credit facilities	(9,312)	-	-	-	(9,312)
Total financial liabilities	(9,333)	(1,395)	(57)	-	(10,785)
Net exposure	(615)	33,252	70,601	508,092	611,330

The Directors' assessment of the Company's ability to continue as a going concern, noted in note 2.1, includes an assessment of liquidity risk. The Board has concluded that the Company will be able to generate sufficient cash resources to settle its obligations in full as they fall due. Therefore, no additional sensitivity analysis for liquidity risk has been provided in this respect.

17.9 Fair values of financial assets

Valuation of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to their fair value measurement of the relevant assets as follows:

- Level 1 - valued using quoted prices unadjusted in active markets for identical assets or liabilities;
- Level 2 - valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in Level 1; and
- Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

An investment is always categorised as Level 1, 2 or 3 in its entirety. In certain cases the fair value measurement for an investment may use a number of different inputs that fall into different levels of the fair value hierarchy. In such cases, an investment level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement and is specific to the investment.

The Valuation Agent has carried out semi-annual fair valuations of the financial assets of the Subsidiary (quarterly for investments which may be subject to discount rate changes). The same discount rates, determined by the Valuation Agent, are applied to the future cash flows of the Secured Loan Notes, to determine the fair value of the assets of the Company.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The table below sets out fair value measurements of financial instruments as at the year end, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the value recognised in the statement of financial position. All fair value measurements are recurring.

	Date of valuation	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets measured at fair value through profit or loss:					
Assets:					
Investment in Subsidiary	31 December 2020	**-**	**-**	**445,962**	**445,962**
Derivative financial instruments	31 December 2020	**-**	**158**	**-**	**158**
Investment in Subsidiary	31 December 2019	-	-	453,877	453,877
Derivative financial instruments	31 December 2019	-	4	-	4

The derivative financial instruments are classified as Level 2 as observable market data is used for valuation and pricing.

The Directors have classified the financial instruments relating to 'Investments in Subsidiary' as Level 3 due to the limited number of comparable and observable market transactions in this sector. The current input for Level 3 at year end is the discount rates for these investments which are considered to be primarily modelled rather than market observed. The secured loan facilities that the Subsidiary has invested in are also classified as Level 3.

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and end of the year:

	2020 £'000	2019 £'000
Opening fair value	**453,877**	378,350
Investment in Subsidiary	**126,545**	89,451
Capital repayments from Subsidiary	**(130,610)**	(10,761)
Unrealised (loss)/gain on financial assets at fair value through profit or loss[1]:		
Debt - Secured Loan Notes up to £1,000,000,000	**(5,161)**	(3,525)
Equity - representing one ordinary share in the Subsidiary	**1,311**	362
Closing fair value	**445,962**	453,877

1. Refer to note 11 for further information.

For the Company's financial instruments categorised as Level 3, changing the discount rate used to value the underlying instruments alters the fair value. In determining the discount rate for calculating the fair value of financial assets at fair value through profit or loss, reference is made to Pound Sterling interest rates, movements of comparable credit markets and observable yield on comparable instruments. Hence, movements in these factors could give rise to changes in the discount rate. A change in the discount rate used to value the Level 3 investments would have the effect on the valuation as shown in the table in note 17.4.

The value of the investment in the Subsidiary is based on the aggregate of the NAV of the Subsidiary and the value of the Secured Loan Notes issued by the Subsidiary. At 31 December 2020, the NAV was as follows:

	31 December 2020 £'000	31 December 2019 £'000
GABI UK	**2,107**	796

The key driver of the NAV is the valuation of its portfolio of secured loan facilities issued to the Project Companies.

The Secured Loan Notes issued by the Subsidiary that the Company has subscribed for, are valued on a discounted cash flow basis in line with the model used by the Valuation Agent, applying the following discount rates:

	Fair value[1] £'000	Valuation technique	Key unobservable inputs	Discount rate
Financial assets at fair value through profit or loss - 31 December 2020	**445,962**	**Discounted cash flow**	**Discount rate**	**8.4%**
Financial assets at fair value through profit or loss - 31 December 2019	453,877	Discounted cash flow	Discount rate	8.1%

1. Including the NAV of the Subsidiary.

The investments held by the Subsidiary are valued on a discounted cash flow basis, in line with the model used by the Valuation Agent. At the year end, discount rates ranged from 6-17% (31 December 2019: 6-10%).

The Directors review the valuation report provided by the Valuation Agent which includes reference to the inputs used in the valuation of investments and the appropriateness of their classification in the fair value hierarchy. In particular, the Directors are satisfied that the significant inputs into the determination of the discount rate adopted by the Valuation Agent are pursuant to the Valuation Agent engagement letter. Should the valuation approach change, causing an investment to meet the characteristics of a different level of the fair value hierarchy, it will be reclassified accordingly.

During the year, there were no transfers of investments between levels.

18. Related party disclosures

As defined by IAS 24 Related Party Disclosures, 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. Subsidiary companies are also deemed to be related parties as they are members of the same group of companies.

Directors

The non-executive Directors of the Company are considered to be the key management personnel of the Company. Directors' remuneration for the year (including reimbursement of Company-related expenses) totalled £201,000 (31 December 2019: £136,000). At 31 December 2020, liabilities in respect of these services amounted to £50,000 (31 December 2019: £42,000).

At 31 December 2020, the Directors of the Company held directly or indirectly, and together with their family members, 141,521 ordinary shares (31 December 2019: 124,521).

Alex Ohlsson is the managing partner of Carey Olsen, the Company's Jersey legal advisers. Carey Olsen has provided legal services to the Company during the year. Carey Olsen maintains procedures to ensure that the Chairman has no involvement in the provision of legal services to the Company. The Company maintains procedures to ensure that the Chairman takes no part in any decision to engage the services of Carey Olsen. During the year, the aggregate sum of £15,000 (2019: £10,000) was paid to Carey Olsen in respect of legal work undertaken, of which £nil (31 December 2019: £nil) is outstanding at year end.

Investment Manager

The Company is party to an investment management agreement with the Investment Manager, which was most recently amended and restated on 3 December 2020, pursuant to which the Company has appointed the Investment Manager to provide discretionary portfolio and risk management services relating to the assets on a day-to-day basis in accordance with its investment objective and policies, subject to the overall control and supervision of the Directors.

As a result of the responsibilities delegated under this investment management agreement, the Company considers it to be a related party by virtue of being 'key management personnel'. Under the terms of the investment management agreement, the notice period of the termination of the Investment Manager by the Company is twelve months.

For its services to the Company, the Investment Manager receives an investment management fee which is calculated and paid quarterly in arrears at an annual rate of 0.9% per annum of the prevailing NAV of the Company less the value of the cash holdings of the Company pro rata for the period for which such cash holdings have been held. The Investment Manager receives an annual fee of £25,000 in relation to its role as the Company's AIFM, which has been increased annually at the rate of the RPI since IPO.

During the year, the Company incurred £3,917,000 (2019: £3,899,000) in respect of the services outlined above: £3,891,000 (2019: £3,715,000) in respect of investment management services, £nil in relation to the issuance of ordinary shares (2019: £158,000) and £26,000 (2019: £26,000) in respect of AIFM services provided by the Investment Manager. At 31 December 2020, liabilities in respect of these services amounted to £1,004,000 (2019: £1,014,000).

The Investment Manager, at its discretion, is entitled to an arrangement fee of up to 1% of the value of each investment made by the Company. The Investment Manager typically expects the cost of any such fee to be covered by the borrowers, and not the Company. To date, such fee in respect of all but six of the Group's investments has been met and paid by borrowers. During the year, the Investment Manager received £216,000 (2019: £358,000) from arrangement fees which had been met by the borrowers and £367,000 (2019: £90,000) from arrangement fees which had been met by the Company. To the extent any arrangement fee negotiated by the Investment Manager with a borrower exceeds 1%, the benefit of any such excess is paid to the Company.

A number of the directors and employees of the Investment Manager also sit on the board of the Subsidiary.

At 31 December 2020, the key management personnel of the Investment Manager held directly or indirectly, and together with their family members, 1,244,982 ordinary shares in the Company (31 December 2019: 1,450,961 ordinary shares).

At 31 December 2020, the directors and/or shareholders of the Investment Manager, and their family members, directly or indirectly own an equity interest in the Subsidiary's student accommodation investments. These investments are valued by the Valuation Agent in line with the remaining portfolio and were approved by the Board at the time of acquisition.

Subsidiary

At 31 December 2020, the Company owns a 100% (31 December 2019: 100%) controlling stake in the Subsidiary. The Subsidiary is considered to be a related party by virtue of being part of the same group. The Company indirectly owns GABI Housing, GABI Blyth and GABI GS; for further information refer to note 1.

The following tables disclose the transactions and balances between the Company and the Subsidiary:

Transactions	**31 December 2020 £'000**	31 December 2019 £'000
Intercompany income received		
Other income	**2,442**	74
Arrangement fee income	**173**	200
Loan interest income received	**35,544**	36,516
Total	**38,159**	36,790

Balances	**31 December 2020 £'000**	31 December 2019 £'000
Intercompany balances payable	**-**	(15)
Intercompany balances receivable	**49**	9
Principal value of intercompany holdings within financial assets at fair value through profit or loss	**447,657**[1]	451,722

1. The principal value of intercompany holdings includes amounts advanced to GABI Housing of £17.5 million.

19. Reconciliation of NAV

This note reconciles the NAV reported in the financial statements to the published NAV.

	Total £'000	**Pence per share**
NAV at 31 December 2020 as published on 15 January 2021 (unaudited)	**449,762**	**102.18**
NAV at 31 December 2020 as per the financial statements	**449,762**	**102.18**

	Total £'000	Pence per share
NAV at 31 December 2019 as published on 16 January 2020 (unaudited)	451,846	102.33
NAV at 31 December 2019 as per the financial statements	451,846	102.33

20. Subsequent events after the report date

On 26 January 2021, the Company announced a fourth interim dividend of 1.575 pence per ordinary share amounting to £6,932,000 which was paid on 5 March 2021 to ordinary shareholders on the register at 5 February 2021.

In addition to the above, post year end the following events occurred:

- the Group made six advances totalling £14.5 million and received six repayments totalling £1.0 million;
- The Company repurchased 325,000 ordinary shares in the capital of the Company at a weighted average price of 90.22 pence, all of which are held in treasury. Following this transaction, the Company has in issue 442,033,518 ordinary shares of which 2,200,000 are held in treasury. The total voting rights of the Company at the date of the report is 439,833,518;the Company drew down an aggregate amount of £13.7 million on the RCF with RBSI, resulting in a total drawn amount of £18.7 million (not including the amount drawn down as alternative to cash cover for the forward exchange contracts); and
- the Company's forward foreign exchange contracts shown in note 17.1 matured and were replaced on the same terms as the existing contracts.

21. Ultimate controlling party

It is the view of the Board that there is no ultimate controlling party.

SHAREHOLDER INFORMATION

Key dates

March
Payment of fourth interim dividend

March
Annual results announced

May
Annual General Meeting

June
Payment of first interim dividend
Company's half year end

August
Payment of second interim dividend

September
Interim results announced

December
Payment of third interim dividend

December
Company's year end

NAV publication

The Company's NAV is released to the LSE on a quarterly basis and is published on the Company's website.

Further information

Copies of the Company's annual and half-yearly reports, quarterly investor reports, stock exchange announcements and further information on the Company can be obtained from the Company's website.

Warning to users of this report

This report is intended solely for the information of the person to whom it is provided by the Company, the Investment Manager or the Administrator. This report is not intended as an offer or solicitation for the purchase of shares in the Company and should not be relied on by any person for the purpose of accounting, legal or tax advice or for making an investment decision. The payment of dividends and the repayment of capital are not guaranteed by the Company. Any forecast, projection or target is indicative only and not guaranteed in any way, and any opinions expressed in this report are not statements of fact and are subject to change, and neither the Company nor the Investment Manager is under any obligation to update such opinions.

Past performance is not a reliable indicator of future performance, and investors may not get back the original amount invested. Unless otherwise stated, the sources for all information contained in this report are the Investment Manager and the Administrator. Information contained in this report is believed to be accurate at the date of publication, but none of the Company, the Investment Manager and the Administrator gives any representation or warranty as to the report's accuracy or completeness. This report does not contain and is not to be taken as containing any financial product advice or financial product recommendation. None of the Company, the Investment Manager and the Administrator accepts any liability whatsoever for any loss (whether direct or indirect) arising from any use of this report or its contents.

ALTERNATIVE PERFORMACE MEASURES (APMs)

The Board and the Investment Manager assess the Company's performance using a variety of measures that are not defined under IFRS and are therefore classed as APMs. Where possible, reconciliations to IFRS are presented from the APMs to the most appropriate measure prepared in accordance with IFRS.

All items listed below are IFRS financial statement line items unless otherwise stated. APMs should be read in conjunction with the statement of comprehensive income, statement of financial position and statement of cash flows, which are presented in the financial statements section of this report. The APMs below may not be directly comparable with measures used by other companies.

Adjusted EPS
EPS adjusted to remove the effect of discount rate adjustments made to reflect the uncertainties associated with the Covid-19 pandemic.

Adjusted EPS	**For the year ended 31 December 2020 (Pence per share)**
Basic and diluted earnings	**6.21**
Adjustments to discount rates in respect of the Covid-19 pandemic	**1.19**
Adjusted EPS	**7.40**

Annualised total shareholder return since IPO
Total shareholder return[1] expressed as a time weighted annual percentage.

Source: Morningstar.

Average LTV
The ratio of a loan or mortgage to a property valuation, averaged across the Company's property investments, expressed as a percentage. This ratio demonstrates the headroom in the underlying asset values to absorb negative movements in property valuations.

Discount
The amount, expressed as a percentage, that the Company's shares trade below the prevailing NAV per share.

Dividend cover ratio
Ratio of earnings to dividends calculated as dividends per share divided by EPS.

Dividend cover ratio	**For the year ended 31 December 2020**	For the year ended 31 December 2019
Total profit and comprehensive income (£'000)	**27,394**	28,037
Weighted average number of shares	**441,287,075**	411,559,294
Basic EPS (p)	**6.21**	6.81
Dividends (p)	**6.475**	6.450
Dividend cover ratio	**0.96**	1.06

IRR
IRR is the interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero.

The internal rate of return is used to evaluate the attractiveness of a project or investment.

Ongoing charges ratio
Ongoing charges ratio (previously "total expense ratios" or "TERs") is a measure of the annual percentage reduction in shareholder returns as a result of recurring operational expenses assuming markets remain static and the portfolio is not traded.

This is a standard performance metric across the investment industry and allows comparability across the sector and it is calculated in accordance with the AIC's recommended methodology.

Ongoing charges	**31 December 2020 £'000**	31 December 2019 £'000
Investment Manager	**3,917**	3,740
Directors' fees	**201**	136
Administration expenses	**1,635**	1,173
Total expenses	**5,753**	5,049
Non-recurring expenses	**(470)**	(23)
Total	**5,283**	5,026
Average NAV[2]	**445,830**	435,594
Ongoing charges ratio	**1.18**	1.15

Premium
The amount, expressed as a percentage, that the Company's shares trade above the prevailing NAV per share.

Total shareholder return
A measure of the performance of a company's shares over time. It combines share price movements and dividends to show the total return to the shareholder expressed as a percentage.

It assumes that dividends are reinvested in the shares at the time the shares are quoted ex dividend.

This is a standard performance metric across the investment industry and allows comparability across the sector.

Source: Bloomberg.

NAV total return
A measure of the performance of a company's NAV over time. It combines NAV movements and dividends to show the total return to the shareholder expressed as a percentage.

It assumes that dividends are reinvested in the shares at the time the shares are quoted ex dividend.

This is a standard performance metric across the investment industry and allows comparability across the sector.

Source: Bloomberg.

Weighted average annualised yield
The weighted average yield on the investment portfolio calculated based on the yield of each investment weighted by the principal balance outstanding on such investment, expressed as a percentage.

The yield forms a component of investment cash flows used for the valuation of financial assets at fair value through profit or loss under IFRS 9.

Weighted average discount rate
A rate of return used in valuation to convert a series of future anticipated cash flows to present value under a discounted cash flow approach. This approach is used for the valuation of financial assets at fair value through profit or loss under IFRS 9.

The average rate is calculated with reference to the relative size of each investment.

1. Refer to relevant APM for further information.
2. Based on average NAV for the respective twelve month period.

GLOSSARY

Adjusted EPS
Refer to APMs section above.

AGM
The Annual General Meeting of the Company

AIC
Association of Investment Companies

AIC Code
AIC Code of Corporate Governance

AIF
Alternative Investment Fund

AIFM
Alternative Investment Fund Manager

AIFMD
The UK version of the Alternative Investment Fund Managers Directive which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 and as amended by the Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019

Annualised total shareholder return since IPO
Refer to APMs section above

APM
Alternative performance measure

Articles
The articles of association of the Company

Average LTV
Refer to APMs section above.

BCP
Business continuity plan

Borrower
Owner of a Project Company to which the Group advances loans

Carey Olsen
Carey Olsen Jersey LLP

CHP
A loan secured against combined heat and power engines

CIF Law
Collective Investment Funds (Jersey) Law 1988

CNG
Compressed natural gas

Companies Law
Companies (Jersey) Law 1991, as amended

Company
GCP Asset Backed Income Fund Limited

CPI
Consumer price index

Discount
Refer to APMs section above

Dividend cover ratio
Refer to APMs section above

DTRs
Disclosure Guidance and Transparency Rules of the FCA

EGM
Extraordinary general meeting

EPS
Earnings per share

ESG
Environmental, social and governance

FCA
Financial Conduct Authority

GABI Blyth
GABI (Blyth) Limited

GABI GS
GABI GS Limited

GABI Housing
GABI Housing Limited

GABI UK
GCP Asset Backed Income (UK) Limited

GCP Infra
GCP Infrastructure Investments Limited, a third party company advised by the Investment Manager

Group
The Company, GABI UK, GABI GS, GABI Housing and GABI Blyth

IAS
International Accounting Standards

IASB
International Accounting Standards Board

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

IPO
Initial public offering

IRR
Internal rate of return Refer to APMs section above

JFSC
Jersey Financial Services Commission

KPI
Key performance indicator

Listing Rules
FCA Listing Rules

LSE
London Stock Exchange

LTV
Loan-to-value

MAR
EU Market Abuse Regulation

Market capitalisation
Value of a company traded on the LSE, calculated as total number of shares multiplied by closing share price

MiFID II
The UK version of MiFID II which is part of UK law by virtue of the European Union (Withdrawal) Act 2018

NAV
Net asset value

NAV total return
Refer to APMs section above

O&M
Operations and maintenance

Ongoing charges ratio
Refer to APMs section above

Premium
Refer to APMs section above

Project Company
A special purpose company which owns and operates an asset

RBSI
Royal Bank of Scotland International Limited

RCF
Revolving credit facility

RPI
Retail price index

Secured Loan Notes
Loan notes issued to the Company

Subsidiary and/or GABI UK
GCP Asset Backed Income (UK) Limited

TCFD
Task Force on Climate-related Financial Disclosures

Total shareholder return
Refer to APMs section above

UK Code
UK Corporate Governance Code

Weighted average annualised yield
Refer to APMs section above

Weighted average discount rate
Refer to APMs section above

CORPORATE INFORMATION

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Colin Huelin
Joanna Dentskevich
Marykay Fuller

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