Annual Report & Financial Statements

RNS Number : 8302F
GCP Asset Backed Income Fund Ltd
24 March 2022

GCP ASSET BACKED INCOME FUND LIMITED

Annual report and financial statements for the year ended 31 December 2021

The Directors of the Company are pleased to announce the Company's annual results for the year ended 31 December 2021. The full financial report and audited financial statements can be accessed via the Company's website at www.gcpassetbacked.com 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 (the "Company") 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 2021, its market capitalisation was £426.6 million. The Company is a constituent of the FTSE All-Share Index.

AT A GLANCE - 31 DECEMBER 2021

	2019	2020	**2021**
Market capitalisation £m	479.1	401.9	**426.6**
Value of investments[1] £m	453.9	446.0	**447.0**
Dividends for the year p	6.20	6.225	**6.30**
Dividends for the year p	0.25[2]	0.25[2]	**-**
Ordinary share price p	108.50	91.30	**97.00**
NAV per ordinary share p	102.33	102.18	**99.29**
Profit for the year £m	28.0	27.4	**15.0**

HIGHLIGHTS FOR THE YEAR

- Dividends of 6.30 pence per share declared in respect of the year, including a dividend of 1.575 pence per share for the quarter to 31 December 2021, which was paid post year end.
- Total shareholder return[3] of 13.2%, total NAV return[3] of 3.4% (31 December 2020: -9.8% and 6.5%) and an annualised total shareholder return[3] since IPO of 5.3%.
- Profit for the year of £15.0 million (31 December 2020: £27.4 million). The decrease year-on-year reflects the impact of the decrease in fair value of the Group's Co-living loan.
- Renewal of existing £50 million revolving credit arrangements with RBSI to extend maturity from August 2021 to August 2023.
- NAV per ordinary share of 99.29 pence at 31 December 2021, a decrease from 102.18 pence in the prior year, predominantly due to a 4.5 pence per share write-down of the Group's Co-living loan, partially offset by valuation gains elsewhere in the portfolio and excess income. Refer to the Investment Manager's report below for further detail.
- Exposure to a diversified, partially inflation and/or interest rate-protected portfolio of 60 asset backed loans with a third party valuation of £443.64 million at 31 December 2021.
- Loans of £135.5 million (new and follow-on) advanced by the Group during the year, secured against 35 projects with a further £16.6 million secured against five projects, advanced post year end.
- Repayments of £118.1 million during the year generating repayment fees of £2.5 million, with a further £31.7 million of repayments received post year end.

1. Includes the valuation of the Subsidiary.
2. Special dividend of 0.25 pence per share declared in respect of the year.
3. Alternative performance measure - refer below for definitions and calculation methodology.
4. Valuation of the portfolio held by the Subsidiary. The Company makes its investments through its wholly owned Subsidiary. Refer to note 1 for further information.

Alex Ohlsson, Chairman, commented:

"The Company remains resilient, despite a challenging year, with a diversified portfolio of secured, income-producing loans which offer a level of inflation and interest rate protection.

Following on from a challenging 2020, with the onset of the Covid-19 pandemic, 2021 has seen two sectors in the portfolio face the continued impact of Covid-19 restrictions placed on operating businesses. However, we have seen strong performance in the significant majority of the portfolio.

During the year, the Group advanced £135.5 million in the form of 35 investments, 20 new and 15 follow-on transactions, improving the diversification and risk profile of the portfolio. The portfolio comprised 60 loans at 31 December 2021, 85% of which are secured against physical assets offering strong downside and capital protection.

The Company paid 6.30 pence in interim dividends, meeting the target set by the Company for 2021 and fulfilling the Company's stated aim to grow its annual dividend year-on-year, compared to 6.225 pence paid in interim dividends for 2020. In respect of the forthcoming financial year, the Company is targeting an annual dividend of 6.325 pence per ordinary share.

We believe that the Company is well placed for the year ahead and 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	To provide shareholders with regular, growing dividend distributions.	To achieve modest appreciation in shareholder value over the long term.

level of risk taken.

KEY PERFORMANCE INDICATORS		
The Company has generated an annualised total shareholder return[1] since IPO of 5.3%.	The Company has grown its dividend year-on-year, achieving its stated aim for the sixth consecutive year, with interim dividends increasing from 6.225 pence.	The Company's shares were trading at 97.00 pence per share at the year end.
13.2% Total shareholder return[1] for the year	**6.30p** Dividends in respect of the year	**97.00p** Share price at 31 December 2021
31 December 2020: -9.8%	31 December 2020: 6.475[2]p	31 December 2020: 91.30p
7.3%[3] Weighted average annualised yield[1] on investment portfolio	**46%** Percentage of portfolio by value with inflation and/or interest rate protection	**2.3%** Discount[1] to NAV at 31 December 2021
31 December 2020: 8.0% (7.6% excl. Co-living loan)	31 December 2020: 45%	31 December 2020: 10.6% discount[1]

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

2. Including special dividend of 0.25 pence per share.

3. Including the Company's Co-living loan which is held at 0%. Excluding this loan, the weighted average annualised yield[1] is 8.0%.

Further information on Company performance can be found below.

PORTFOLIO AT A GLANCE

Portfolio of 60 asset backed loans with an average life of five 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
18 loans within sector
£179.4m
41%

ASSET FINANCE
11 loans within sector
£69.3m
16%

ENERGY AND INFRASTRUCTURE
7 loans within sector
£28.7m
6%

SOCIAL INFRASTRUCTURE
24 loans within sector
£166.2m
37%

SENIOR RANKING SECURITY
69%

UK EXPOSURE
79%

SECURED AGAINST PHYSICAL ASSETS
85%

CHAIRMAN'S STATEMENT

The Company remains resilient, despite a challenging year, with a diversified portfolio of secured, income-producing loans which offer a level of inflation and interest rate protection.

Introduction
The year has proved challenging for the Company with the default of one of its largest loans. This annual report provides detailed commentary on the actions we are taking to rectify the position.

Whilst the defaulted Co-living loan is at the forefront of everyone's minds, it is important to remember that the Group is much more than just one loan.

Beyond this loan, the Company has once again proved its resilience in a demanding market. It continues to focus on the delivery of sustainable, long-term income to shareholders, generated through its portfolio of secured loans. These investments utilise debt investment protections and are secured against high-quality assets and/or contracted cash flows.

Throughout the year, Government-issued Covid-19 restrictions have continued to impact the normal flow of business, particularly impacting retail and hospitality businesses. However, despite the restrictions, the significant majority of the portfolio has continued to perform well. The Group received £118.1 million in repayments in the year and was able to deploy £135.5 million. We are particularly pleased with the levels of repayments received by the Company, as this is a strong indicator of a healthy loan portfolio, providing opportunities for investment into new and attractive loans.

Ten full repayments were received by the Company during the year. These included loans such as those to a waste processing facility, CHP engines and property bridging loans. These assets were, in many cases, refinanced after a sale to a private equity or infrastructure investor. This is the approach we have sought since IPO, targeting attractive sectors before they become commoditised.

The loans that fully repaid in the year generated strong returns, with an average IRR[1] of 9.7%, against an average interest rate of 8.1%. The IRR[1] consists not only of principal and interest, but also includes a level of prepayment fees. This year was a record for such fees, with the Company receiving £2.5 million, equating to c.12% of the Company's total income. We take a conservative view and only recognise prepayment fees at the point they are received. Therefore, none of these fees are factored into expected returns or applied discount rates of the portfolio.

We continue to closely monitor the Company's share price, which has predominantly traded at a discount[1] to NAV throughout the year, as a result of continued market sentiment in response to the Covid-19 pandemic and the write down of the Co-living loan. Alongside the Investment Manager, the Company has engaged further with shareholders to increase both the quality and detail of its portfolio disclosures, including holding a separate webinar purely focused on the Co-living loan. We continue to be pleased with the feedback received on our portfolio disclosures. The Board and the Investment Manager are keen to engage with shareholders to address any questions they may have.

Going forward, we continue to maintain a high-quality pipeline and are focusing on making investments into sectors and alongside borrowers where the Company has strong established relationships. The portfolio comprised 60 loans at 31 December 2021, 85% 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.

Net assets
At the year end, the net assets of the Company were £436.7 million. The NAV per share decreased from 102.18 pence at 31 December 2020 to 99.29 pence at 31 December 2021. The valuation of investments increased during the year to £447.0 million from £446.0 million at 31 December 2020, with the largest single asset exposure comprising 5.4% of total portfolio by value. The decrease in NAV per share is primarily as a result of the write-down taken against the Co-living loan; however, the write down was partially offset by the performance of the rest of the portfolio which generated a positive NAV movement in the year.

Financing
During the year, the Company extended its existing £50 million RCF with RBSI to August 2023 (previously August 2021), with an additional one year extension option subject to

lender approval. All terms of the RCF are unchanged except for the interest rate benchmark which changed from LIBOR to SONIA. The Company uses the RCF to ensure it effectively utilises its cash resources to reduce any cash drag which impacts dividend coverage. The Board believes that the favourable terms on which the RCF has been extended are due to the maturity and strong track record of the Company.

Investments
During the year, the Group advanced £135.5 million in the form of 35 investments, 20 new and 15 follow-on transactions, improving the diversification and risk profile of the portfolio. All of the new investments were consistent with the Group's standard investment approach.

We continue to closely monitor our two loans to multi-use community facilities. These loans are public facing, consisting of bars and restaurants as well as studio and co-working spaces. These facilities, like all in the hospitality sector, have been severely impacted by lockdowns during the year. However, we remain positive for their long-term future with performance so far this year showing good recovery.

KEY HIGHLIGHTS

135.5m
Investments made

118.1m
Principal repaid

32.9m
Interest received

27.7m
Dividends paid

22
Asset classes

Co-living loan
The Co-living loan was a significant disappointment during the year, with the loan defaulting due to breaching a liquidity covenant. The loan is a syndicated loan and we are part of a consortium of lenders.

Since the loan defaulted in May 2021, the consortium of lenders have been looking to sell the assets of the Co-living group to recover as much value as possible. Significant progress has been made in this regard, with a number of assets sold in the period and exclusivity agreements in place to sell a number of others.

In terms of the remaining assets, the following current positions are in place at the time of writing:

- **US assets** - exclusivity in place and working towards sales in the coming weeks;
- **UK HMO** assets - sale process started and more than 50 parties have expressed an interest and are reviewing the sales information; and
- **UK large assets** - an exclusivity was entered into with a proposed REIT; however, due to the situation in Ukraine, the IPO of the REIT has been paused. The operating assets have both been stabilised and are operating above 95% occupancy. We have had significant interest from parties looking to acquire the assets and if the REIT does not IPO, we will look to launch a sales process for the assets in the coming months. We expect strong competition for these assets and remain confident that they offer a defensive and stable cashflow that will prove highly attractive to investors.

As noted later in the report, the key features of this loan are not present in any other loan in the portfolio. Further detail is included below.

Share price performance
The Company's shares have largely traded at a discount[1] to NAV throughout the year, with an average discount[1] of 3.5%. At 31 December 2021, the share price was 97.00 pence, representing a discount[1] to NAV of 2.4%. Since IPO, the shares have traded at an average premium[1] of 1.5%.

During the year, the Company repurchased 325,000 shares at a weighted average price of 90.22 pence per share, a discount[1] 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 6.30 pence in interim dividends, meeting the target set by the Company for 2021 and fulfilling the Company's stated aim to grow its annual dividend year-on-year, compared to 6.225[2] pence paid in interim dividends for 2020. In respect of the forthcoming financial year, the Company is targeting an annual dividend of 6.325 pence per ordinary share[3].

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 continues to 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 as challenges in staffing, supply chain management and inflation are realised. Further details on the impact of inflation is included below.

We also remain conscious of the impact of the conflict in Ukraine. None of our borrowers are directly impacted by the conflict or by imposed sanctions, however, we will continue to monitor indirect impacts such as the increase in energy costs.

Across the loan portfolio, the Group has exposure to fluctuations in 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 strong and the continued demand versus supply dynamic provides comfort against a significant correction of prices. The Group's residential loan portfolio has a large degree of inbuilt protection due to being advanced against an average LTV[1] of c.66%.

The Group has six fully hedged non-Sterling loans, representing 6.2% of the portfolio by value. All other overseas exposure is held in Sterling loans. 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.

However, modelling the impact of unexpected events of the nature we have seen in recent years continues to be difficult. Whilst easing of Covid-19 restrictions is positive for economic growth, consumer behaviour is 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 with our borrowers in a strong position to seize new opportunities for growth.

Responsible investment
The Board has been working closely with the Investment Manager to ensure the principles of responsible investment are embedded within the Company's operations. This work has included publishing the Company's initial ESG policy which can be found on the Company's website.

We are also delighted to publish details of our first ESG incentive scheme under which the Company will be funding nursery places for disadvantaged children in South London. The nursery is part of a chain to which the Group has advanced loans. These places will form part of a wider bursary scheme which the nursery group is offering.

Fundamentally, the Investment Manager believes that investment in assets which have a positive impact on society enhances the security of the portfolio and brings wider benefits to the communities which our assets operate in.

Further details on the work the Board and Investment Manager are undertaking to strengthen the implementation, monitoring and reporting on ESG are detailed below.

Outlook
Following on from a challenging 2020, with the onset of the Covid-19 pandemic, 2021 has seen two sectors in the portfolio face the continued impact of Covid-19 restrictions placed on operating businesses. Work on both the Co-living group and multi-use community facilities is ongoing and we remain committed to realising value in these assets. We believe that the resilience shown by the significant majority of the portfolio puts the Group in a strong position moving forward.

As outlined above, headwinds in the economic environment could increase operational costs for some assets in the portfolio. However, we also recognise the opportunities presented by an inflationary environment and are working closely with our borrower management teams to identify where we can support them.

Despite the challenges faced by the Company through the year, we believe that the Company is well placed for the year ahead.

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

Alex Ohlsson
Chairman

23 March 2022

1. Alternative performance measure - refer below for definitions and calculation methodology.
2. Excluding special dividend of 0.25 pence per share.
3. 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.

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.

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 30% 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 at the time of investment, as appropriate.

Structure of investments
The Company typically makes investments directly or indirectly through one or more underlying special purpose vehicles which will usually 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, long-term 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 a scrip dividend alternative was suspended at the Board's discretion, for all 2021 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>KPI MEASUREMENT</th><th>SUSTAINABILITY</th></tr>
<tr><td rowspan="2">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 5.3%.

13.2%
Total shareholder return[1] for the year</td><td rowspan="2">Environmental and social
Read about 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>
</table>

	Regular, growing distributions To provide shareholders with regular, growing dividend distributions.	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.	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.	The Company has increased its dividend year-on-year. **6.30p** Dividends in respect of the year	**Governance** Read how the Company is governed and the activities of the Board during the year in the governance section below.
	Capital appreciation To achieve modest appreciation in shareholder value over the long term.	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.	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.	The shares have traded at an average discount[1] to NAV throughout the year. **2.4%** Discount[1] to ordinary share NAV at year end	**Financial** Read about the Company's financial performance and dividend cover in the financial review below and its long-term viability below.
		THIRD PARTY SERVICE PROVIDERS	ADVISORY AND ADMINISTRATION		

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, if any.

Maturing portfolio
Over the year, £118.1 million has been returned to the Group in repayments of loans. The Investment Manager views this repayment as an indication of a healthy portfolio, providing opportunity for reinvestment into new and attractive loans. The Investment Manager seeks to match repayments with pipeline opportunities to make efficient use of available capital.

The table below sets out a sample of full repayments received during the year. Some key assets to highlight are as follows.

Recycling facility
The Group financed the construction and operation of a recycling facility near Heathrow airport. The facility comprised high-end plant and equipment to separate commercial and industrial waste. The facility sorted waste into designated streams through a combination of manual and mechanical sorting processes. After sorting, materials with value were sold and the residue used to make Refuse Derived Fuel ("RDF") used in cement kilns. Over the life of the project, the plant has recycled over 430,000 tonnes of waste.

The Group originally invested in this project in April 2016 with a drawdown of £14.5 million and a further drawdown in December 2018 to support the purchase of additional plant. Full repayment of the loan (totalling £15.8 million) was made in May 2021, attracting a prepayment fee of £2.1 million due to non-call periods in the loan documentation. Over the life of the loan, £7.3 million was paid in interest and an IRR[1] of 12.6% was achieved for the Group.

Property developments
Over the year, five property bridging or development loans were repaid, totalling £24.8 million in repayments. These loans were secured against the land value of property development sites across the UK. On average, these loans achieved an IRR[1] of 9.1% against an average interest rate of 8.0%, offering an attractive rate of return for short-term lending against a secure asset base.

Residential property lending portfolio
The Group provided funding secured against a portfolio of residential property loans. The original loan was for £5.0 million in June 2017 with a second drawdown of £5.0 million in August 2017. The portfolio performed well, meeting covenants and interest payments throughout the term. Full repayment of £10.0 million was made in August 2021.

CHP loan
As detailed below, the Group reached resolution on the defaulted CHP loan in the period, with a final payment of £1.1 million made in full in December 2021.

Repayment protections
The Investment Manager looks to include non-call periods and repayment fees in investment documentation for longer dated loans to maintain visibility of returning capital and ensure efficient redeployment. The Investment Manager was able to redeploy all the proceeds in the period, through strong pipeline management and utilisation of the RCF. We are expecting significant repayments over the coming year in addition to amortisation of loans in line with the investment documentation across the portfolio.

FULL REPAYMENTS DURING THE YEAR (TOP FIVE BY VALUE)

	Amount	Interest	Origination	Type

Sector	repaid	rate	IRR[1]	date	of loan	Reason
Property (multiple)	£24.8m	8.0%	9.1%	November 2020	Bridging/development - senior	Various, including sales and refinancing into development loans
Property	£10.0m	5.3%	5.9%	June 2017	Term - mezzanine	Repaid in ordinary course
Energy and infrastructure	£15.8m	9.5%	12.6%	April 2016	Term - mezzanine	Acquired by large infrastructure investor
Property	£8.5m	8.5%	9.9%	June 2021	Bridging - senior	Refinanced into a mezzanine development loan
Energy and infrastructure	£2.7m	7.8%	12.4%	June 2018	Term - senior	Acquired by large infrastructure business
Total/weighted average	**£61.8m**	**8.0%**	**9.7%**			

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

Active management
The Investment Manager continues to put an emphasis on active management, with a dedicated portfolio management team working closely with borrower management teams to ensure any potential issues are flagged early and dealt with appropriately.

Over the year, this engagement has been crucial in navigating the changing regulatory environment of Covid-19 restrictions which have impacted across all sectors and assets, to differing extents. This approach has also allowed for recognition of pipeline opportunities for the Group by maintaining strong relationships with management teams.

With the lifting of Covid-19 restrictions at certain times through the year, the Investment Manager has been able to undertake site visits to assets, which were on hold during much of 2020. This forms an important part of the investment and monitoring of assets, which is expected to increase over the forthcoming year.

Overseas investment
Following the increase in the investment restriction to allow for up to 30% investment in overseas assets, the Investment Manager has taken a cautious approach to expanding investment outside the UK. At 31 December 2021, 21% of the portfolio was invested in assets outside the UK. Some examples of these investments are:

- student accommodation project in Dublin which opened in September 2021 and is currently, at the latest practical date, at 97% occupancy;
- residential co-living development in Boston which is expected to open in the fourth quarter of 2022, offering 477 units of high-quality accommodation in an underserved area of the city for young professionals; and
- football finance deals secured against broadcasting income for a club competing in La Liga, a Spanish football league.

The Investment Manager has primarily looked to use overseas investments to support well-known borrowers as they expand their operations outside of the UK. Since IPO, the Group has supported 14 projects outside of the UK. In general, these projects attract a higher interest rate than comparable transactions in the UK, to reflect the additional risk in operating across multiple jurisdictions.

When considering overseas investments, the Investment Manager uses appropriate external advisers, relevant to the jurisdiction of the asset, to ensure thorough due diligence and documentation of the loans. Equally, the Investment Manager conducts site visits of overseas assets, with visits to projects in the US and Ireland undertaken by the origination and portfolio management teams.

Currently, two identified pipeline projects are overseas opportunities. Both are follow-on investments with borrowers well known to the Investment Manager.

Investment pipeline
The Investment Manager is continuing to see positive opportunities for investment, across a number of sectors. Maintaining efficient use of capital through redeployment of repayments made to the Company remains a key focus.

The current pipeline represents c.£46 million of opportunities in social infrastructure, asset finance and property sectors. Since the year end, £4.3 million has been successfully transacted in the property sector.

The Investment Manager recognises the value in maintaining good relationships with borrowers who are looking to grow their businesses. As such, many of the portfolio loans and pipeline transactions are follow-on deals with existing borrowers. This allows for greater execution certainty and allows the Group to build knowledge of the borrower's business.

Pipeline opportunities are 54% senior loans with a weighted average yield of 8.0%, with c.40% overseas assets.

Investment analysis (by value £)
Investments made in the year
Existing borrowers 16%
New borrowers 84%

Pipeline
Existing borrowers 74%
New borrowers 26%

ASSET UPDATE - CHP LOAN

Background
The facility of £3.1 million was secured against two waste energy projects. The SPVs had been awarded planning permission and had applied for the RHI, a Government-backed financial incentive to promote the use of renewables. At the time of funding, the developer had a successful track record and was working with a joint venture partner to move projects from development into construction. After funding, the borrower unfortunately entered a dispute with their JV partner and faced challenges from Ofgem on the process through which they had applied for RHI. In March 2019, the loan defaulted as the borrower was unable to meet covenants or repay principal as it fell due.

Recovery process
Working closely with the borrower, the Investment Manager took immediate steps to secure the Group's position, including ensuring all information needed for a sale of the project was within its control, minimising outgoings of the SPV and working to challenge the Ofgem decision.

A sales process for the SPV was launched, with a detailed vendor information memorandum, financial models and sale information shared with a select list of prospective purchasers in the market. This process elicited several bids from credible counterparties.

Over the course of the year, two parties progressed to detailed due diligence but both withdrew at a late stage. The Investment Manager subsequently engaged with a team with backing from a large infrastructure bank. This team was able to carry out extensive due diligence on the projects, resulting in an agreed sale of one project in April 2021.

Under the terms of the sale, £1.1 million was paid at transaction close with £1.1 million retained by the purchaser to meet any warranty claims, which together represent slightly more than the fair value after it was revalued downwards.

Current position
In December 2021, the Group received the full £1.1 million retention held pursuant to the sale. As expected, no warranty claims were lodged against the project. Further payments in respect of VAT claimed for the project (c.£65,000) are expected in early 2022. In addition, the second project remains within the Group's security net. This asset has now been awarded RHI by Ofgem and has received amended planning permission. However, no additional income will be assumed for this project until development finance is in place.

There is a possibility for further recovery on this position but given the uncertainty over this recovery at present, the position is being held at nil value.

Investment Manager's view
The default on this loan was disappointing and we have sought to take on board the lessons learned from this asset. This has included restricting investment into projects which do not have a clear route to development funding and producing detailed exit strategies within our investment papers to plan for an event of default.

However, we believe that there are some positive points to take from the resolution of this situation, including a final positive outcome and that our initial assessment of inherent value in the assets can be proven in a market sales process.

ASSET UPDATE - CO-LIVING LOAN

Background
Co-living is a maturing sector in the private residential rental market which provides studio apartments with high-quality shared living facilities at a price point below comparable market rent. The product typically targets young professionals or people on secondment.

The Company first advanced a loan to the Co-living group in March 2017 with an initial investment of £5.3 million with investment growing over time to support the Co-living group's growth across multiple properties.

In late 2019, the Investment Manager was approached with a proposal to enter into a larger facility alongside Deutsche Bank, the 'Lender group'. The new facility transacted in February 2020, under which the Company held c.38% of the total facility (£52.8 million) comprising three tranches up to £140 million (only the first tranche of this facility was drawn due to the impact of Covid-19). Upon entering the loan agreement, the Company's total exposure to the Co-living group was reduced from £48.5 million to £30 million, although the Co-living group's total borrowing (across multiple lenders) increased as a result of the transaction.

The intention of the facility was to provide development funding for new projects, subject to fixed criteria and a loan-to-NAV test across the portfolio, to support growth. In addition, the facility included stringent drawdown criteria and additional covenants, including equity contributions, loan-to-NAV tests and liquidity covenants.

The facility initially performed well and the additional funds provided the Co-living group with a financial buffer to help them navigate the first year of the pandemic and move developments through the planning and design stages.

Unfortunately, secondary funding, which is provided to assets through the construction phase and into operation, became harder to source during the pandemic. This meant assets which should have generated development and operational income, became stalled and required additional funding.

The Co-living group took a number of active measures to secure additional equity, however, these collapsed as additional lockdowns were brought in and the pandemic continued to impact.

Default issues
The impact of holding development assets and the failure to raise additional equity investment, led to a breach of a liquidity covenant in May 2021. At this point, the Lender group took action, determining that the best course of action was to move towards a sale of the entire Co-living group. This decision was made after extensive consultation with an investment bank who had been advising the Co-living group prior to the default and had been liaising with potential investors.

A number of bids were received in the first round with three bidders advanced to the second round. Three bidders submitted final bids. A large private equity house was appointed as preferred bidder, however, they withdrew from the process shortly after, as they were unable to reach agreement with some of the Co-living group's co-investors.

The second place bidder was then appointed preferred bidder, however, their bid materially reduced throughout the process, due to the following challenges:

Covid-19 impact
Lockdowns in both the UK and US had an immediate impact on the ability of the three operational assets to operate as normal, particularly on short-stay accommodation. Development projects were stalled as funding for projects became more difficult to secure which resulted in expensive project-level bridging and construction debt. Further, the main exit route for the projects, being a sale to their core fund, stopped as the fund was unable to raise the required funds to acquire the projects. It was not apparent at the time of the bidding when and if these challenges would be overcome.

Communication
The borrower was reluctant to share information with the Lender group at a crucial time for the business, which prevented the Lender group from engaging in a proactive resolution early in the process. This equally meant that information was difficult to obtain or not as originally presented when it came to due diligence.

Multiple jurisdictions
The Co-living group had projects in the UK, US and Germany, which presented additional challenges through the sales process.

Multiple stakeholders
The Co-living group was complex, containing multiple different asset level lenders and partners. Through the sales process, negotiations with some lenders/partners in the group became difficult, with parties trying to apply leverage to enhance their position. This ultimately led to the withdrawal of the first preferred bidder and was the main reason driving the material reduction in the bid price from a second bidder.

Conclusion
The above challenges resulted in a material reduction in the bid price from the second bidder from the start of their appointment to their best and final offer. It was determined by the Lender group that the final offer undervalued the Co-living group and that a simple realisation strategy would ensure a higher recovery.

Adviser fees
Due to the default issues listed above, the recovery available to the Lender group was significantly impacted in this transaction by the level of advisers' fees.

Prior to the breach of the liquidity covenant, the board of the Co-living group instructed a number of advisers (legal, insolvency, accounting) before engaging with the Lender group .

This action unfortunately led to the Lender group incurring a substantial increase in the quantum of fees. The fees had a significant and detrimental impact on value within the Co-living group. The significant quantum of fees was due to the number of parties involved in the process and the complexity of the organisation's structure.

Recovery process
As a result of the reduction in the final offer to a level that the Lender group thought was unacceptable, the Lender group decided to pursue a credit bid strategy, believing this maximised the recoverability available. The credit bid strategy effectively consisted of the following:

Objectives		Progress
1.	Stabilise the core management team of the Co-living group and bring in a new and experienced property manager to oversee this team.	This has been achieved.
2.	Put the Co-living group into administration to ensure costs could be controlled.	This has been achieved.
3.	Reach agreement with the asset level lenders and co-investors for a clear realisation strategy.	This has been achieved.
4.	Set up a Bidco to transfer certain strategic assets.	This has been achieved with two transferred during the year and two post year end.
5.	Stabilise the core operational assets and ensure that occupancy and average weekly rentals increased.	This has been achieved.
6.	Seek to sell the non-core assets from the Co-living group in administration.	This is ongoing.
7.	Seek to sell the core assets from Bidco, the special purpose company established to hold assets for sale.	This is ongoing, with two now sold and two assets being held by Bidco.
8.	Review the assets and consider what additional enhancements could be achieved and what steps can be taken to increase value.	This is ongoing.

Current position
Progress continues to be made on the sale of the assets and it is expected that a significant number will be disposed of in the coming months.

The assets have proved to be highly attractive with significant interest shown by potential buyers. The UK HMO assets are currently under a sales process and more than 50 bidders have expressed an interest. It is anticipated offers will be received by the end of March 2022 with a sale completing by the end of May 2022.

The Bidco is hoping to sell the UK large assets to a new proposed REIT, GCP Co-Living REIT plc, an entity which following its launch, will be managed by the Investment Manager. However, due to the situation in Ukraine, the IPO of the REIT was paused in February 2022. Should this transaction not complete, the Investment Manager is confident that a sale can be completed following a short marketing process. The assets continue to perform, with the two operational assets at more than 95% occupancy and in a position to increase rents above inflation, with an average rate increase of 5.2% since October 2021.

Investment Manager's view
This loan has clearly been a significant disappointment for the Group. We have been working hard to maximise the recovery available to the Company and continue to hope that modest upside exists beyond the current fair valuation.

TARGET SECTOR UPDATES

SOCIAL INFRASTRUCTURE

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

This sector remains core to the Group's investment strategy in targeting assets which are long-term in nature and have structural demand within society. Assets in this sector include care homes, student accommodation, nurseries, supported living and community facilities.

Due diligence includes analysis of existing market participants, the potential future competitive landscape, demand demographics, affordability and legislative impact as well as considering ESG impacts of the project. 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.

As reported previously, the Investment Manager has been working closely with management teams across this sector of the portfolio to deal with the challenges presented by the Covid-19 pandemic. In 2020, this concentrated on dealing with lockdown restrictions. More recently, the focus has shifted to managing staff shortages due to isolation requirements and demand for hospitality venues as restrictions are lifted.

The two multi-use community facilities have been particularly impacted by the Covid-19 pandemic due to their reliance on the opening of public spaces as well as food and beverage income.

In December 2021, both projects were transferred into new ownership and the Investment Manager is working with the new owners to build a business plan for the coming year as consumer confidence builds.

Care homes in the portfolio have performed well over the period with steady occupancy. The rise in cases linked to the Covid-19 'omicron' variant at the end of 2021 meant requirements for isolation and testing presented challenges in staff scheduling. At the time of writing, the care homes are no longer reporting challenges from staffing and are anticipating an increase in occupancy across the portfolio. The Investment Manager is pleased to report that a further investment for the development of a new care home serving an underserved population in Wales was finalised in December 2021, with further drawdowns completed post period end.

Other assets in this portfolio sector continue to perform, with strong performance seen in particular across the nursery projects, which have seen growth over the year and are demonstrating demand in excess of available places across all mature sites.

The Investment Manager is looking for further investment in the social infrastructure space and working with borrowers in the current portfolio to identify appropriate projects.

This sector includes loans secured against assets located in the UK (27%), Europe (5%) and Australia (5%).

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

£166.2m
Valuation of sector within the portfolio

37%
Percentage of portfolio by value

ENERGY AND INFRASTRUCTURE

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

The Investment Manager targets assets in this sector which meet a structural need in society, providing downside protection and supporting a sustainable future. This area has become increasingly competitive in terms of investment, with many lenders looking to support projects in this space. As such, achieving appropriate risk-adjusted returns in this space has become more challenging for the Group.

During the period, the Investment Manager supported the development of a third CNG fuel station, providing an alternative fuelling solution for haulage vehicles used by major UK businesses and logistics providers. This project continues to support the UK Government's strategy to target net zero carbon emissions by 2050.

The three stations supported by the Group have displaced 6.2 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 they contribute significantly to reducing the impact diesel has on the environment.

The waste recycling facility financed by the Group was repaid in the period, attracting prepayment fees of £2.1 million. The project has been supported by the Group since 2016, throughout construction, operation as well as the challenges that Covid-19 presented in a variation of fuel source. Over the life of the project, the plant has recycled over 430,000 tonnes of waste. The Investment Manager maintained a positive relationship with the borrower throughout this time and is pleased that the project has been a success.

All investments in this sector of the portfolio have performed well over the year, with the backdrop of rising energy prices and increased volatility being particularly beneficial to the battery storage projects which have been able to take advantage of the volatility in their energy trading and balancing activities.

The Investment Manager is keen to identify emerging areas where the Group's bespoke financing solutions can provide support.

This sector includes loans secured against assets in the UK (6%).

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

£28.7m
Valuation of sector within the portfolio

6%
Percentage of portfolio by value

ASSET FINANCE

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

Asset finance represents a variety of sectors for the Group, encompassing investments in football finance, O&M service contracts, FX contracts and boiler servicing.

Typically, loans in this sector are secured against longer-term contracted income streams, instead of physical assets, so there is a greater focus on counterparty risk and understanding of the underlying contracts. Whilst some areas of this market are well served, the Investment Manager continues to look for underserved sectors which could benefit from bespoke asset financing solutions.

The Group's investments in football finance continue to perform well, with all interest and principal payments made to date. Post period end, the Company received partial early repayment on the first investment in this sector, due to signing of a deal by La Liga to sell broadcasting rights to a third party. The repayment attracted additional prepayment fees of £0.2 million. This prepayment does not impact on the overall security of the remaining loan which is secured against the remaining income rights. In addition, the sale will improve the asset position of the borrower immediately, further reducing risk.

At present, the pipeline includes one additional loan to the football finance sector but it is not expected that this sector will grow significantly as a percentage of the portfolio over the next year. Further details on how these loans are structured is included below.

Elsewhere in the portfolio, loans secured against FX contracts, O&M servicing and boiler contracts continue to perform.

This sector includes loans secured against assets located in the UK (10%) and Europe (6%).

STRUCTURAL CHARACTERISTICS
- Strong contractual protections
- Stable cash flows from fixed contracts
- RPI/CPI linkage

CURRENT INVESTMENTS
- Boiler servicing
- Management fees
- Credit margins against trades
- Football finance

£69.3m
Valuation of sector within the portfolio

16%
Percentage of portfolio by value

PROPERTY

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

The Investment Manager seeks to provide bespoke financing solutions to support underserved areas of the property market and invests in a range of different property assets. Across the portfolio, property assets include residential portfolios, buy-to-let mortgage portfolios, development land, bridging loans and property development loans.

The Group's investment in a buy-to-let warehousing facility has continued to show a strong performance with a further securitisation in June 2021. The facility operates by building up until it reaches sufficient scale to be securitised. The security and quality rating of the portfolio was high, with c.88% 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.

As investors will be aware, the Group's facility to a co-living developer experienced a default in the period. A more detailed update on this loan is included above.

The Investment Manager maintains strong relationships with brokers, developers and specialist lenders in this sector which has allowed the Group to make further investments in residential development projects delivering new homes in the UK. Over the period, the Group has received £33.3 million in repayments relating to short-term loans provided to property developers at various stages of development.

Additionally, the Investment Manager's relationships with specialist lenders have given the Group access to aggregated portfolios of bridging and development loans, secured against properties with easily realisable value. Whilst the market for residential property remains uncertain, it has been encouraging to see both continued demand for development and improving house prices.

During the year, the Group made its first investment in airspace development, of £5.5 million, which will provide 30 new affordable housing apartments in a London borough with an acute need for housing. The development is using a modular build approach to install units on the rooftop of existing affordable housing owned and operated by the local authority, as well as carrying out remediation and improvement works on the existing development. The development is supported by a loan from the Group and a grant from the Greater London Authority, both of which will be repaid through sale of the units to the local authority on completion. This project represents a new investment area for the Group and it is hoped that following successful delivery of this project, there will be further developments in this sector.

This sector includes loans secured against assets based in the UK (36%), Europe (2%) and the US (3%).

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
- Social housing

£179.4m
Valuation of sector within the portfolio

41%
Percentage of portfolio by value

PORTFOLIO SUMMARY

Portfolio

The Group's investments are supported by a diverse range of assets located predominantly in the UK. At 31 December 2021, the weighted average annualised yield[1] was 7.3%[2] across the portfolio with a weighted average expected term of five years (31 December 2020: 8.0% (7.6% excluding the Co-living loan) and six years, respectively). In total, 52 loans have been advanced to companies with operating assets. The remaining eight loans have been advanced to companies with assets under construction (31 December 2020: 42 operating and eight 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. At the year end, all assets were valued using a discounted cash flow basis apart from the Co-living loan. Further detail on the valuation methodology is given in note 17.

The weighted average discount rate[1] across the portfolio at 31 December 2021 was 7.5% (31 December 2020: 8.5%). The valuation of investments is sensitive to changes in discount rates applied. There are two investments that remain subject to discount rate adjustments 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 **41%**
Social infrastructure **37%**
Asset finance **16%**
Energy and infrastructure **6%**

Portfolio by security ranking
Senior **69%**
Mezzanine **31%**

Portfolio by term profile
+5 yrs **73%**
5-10 yrs **10%**
>10 yrs **17%**

Portfolio by interest rate profile
<7% **29%**
7-8% **41%**
>8% **30%**

Portfolio by location
UK **79%**
Europe **13%**
Rest of World **8%**

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

2. Including the Co-living loan which is held at 0%. Excluding this loan, the weighted average annualised yield[1] is 8.0%.

INVESTMENT PORTFOLIO

TOP TEN INVESTMENTS BY VALUE

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

Bridging Co 1
1 Property
2 5.6%
3 Residential property
4 Multi asset

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

Development Fin Co 6
1 Property
2 4.7%
3 Residential property
4 Multi asset

Student Accom 2
1 Social infrastructure
2 4.7%
3 Student accommodation
4 Single asset

Co-living Co 3
1 Property
2 4.2%
3 Co-living
4 Multi asset

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

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

Care Homes Co 3
1 Social infrastructure
2 3.3%
3 Care home
4 Single asset

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

Portfolio performance
The portfolio currently consists of 60 loans across 22 discrete asset classes, providing a diversified portfolio to investors. Managing this portfolio is crucial to the continued performance of these loans, with close monitoring by the Investment Manager against comprehensive information and reporting requirements.

Three loans in the period have proved challenging; the investments in a Co-living group and the multi-use community facilities. Further information is given in the Chairman's statement and on asset update above.

Despite the ongoing challenges presented by the Covid-19 pandemic and the macro-economic environment, performance has been strong across the rest of the portfolio with all payments of interest and principal received as expected. The Investment Manager believes that this demonstrates the strength of the underlying assets.

Repayments of property loans throughout the year have demonstrated the robust residential property market in the UK, with increases in house prices supporting the development of new homes. Property assets represent 41% of the portfolio and continue to be a core strategic area of investment for the Group.

Positively, in the period, an historic defaulted loan secured against a CHP unit was resolved with final payments for the sale of the asset received in full. There is a possibility for

further recovery on this position but given the uncertainty over this recovery at present, the position is held at nil value. Further details are given above.

Equally, the performance across the Group's social infrastructure assets has improved through the period with new investments made into care homes and nurseries. Operationally, it has been a challenging year for the sector with continued Covid-19 restrictions and the associated impact on staffing. However, the Investment Manager recognises the societal benefit in these assets which is supported by high demand in the areas where they operate. Further information on this sector is included above.

Across the asset finance, energy and infrastructure sectors, loans have continued to perform well. In particular, the Investment Manager has seen positive performance for the battery storage assets in light of the increased energy prices and market volatility which have benefited wholesale electricity trading for the projects. In addition, loans in the football finance space continue to perform. Further details are included above.

The dividend continues to be fully covered on an adjusted EPS[1] basis and the regular repayment of loans indicates a robust secondary market for the Group's underlying investments.

The dividend was 54% covered by EPS of 3.40 pence and 115% covered by an adjusted EPS[1] of 7.22 pence.

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

Key investment highlights
The Group made 35 advances during the year totalling £135.5 million, comprising 20 new loans and 15 extensions to existing facilities. From these advances, four were in the energy and infrastructure sector; five in asset finance; 13 in property; and 13 in social infrastructure projects. The Group received capital repayments of £118.1 million, along with prepayment fees of £2.5 million. Post year end, the Group made a further eight advances totalling £16.6 million and received ten repayments totalling £31.7 million.

INVESTMENTS MADE DURING THE YEAR[1]

SECTOR	AVERAGE TERM	SECURITY	STATUS	INVESTMENTS	REPAYMENTS
Asset finance	4 years	Senior	Operational	£29.2 million	£6.0 million
Energy and infrastructure	3 years	Senior	Operational/construction	£27.8 million	£36.6 million
Property[2]	1 year	Senior/subordinated	Operational/construction	£56.4 million	£73.3 million
Social infrastructure	8 years	Senior/subordinated	Operational/construction	£22.1 million	£2.2 million
			Total	**£135.5 million**	**£118.1 million**

INVESTMENTS MADE POST YEAR END[1]

SECTOR	AVERAGE TERM	SECURITY	STATUS	INVESTMENTS	REPAYMENTS
Asset finance	4 years	Senior	Operational	-	£11.3 million
Energy and infrastructure	1 year	Senior	Construction	£0.6 million	-
Social infrastructure	8 years	Senior/subordinated	Operational/construction	£11.2 million	£13.9 million
Property	1 year	Senior/subordinated	Operational/construction	£4.8 million	£6.5 million
			Total	**£16.6 million**	**£31.7 million**

INVESTMENT COMMITMENTS AT THE DATE OF THE REPORT[1]

SECTOR	AVERAGE TERM	SECURITY	STATUS		AMOUNT
Energy and infrastructure	1 year	Senior	Construction		£2.3 million
Social infrastructure	8 years	Senior	Operational/construction		£8.5 million
Property	1 year	Mezzanine	Operational		£3.1 million
				Total	**£13.9 million**

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

FEATURED ASSETS

FOOTBALL FINANCE

Financing to five football teams in this new investment asset class.

The asset
The first investment by the Group into this asset class was a €10 million loan to a high-profile club playing in La Liga, a Spanish football league. The Group's investment was through a sub-participation in a larger facility of €30 million provided by a leading investment bank operating in this sector.

The financing is secured against payments due under La Liga regulations to each club in respect of broadcasting contracts for the league. The proportion of revenues due to a club is determined under a set formula taking into account performance in the league, a club's ticket revenue and the league which they compete in, with each club receiving a minimum percentage.

Even in a worst-case scenario, where the team is relegated from the league, the debt payments would be met in full from parachute payments made under the same regulations, which comprise funds paid to the club as compensation for the loss of revenue on relegation.

Under the loan documentation issued by the Group, direct payments from La Liga are made to the lender (rather than the club) and passed to the Group as sub-participant in repayment of the loan.

To participate in La Liga, clubs are required to meet a set of financial covenants and regulations. In addition, the loan documentation sets out further tests which would act as early warning signs of any financial difficulty for the club.

Accessing loans through sub-participation has several benefits to the Group:

- allows the Group access to loans which can only be provided by certain regulated entities under the financial rules of the football leagues;
- enables the Group to utilise the existing relationships and knowledge of the sponsor bank; and
- the administration of payments and information provision is managed by the lead sponsor.

Post period end, the Group received a partial repayment on this loan as a result of a sale of broadcasting rights by La Liga to a third party. This has improved the borrower's asset position and resulted in payment of prepayment fees totalling £0.2 million.

There are inherent risks in lending through a sub-participation structure. However, the Investment Manager believes that these are well mitigated through controls in the participation documentation and a strong relationship with the counterparty.
Overall, the investment offers a good return through payments of regulated cash flow from strong counterparties.

STUDENT ACCOMMODATION

Mezzanine funding of high-end student accommodation in Central London.

The asset
In January 2020, the Group provided £6.3 million to fund the construction of high-end student accommodation in Central London. The Group supported the acquisition and development of a site near King's Cross, London for a 60-bed, premium student accommodation offering. This site is ideally located for leading universities, including University College London, SOAS and Central St. Martins.

As with the Group's previous investments in this sector, the site is operated by Scape, a leading student accommodation provider with assets in the UK, Australia and the US. The development of this project was strategically important for the borrower, given the site's proximity to another of their assets, their flagship 432-bedroom Scape Bloomsbury building. As developers, they had seen exceptional demand for the premium rooms on offer at this site and identified this project as a way to expand this offering with 60 premium student accommodation units.

The mezzanine financing was provided alongside a supportive senior bank lender who is well known to the Investment Manager, having worked on a number of similar transactions. As such, the Group benefited from strong inter-creditor protections including restrictions on changes to key terms and limits on increases to the senior debt.

The project completed construction in September 2021 with the site now at full occupancy and receiving bookings for the academic year 2022/23. The current LTV of the loan is c.70%, although we are awaiting revaluation of the project and anticipate a higher valuation given the positive movement in the market. Given the strong performance of the

asset, the Investment Manager anticipates refinancing of the loan by the developer ahead of the expiry in January 2023.

The Group has supported eleven student accommodation projects since IPO, with two loans having repaid in full. We continue to see this as an attractive sector and are working with the borrower on the expansion of their business model overseas.

Inflation
Inflation in the UK has reached its highest rate for 30 years, rising by 5.4% in the twelve months to December 2021. Higher prices, driven by a faster global recovery from the Covid-19 pandemic and higher commodity prices, particularly in Europe, have increased the rate of inflation substantially, impacting on all sectors of the economy.

Given this high inflationary environment, the Investment Manager is cognisant that the Bank of England may look to increase interest rates further. A higher interest rate environment has two main impacts on the Company, both with potential positive and negative impacts:

- higher interest rates and corresponding base lending rates for banks means that the Company's cost of capital may become more competitive with traditional commercial lenders, potentially introducing new asset classes or more seniority to transactions; and
- a higher interest rate environment would potentially lead to increases to the risk-free rate, with a corresponding increase in discount rates and reduction in valuations. However, given the significant difference between the risk-free rate (UK six-year gilt is trading at c.1.3%) and the Company yield (at 7.3%[1]) and the fact that there is typically a lag between rate movements and deal pricing, there would be built-in protection for the Company.

In total, 46% of the portfolio by value has inflation and interest rate protection in three different mechanisms:

- direct interest rate linkage to CPI, RPI (primarily for social housing assets) or Bank of England base rate (for property assets with senior lending lines);
- indirect linkage through principal indexation (strike price on indexation that causes step up in principal when RPI/CPI spikes above a certain level); and
- share of any upside generated in project SPVs through profit-sharing mechanisms or share warrant structures.

More generally, higher inflation is likely to drive an element of margin inflation in some borrowers, positively impacting on debt coverage.

One area of potential concern is around construction assets. The impact on construction costs is likely to be negative, with borrowers reporting increased pressure on contractors. The Company's exposure to construction projects at the year end was c.13% of the portfolio by value. All construction projects are within fixed price contracts but significant underlying cost increases can impact negatively on these projects.

Overall, inflation is an area the Investment Manager is monitoring closely, however it is not expected to impact the Group negatively over the coming year.

1. Including the Co-living loan which is held at 0%. Excluding this loan, the weighted average annualised yield[2] is 8.0%.
2. Alternative performance measure - refer below for definitions and calculation methodology.

Covid-19 impact
Since the onset of the Covid-19 pandemic, the Board, on advice from its Valuation Agent and Investment Manager, sought to quantify the change in risk in the year by adjusting the discount rate of a number of the loans in the portfolio. When assessing changes to discount rates, the Board, on advice, 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.

Throughout 2020 and much of 2021, the loans were classified as high, medium or low impact depending on their specific exposure to Covid-19. The Investment Manager is pleased to report that the Company has moved away from this classification given the minimal impact across the majority of the portfolio. The table below sets out a summary of the discount rate adjustments that are in place at the year end for each relevant asset class.

As noted below, two asset classes have discount rate adjustments in place which reflect risk factors associated with Covid-19. It should be noted that where 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 discount rate adjustments set out below had a net negative impact of 0.04 pence per share on the earnings and NAV of the Company.

DISCOUNT RATE ADJUSTMENTS IN PLACE AT YEAR END

Impacted asset class	% of portfolio at 31 December 2021	Discount rate adjustment	Valuation differential to par (£)	Rationale
Multi-use community facilities	1.5%	12.0%	(996,000)	Discount rate increased due to challenging operating conditions and uncertainty from the Covid-19 pandemic.
Overseas student accommodation	4.7%	1.0%	(102,000)	Discount rate increased due to continuing Covid-19 restrictions in Australia impacting on student market.
Social housing	3.3%	0.4%	(364,000)	Slight increase in discount rate by the Valuation Agent due to comparable market transactions and impact of inflation.
Contract income	1.2%	(2.0)%	807,000	Decreased discount rate based on positive operational performance and comparables in the market.
O&M contracts	1.7%	(1.8)%	486,000	Decreased discount rate (since 2018) to reflect higher coverage ratios and comparable markets transactions.
Total	**12.4%**		**(169,000)**	

FINANCIAL REVIEW OF THE YEAR

The Company has generated total income of £21.4 million and paid dividends of 6.30 pence per share. The total shareholder return[1] for the year was 13.2% and total NAV return[1] was 3.4%.

Financial performance
In the year to 31 December 2021, the Company's portfolio generated interest payments of £32.9 million and fee income of £2.9 million (including prepayment fees of £2.5 million in respect of loans prepaid in the year). This was offset by net unrealised valuation losses of £15.7 million primarily in respect of write-downs on the Company's Co-living loan. Further information is given in note 3.

The Company incurred total expenses of £5.6 million (31 December 2020: £5.8 million) which include the Investment Manager's fee, Directors' remuneration and other third party service provider costs. Further information is given in notes 4, 6 and 18.

Finance costs have remained broadly static for the year with the Company utilising its RCF throughout the year. At the year end £19.9 million was drawn (31 December 2020: £5.0 million). Further information on the RCF is given in note 14.

Total profit and comprehensive income for the year was £15.0 million (31 December 2020: £27.4 million).

Dividends
The Company paid 6.30 pence per share in interim dividends, meeting the target set by the Board for 2021. The Company met its stated aim of growing the dividend year-on-year, with interim dividends increasing from 6.225[1] pence per share in the prior year. Further information is given in note 9.

The total dividend was 54% covered by EPS of 3.40 pence for the period and 115% covered by an adjusted EPS[2] of 7.22 pence. In respect of the forthcoming financial year, the Company is targeting an annual dividend of 6.325 pence per ordinary share[3].

Earnings
The Company generated EPS of 3.40 pence. Earnings for the year were impacted by the write-down of the Co-living loan partially offset by the unwinding of discount rate adjustments to reflect market uncertainties associated with the Covid-19 pandemic. EPS excluding the write-down and discount rate adjustments (adjusted EPS[1]) for the period was 7.22 pence per share, which would have more than fully covered the dividend for the period of 6.30 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.

Ongoing charges
The Company's ongoing charges ratio[2], calculated in accordance with the AIC methodology, was 1.2% (31 December 2020: 1.2%) for the year to 31 December 2021.

	31 December 2021	31 December 2020
Ongoing charges	**£'000**	£'000
Investment Manager	**3,916**	3,891
Directors' fees	**200**	201
Administration expenses	**1,439**	1,661
Total expenses	**5,555**	5,753
Non-recurring expenses	**(209)**	(470)
Total	**5,346**	5,283
Average NAV[2]	**443,608**	445,830
Ongoing charges ratio[2]	**1.2**	1.2

1. Excluding special dividend of 0.25 pence per share.
2. Alternative performance measure - refer to below for definitions and calculation methodology.
3. 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.

NAV and share price performance
Net assets attributable to equity holders at 31 December 2021 were £436.7 million, down from £449.8 million at 31 December 2020. The Company's NAV per ordinary share has decreased from 102.18 pence at 31 December 2020 to 99.29 pence per ordinary share at 31 December 2021.

The Company's share price has predominantly traded at a premium[1] to NAV since the IPO of the Company in 2015, with an average premium[1] of 1.50% over this period. The Covid-19 pandemic has continued to negatively impact the Company's share price this financial year with the shares trading at an average discount[1] of 3.5%.

Share repurchases
The Company continued its share buyback scheme during the year. The Company's share price discount[1] to NAV offered value to shareholders. A total of 325,000 shares were repurchased during the year at a weighted average price of 90.22 pence per share. At 31 December 2021, there were 439.8 million ordinary shares in issue, of which 2.2 million were held in treasury.

Conflicts of interest
The Company has continued to finance existing construction projects of a number of private student accommodation developments in Australia, the US and the UK, with £2.8 million drawn during the year. The Company also financed the development of two co-living sites in the UK, with £13.1 million drawn during the year. Certain of 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.

Exclusivity has been granted in respect of the sale of three Co-living assets to a proposed REIT, GCP Co-Living REIT plc, an entity which following its launch, will be managed by the Investment Manager. However, due to the situation in Ukraine, the IPO of the REIT was paused in February 2022.

As the Investment Manager is classed as a related party, these arrangements fall within the related party transaction rules under Listing Rule 11.1.10R. The Board has taken steps to manage this conflict, including overseeing all commercial and price discussions alongside the other Co-living group lenders and the co-investors of two of the assets.

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 £32.9 million and capital repayments of £117.7 million from its Subsidiary in the year. The Company paid cash dividends of £27.7 million during the year and a further £6.9 million post year end. The Company advanced £134.5 million to the Subsidiary to make investments in accordance with the Group's investment policy. Post year end, the Group made a further eight advances totalling £16.6 million and received ten repayments totalling £31.7 million. At the date of the report, investment commitments were £13.9 million. Total cash reserves at the year end were £10.1 million.

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

SUSTAINABILITY

The Company aims to operate a long-term, viable business model which does not detrimentally impact the environment and provides benefits to society where possible.

CORPORATE SUSTAINABILITY

Introduction
ESG is an increasingly important topic in both the assessment of its impact on investments in the future and investor assessment of opportunities. With the impact that Covid-19 has had on escalating climate change priorities, there is also considerable new ESG legislation, regulation and stakeholder requirements for the Company to consider. These changes influence not only the Company's governance, but also the sectors it invests in, the parties it engages with and how it reports to investors.

For accounting periods beginning on or after 1 January 2022, companies with a UK premium listing are required to report, on a comply or explain basis, against the recommendations of the TCFD. Although the Company, as an investment company, is excluded from such requirement, the Directors have committed to improving disclosure in this area to ensure compliance when the applicable regulation comes into force. The move to report under TCFD is part of the first wave of the Government's phased roadmap for mandatory climate risk disclosures, due by the end of 2025. It also reflects legislation introduced in 2019 to achieve net-zero greenhouse gas emissions by 2050.

In addition, IFRS have turned their attention to sustainability disclosure standards with the ISSB. The goal is to drive globally consistent, comparable and reliable sustainability reporting. A climate-related disclosure standard is expected to be the first of a proposed suite of sustainability disclosure standards issued by the ISSB, including standards on broader sustainability topics.

Governance
The Investment Manager is a signatory to the PRIs, as set out below, and has established a responsible investment policy and a dedicated responsible investment committee to monitor and implement ESG initiatives across its organisation. ESG considerations have been integrated into its investment management processes to enable the creation of more sustainable businesses over the long term.

PRI
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 PRI website: www.unpri.org.

The Company does not have an investment objective of sustainable investing nor does it use ESG criteria to evaluate investments or assess their societal impact within its stated investment appetite. On this basis, the Company has been classified as being subject to Article 6 of the SFDR (the Company's SFDR sustainability disclosure can be found on its website). The Directors do, however, believe in the integration of responsible investment principles across all aspects of the Company's operations including the application of negative and positive screening to ensuring its long-term success and the success of sectors within which it operates.

The Company has delegated investment management in accordance with the investment mandate to the Investment Manager; as such, the key decisions made by the Board in the ordinary course of business relate to the Company's strategy, stakeholder engagement and oversight of risk management. These decisions are governed by the matters reserved for the Board and the terms of reference of the Board's committees. Ownership of ESG, including the oversight of climate-related risks and opportunities, is the responsibility of the Board, with the Board's committees delegated responsibility for specific ESG areas that fall within the remit of their terms of reference.

During the year, the Directors developed an ESG policy and framework, as detailed further below. The policy is based upon the PRIs to ensure alignment across its business and with its stakeholders. Whilst ownership of ESG remains the responsibility of the Board, a Director has been allocated responsibility for ESG to further facilitate the development of the Company's ESG strategy, policy and framework, to ensure the Company's ESG focus remains current and considered by the Board in their decisions, processes and policies.

Strategy
Whilst the investment objective of the Company is not that of sustainable investing, it aims to operate a long term, viable business model, which does not detrimentally impact the environment and provides tangible benefits to society.

The Investment Manager has been working on ways to improve collection and analysis of data to help inform assessment of ESG impacts and climate risk within the portfolio; further information on this assessment can be found below.

When evaluating and approving new investments, the Investment Manager directly and/or indirectly addresses climate-related physical and transition risks and opportunities. An analysis of the potential physical climate change impacts and opportunities by sector is included below.

As part of the Company's viability statement process (refer below) the Investment Manager carried out an analysis of climate risk across the physical assets in the portfolio and the impact on income generation. The analysis was based on varying degrees of flood risk with downside climate risk scenarios that included increasing frequency and severity of adverse weather events.

Integration of responsible investment
The Investment Manager believes that integrating ESG considerations into its investment management processes and ownership practices creates successful and viable businesses over the long term and generates enhanced value for stakeholders, and society at large.

The Investment Manager has a dedicated section of its website containing its responsible investment policy, its annual report on ESG initiatives and relevant documents for each managed investment fund. In addition, it has a dedicated fund representative for the Company on its responsible investment committee. This ensures that the Board is kept informed on developments at the Investment Manager and that best practice can be shared across the different managed investment funds.

Deal screening
The Investment Manager has implemented processes to identify investments that promote sustainability or benefit society, including, but not limited to:

- climate change mitigation and adaptation;
- energy transition;
- critical infrastructure;
- affordable living;
- social housing;
- education; and
- healthcare.

Investments which focus on animal testing, armaments, alcohol production, pornography, tobacco, coal production and power and nuclear fuel production are excluded. Investments with ongoing or persistent involvement in human rights abuses are also excluded.

The diversification of investments in the Company's portfolio presents a challenge in allocating any form of quantitative grading against ESG criteria. As such, the Investment Manager does not seek to grade investments but will consider each on a case-by-case basis.

Due diligence processes
The Investment Manager has implemented a 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.

ESG POLICY AND FRAMEWORK
The Board has developed an ESG framework, in line with the PRIs, to guide the processes and policies of the Group. A Director has been allocated responsibility for ESG to further facilitate the development of ESG strategy and to ensure the Company's ESG focus remains current and considered by the Board in their decisions, processes and policies. Further information can be found in the ESG policy on the Company's website.

1. DECISION MAKING	**2. OWNERSHIP**	**3. PARTNERSHIP**
ESG considerations are part of our decision-making process	We will include ESG issues in our policies and procedures	We will consider the ESG approach of those we chose to engage with and invest in
The Company	**The Company**	**The Company**
Decisions are governed by the terms of reference of the Board and its committees which include ESG considerations.	A full review of the key operating manual and policies is to be carried out to ensure ESG requirements and considerations are fully incorporated.	Prior to appointment of each service provider, full due diligence is carried out which includes a summary of approach to environmental and social and governance issues.
The portfolio	**The portfolio**	**The portfolio**
The Investment Manager takes ESG considerations into account in its decision-making processes in line with its responsible investment policy.	The Investment Manager has put in place a responsible investment policy which includes deal screening and ESG due diligence.	Through relationships with borrowers and appropriate provisions in key agreements, the Investment Manager will seek access to appropriate disclosure on ESG issues.
4. ACCEPTANCE	**5. ENHANCEMENT**	**6. REPORTING**
We will promote acceptance and implementation of ESG considerations	We will ensure our ESG framework is maintained	We will report on our progress against our ESG framework
The Company	**The Company**	**The Company**
The Board promotes acceptance and implementation of ESG considerations through engagement with the Company's stakeholders and review of its service providers.	The Directors will develop and improve the ESG framework by engaging with stakeholders and advisers and through their annual professional development obligations.	The Directors will provide regular and transparent reporting to investors on specific ESG considerations.
The portfolio	**The portfolio**	**The portfolio**
Through reporting and investor engagement, the Investment Manager will share progress on implementation of the PRIs and look to utilise examples of best practice in the market.	The Investment Manager will continue to engage with stakeholders, including borrowers, to seek feedback on ways in which they can be supported to meet their ESG goals.	The Investment Manager will report on how investment activities have incorporated ESG, including incentive mechanisms that are used to encourage ESG activities and any new transactions in social or energy infrastructure.

Risk management
The Directors recognise that risk is inherent in the operation of the Company and are committed to effective risk management to protect and maximise shareholder value. When setting the Company's risk management strategy, the Board considers the nature of the financial and non-financial risks they are willing to take and the appetite they have for those risks to achieve the Company's strategic objective.

Risk assessment
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. Given the diversity of sectors which the Company invests in, the approach to assessing and measuring ESG risks (including climate risks) naturally needs to reflect the unique characteristics of each 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, currently, the impact of the Covid-19 pandemic.

The Board and the Investment Manager intend to continue to engage with stakeholders, including borrowers, to seek feedback on ways in which the Company can support them to meet their ESG goals. Further information on ESG initiatives is included below.

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 responsible investment checklist process, the Investment Manager seeks to identify ESG indicators to include in reporting and monitoring of borrowers to inform the way in which the investment is managed.

The Investment Manager has demonstrated that building and maintaining strong relationships with investors and borrowers is vital to ensure the long-term success of the Company. Through these relationships and appropriate provisions in key agreements (e.g. service provision agreements and loan agreements) the Investment Manager seeks access to appropriate disclosure on ESG issues, recognising that this approach may not be relevant for all sectors in which the Company invests. The Board uses this information to inform how ESG risks in the portfolio can be managed and monitors investments accordingly.

Where the Company engages with third party providers, the Board takes steps to ensure that identified risks are appropriately managed. 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. Further information on site visits is included below.

Metrics and targets
Greenhouse gas emissions
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 and is therefore exempt from the new Streamlined Energy and Carbon Reporting disclosure requirements (Scope 1 and Scope 2 emissions). The Company outsources all services on a fee basis and, as such, it is currently not measuring or quantifying emissions in respect of any outsourced energy use (Scope 3 emissions). However, with the UK introducing legislation to achieve net-zero greenhouse gas emissions by 2050, it is important that Scope 3 emissions are quantified, and with the assistance of the Investment Manager, the Company is exploring methods of measuring energy generation and GHG emissions from the investment portfolio.

Reporting
The Investment Manager reports to the Directors on a regular basis on how investment activities have incorporated ESG, including where incentive mechanisms are used to encourage ESG activities and any new transactions in social or energy infrastructure.
Through quarterly reporting to the Board, the Investment Manager addresses any due diligence issues raised on new transactions through the responsible investment checklist and ongoing monitoring.

To provide confidence on the Company's approach and progress made on ESG considerations, the Directors intend to provide regular and transparent reporting to investors on specific ESG considerations.

LOOKING FORWARD
The Company is making good progress with developing its approach to ESG, as detailed below. The Board is committed to full compliance with applicable reporting standards in line with regulatory requirements. This will include compliance with TCFD once it becomes applicable to investment companies and the proposed sustainability disclosure standards issued by the ISSB.

ACHIEVEMENTS IN 2020	ACHIEVEMENTS IN 2021	AIMS FOR 2022 AND BEYOND
The Board and the Investment Manager initiate development of an ESG policy and framework for the Company.	ESG policy and framework finalised, which can be found on the Company's website.	ESG policy and framework to be further developed to reflect results of impact analysis on its identified risks.
The Investment Manager initiates project to include ESG incentive schemes in loan documentation.	First new investments transacted that include ESG incentive schemes in loan documentation.	The Investment Manager to explore further incentive mechanisms at the portfolio level, to promote ESG.
Climate impact considerations incorporated in due diligence processes at the Investment Manager.	The Investment Manager commenced an assessment of flood risk across physical assets and analysed data for available EPC ratings.	Undertake a project to examine how climate change (both physical and transitional risks) as a transverse risk impacts the principal risks of the Company.
The Company commits to adopt the recommendations of the TCFD where appropriate.	Consideration of appropriate portfolio metrics and targets in relation to ESG including reporting GHG emissions.	ESG metrics and targets to be further developed and finalised, to be reported by the Company.
The Investment Manager commences work to integrate responsible investment criteria into its investment processes.	ESG considerations formally integrated into investment processes in accordance with the PRIs.	Further development by the Investment Manager of ESG indicators to monitor and report ESG impacts and progress.
The Investment Manager publishes responsible investment policy outlining its commitments as a business.	The Investment Manager publishes its first responsible investment report for the financial year.	Obtaining third party assurance to ensure transparency on ESG-related data in its reporting.
The Investment Manager's GHG emissions data collated and CO_2 outputs for the business quantified.	The Investment Manager implements carbon reduction initiatives and launches carbon offsetting scheme to offset the impact of its business activities.	The Investment Manager to continue to work towards achieving carbon neutrality by 2023.

PORTFOLIO SUSTAINABILITY

Environmental
Green energy projects
The Group has invested in a number of green energy projects, including three operational CNG stations. The three stations are located in strategically important hubs, providing fuelling services to a variety of UK businesses and logistics providers. As a form of transportation, CNG trucks play a significant part in reducing the negative impact of diesel consumption on air quality and the environment, emitting c.80% less CO_2 than diesel trucks. In total, 6.2 million litres of diesel have been displaced during the year by vehicles fuelling at this station.

The Company has also invested in 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. The assets comprise large units connected to the electricity grid and contain battery units which charge from the grid, store electricity and release stored energy back into the grid as required. The Group continues to support one project which has benefited from increased volatility in energy markets, by providing balancing services and market demand through wholesale trading.

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, and has exposure to anaerobic digestion facilities.

CLIMATE RISK ASSESSMENT
Over the year, the Investment Manager has been working on ways to improve collection and analysis of data to help inform assessment of climate risk within the portfolio. This has included a project to assess short-term and long-term flood risk across physical assets. To date, data covering c.70% of the portfolio has been collected, with any assets identified as being at a higher risk of flooding having appropriate mitigants in place. The Investment Manager hopes to report more fully on this analysis to shareholders over the coming year and has included collection of this data in due diligence process for new investments.

In addition, the Investment Manager recognises the transitional risk in regulatory changes to improve energy efficiency standards. As such, it is collating data on EPC ratings across relevant properties. Where EPC ratings are below a 'C' rating, it will be working with the property owners to understand how the Company can support any work to improve energy efficiency of their properties.

CLIMATE CHANGE IMPACT

The Investment Manager directly and/or indirectly addresses climate-related physical and transition risks and opportunities when evaluating and approving new investments. A summary of the potential physical impact on the portfolio is included below, along with opportunities these impacts may present to the Company.

Portfolio sector			
PROPERTY	ASSET FINANCE	ENERGY AND INFRASTRUCTURE	SOCIAL INFRASTRUCTURE
Potential climate impact	**Potential climate impact**	**Potential climate impact**	**Potential climate impact**
Higher temperatures leading to overheating in homes. More frequent floods and more intense and frequent storms causing damage.	Higher incidence of extreme weather events impacting businesses.	More frequent floods and more intense and frequent storms impacting energy provision.	More frequent floods and other extreme weather events impacting infrastructure.
Potential portfolio impact[1]			
Short term	**Short term**	**Short term**	**Short term**
Higher temperatures during the summer months are likely to make the inhabitants less comfortable.	Potential to impact businesses, leading to short-term loss of revenue.	Energy and fuel supply chains impacted. Inability to service customers.	Floods increase the risk of contaminated water and related diseases; fires and other extreme weather events cause potential damage to buildings.
Long term	**Long term**	**Long term**	**Long term**
More frequent extreme events may cause damage to buildings and pose a risk to inhabitants.	Potential to have impact on business model, leading to loss of revenues and possible financial difficulty.	Closure of services impacting energy provision to customers, leading to loss of revenues.	Significant impacts on this sector by putting localised strain on businesses and potentially leading to closure.
Climate opportunity			
Funding energy-efficient buildings which contribute to the avoidance of GHG emissions. Identifying improvements to existing housing stock for insulation and flood defence provisions.	Funding for businesses focused on achieving climate-positive outcomes, including contracts for service provision to renewable energy providers.	Increased demand for alternative fuel sources such as CNG fuels and battery storage.	Funding energy-efficient buildings which contribute to the avoidance of GHG emissions.

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

Social

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.

One such investment the Company supports is run by a leading national provider of non-government grant funded supported accommodation, Inclusion Housing, which is designed to meet a range of housing needs for adults with physical disabilities and/or mental disabilities.

The provision of this accommodation makes a meaningful difference to the quality of life for vulnerable and disabled residents, the majority of whom would be faced with hospitalisation or registered care. They assist tenants to take up, manage and maintain their tenancies, provide support in their applications for welfare benefits, and ensure they are aware of their rights under their tenancy agreements.

Inclusion Housing also liaises with statutory and voluntary agencies on the tenant's behalf to ensure they are supported to manage their tenancy. They deliver involvement activities to assist tenants to engage with the wider community, obtain new skills, build confidence and improve wellbeing. The service delivers real independent living within the community in quality refurbished or new-build accommodation financed by the Company.

Furthermore, during the year, the Group invested in a flagship project developing existing affordable housing stock to improve accommodation and provide 30 additional units in an under-supplied London borough. This project is supported by a facility from the Group and by grants from the Greater London Authority, to deliver new homes to those who need them.

Since IPO, the Group's investment activities have facilitated the creation of c.1,500 jobs, of which c.300 have been created at care homes, c.300 at urban regeneration projects, c.600 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 enhances the security of the portfolio and brings wider benefits to the communities that the assets operate in.

FEE INCENTIVE MECHANISM

Recognising the Company's role as a responsible debt provider, the Board and Investment Manager are trialling ESG target incentives with selected loans. Through this mechanism, agency fees (typically between £10,000 to £20,000 per annum for each loan) can be waived if agreed ESG targets or schemes are implemented by the borrower. The first of these schemes has been put in place to provide scholarship places at a nursery in South London for qualifying 2-5 year olds, removing barriers to accessing high-quality early years education. The Investment Manager is looking forward to reporting on this scheme and others it plans to put in place over the coming year.

Governance

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. With the lifting of Covid-19 restrictions at certain times through the year, the Investment Manager has been able to undertake site visits to assets, which were on hold during much of 2020. Visits to the US and Ireland were undertaken by the origination and portfolio monitoring teams. 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.

Site visits are an important aspect of the portfolio management role and can facilitate both technical and commercial benefits. They allow the Investment Manager to assess the performance of both asset and operator, and investigate any important project issues. Further, site visits give the Investment Manager an opportunity to understand the operations and relationships important to each asset and its long-term success.

The Board and the Investment Manager value relationships with borrowers, ensuring time is spent building and maintaining these relationships. By engaging with borrowers and understanding their needs, the Group is able to provide bespoke lending solutions which reflect the contractual fundamentals and inherent risks of the underlying assets and cash flows.

STAKEHOLDERS

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

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. Stakeholders have been grouped into six key categories, with an overview of why and how the Company engages including, where relevant, key Board decisions 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. 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.

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 During the year, the Directors developed an ESG policy and framework, as detailed further above. The policy is based upon the PRIs to ensure alignment across its business and with stakeholders.	Refer to sustainability section above.
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 culture and purpose below of the corporate governance statement.
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.

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 growing the capital value of the portfolio over the long term.

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 engaging with shareholders throughout the year by holding meetings, hosting webinars and portfolio updates for investors, including holding a separate webinar purely focused on the Co-living loan.

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 keen to engage with shareholders to address any questions or concerns they may have.

KEY BOARD DECISION: CHANGE IN INVESTMENT POLICY

Decision:
In January 2021, the Board considered a proposal from the Investment Manager to change the investment policy to reflect an increase in the overseas exposure from 20% to 30% of gross assets. The recommendation of the Board was approved by the shareholders at the Annual General Meeting held in May 2021, by way of an ordinary resolution.

Process:
Investment Manager presented the Board with a paper which highlighted that the Company was approaching the overseas investment limit (being 20%) and without extension it would not be able to pursue any future overseas investment opportunities on behalf of the Group.

The Investment Manager proposed increasing the Company's overseas exposure limit from 20% to 30% of gross assets based on the following rationale in four areas:

- it would help to mitigate risks that Brexit posed on the Company as it would give more opportunities to diversify the portfolio;
- an increase in the overseas limit would introduce additional flexibility in managing the Group's pipeline of investments;
- increasing the overseas exposure would encourage NAV growth by benefiting from additional risk premia from opportunities outside of the UK; and
- increasing the overseas limit would help enable borrower growth where invested.

The Investment Manager, along with the Broker, consulted with certain of the Company's largest shareholders and gauged their support for amending the Company's investment policy to increase the maximum exposure.

Following consultation with shareholders and a review of the immediate pipeline, the Board, as advised by the Investment Manager, concluded that an amendment to the investment policy would be in the best interests of the Company and its shareholders.

The Board recommended the investment policy be amended to increase the maximum exposure by way of an ordinary resolution included in the AGM notice sent to shareholders along with the Company's 2020 annual report.

Outcomes:
In May 2021, shareholders approved the ordinary resolution at the AGM amending the Company's investment policy, thereby increasing the maximum exposure to financing investments outside of the UK to 30% of the Company's gross assets at the time of investment (up from 20%).

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 for ensuring business continuity planning; cyber security; and prevention of corruption and bribery.

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 2 December 2021 where the committee reviewed the performance, and considered the continued appointment, of the Company's service providers.

In addition, the Board typically 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. This year the review was held on 10 November 2021; further information is given below.

The Board also attended the offices of the Administrator to perform an oversight review of systems and controls on 1 December 2021.

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. With the lifting of Covid-19 restrictions at certain times through the year, the Investment Manager has been able to undertake site visits to assets which were on hold during much of 2020. Visits to projects in the US and Ireland were undertaken by the origination and portfolio management teams.

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

In May 2021, the Company's loan to a Co-living developer and operator breached a liquidity covenant, leading to the Co-living group appointing a large investment bank to run a sales process.

Further information on how the Company engaged with the borrower during this process is given above.

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 lenders to ensure that they remain fully informed on all relevant business of the Company. This high level of engagement helps to support the relationship with lenders.

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.

In August 2021, the Company extended its existing £50 million RCF with RBSI to August 2023 (previously August 2021), with the same terms except for the interest rate benchmark which changed from LIBOR to SONIA. The Board believes that the favourable terms on which the RCF has been extended are due to the maturity and strong track record of the Company.

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 UK AIFM Regime 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.

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.1,500 jobs, of which c.300 have been created at care homes, c.300 at urban regeneration projects, c.600 at nurseries, with the remainder at student accommodation schemes.

The Company has published an ESG policy and framework in line with good governance and social responsibility. The policy can be found on the Company's website. Further information can be found in the sustainability section above.

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, it has responsibility for risk

monitoring and risk measuring to ensure that the level of risk remains within the Company's risk profile and tolerance.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal uncertainties
The Board considers the principal uncertainties faced by the Company during the year, to be as detailed below.

UNCERTAINTY 1: COVID-19

The Board continues to monitor the impact of the Covid-19 pandemic on the Company's portfolio.

As noted in this report, the impact has been most acute with respect to the Co-living group and multi-use community facilities within the portfolio due to their limited ability to operate whilst UK Government imposed restrictions were in place. Positively, the restrictions on operations have now been lifted, with increasing consumer confidence meaning that operations across these assets are showing signs of improvement.

Whilst the likelihood of further restrictions has reduced with the rollout of the vaccination programme, the threat of more serious variants means that this remains a principal uncertainty for the Company. In particular, the impact on student accommodation assets in Australia remains closely monitored.

Over the period, the wider economic impact of the Covid-19 pandemic continues to be seen in staffing levels, supply chain management and the inflationary environment. To date, there has been no impact on the portfolio, but this is an area of focus for the Company, in particular with regard to projects under construction or reliant on a large workforce.

UNCERTAINTY 2: BREXIT

Whilst the transition period following the UK leaving the EU in January 2020 officially ended on 31 December 2020, there remains significant uncertainty around the future relationship between the UK and the EU.

In the period, the dual impact of the Covid-19 pandemic and Brexit legislation meant that staffing and supply chain issues have been reported across the economy. No issues have been seen in the portfolio to date. However, projects under construction or reliant on a migrant workforce are being closely monitored.

Therefore, the Board believes that Brexit should remain a principal uncertainty for the Company.

UNCERTAINTY 3: CONFLICT IN UKRAINE

Following Russia's invasion of Ukraine on 24 February 2022, the Board and Investment Manager are closely monitoring the conflict for any impact it may have on the Company and its borrowers.

To date, no material impact has been noted on the Company or its borrowers nor have the Company or its borrowers been directly impacted by the sanctions imposed due to the conflict.

The conflict has impacted oil and gas prices and volatility in markets globally and has created uncertainty for future energy prices, inflation and interest rates. The potential future impact on the Company and its borrowers will continue to be closely monitored.

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 provided loans default or become insolvent.	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 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.	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 portfolio to the Board each quarter.	**Stable** During the period, the Group's investment portfolio experienced defaults in respect of the Co-living and multi-use community facilities. These assets were most negatively impacted by the Covid-19 pandemic and associated restrictions. Further information on these loans is provided above. The remaining loans in the portfolio have not been impacted and continue to report good performance. As noted above, the combination of Brexit and the Covid-19 pandemic could present further challenges for projects reliant on migrant labour or imported goods. These assets are being monitored for any ongoing impact.

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[1] 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.	**Stable** The Investment Manager has not seen any material revaluation of assets in property investments through the period. Equally, the residential property market saw price increases over the year. However, the Investment Manager remains conscious of the impact of Covid-19 and the wider economy on the property market so will continue to monitor trends in this sector.
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.	**Stable** The economic impact of Covid-19 is continuing to be seen across a variety of sectors. In this environment, comparable market data can change more rapidly and be harder to estimate. Since the onset of the pandemic, the Board, together with the Investment Manager and Valuation Agent, have taken a prudent approach by increasing discount rates on

			investments which could be negatively impacted by Covid-19. These revaluations have been gradually unwound over the period, with adjustments remaining in place for two asset classes. Further information is provided above.

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 plan focused on key employees.	**Increase** The Investment Manager continues to provide adequate resources and acts with due skill, care and diligence in its responsibilities as Investment Manager and AIFM to the Company. However, the complex recovery process for the Co-living group loan, as set out above, has increased the reliance on key personnel at the Investment Manager. This increase in reliance is expected to continue longer than originally anticipated if the proposed sale of the UK large assets to GCP Co-living REIT plc does not complete and the Investment Manager continues to work closely with the Lender group to maximise recovery via an alternative marketing process. 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.	**Decrease** Regulatory risk as a result of changing policy to manage the Covid-19 pandemic continues. However, there is more certainty than in earlier periods as the UK Government has removed all existing restrictions. The Investment Manager will continue to monitor the impact of any changes in policy across the portfolio. As noted above, the continued uncertainty around Brexit also poses risks to the underlying borrower businesses, particularly where those businesses rely on migrant labour or imported materials from the EU. To date, no impact has been seen as a result of changing regulation due to Brexit. The Investment Manager will continue to monitor the impact of any changes in policy on these borrowers.

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 a significant pipeline of investment opportunities of which c.£4.3 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.

During the year, to support the development of the Company's ESG policy and framework, risks relating to ESG, including climate risk that had previously been identified as an emerging risk, were concluded to be transverse risks and as such will be managed within the existing risk categories identified in the Company's risk register. The Directors have committed to carry out a gap analysis in the coming year to understand the impact and required mitigants of ESG, including climate risk, on each of its risks categories. On conclusion of this, the Company believes that climate risk will no longer be an emerging risk for the Company, being addressed throughout its normal course of business.

For the years ended 31 December 2021 and 2020, the Board has not identified 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
- climate risk scenarios and analysis.

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 five 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 2026.

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

23 March 2022

GOVERNANCE

BOARD OF DIRECTORS

The Directors are responsible for the effective stewardship of the Company's activities in order to ensure its long-term success 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 is also chair of the board of the LSE listed company EJF Investments Limited.

Skills and experience:
Substantial relevant risk, finance 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, US, 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 the chair of Intu Milton Keynes Limited and the senior independent director of the UK Civil Aviation Authority, where she is a member of the audit committee and sits on the CAA International management board. She is the chair of the Air Travel Trust and serves on the Alumni Advisory Board of Heinz College, Carnegie Mellon University in the US.

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

Justyna Kolarovic
Portfolio administrator

FINANCIAL AND CORPORATE ADVISORY

Saira Johnston
Chief financial officer

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 2021.

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 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 2021, 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 dividends;
- change in investment policy;
- share buybacks;

- the Company's annual expenditure budget;
- conflicted investments;
- extending the RCF;
- ESG; 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 2021:
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.	PURPOSE: Ensures that the Company's financial performance is properly monitored, controlled and reported, in addition to engaging with the Company's external Auditor.	PURPOSE: Reviews, monitors and assesses the risks the Company is exposed to, its risk appetite and the effectiveness of the risk management framework.	PURPOSE: Reviews the performance and continuing appointment of the Investment Manager and other service providers.
COMPOSITION AT 31 DECEMBER 2021			
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 19 January 2021, Ms Fuller replaced Mrs Dentskevich as chair of the Remuneration and Nomination committee.

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 2021 represented 0.1% 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 December 2021. 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, 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.

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

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	-	-	4	3
Joanna Dentskevich	4	4	3	3	4	4
Colin Huelin FCA	4	4	3	3	4	4
Marykay Fuller	4	4	3	3	4	3

	Management Engagement		Remuneration and Nomination	
Meetings	Number entitled to attend	Number attended	Number entitled to attend	Number attended
Alex Ohlsson	2	2	2	2
Joanna Dentskevich	2	2	2	2
Colin Huelin FCA	2	2	2	2
Marykay Fuller	2	2	2	2

During the year, nine additional Board meetings were held. These meetings were in respect of:

- share buybacks;
- extending the RCF;
- approval of the half-yearly and annual financial statements; 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.

In November 2021, the Directors visited the offices of the Investment Manager.

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

- the Company's strategy, existing and future opportunities;
- update on the risk management and compliance monitoring plans;
- update on causal analysis from specific higher risk loans and results of review of implications for the entire portfolio;
- debt market overview;
- ESG policy and procedural developments;
- 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.

UK AIFM Regime
The Company is classed as an externally managed AIF under the UK AIFM Regime. 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 the UK AIFM Regime.

AIFM remuneration
The Investment Manager is authorised as an AIFM by the FCA under the UK AIFM Regime. The Company has provided disclosures on its website incorporating the requirements of the UK AIFM Regime.

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 2021.

Marykay Fuller
Chair of the Remuneration and Nomination committee

Statement from the chair
At 31 December 2021, the committee comprised all four Directors of the Company, all of whom are considered independent.
The committee met twice 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. On 19 January 2021, Ms Fuller replaced Mrs Dentskevich as chair of the Remuneration and Nomination committee.

Following the internal Board evaluation for 2021, no adverse comments were reported, and the Board and committee composition was considered to be satisfactory. 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. 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 a non-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 and believe that they need to continually monitor and improve performance and recognise that regular Board evaluation provides a valuable feedback mechanism for improving Board effectiveness.

The AIC Code recommends FTSE 350 companies carry out an external evaluation every three years. Although the Company currently does not fall into this category, as a member of the AIC, it aims to follow this recommendation. An external evaluation was due to be carried out in 2021 (with the last one being in 2018), however, due to the circumstances around Covid-19 during the year, such as restrictions on travel and gatherings, the Board agreed it would be more effective to carry out an external evaluation during 2022 when Board proceedings such as in-person Board and committee meetings will hopefully have returned to normality.

In the years intervening the external evaluation, the Board conducts an internal evaluation 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 for 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 following recommendations being approved by the Board on 23 March 2022:

- to consider enhancements to the requested reporting by the Company's third party suppliers to increase the level of detail and visibility of their work for the Company;
- to increase the number of Management Engagement committee meetings during the year to facilitate this consideration;
- to continue the work started in 2020 with the Investment Manager to enhance its reporting to the Board; and
- to undertake a benchmarking exercise related to the level of fees paid to Directors relative to the Board commitments required by the Company's portfolio.

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.

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 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 and, hence, recommends that shareholders vote in favour of each Director's proposed re-election.

Remuneration
In March 2022, the committee discussed the level of commitment and time required for ESG matters and recommended that Ms Joanna Dentskevich be appointed as the "ESG representative" and a fee of £5,000 per annum (effective 1 January 2022) be recommended to the Board.

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

23 March 2022

AUDIT, RISK AND INTERNAL CONTROL
AUDIT COMMITTEE REPORT

I am pleased to present the Audit committee report for the year ended 31 December 2021.

Colin Huelin FCA
Chair of the Audit committee

Statement from the chair
The Board is supported by the Audit committee, with written terms of reference which are available on the Company's website or on request from the Company Secretary. The committee's primary role is to 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 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 and remuneration of the Auditor.

Composition and meetings
At 31 December 2021, 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 2021. 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 Auditor is not present when their performance and/or remuneration is discussed.

The committee has reviewed and evaluated its own performance as part of the Board's annual evaluation process, as explained in the Remuneration and Nomination committee report above.

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 performance, strategy and business model, and reviewed the description of the Company's key performance indicators, alternative performance measures, as well as updating the governance section of the annual report. As part of this review, and in conjunction with the Risk committee, the committee considered the new sustainability disclosures above to ensure that they reflect a fair and balanced view of the impact of climate change on the performance of the Company's business.

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.

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

- the significant accounting matters to recommend to the Board, and other narrative disclosures in the half-yearly and annual financial statements of the Company, including matters of judgement in relation to the valuation of financial assets at fair value through profit or loss. The committee discussed these matters with the Valuation Agent, the Investment Manager and the Auditor;
- the effectiveness of the Company's internal control environment;
- challenge to the results of the Investment Manager's stress tests for the purpose of the going concern and viability statements;
- 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 and approval of the Auditor's fees; and
- the committee's own terms of reference.

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 risks of material misstatement of the Company's financial statements are related to the fair valuation of the investments.

Valuation of investments
As outlined in notes 11 and 17 to the financial statements, the total value of financial assets at fair value at 31 December 2021 was £447.0 million. (31 December 2020: £446.0 million). Market quotations are not available for these financial assets such that their valuation is undertaken using a discounted cash flow methodology, with exception during the period to the methodology adopted for valuing the Company's Co-living loan, for which detail is provided in notes 2.2 and 17.9.

These valuation methods require a series of material judgements and estimates to be made, as further explained in note 17 to the financial statements.

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.

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 performance of the individual investments and the fair value of the financial assets is discussed with the Investment Manager at each quarterly Board meeting.

In addition, the committee met with the Valuation Agent in July 2021 and in January 2022, to discuss the half-year and year-end valuation process and methodology. In particular, the committee considered the ongoing impact of Covid-19 and Brexit on the portfolio and its potential impact on the valuation of the investments. The committee also examined and challenged the valuation methodology applied by the Investment Manager and the Valuation Agent to the Company's Co-living loan.

The committee discussed the material estimates and judgements applied in the valuation process with the Investment Manager and the Valuation Agent, including the estimates and judgements applied in the different valuation approach to the Co-living loan. The committee was satisfied that the range of discount rates and the inherent assumed recovery rate to support the valuation of the Co-living loan was appropriate for the valuation carried out by the Valuation Agent.

Other matters considered
Other matters reviewed by the committee during the year are noted below.

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.

Internal control
The committee monitored and reviewed the internal controls of the Company during the year, which included:

- review of independent ISAE 3402 report on the effectiveness of specific control objectives within the operations of the Investment Manager;
- conducting an on-site visit of the Administrator in December 2021 to discuss its control systems and operational policies and procedures; and
- review of the Investment Manager's investment due diligence operational control procedures.

Based on the results of these reviews, the committee was satisfied that the internal controls remained effective.

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 concluded that it continues to be appropriate to follow the going concern basis of accounting for the preparation of the annual report and financial statements.

The committee also reviewed the Investment Manager's five year stress test analyses for the purpose of assessing the Company's viability.

This review challenged the assumptions applied, including 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. In addition, the committee considered how the Investment Manager had assessed the impact of climate risk across the physical assets in the portfolio and the impact on income generation. The analysis was based on varying degrees of flood risk with downside climate risk scenarios that included increasing frequency and severity of adverse weather events.

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
The committee met with the Auditor in December 2021 to review, challenge and agree their audit plan, and in particular their approach to the valuation of investments.

Independence and objectivity of the Auditor
Subject to mandatory rotation at the end of the 2020 audit process, Lisa McClure replaced Karl Hairon as the partner from PwC responsible for the audit of the 2021 annual report 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 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 which is included in the FRC's whitelist of permitted non-audit services.

The following table summarises the remuneration paid to PwC for audit and non-audit services during the year ended 31 December 2021:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Audit fees		
Annual audit of the Company	**95**	90
Non-audit services		
Review of half-yearly report	**39**	28
Total	**134**	118

External audit results
The committee met with the Auditor again in March 2022 to discuss their audit report and opinion, after the conclusion of their audit.

The Auditor explained the results of their audit and confirmed that there were no adjustments proposed that were material in the context of the financial statements as a whole.

Effectiveness of the external audit
The committee reviewed the effectiveness of the external audit process during the year, considering the performance, objectivity, independence and relevant experience of the Auditor. Following this review, the committee concluded that the audit was effective.

Re-appointment of the Auditor
The committee continues to be satisfied with the performance of the Auditor and has recommended the re-appointment of PwC as the Company's Auditor at the 2022 AGM.

Colin Huelin FCA
Chair of the Audit committee

23 March 2022

RISK COMMITTEE REPORT

I am pleased to present the Risk committee report for the year ended 31 December 2021.

Joanna Dentskevich
Chair of the Risk committee

Statement from the chair
The Risk committee was established in October 2019 with the purpose 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 and meetings
The committee comprises all four Directors of the Company, all of whom are considered independent. The committee met formally four times during the year. Details of attendance at meetings held during the year under review 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 objective 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 risk appetite and any actions required. 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 2021, the committee confirmed that it did not consider there to be any new principal risks for the year. However, the committee did identify the conflict in Ukraine and its potential global impact as a Principal uncertainty for the year. Descriptions of the principal risks and uncertainties, along with explanations on how they are being managed and mitigated and any change in risk from the previous year, are detailed above.

Emerging risks and uncertainties

As part of its review of risks during the year, the committee did not identify any new emerging risks or uncertainties.

During the year, to support the development of the Company's ESG policy and framework, risks relating to ESG, including climate risk that had previously been identified as an emerging risk, were concluded to be transverse risks and, as such, will be managed within the existing risk categories identified in the Company's risk register.

The Directors have committed to carry out a gap analysis in the coming year to understand the impact and required mitigants of ESG, including climate risk, on each of its risks categories. On conclusion of this, the Company believes that climate risk will no longer be an emerging risk for the Company, being addressed throughout its normal course of business.

Joanna Dentskevich
Chair of the Risk committee

23 March 2022

REMUNERATION

DIRECTORS' REMUNERATION REPORT

Marykay Fuller
Chair of the Remuneration and Nomination committee

The Directors' remuneration report provides details on remuneration in the year. Although it is not a requirement under the Jersey Company 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.

Accordingly, resolutions will be put to shareholders at the forthcoming AGM to be held on 17 May 2022 to receive and approve the Directors' remuneration report and Directors' remuneration policy. 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 2020 and the Directors' remuneration policy were approved by shareholders at the AGMs held on 17 May 2021 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 o votes cast	% of votes cast
For	269,856,274	99.97	147,074,473	99.65
Against	61,683	0.02	-	-
At the Chairman's discretion	12,000	0.01	523,935	0.35
Total votes cast	269,937,189	100	147,598,408	100
Number of votes withheld	7,232	-	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 2021

Period	Three months	Six months	Two years	One year	Four years	Since launch
GCP Asset Backed Income Fund Limited	0.8%	(2.4)%	13.2%	2.1%	22.8%	37.7%
GBP Corporate Bond Index	0.6%	(0.5)%	(3.3)%	5.5%	14.5%	35.3%

Annual performance to 31 December 2021

	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
GCP Asset Backed Income Fund Limited	**13.2%**	(9.8)%	10.2%	9.1%	4.4%
GBP Corporate Bond Index	**(3.3)%**	9.1%	11.0%	(2.2)%	4.9%

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

Past performance is not a guide to future performance.

Directors' remuneration
The fees paid to the Directors in the years ended 31 December 2021 and 31 December 2020 are set out below.

	Directors' fee £		Chairman fee £		Committee chair fee £		Expenses £		Total £	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Alex Ohlsson	**40,000**	40,000	**15,000**	15,000	**-**	-	**-**	-	**55,000**	55,000
Colin Huelin FCA	**40,000**	40,000	**-**	-	**10,000**	10,000	**-**	104	**50,000**	50,104
Joanna Dentskevich	**40,000**	40,000	**-**	-	**10,000**	10,000	**397**	-	**50,397**	50,000
Marykay Fuller	**40,000**	40,000	**-**	-	**5,000**	5,000	**-**	463	**45,000**	45,463
Total	**160,000**	160,000	**15,000**	15,000	**25,000**	25,000	**397**	567	**200,397**	200,567

The fees paid to the Directors were in relation to non-executive Director services. At 31 December 2021, liabilities in respect of these services amounted to £57,500. 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 that an additional £5,000 be paid to the chair of the Management Engagement committee and the Remuneration and Nomination committee. As shown in the table above, there was no change in the Directors' remuneration from prior year.

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

	Year ended 31 December 2021 £'000	Year ended 31 December 2016 £'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 2021:

- total income;
- the remuneration paid to the Directors;
- the distributions made to shareholders by way of dividend; and
- share repurchases.

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000	Change %
Total income	**21,414**	33,919	(36.9)
Directors' remuneration[1]	**200**	200	-
Dividends paid to shareholders (including dividends settled in shares[2])	**27,715**	28,463	(2.6)
Share repurchases	**293**	1,514	(80.7)

1. Excluding Directors' expenses.
2. 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 2021, the interests of the Directors in the ordinary shares of the Company are as set out below[3]:

	31 December 2021 Number of shares	31 December 2020 Number of shares
Alex Ohlsson	**50,000**	50,000
Colin Huelin FCA	**34,142**	34,142
Joanna Dentskevich	**57,379**	57,379
Marykay Fuller	**19,650[4]**	-

3. The Directors' shareholdings are either direct and/or indirect holdings of the ordinary shares in the Company.
4. Marykay Fuller purchased 19,650 ordinary shares through series of transactions in April 2021.

There have been no changes to any of the above holdings between 31 December 2021 and the date of this report.

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.

Post year end, in March 2022, the Board approved an ESG representative fee of £5,000 per annum to reflect the level of commitment and time required for ESG matters.

The fees payable to Directors in respect of the year ended 31 December 2021 and the expected fees payable in respect of the year ending 31 December 2022 are set out in the table below.

	Expected annual fees for the year to 31 December 2022 £	Annual fees for the year to 31 December 2021 £
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
ESG representative fee	**5,000**	n/a
Total remuneration paid to Directors	**205,000**	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

23 March 2022

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 2021 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.

2021 Annual General Meeting
The 2021 AGM of the Company was held on 17 May 2021. 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.
- All resolutions put to shareholders at the AGM were passed with in excess of 90% of votes cast in favour.

2022 Annual General Meeting
The 2022 AGM will be held on 17 May 2022 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 6 April 2022, 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 Annual General Meeting held on 17 May 2021, the Company was granted the authority to allot ordinary shares up to 10% of its total issued share capital at that date on a non-pre-emptive basis, amounting to 44,203,351 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 2022 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 17 May 2021, 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 65,931,044 ordinary shares. This authority will expire at the conclusion of, and renewal will be sought at, the AGM to be held on 17 May 2022.

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 2021, the Company's issued share capital comprised 442,033,518 ordinary shares of no par value, 2,200,000 of which had been repurchased by the Company and were held in treasury. The total voting rights of the Company at 31 December 2021 were 439,833,518, 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.

The total voting rights of the Company at the date of this report are 439,833,518. All shares repurchased are held in treasury.
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. Refer above for further information.

Significant voting rights
At 31 December 2021, 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	36,894,752	8.39%
Close Asset Management	30,746,353	6.99%
Foresight Group	21,133,304	4.80%
Raymond James Investment Services	17,711,760	4.03%
West Yorkshire Pension Fund	17,421,098	3.96%
Waverton Investment Management	14,772,453	3.36%
Canopius	13,544,656	3.08%

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

The Company has not been informed of any changes to the interests between 31 December 2021 and the date of this report.

Auditor
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.

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.

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.

On behalf of the Board

Alex Ohlsson
Chairman

23 March 2022

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.

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

23 March 2022

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 2021, 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 2021;
- 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 entities.
- Our audit work was performed solely in Jersey 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 accounting processes and controls, and the industry in which the Company operates.
- We conducted our audit of the financial statements based on information provided by the appointed service providers to the Company to whom the Board of Directors has delegated the provision of certain functions, including Gravis Capital Management Limited (the "Investment Manager and AIFM") and Apex Financial Services (Alternative Funds) Limited (the "Administrator").

Key audit matters
- Valuation of financial assets at fair value through profit or loss: investment in Subsidiary - Fair value of secured loan notes.

Materiality
- Overall materiality: £10.9 million (31 December 2020: £11.2 million) based on 2.5% of Net Assets.
- Performance materiality: £8.1 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 and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, 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 financial assets at fair value through profit or loss: investment in Subsidiary - Fair value of secured loan notes ***Refer to note 11 and note 17 of the financial statements*** The valuation of financial assets at fair value through profit or loss: investment in Subsidiary ("investment in 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 investment in Subsidiary is substantially derived from the fair value of secured loan notes to the end borrower. The valuations of secured loan notes 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 adjusted as appropriate for market, credit and liquidity risk factors. The nature of 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. As a result of the inherent nature of the key assumptions used in the DCF model, the Directors appointed an external Valuation Agent to support them in ascertaining the fair value of secured loan notes.	We have performed the following procedures: - Discussions were held with the Directors of the Company and the Investment Manager to enable us to understand and evaluate the controls in place over the valuation process. We obtained a summary of the portfolio movements during the year. - We assessed the Company's external valuation agents' independence, qualifications and expertise and read their terms of engagement with the Company to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. - We read the valuation report issued by the external Valuation Agent and understood the valuation approach used. - We engaged valuation experts from PwC UK London to assess the reasonableness of the methodology applied by the external valuation agent 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 calculation to the contractual payment schedule of the loan facility agreements and tested the mathematical accuracy of the DCF calculation. As part of these procedures, we performed these: - for a sample of new secured loans, we tested the drawdowns to signed facility agreements, note certificates and bank payments; - for a sample of secured loan notes repaid during the year, we tested the movement to signed facility agreements and cash payments; - for a sample of interest paid during the year, we agreed the amounts to bank payments; and - for a sample of interest accrued during the year, we recomputed the amounts using the interest rates as per the facility agreements and the outstanding balances of the loan amounts at the relevant period. - 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 investment in Subsidiary. - 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 investment in Subsidiary. Based on the above procedures, we have not identified any matters to report to those charged with governance.

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	£10.9 million (31 December 2020: £11.2 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% (31 December 2020: 75%) of overall materiality, amounting to £8.1 million (31 December 2020: £8.4 million) for the Company's 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 £545,000 (31 December 2020: £562,000) 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.

Lisa McClure
For and on behalf of
PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands

23 March 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Income			
Loan interest realised	3	**32,931**	35,544
Net unrealised loss on investments at fair value through profit or loss	3	**(15,742)**	(3,850)
Net gain/(loss) on derivative financial instruments	3	**1,328**	(394)
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss		**18,517**	31,300
Fee income	3	**2,897**	2,615
Deposit interest income		**-**	4
Total income		**21,414**	33,919
Expenses			
Investment management fees	18	**(3,916)**	(3,891)

Operating expenses	4	**(1,439)**	(1,661)
Directors' remuneration	6	**(200)**	(201)
Total expenses		**(5,555)**	(5,753)
Total operating profit before finance costs		**15,859**	28,166
Finance costs			
Finance expense	7	**(887)**	(772)
Total profit and comprehensive income		**14,972**	27,394
Basic and diluted earnings per share (pence)	10	**3.40**	6.21

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
AS AT 31 DECEMBER 2021

	Notes	**As at 31 December 2021 £'000**	As at 31 December 2020 £'000
Assets			
Financial assets at fair value through profit or loss	11	**446,989**	445,962
Other receivables and prepayments	12	**128**	108
Derivative financial instruments	17	**492**	158
Cash and cash equivalents	13	**10,108**	9,994
Total assets		**457,717**	456,222
Liabilities			
Other payables and accrued expenses	15	**(1,445)**	(1,604)
Revolving credit facilities	14	**(19,546)**	(4,856)
Total liabilities		**(20,991)**	(6,460)
Net assets		**436,726**	449,762
Equity			
Share capital	16	**442,607**	442,900
Retained (losses)/earnings		**(5,881)**	6,862
Total equity		**436,726**	449,762
Ordinary shares in issue (excluding treasury shares)	16	**439,833,518**	440,158,518
NAV per ordinary share (pence per share)		**99.29**	102.18

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2022 and signed on its behalf by:

Alex Ohlsson	**Colin Huelin FCA**
Chairman	Director

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**Share capital £'000**	**Retained earnings/(losses) £'000**	**Total equity £'000**
Balance as at 1 January 2021		**442,900**	**6,862**	**449,762**
Total profit and comprehensive income for the year		**-**	**14,972**	**14,972**
Share repurchases	16	**(293)**	**-**	**(293)**
Dividends	9	**-**	**(27,715)**	**(27,715)**
Balance as at 31 December 2021		**442,607**	**(5,881)**	**436,726**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £'000	Retained earnings/(losses) £'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

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Cash flows from operating activities			
Total operating profit before finance costs		**15,859**	28,166
Adjustments for:			
Net changes in fair value of financial assets at fair value through profit or loss	3	**(18,517)**	(31,300)
Realised gain/(loss) on derivative financial instruments	3	**994**	(548)
(Decrease)/increase in other payables and accrued expenses		**(174)**	139
Increase in other receivables and prepayments		**(21)**	(45)
Total		**(1,859)**	(3,588)
Interest received from Subsidiary	3	**32,931**	35,544
Investment in Subsidiary	11	**(134,504)**	(126,545)
Capital repayments from Subsidiary	11	**117,735**	130,610
Net cash flow generated from operating activities		**14,303**	36,021
Cash flows from financing activities			
Proceeds from revolving credit facilities	14	**40,250**	54,599
Repayment of revolving credit facilities	14	**(25,351)**	(59,075)
Share issue costs		**-**	(19)
Share repurchases	16	**(293)**	(1,514)
Finance costs paid		**(1,080)**	(760)
Dividends paid	9	**(27,715)**	(27,945)
Net cash flow used in financing activities		**(14,189)**	(34,714)
Net increase in cash and cash equivalents		**114**	1,307
Cash and cash equivalents at beginning of the year		**9,994**	8,687
Cash and cash equivalents at end of the year		**10,108**	9,994
Net cash flow used in operating activities includes:			
Interest received from bank deposits		**-**	4
Interest received from Subsidiary	3	**32,931**	35,544
Non-cash items:			

Purchase of financial assets: indexation		**(24)**	(304)
Interest received from Subsidiary		**24**	304
Scrip dividend	9	**-**	(518)
Equity issue in respect of scrip dividend	16	**-**	518

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 Jersey Company 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 2021, the Company had one wholly owned Subsidiary, GABI UK (31 December 2020: one), incorporated in England and Wales on 23 October 2015 (registration number 9838893). GABI UK has two subsidiaries (2020: two): 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.

GABI Housing was set up for the sole purpose of investing in five underlying properties, one of which was held by its subsidiary, GABI Blyth, and the social income stream derived from these properties through letting them to specialist housing associations. On 30 June 2021, the property held by GABI Blyth was transferred to its parent, GABI Housing. GABI Blyth is now dormant and the company is in the process of being wound up.

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 2021 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 Jersey Company 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 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 year under review, the Company has applied amendments to IFRS issued by the IASB. These include annual improvements to IFRS, changes in standards including IBOR 'phase 2' (amendments to IFRS 9, IAS 39 and IFRS 7), legislative and regulatory amendments, changes in disclosure and presentation requirements including updates relating to Covid-19.

The adoption of the changes to accounting standards has had no 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. 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 enable 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. 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 put in place contingency plans 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 where applicable (excluding the Co-living loan) adjusted as appropriate for market, credit and liquidity risk factors (refer to note 17.9 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.

The valuation of the Co-living loan
The Group's Co-living loan was valued at an estimate of recoverability of amounts secured against six key underlying properties and four other underlying properties. The estimates were based on independent valuation reports and discussions with potential buyers. Further, adjustments to reflect transaction risk involved with the sale of these assets of up to 10% were applied to the expected recovery amounts for the key properties. In addition, assumptions were applied for the refinancing of one asset loan and the additional professional fees required to complete the successful delivery of the credit bid transactions. Further information is given in note 17.9.

(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's 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 2021 £'000	Year ended 31 December 2020 £'000
Loan interest realised	**32,931**	35,544
Unrealised loss on financial assets at fair value through profit or loss[1]:		
Debt - Secured Loan Notes up to £1,000,000,000	**(16,977)[2]**	(5,161)[2]
Equity - representing one ordinary share in the Subsidiary	**1,235**	1,311
Net unrealised loss on financial assets at fair value through profit or loss	**(15,742)**	(3,850)
Unrealised gain on forward foreign exchange contracts	**334**	154
Realised gain on forward foreign exchange contracts	**1,397**	174
Realised loss on forward foreign exchange contracts	**(403)**	(722)
Net gain/(loss) on derivative financial instruments	**1,328**	(394)
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	**18,517**	31,300

1. Refer to note 11 for further information.
2. Comprises downward revaluation in respect of Co-living loan partially offset by unrealised gains in respect of the unwind 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 2021 £'000	Year ended 31 December 2020 £'000
Arrangement fee income	**293**	173
Commitment fee income	**129**	677
Early repayment fees	**2,475**	1,762
Sundry income	**-**	3
Total	**2,897**	2,615

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 gain and loss 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. Since IPO, such fees in respect of 14 of the Group's investments have been met and paid 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.

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 2021 £'000	Year ended 31 December 2020 £'000
Corporate administration and Depositary fees	**613**	620
Registrar fees	**40**	50
Audit fees	**95**	90
Legal and professional fees	**38**	103
Valuation Agent fees	**178**	150
Other	**475**	648
Total	**1,439**	1,661

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 £479,000 (31 December 2020: £486,000) of which £119,000 remains payable at year end (31 December 2020: £122,000).

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 2020: £134,000) of which £66,000 remains payable at year end (31 December 2020: £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 2021 £'000	Year ended 31 December 2020 £'000
Audit fees		
Annual audit of the Company	**95**	90
Non-audit services		
Review of the half-yearly report	**39**	28
Total	**134**	118

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 2021 £'000	Year ended 31 December 2020 £'000
Alex Ohlsson	**55**	55
Colin Huelin FCA	**50**	50
Joanna Dentskevich	**50**	50
Marykay Fuller	**45**	45
	200	200
Directors' expenses	**-**	1
Total	**200**	201

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

7. Finance expenses

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Arrangement fees relating to the RCF	**236**	284
Commitment fees relating to the RCF	**250**	350
Early repayment costs relating to the RCF	**-**	2
Interest expense relating to the RCF	**401**	136
Total	**887**	772

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 2021 are subject to tax at the standard rate of 0% (31 December 2020: 0%) in accordance with the Income Tax (Jersey) Law 1961, as amended.

9. Dividends

Quarter ended	Dividend	Pence per share	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Current year dividends				
31 December 2021[1]	2021 fourth interim dividend	1.575	**-**	-
30 September 2021	2021 third interim dividend	1.575	**6,927**	-
30 June 2021	2021 second interim dividend	1.575	**6,927**	-
31 March 2021	2021 first interim dividend	1.575	**6,927**	-
Total		6.300	**20,781**	-
Prior year dividends				
31 December 2020	2020 fourth interim dividend	1.575	**6,934**	-
30 September 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	**6,934**	21,619
31 December 2019	2019 fourth interim dividend	1.550	**-**	6,844
Dividends in statement of changes in equity			**27,715**	28,463
Dividends settled in shares[2]			**-**	(518)
Dividends in the statement of cash flows			**27,715**	27,945

On 27 January 2022, the Company announced a fourth interim dividend of 1.575 pence per ordinary share amounting to £6,927,000 which was paid on 4 March 2022 to ordinary shareholders on the register at 4 February 2022.

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 Board, in its discretion, has determined that the offer of a scrip dividend will remain suspended as a result of the discount between the likely scrip dividend reference price of the shares and the current NAV per share of the Company. The Board will 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 2021			
Basic earnings per ordinary share	**14,972**	**439,895,094**	**3.40**
Diluted earnings per ordinary share	**14,972**	**439,895,094**	**3.40**
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

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 issued by the Subsidiary to the Company and equity. The Company's investment in the Subsidiary at 31 December 2021 comprised:

	31 December 2021	31 December 2020
Debt - Secured Loan Notes up to £1,000,000,000	**£'000**	£'000
Opening balance	**443,855**	453,081
Investment in Subsidiary	**134,504**[1]	126,545
Capital repayments from Subsidiary	**(117,735)**[2]	(130,610)
Unrealised (loss)/gain on financial assets and liabilities at fair value through profit or loss:		
Unrealised valuation loss[3]	**(17,029)**	(5,233)
Unrealised foreign exchange (loss)/gain	**(983)**	133
Other unrealised movements on investments[4]	**1,035**	(61)
Total unrealised loss on investments at fair value through profit or loss	**(16,977)**	(5,161)
Total[5]	**443,647**	443,855

1. Investment in Subsidiary does not include indexation applied to certain investments held by the Subsidiary, as set out in the table below.
2. Capital repayments from Subsidiary reflects principal received from the Subsidiary in respect of an underlying investment, as set out in the table below.
3. Comprises write-down of the Co-living loan offset by unrealised gains in respect of the unwind of discount rate adjustments made to reflect the uncertainties associated with the Covid-19 pandemic.
4. 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.
5. Refer to the table below for further analysis.

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

	31 December 2021	31 December 2020
	£'000	£'000
Valuation of the underlying investments held by the Subsidiary	**443,640**	444,235
Principal received from the Subsidiary in respect of an underlying investment	**-**	(400)
Principal received from underlying investments and held by the Subsidiary	**-**	12
Interest rate differential	**7**	8
Indexation applied to certain investments held by Subsidiary	**(992)**	-
Unrealised gain on investments at fair value through profit or loss	**992**	-
Fair value of Secured Loan Notes	**443,647**	443,855

	31 December 2021	31 December 2020
Equity - representing one ordinary share in the Subsidiary	**£'000**	£'000
Opening balance	**2,107**	796
Unrealised gain on investment at fair value through profit or loss	**1,235**	1,311
Total	**3,342**	2,107
Financial assets at fair value through profit or loss	**446,989**	445,962

The above represents a 100% interest in the Subsidiary at year end 31 December 2021 (31 December 2020: 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.

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 2021 £'000	31 December 2020 £'000
Arrangement fees	**64**	49
Other income debtors	**6**	6
Prepayments	**58**	53
Total	**128**	108

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 loss on other receivables where necessary.

13. Cash and cash equivalents

	31 December 2021 £'000	31 December 2020 £'000
Cash and cash equivalents	**10,108**	9,994
Total	**10,108**	9,994

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 2021 £'000	31 December 2020 £'000
Opening balance	**5,000**	9,476
Proceeds from amounts drawn on the RCF	**40,250**	54,599
Repayment of amounts drawn on the RCF	**(25,351)**	(59,075)
RCF drawn at the year end	**19,899**	5,000
Loan arrangement fees unamortised	**(353)**	(144)
Total	**19,546**	4,856

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 19 August 2021, the Company entered into an agreement with RBSI to extend the existing £50 million RCF by 24 months to August 2023, with an additional one year extension option subject to lender approval. All terms of the RCF are unchanged except for interest rate benchmark which changed from LIBOR to SONIA.

The total costs incurred to extend the facility to August 2023 were £451,000, of which £425,000 was the arrangement fee and £26,000 in associated legal fees. The legal fees are included as arrangement fees for reporting purposes. £16,000 of these legal costs are unpaid and are accrued for.

A total of £236,000 (31 December 2020: £284,000) 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.

Total drawdowns of £19.9 million were repayable at 31 December 2021 (31 December 2020: £5.0 million).

Interest on amounts drawn under the RCF was charged at LIBOR plus 2.10% per annum from 16 April 2019 until the facility was refinanced in August 2021 before it was replaced with a facility linked to SONIA with a credit adjustment spread of plus 2.10% from that date. A commitment fee is payable on undrawn amounts at a rate of 0.84% per annum.

In December 2021, utilisation requests for the sum of £2,032,000 (31 December 2020: £845,000) were submitted to RBSI in relation to five open forward foreign exchange contracts at year end. This has restricted the amount available for drawdown on the RCF to £48.0 million.

The RCF includes covenants which are measured in accordance with the facility agreement. The covenants are as follows: loan to NAV value of less than 15%, loan-to-value of eligible assets of less than 25% and an interest cover ratio of six times. At 31 December 2021, the Company was in compliance all loan covenants in the RCF agreement.

Leverage
For the purposes of the UK AIFM Regime, 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 UK AIFM Regime.

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the UK AIFM Regime, at 31 December 2021; figures are as follows:

Leverage exposure	Maximum limit	Actual exposure
Gross method	1.25	1.09
Commitment method	1.25	1.05

The leverage figures above represent leverage calculated under the UK AIFM Regime methodology as follows:

Leverage exposure	Gross £'000	Commitment £'000
Investments at fair value through profit or loss	446,989	446,989
Cash and cash equivalents	-	10,108
Total exposure under the UK AIFM Regime	446,989	457,097
Derivative financial instruments[1]	26,890	-
Total shareholders' funds	473,879	436,726
Leverage	1.09	1.05

The Company's leverage limit under the UK AIFM Regime 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.

1. Equivalent position in the underlying assets of derivative financial instruments using the conversion methodologies set out in the UK AIFM regime.

15. Other payables and accrued expenses

	31 December 2021	31 December 2020
	£'000	£'000
Accruals	**372**	520
Loan commitment fee accrued	**64**	84
Loan interest accrued	**39**	2
Investment management fees	**970**	998
Total	**1,445**	1,604

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 2021		31 December 2020	
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	**442,033,518**	**444,414**	441,544,019	443,915
Equity shares issued through:				
Dividends settled in shares[1]	**-**	**-**	489,499	518
Total shares issued in the year	**-**	**-**	489,499	518
Share issue costs	**-**	**-**	-	(19)
Total shares in issue	**442,033,518**	**444,414**	442,033,518	444,414
Treasury shares				
Shares repurchased and held in treasury at beginning of the year	**(1,875,000)**	**(1,514)**	-	-
Shares repurchased in the year	**(325,000)**	**(293)**	(1,875,000)	(1,514)
Total shares repurchased and held in treasury	**(2,200,000)**	**(1,807)**	(1,875,000)	(1,514)
Total ordinary share capital excluding treasury shares	**439,833,518**	**442,607**	440,158,518	442,900

1. The offer of a scrip dividend alternative was suspended at the Board's discretion, for all 2021 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.

The Company's authorised share capital is represented by an unlimited number of no par value ordinary shares. At 31 December 2021, the Company's issued share capital comprised 442,033,518 ordinary shares (31 December 2020: 442,033,518), 2,200,000 of which are held in treasury (31 December 2020: 1,875,000).

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 2021	31 December 2020
	£'000	£'000
Financial assets		
Cash and cash equivalents	**10,108**	9,994
Other receivables	**70**	108
Financial assets at amortised cost[1]	**10,178**	10,102
Derivative financial instruments	**492**	158
Financial assets at fair value through profit or loss	**446,989**	445,962
Total financial assets at fair value through profit or loss	**447,481**	446,120
Total financial assets	**456,659**	456,222
Financial liabilities		
Other payables and accrued expenses	**(1,445)**	(1,604)
Revolving credit facilities	**(19,546)**	(4,856)
Financial liabilities at amortised cost[1]	**(20,991)**	(6,460)
Total financial liabilities	**(20,991)**	(6,460)

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 Euro and US Dollar denominated loan investments made by the Subsidiary. The investments represent 6.2% of the portfolio by value at the year end. The Company intends to utilise the forward foreign exchange contracts on either a rolling one month basis or 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 2021	**Maturity**	**Principal amount**	**Hedged amount**	**Fair value £'000**
Contract EUR/GBP	**5 January 2022**	**(£3,548,328)**	**€4,102,222**	**102**
Contract EUR/GBP	**13 January 2022**	**(£11,772,735)**	**€13,800,000**	**176**
Contract EUR/GBP	**2 March 2022**	**(£8,094,808)**	**€9,401,310**	**185**
Contract EUR/GBP	**22 March 2022**	**(£1,773,917)**	**€2,080,449**	**22**
Total EUR/GBP		**(£25,189,788)**	**€29,383,981**	**485**
Contract USD/GBP	**5 January 2022**	**(£2,218,241)**	**$2,981,760**	**7**
Total USD/GBP		**(£2,218,241)**	**$2,981,760**	**7**
Total		**(£27,408,029)**		**492**

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

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 notes 16 and 14 respectively.

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 impact has been most acute with respect to the Co-living group and multi-use community facilities within the portfolio due to their limited ability to operate whilst UK Government imposed restrictions were in place. Positively, the restrictions on operations have now been lifted, with increasing consumer confidence meaning that operations across these assets are showing signs of improvement.

All key suppliers have contingency plans in place to enable ongoing service provision across all areas of the Company's activities should restrictions recommence. The Directors and the Investment Manager continue to assess the potential impact of Covid-19 and Brexit across the business in order to instigate mitigation plans as appropriate.

As explained in notes 11 and 17, 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 to the Company. 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 valued 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 where applicable (excluding the Co-living loan); refer to note 17.9 for further information. 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. In light of the continued uncertainties caused by the pandemic, the Board, Investment Manager and Valuation Agent have continued to be prudent with regard to the discount rates applied to a number of loans, reflecting the perceived market risk of assets in those sectors. Two investments at the year end remain subject to discount rate adjustments to reflect these uncertainties. Further analysis on these discount rate adjustments is presented in the Investment Manager's report 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.

31 December 2021

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)	**459,795**	**453,246**	**446,989**[1]	**441,004**	**435,270**
Change in value of financial assets at fair value (£'000)	**12,806**	**6,257**	**-**	**(5,985)**	**(11,719)**

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)

1. Balance includes the fair value of the Co-living loan which is not valued on a discounted cash flow basis; see note 17.9 for further details.

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 £457.7 million (31 December 2020: £456.2 million) represented by its investments, receivables, financial derivatives and cash.

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 comprise 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. During the period, the Group's investment portfolio experienced defaults in respect of the Co-living and multi-use community facilities. These assets were most negatively impacted by the Covid-19 pandemic and associated restrictions. Further information on these loans is provided above. The remaining loans in the portfolio have not been impacted and continue to report good performance.

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 against the loan 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 2020: <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 on 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. Credit risk is incorporated by the Valuation Agent into the discount rate applied to the financial assets at fair value through profit or loss. Discount rate sensitivity analysis is disclosed in note 17.4.

17.7 Currency risk

The Group's investments at 31 December 2021 are denominated in Sterling, except for five investments which are denominated in Euros and one investment which is denominated in USD (31 December 2020: two Euro-denominated investments and nil USD-denominated investments). The investments are secured against Euro-valued and USD-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 five forward foreign exchange contracts, to reduce the risk of adverse movements in currency exchange rates in relation to its non-Sterling 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 2021, 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 2021 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 2021	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	**1,508**	**37,760**	**111,492**	**428,341**	**579,101**
Other receivables and prepayments	**70**	**7**	**51**	**-**	**128**
Derivative financial instruments	**285**	**207**	**-**	**-**	**492**
Cash and cash equivalents	**10,108**	**-**	**-**	**-**	**10,108**
Total financial assets	**11,971**	**37,974**	**111,543**	**428,341**	**589,829**
Financial liabilities					
Other payables and accrued expenses	**(39)**	**(1,317)**	**(89)**	**-**	**(1,445)**
Revolving credit facilities	**-**	**-**	**-**	**(19,546)**	**(19,546)**
Total financial liabilities	**(39)**	**(1,317)**	**(89)**	**(19,546)**	**(20,991)**
Net exposure	**11,932**	**36,657**	**111,454**	**408,975**	**568,838**

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

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.

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 issued by the Subsidiary to the Company 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 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.

31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss	-	-	446,989	446,989
Derivative financial instruments	-	492	-	492
	-	492	446,989	447,481

31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss	-	-	445,962	445,962
Derivative financial instruments	-	158	-	158
	-	158	445,962	446,120

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 primary input for Level 3 at year end is the discount rates for these investments (excluding the Co-living loan; refer below for further information); discount rates 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:

	31 December 2021 £'000	31 December 2020 £'000
Opening fair value of financial instruments	**445,962**	453,877
Investment in Subsidiary	**134,504**	126,545
Capital repayments from Subsidiary	**(117,735)**	(130,610)
Unrealised (loss)/gain on financial assets at fair value through profit or loss[1]:		
Debt - Secured Loan Notes up to £1,000,000,000	**(16,977)**	(5,161)
Equity - representing one ordinary share in the Subsidiary	**1,235**	1,311
Closing fair value of financial instruments	**446,989**	445,962

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 fair 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 2021, the NAV of the Subsidiary was as follows:

	31 December 2021 £'000	31 December 2020 £'000
GABI UK[1]	**3,342**	2,107

1. Refer to note 11 for further information.

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[2] £'000	Valuation technique	Key unobservable inputs	Discount rate
Financial assets at fair value through profit or loss - 31 December 2021	**428,189[3]**	**Discounted cash flow**	**Discount rate**	**7.5%[4]**
Financial assets at fair value through profit or loss - 31 December 2021	**18,800[5]**	**Net realisable value**	**Discount rate**	**-**
Financial assets at fair value through profit or loss - 31 December 2020	445,962	Discounted cash flow	Discount rate	8.4%[4]

1. Including the NAV of the Subsidiary.
2. Balance excludes the fair value of the Co-living loan amounting to £18.8 million, which is not valued on a discounted cash flow basis.
3. Weighted average discount rate[6].
4. Fair value of the Co-living loan which is not valued on a discounted cash flow basis, see below for further information.
5. Alternative performance measure - refer below for definitions and calculation methodology.

The investments in Project Companies held by the Subsidiary (excluding the Co-living loan) are valued on a discounted cash flow basis, in line with the methodology used by the Valuation Agent. At the year end, discount rates ranged from 5-13% (31 December 2020: 6-17%).

At 31 December 2021, the Group's Co-living loan was valued at £18.8 million, which represents an estimate of recoverability of amounts secured against six key underlying properties and four other underlying properties. The estimates were based on valuation reports from independent valuers in addition to discussions with potential buyers. Adjustments to reflect potential transaction risk involved with the sale of these assets of up to 10% were applied to the expected recovery amounts for the key properties.

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 £200,000 (31 December 2020: £201,000).
At 31 December 2021, liabilities in respect of these services amounted to £64,000 (31 December 2020: £50,000).

At 31 December 2021, the Directors of the Company held directly or indirectly, and together with their family members, 161,171 ordinary shares (31 December 2020: 141,521).

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 £4,000 (31 December 2020: £15,000) was paid to Carey Olsen in respect of legal work undertaken, of which £nil (31 December 2020: £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 in 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 £3,942,000 (31 December 2020: £3,917,000) in respect of the services outlined above; £3,916,000 (31 December 2020: £3,891,000) in respect of investment management services and £26,000 (31 December 2020: £26,000) in respect of AIFM services provided by the Investment Manager. At 31 December 2021, liabilities in respect of these services amounted to £977,000 (31 December 2020: £1,004,000).

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. Since IPO, such fees in respect of 14 of the Group's investments have been met and paid by the Company. During the year, the Investment Manager received £506,000 (31 December 2020: £216,000) from arrangement fees which had been met by the borrowers and £171,000 (31 December 2020: £367,000) 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 2021, the key management personnel of the Investment Manager held directly or indirectly, and together with their family members, 1,209,651 ordinary shares in the Company (31 December 2020: 1,244,982 ordinary shares).

At 31 December 2021, 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 rest of the portfolio and were approved by the Board at the time of acquisition.

Subsidiary
At 31 December 2021, the Company owns a 100% (31 December 2020: 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 100% of GABI Housing Limited, GABI GS Limited and GABI Blyth; for further information, refer to note 1.

The following tables disclose the transactions and balances between the Company and the Subsidiary:

Transactions	**31 December 2021 £'000**	31 December 2020 £'000
Intercompany income received		
Other income	**2,604**	2,442
Arrangement fee income	**293**	173
Loan interest income received	**32,931**	35,544
Total	**35,828**	38,159

Balances	**31 December 2021 £'000**	31 December 2020 £'000
Intercompany balances payable	**-**	-
Intercompany balances receivable	**64**	49
Principal value of intercompany holdings within financial assets at fair value through profit or loss	**464,425**	447,657[1]

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	**Per share pence**
NAV at 31 December 2021 as published on 25 January 2022 (unaudited)	**436,726**	**99.29**
NAV at 31 December 2021 as per the financial statements	**436,726**	**99.29**

	Total £'000	Per share pence
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

20. Subsequent events after the report date
On 27 January 2022, the Company announced a fourth interim dividend of 1.575 pence per ordinary share amounting to £6,927,000 which was paid on 4 March 2022 to ordinary shareholders on the register at 4 February 2022.

In addition to the above, the following events occurred post year end:

- the Group made eight advances totalling £16.6 million and received ten repayments totalling £31.7 million;
- the Company drew down an aggregate amount of £11.5 million on the RCF with RBSI and subsequently repaid the full £11.5 million, resulting in a total drawn amount of £19.9 million (not including the amount drawn down as alternative to cash cover for the forward exchange contracts);
- the Company's forward foreign exchange contracts shown in note 17.1 matured and were replaced on the same terms as the existing contracts;
- exclusivity has been granted in respect of the sale of three Co-living assets to a proposed REIT, GCP Co-Living REIT plc, an entity which following its launch, will be managed by the Investment Manager, a related party. However, due to the situation in Ukraine, the IPO of the REIT was paused in February 2022. These arrangements fall within the related party transaction rules under Listing Rule 11.1.10R; and
- following Russia's invasion of Ukraine on 24 February 2022, the unfolding conflict is being monitored closely. The Board and the Investment Manager have concluded that this event has had no material impact on the activities of the Company to date, nor on the fair value of financial assets at 31 December 2021. At the time of writing, the conflict and associated geopolitical uncertainty have impacted oil and gas prices and increased volatility in markets globally. The Investment Manager and the Board will continue to monitor these events closely.

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 PERFORMANCE 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, statement of changes in equity 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 and the write-down of the Company's Co-living loan.

Adjusted EPS	**For the year ended 31 December 2021 (Pence per share)**
Basic and diluted earnings	**3.40**
Adjustments to discount rates in respect of the Covid-19 pandemic	**(0.64)**
Write-down of the Co-living loan	**4.46**
Adjusted EPS	**7.22**

Annualised total shareholder return since IPO
Total shareholder return[1] expressed as a time weighted annual percentage.

Source: Bloomberg

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.

Average NAV
The average net asset value of the Company over the reporting year.

Quarter ended	NAV per share (pence)	**For the year ended 2021 £'000**	For the year ended 2020 £'000
31 March 2021/2020	102.49/99.93	**450,804**	441,189
30 June 2021/2020	102.71/100.83	**451,737**	445,172
30 September 2021/2020	98.94/101.29	**435,165**	447,197
31 December 2021/2020	99.29/102.18	**436,726**	449,762
Average NAV	100.86/101.06	**443,608**	445,830

1. Refer to relevant APM for further information.

Discount/average discount
The amount, expressed as a percentage, that the Company's shares trade below the prevailing NAV per share. This metric is shown at a point in time or as an average over the stated period.

Source: Bloomberg.

Dividend cover ratio
Ratio of earnings to dividends calculated as dividends per share divided by EPS.

Dividend cover ratio	**For the year ended 2021**	For the year ended 2020
Total profit and comprehensive income (£'000)	**14,972**	27,394
Weighted average number of shares	**439,895,094**	441,287,075
Basic EPS (p)	**3.40**	6.21
Dividends (p)	**6.30**	6.475
Dividend cover ratio	**0.54**	0.96

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	**For the year ended 2021 £'000**	For the year ended 2020 £'000
Investment Manager	**3,916**	3,917
Directors' fees	**200**	201
Administration expenses	**1,439**	1,635
Total expenses	**5,555**	5,753
Non-recurring expenses	**(209)**	(470)
Total	**5,346**	5,283

Average NAV[1]	**443,608**	445,830
Ongoing charges ratio	**1.2**	1.2

1. Refer to relevant APM for further information.

Premium/average premium
The amount, expressed as a percentage, that the Company's shares trade above the prevailing NAV per share. This metric is shown at a point in time or as an average over the stated period.

Source: Bloomberg.

Total shareholder return
A measure of the performance of a company's shares over the stated period. 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.

Total NAV return
A measure of the performance of a company's NAV over the stated period. 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.

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

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

Bidco
The special purpose company established to hold assets for sale as part of Co-living restructure

Borrower
Owner of a Project Company to which the Group advances loans

Carey Olsen
Carey Olsen Jersey LLP

CHP loan
A loan secured against combined heat and power engines

CIF Law
Collective Investment Funds (Jersey) Law 1988

CNG
Compressed natural gas

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

EPC
Energy Performance Certificate

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

HMO
Houses of multiple occupancy

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

ISSB
International Sustainability Standards Board

Jersey Company Law
The Companies (Jersey) Law 1991, as amended

JFSC
Jersey Financial Services Commission

KPI
Key performance indicator

LIBOR
London inter-bank offered rate

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

The Royal Bank of Scotland International Limited

RCF
Revolving credit facility

RHI
Renewable Heat Incentive

RPI
Retail price index

Secured Loan Notes
Loan notes issued to the Company

SFDR
EU Sustainable Finance Disclosure Regulation

SONIA
Sterling Overnight Index Average

Subsidiary and/or GABI UK
GCP Asset Backed Income Fund (UK) Limited

TCFD
Task Force on Climate-related Financial Disclosures

Total shareholder return
Refer to APMs section above

UK AIFM Regime
Together, The Alternative Investment Fund Managers Regulations 2013 (as amended by The Alternative Investments Fund Managers (Amendment etc.) (EU Exit) Regulations 2019) and the Investment Funds sourcebook forming part of the FCA Handbook, as amended from time to time

UK Code
UK Corporate Governance Code

Weighted average annualised yield
Refer to APMs section below

Weighted average discount rate
Refer to APMs section below

CORPORATE INFORMATION

The Company
GCP Asset Backed Income Fund Limited
12 Castle Street
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Jersey JE2 3RT

Directors and/or the Board
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Colin Huelin FCA
Joanna Dentskevich
Marykay Fuller

Administrator, secretary and registered office of the Company
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Advisers on Jersey law
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