GCP

GCP Asset Backed Income Fund Limited

(formerly Project Finance Investments Limited)

Annual report and financial statements

For the period 7 September 2015 to 31 December 2016

Contents

About us

The Company is a listed investment company focused primarily on asset-backed loans across a range of sectors predominantly in the UK.

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

The Company is a closed-ended investment company incorporated in Jersey. It was admitted to the premium listing segment of the Official List and to trading on the LSE's Main Market on 23 October 2015, and since then it has grown to a market capitalisation of £175.9 million as at 31 December 2016.

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www.gcpuk.com

At a glance as at 31 December 2016

£175.9m
Market capitalisation

£165.2m
Value of investments (including cash)

£7.2m
Profit for the period

106.88p
Ordinary share price

100p
NAV per ordinary share

5.82p
Dividends for the period[1]

14
Number of investments

11.2%
Total shareholder return for the period

Highlights for the period

- £106 million raised at IPO in October 2015
- IPO proceeds deployed quicker than anticipated resulting in the first dividend being brought forward by three months and first-year target annualised dividend being increased from 4 pence per share to 5 pence per share
- £44.1 million raised through the issuance of C shares in May 2016 and a further £15.6 million though a placing of ordinary shares in November 2016
- Profit for the period of £7.2 million
- Dividends of 4.32 pence per share paid for the period from IPO to 30 September 2016 and 1.5 pence per share for the quarter to 31 December 2016, paid on 21 February 2017
- Diversified portfolio of 14 asset-backed loans with a third party valuation of £158.3 million
- Fair value valuation of the Company's investment in the Subsidiaries' portfolio, of £158.4 million, with cash balances of £6.8 million at 31 December 2016
- Company NAV per ordinary share of 100 pence as at 31 December 2016
- Ordinary shares trading at a 6.9% premium to NAV as at 31 December 2016
- Total loans of £14.7 million advanced post period end
- Post period end, a further £79.3 million raised through the issuance of C shares in February 2017
- Total shareholder return for the period of 11.2%

1. Includes a dividend of 1.5 pence per share for the quarter to 31 December 2016 which was declared post period end.

Investment objectives

The Group invests in a diversified portfolio of fixed and floating rate loans secured against contracted, predictable medium to long-term cash flows and/or physical assets to meet the following key objectives:

Attractive risk adjusted returns

To provide shareholders with returns that are attractive with regard to both the level of return achieved and the risk taken.

The Company has invested in a diversified portfolio of loans secured against contracted medium to long-term cash flows and/or physical assets.

Regular, growing distributions

To provide shareholders with regular and growing dividend distributions.

The Company exceeded its target dividend yield of 4% as set out at IPO, met its revised target dividend yield of 5% for the first full financial year and has established a run-rate over the previous three quarters of an annualised dividend yield of 6%.[1]

Capital appreciation

To achieve modest appreciation in shareholder value over the long term.

Since inception, the Company's ordinary shares have traded at a premium to NAV. The Company's NAV per share has grown from 98 pence at IPO to 100 pence at the period end. The Company's ordinary shares were trading at 106.88 pence at the period end.

Key performance highlights

14

Number of investments as at 31 December 2016

8.2%

Weight adjusted average annualised yield on investment portfolio

5.82p

Dividend for period ended 31 December 2016

c.60%

Percentage of portfolio with interest rate protection and/or inflation linkage

106.88p

Share price of ordinary shares as at 31 December 2016

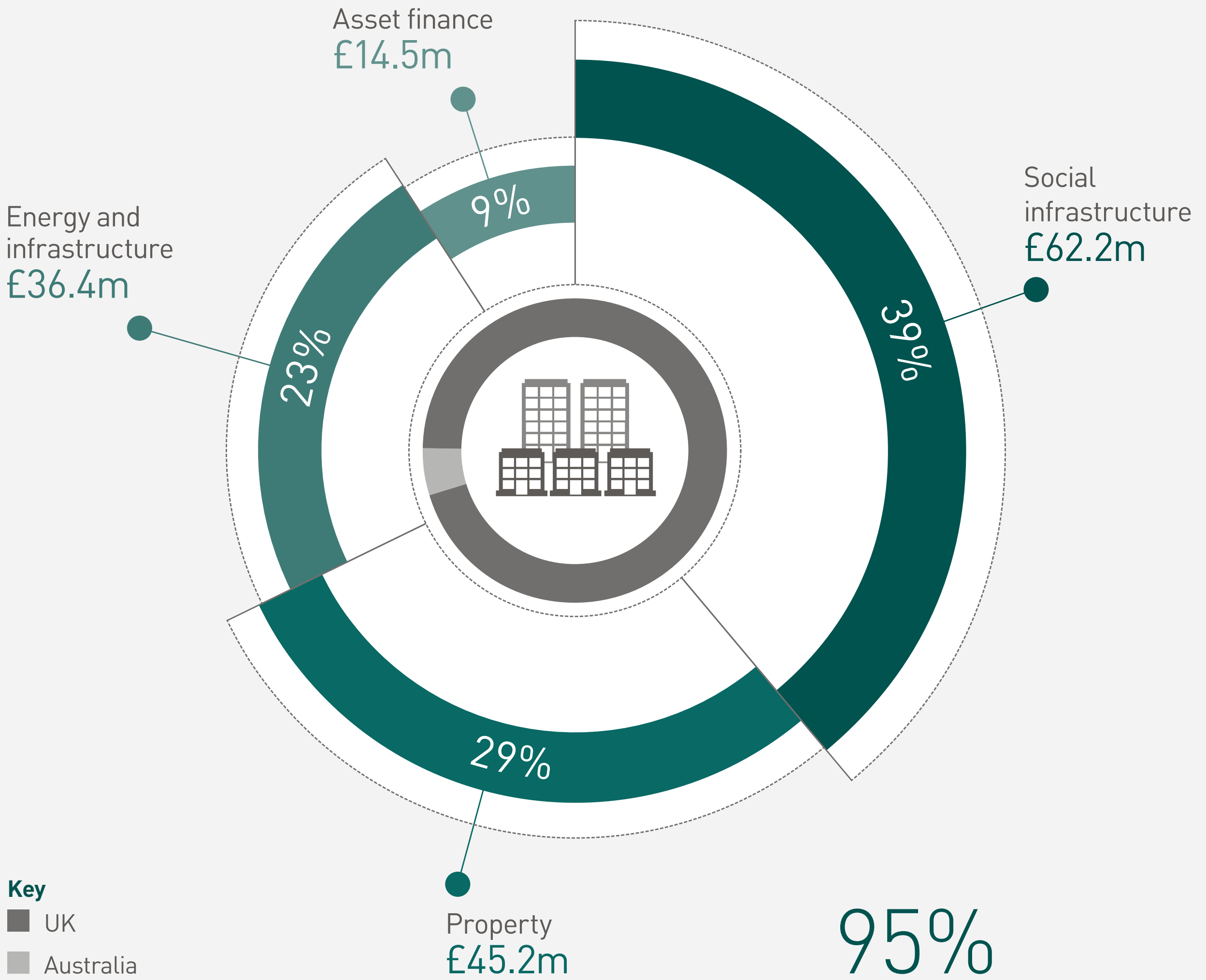
11.2%

Total shareholder return for the period

1. Information in relation to dividends set out above is for illustrative purposes only and is not intended to be, and should not be taken as, a profit forecast or estimate.

Portfolio at a glance

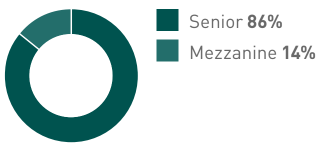
Diversified portfolio of fourteen asset-backed, Pound Sterling denominated loans with an average life of twelve years:



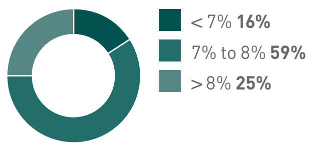
95%

Secured against UK based assets

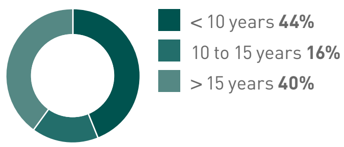
Portfolio by security ranking



Portfolio by yield



Portfolio by expected term



Chairman's statement

Alex Ohlsson
Chairman

In the period, the Company raised c.£166 million through equity issuances and invested £159.6 million in 14 loans.

Introduction

On behalf of the Board, I am pleased to present the Company's first annual report and financial statements following a successful period since IPO in October 2015. In the period, the Company raised c.£166 million through equity issuances and invested £159.6 million in 14 loans that continue to perform in line with expectations. It is pleasing to note that the Investment Manager deployed capital raised expeditiously and at attractive rates enabling the Company to exceed its stated IPO dividend target in respect of this first initial period by 25%, with dividends totalling 5.82 pence per ordinary share paid and declared for the period.

The Company was established to meet a market need for bespoke lending products that are tailored to a borrower's specific requirements in areas of the market that are currently underserved by mainstream lenders. It invests in a diversified portfolio of investments which are secured against contracted, predictable medium to long-term cash flows and/or physical assets. The Investment Manager focuses primarily on loans secured against assets that are integral to society in sectors such as energy, waste, social infrastructure and property.

The Board is grateful for shareholders' support for the Company and is pleased to have established a broad and diversified shareholder register. Inclusion in the FTSE All-Share Index in June 2016 has further enhanced market liquidity of the Company's ordinary shares in the secondary market.

Introduction

Strategic report

Governance

Financial statements

Market conditions remain supportive to the Company's strategy with the low interest rate environment continuing to make the Company's ability to generate regular income attractive for investors.

Market overview

Market conditions remain supportive to the Company's strategy with the low interest rate environment continuing to make the Company's ability to generate regular income attractive for investors. Approximately 60% of the Company's investment portfolio benefits from either inflation linkage or interest rate protection, a characteristic that acts as a mitigation against concerns regarding inflation and interest rates.

Tightening regulatory capital controls are forcing mainstream lenders to hold more equity capital against their risk-weighted assets or to reduce the value of these assets on their balance sheets. This has resulted in bank lenders becoming more restricted regarding the sectors that they will lend against and the loan covenants, term and size they are prepared to accept. These lending decisions, driven by regulatory factors and not based on an analysis of the credit quality of end borrowers, have created opportunities for alternative lenders.

Furthermore, bespoke lending opportunities that sit outside of standard credit products tend to require significant expertise to analyse investment risk and to structure transactions that address specific borrower requirements. The investment process can be resource intensive and mainstream lenders generally prefer to focus on simpler areas of the market. The Company on the other hand has the required experience and personnel to understand comprehensively relatively complicated investment opportunities, perform the necessary due diligence and tailor a flexible lending product to meet a borrower's needs.

This approach to lending means the Company and its shareholders can continue to benefit from the many gaps left by mainstream lenders. The Investment Manager continues to see substantial asset-backed finance investment opportunities with a pipeline of suitable investments in the near term of c.£168 million.

NAV and share price performance

At the period end, the net assets of the Company were £164.6 million. The NAV per ordinary share increased from 98 pence immediately following the Company's IPO to 100 pence at 31 December 2016. The Company's ordinary shares have traded at a premium to NAV since inception, with an average premium over the period of 7.1%. At 31 December 2016, the share price for the ordinary shares was 106.88 pence.

Dividend policy

The Company paid dividends in respect of the financial period to 31 December 2016 of 5.82 pence per ordinary share, thereby meeting its revised IPO target annualised yield of 5% for that period. Looking forward, the Company is targeting an annual dividend of 6 pence per ordinary share.[1]

1. Information in relation to dividends set out above is for illustrative purposes only and is not intended to be, and should not be taken as, a profit forecast or estimate.

Chairman's statement continued

Scrip dividend facility

A resolution will be put to shareholders at the forthcoming AGM to propose the introduction of a scrip dividend facility. The proposed scrip dividend facility will give ordinary shareholders the opportunity to elect to receive new ordinary shares, these being scrip shares, in the Company in place of their cash dividend payments.

The scrip dividend facility will enable ordinary shareholders to increase their holding in the Company without incurring dealing costs, while the Company benefits from the retention of cash, which would otherwise be paid out as a dividend. Shareholders should consult their own professional tax advisers in relation to the tax consequences of electing to receive any scrip shares.

Subject to approval of the relevant resolution by shareholders, it is intended that the scrip dividend facility will enable ordinary shareholders to elect for scrip shares in place of their cash dividend with effect from the quarterly dividend for the period ended 30 June 2017. Further details will be published by the Company at the appropriate time.

Company name change

With effect from 12 October 2016, the Company changed its name to GCP Asset Backed Income Fund Limited following approval by shareholders at the 2016 AGM. The Board believes that the revised name more accurately reflects the Company's investment approach of making loans secured against a diversified portfolio of asset-backed, income generative investments.

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 UK Code, which was updated in April 2016. A copy of the UK Code is available at www.frc.org.

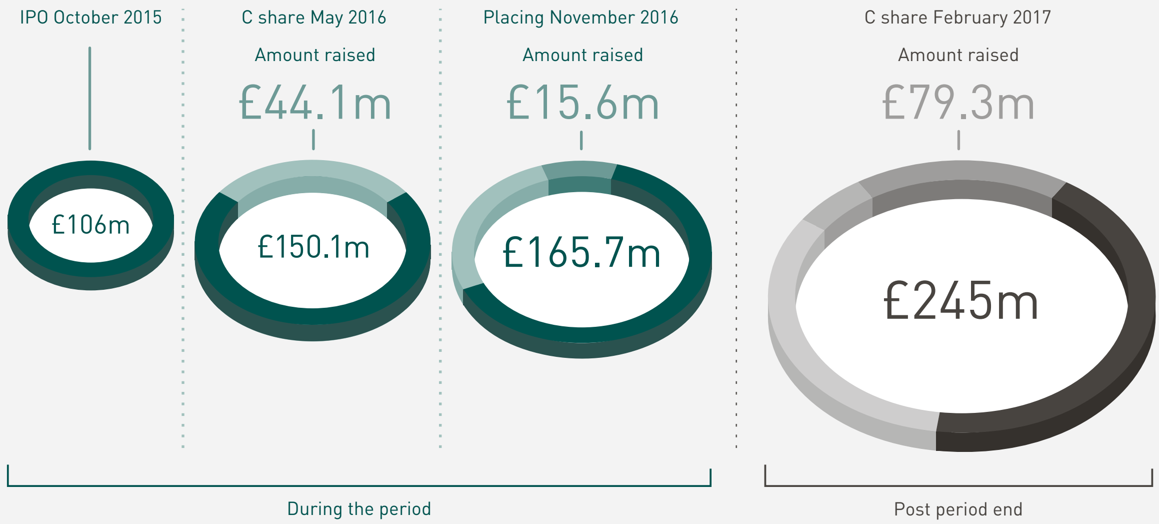
Alex Ohlsson
Chairman

12 April 2017

1. Information in relation to dividends set out above is for illustrative purposes only and is not intended to be, and should not be taken as, a profit forecast or estimate.

Company performance

Capital growth through equity issuance since IPO



Shareholder returns since IPO

Total shareholder return for the period

11.2%

Annualised dividend yield on IPO issue price

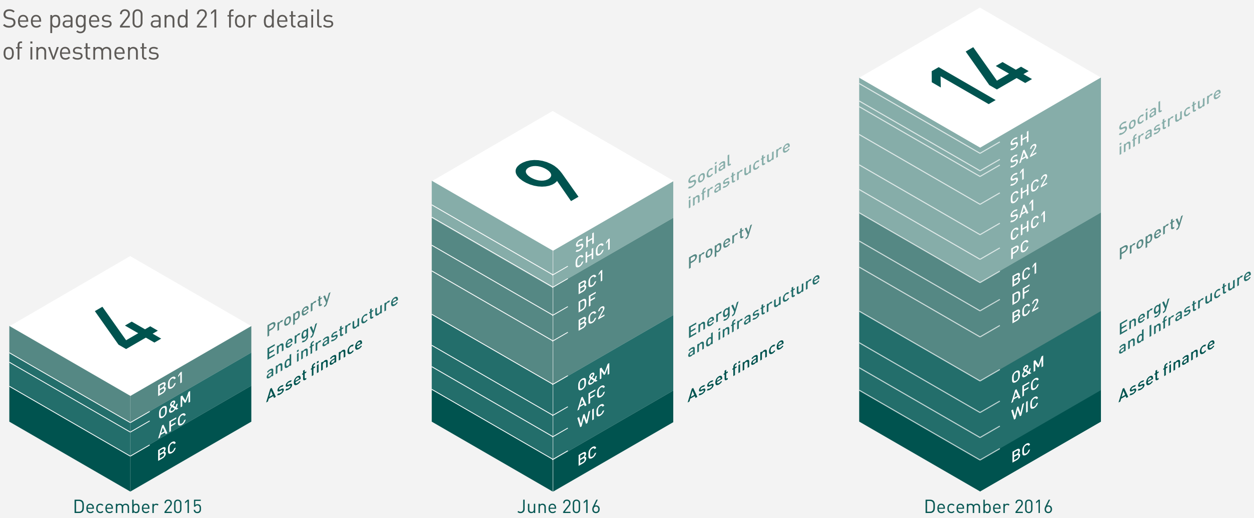
5%

Dividends

5.82p

Investments made since IPO

See pages 20 and 21 for details of investments



Strategic report

Strategic overview

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

Read more pages 10 to 13

Asset-backed lending

The Investment Manager continues to see substantial asset-backed finance investment opportunities with a pipeline of suitable investments in the near term of c.£168 million.

Read more pages 14 and 15

Market outlook

Market conditions remain supportive to the Company's strategy with the low interest rate environment continuing to make the Company's ability to generate regular income attractive to investors.

Read more pages 16 and 17

Review of the period

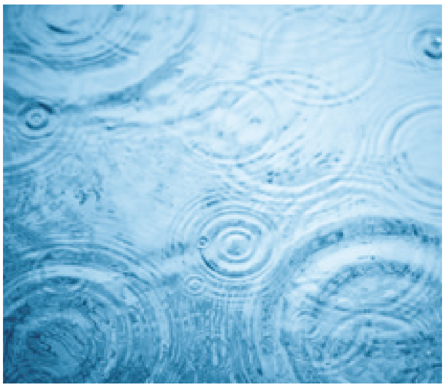
The Company has raised £165.7 million in the period, deploying substantially all capital into fourteen investments and delivered a total shareholder return of 11.2%.

Read more pages 18 to 21

Investment portfolio

The Company is exposed to a portfolio of fourteen asset-backed loans valued at £158.3 million with an average annualised yield of 8.2% and an average life across the portfolio of twelve years.

Read more pages 22 and 23



Principal risks and uncertainties

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

Read more pages 24 to 27

Strategic overview

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

Investment objectives and policies

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

The Company will seek to meet its investment objective by making investments in a diversified portfolio of asset-backed loans. The Company's investments are predominantly 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 asset-backed 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 currently anticipates that it will make investments directly or indirectly through one or more underlying special purpose vehicles which will typically be wholly owned by the Company and over which the Company will exercise control as regards to 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 loan agreements or other legal arrangements.

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 will observe the following investment restrictions:

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

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

Non-financial objectives of the Company

The key non-financial objectives of the Company are:

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

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.

Dividend policy

The Company intends to pay dividends on a quarterly basis with dividends declared in January, April, July and October and paid in February, May, August and November in each financial year.

Target returns

The Company will target an IRR of between 7% and 8% (net of expenses and fees) on the IPO price over the long term.[1]

Conflicts of interest

Where there is any overlap for a potential investment with GCP Infrastructure (a third-party company advised by the Investment Manager), GCP Infrastructure has a right of first refusal over such investment.

In the event that the Investment Manager or any partners, 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.

As disclosed in the prospectus published on 20 January 2017, the partners of the Investment Manager indirectly own an equity interest in two of the Company's investments, details of which can be found on page 19 under the heading "Conflicts of interest".

Delivery of investment objectives through implementation of investment strategy

Investment objective	Implementation of investment strategy
Attractive risk adjusted returns **To provide shareholders with returns that are attractive with regard to both the level of return achieved and the risk taken.**	**Investments in sectors being underserviced by mainstream lenders** The Company targets investments in asset classes that are not serviced by mainstream lenders, for which there exists a surplus of capital demand over supply. This may be due to scale, sector, tenure or other restrictions driven by internal lender policies and/or regulatory constraints. Less competition to service these sectors means the Company can demand a premium over the risk being taken.
	Creation of bespoke lending products The Company focuses on addressing a borrower's needs through designing lending products that meet a specific financing requirement. The origination and structuring activities associated with this approach is resource intensive, requiring specific risk analysis, the development of documentation and bespoke financial analysis in each case. The Company's ability to invest such resource to meet a borrower's requirements justifies an additional premium relative to the underlying risk of an asset.
	Diversification of sectors The Company benefits from having a wide investment mandate, allowing it to be flexible in seeking investments in sectors that produce the most attractive risk/return profile. This means that to the extent particular sectors mature and the cost of capital available to such sectors falls, the Company is able to seek new areas that meet its return targets.
	Established investment process and due diligence The Investment Manager has significant experience in identifying, reviewing and conducting due diligence on new investment opportunities. Where appropriate, the Company engages third-party, independent, specialist advisers on each transaction to complement the Investment Manager's analysis in order to ensure the legal, market, credit, technical, insurance, finance, tax and regulatory aspects of each transaction are correctly considered.

1. Information in relation to the IRR set out above is for illustrative purposes only and is not intended to be, and should not be taken as, a profit forecast or estimate.

Strategic overview continued

Investment objective	Implementation of investment strategy
Attractive risk adjusted returns continued	**Structural separation of risks in investment structure** The Company uses an established model of structuring investments, taken from project finance. This approach involves the detailed identification of the risks associated with owning an asset and the monetisation of the goods and/or services produced by an asset. The asset, together with the key licences and consents required to monetise such asset, are owned by a newly formed company with the specific purpose of holding this asset. Where appropriate, third party service providers are engaged to manage these risks through contractual arrangements with the Project Company. This results in a structure where the residual risks associated with investing in the Project Company are clearly delineated and are well understood.
	Investments in debt The Company's investments are primarily in debt structures secured against the value of the physical asset and contractual relationships generating revenues from the sale of services and/or goods produced by such asset. Secured debt structures give the Company layers of protection in the event an asset underperforms, with the ultimate ability to take control over an asset or the company with asset ownership to protect the value of an investment.
	Delivery of investment objective The Company has generated risk-weighted returns to shareholders in excess of investments with an equivalent risk profile. 8% **Weighted average discount rate[1]** 11.2% **Total shareholder return for the period**
Regular, growing distributions **To provide shareholders with regular and growing dividend distributions.**	**Cash flows from assets that create goods or services for which a structural demand exists** The Company's ability to pay a regular dividend is supported by investments in assets that create medium to long-term cash flows. These cash flows are supported by a structural demand for the goods or services produced by an asset. For example, the Company's investment in social housing creates a regular income underpinned by an asset providing a service to society for which there is a structural and enduring demand. Similarly, the domestic boilers funded by the Company produce a regular income supported by the critical nature of a boiler in an individual's home.
	Medium to long-term capital When making investments, the Company ensures capital is deployed effectively and remains income generating for the duration of an investment. The Company intends to balance amortising loans with bullet repayments, to allow capital repayments and associated reinvestment requirements to be predictable. Further, the Company typically restricts early or "voluntary" repayment of loans. To ensure the higher income levels are maintained for as long as possible, the Company has the ability to secure through investment of resource in an emerging sector or to create bespoke products.
	Delivery of investment objective The Company has increased its annualised dividend target for the first year from 4 pence per share to 5 pence per share and generated positive profitability in the period. 5.82p **Dividends paid or declared for the period ended 31 December 2016** £7.2 million **Profit for the period**

1. The weighted average discount rate is the weighted average of the discount rates adopted by the independent Valuation Agent to value the portfolio of assets, taking into account the various factors that may impact the risk profile of the loan.

Investment objective	Implementation of investment strategy
Capital appreciation To achieve modest appreciation in shareholder value over the long term.	**Income generation in excess of dividends and costs** In the 14 months since the Company's IPO, the Company has established a run-rate of income generation in excess of its aggregate costs and target dividend payment. This has been shown in the growth of the NAV since IPO.
	Inflation linkage Approximately 60% of the Company's portfolio has an element of inflation linkage, creating income that grows either directly with inflation or in the event that inflation exceeds a particular level. Long-term inflation assumptions are not factored into quarterly valuations and therefore there is potential for NAV growth in the medium to long term.
	Equity upsides Where possible, the Company seeks to build equity upside into its investments. Whilst the primary investment in all cases remains debt based, maintaining the investment disciplines and downside protection this provides, where such debt is materially contributing to the growth of a business it is reasonable for the Company to seek additional equity style upside. This may be achieved through nominal equity holdings, share warrants, or profit sharing mechanisms on interest rates.
	Delivery of investment objective The Company's NAV per share has grown from 98 pence at IPO to 100 pence as at the period end. 100p **NAV per ordinary share as at 31 December 2016** 2% **NAV growth since IPO**

Asset-backed lending

The Investment Manager continues to see substantial asset-backed finance investment opportunities with a pipeline of suitable investments in the near term of c.£168 million.

Asset-backed lending overview

Asset-backed lending is an approach to structuring investment that is used to fund infrastructure, industrial or commercial projects, asset financing and equipment leases. Asset-backed lending relies on (i) the intrinsic value of physical assets; and/or (ii) the value of long-term, contracted cash flows generated from the sale of goods and/or services produced by an asset; to create security against which investment can be provided.

Asset-backed lending is typically provided to a Project Company, which is a special purpose company established with the specific purpose of owning and operating an asset. Financing is provided to the Project Company with recourse solely to the assets of that Project Company and distributions to service loans or other financing relies on the monetisation of the goods and/or services such asset provides. Lenders implement a security structure that allows them to take control of the Project Company and assume the benefits of the asset and service contracts if the Project Company has difficulties complying with financing terms.

Typically, an asset-backed lending structure involves a number of counterparties, who enter into contractual relationships with the Project Company that apportion value and risk through providing services (e.g. operations and maintenance) associated with the development, ownership and/or operations of an asset. In structuring an asset-backed loan, the Project Company will seek to ensure risks (and associated value) are apportioned to those counterparties best able to manage them. This ensures the effective pricing and management of risks inherent in the asset.

The benefits associated with asset-backed debt investments

Investment in asset-backed loans offers relatively secure and predictable returns to their lenders, when compared with corporate lending. Further, the reduction since 2007 in the availability of mainstream debt (primarily from banks) has created the potential for more attractive pricing on debt investments particularly where such investments have been originated and structured to accommodate the borrowers' specific requirements. In particular, where borrowers may not have access to mainstream financing for reasons other than the creditworthiness of the relevant project, such as loan size, tenure, structure or an understanding of the underlying cash flows and/or asset, attractive rates are available for those willing to commit the resource, innovation and time to understanding and identifying a solution for a specific borrower's requirements.

A key benefit arising from the Investment Manager's approach to asset-backed lending is transparency. A loan secured against a specific asset (within a company established specifically for that asset) is capable of analysis broadly by reference to a set of known variables such as:

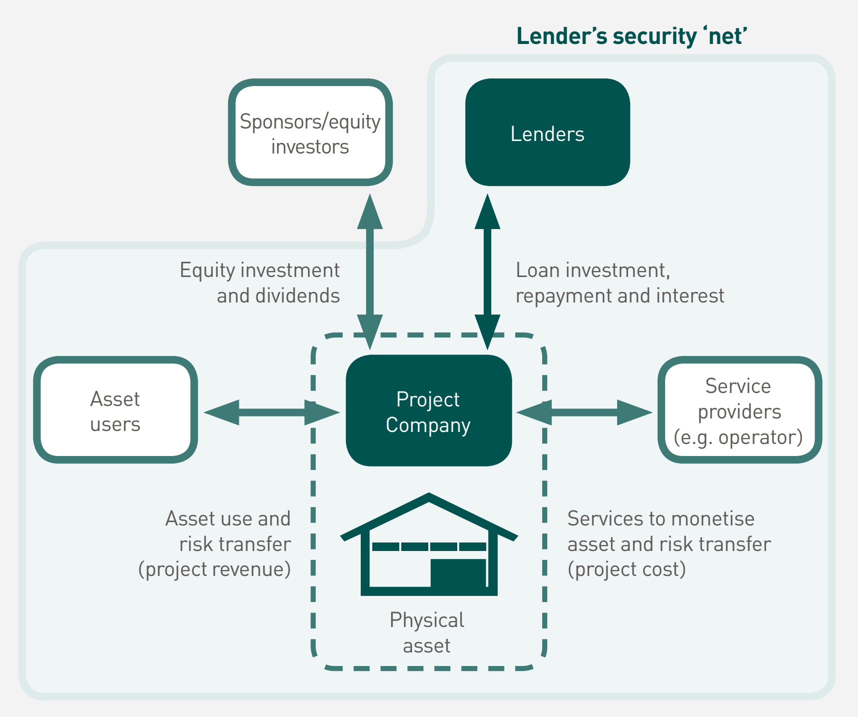
- how an asset generates cash flow;
- its current value;
- expected future value;
- the competence of its service providers; and
- the availability of alternative service providers in the event of operator failure.

By contrast, a corporate loan tends to be analysed by reference to its last reporting date, and thus such an analysis is out of date by definition; moreover, the impact of unforeseeable variables (such as the leveraged buyout of a previously investment grade credit), any off balance sheet liabilities or specific business risks may render any such analysis wholly irrelevant in a short space of time.

The need to fully understand the risks associated with a given asset, and structure arrangements with experienced service providers to effectively manage those risks, requires specialist skills and resources. For this reason, the Company's target market remains underserviced by mainstream lenders therefore offering an attractive risk-adjusted return for parties with relevant experience and access to the required resources.

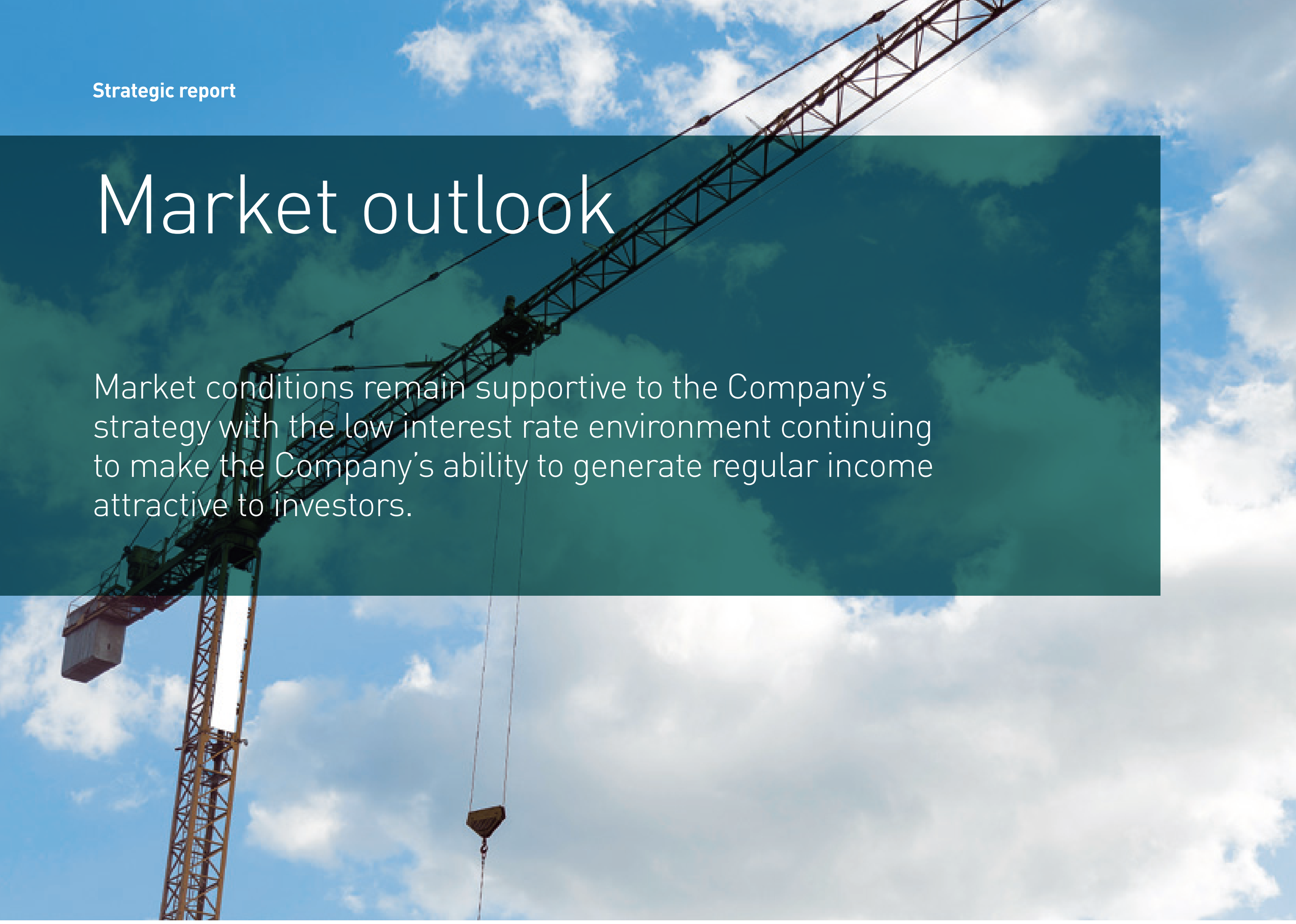
The increased volatility in equity markets seen post the Brexit vote, and the uncertainty the Brexit process creates, is expected to reinforce the attractiveness of investing in assets that have the ability to generate contracted, long-term, predictable cash flows over the medium and long term.

Typical investment structure



Market outlook

Market conditions remain supportive to the Company's strategy with the low interest rate environment continuing to make the Company's ability to generate regular income attractive to investors.



Target sector updates

Social infrastructure

The Company continues to see opportunities in assets that provide a core service to society, such as social housing, care for the elderly and student accommodation. These investments are supported by a structural excess of demand for a service over the supply in a certain geography. For example, London is estimated to have c.70,000 dedicated student beds compared with c.370,000 students. Similarly, local authorities continue to have an obligation to provide housing for vulnerable adults, and the Company has financed a number of developments with housing associations in locations with an undersupply of such provision.

Due to the high quality nature of the credit opportunity in these sectors, the Company has seen increased competition for new opportunities, with significant capital raised in funds targeting social housing and large institutions committing financing to this sector. The Company's response will be to continue to seek attractive opportunities in the social infrastructure space where such competition is not occurring due to the stage of maturity or scale of investment required, such as the provision of temporary emergency accommodation for local councils and short-term community developments in under-utilised inner-city locations.

Energy and associated infrastructure

The UK continues to experience a number of pressures on energy generation and consumption, driven by the "trilema" of balancing cost, energy security and the green agenda. Reductions in feed-in-tariffs and the move to the contract for difference mechanism will favour certain technologies, with nuclear and offshore wind expected to be the main beneficiaries of future direct government support. Alongside this, the UK government continues to promote renewable heat and the evolution of a 'smart grid', through the deployment of smart meters and the promotion of generation and demand side services through the system operator (National Grid), such as grid frequency response and energy storage. Energy efficiency continues to be an economically viable investment for commercial and industrial enterprises in the absence of subsidies where sufficient scale can be aggregated across a number of sites. Further, the UK continues to lag behind its European counterparts in the volume of waste sent to landfill, creating opportunities to generate income as an alternative to paying landfill tax in waste uses for energy generation or other recycling and recovery applications.

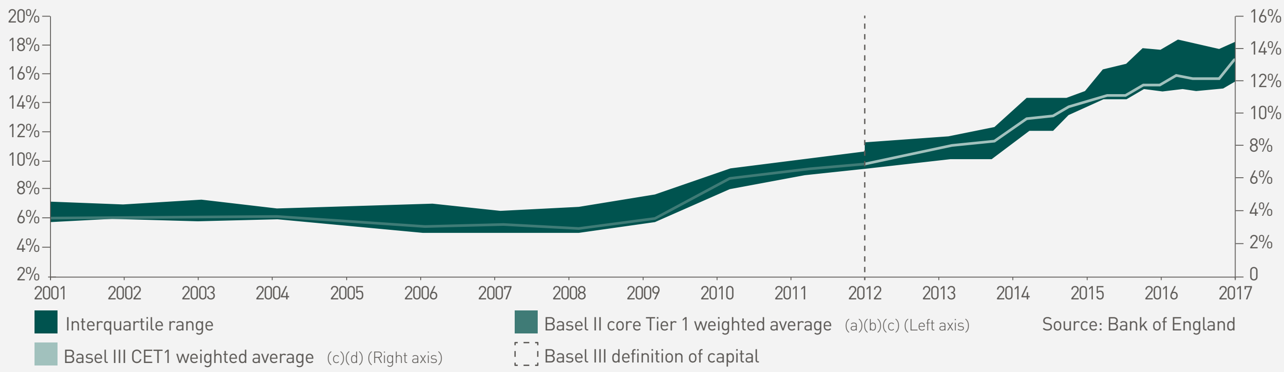
Asset finance

The asset finance sector continues to be competitive, with established finance providers active in the financing of well-understood and common assets, such as vehicles and electronic goods. The Company targets opportunities in more niche assets that require bespoke analysis due to the asset type or the circumstances of the asset, such as domestic boiler financing.

Property

The Company has identified certain areas of the residential mortgage sector that are being underserved by mainstream lenders for reasons other than credit quality. In particular, short-term bridge finance for property purchases and developments has been an area the Company has been able to secure attractive interest rates at conservative LTV ratios against a diverse pool of assets. The Company has developed strong relationships with a number of bridge finance providers.

Major UK banks' capital ratios



Source: Bank of England

(a) Major UK banks' core Tier 1 capital as a percentage of their risk-weighted assets. Major UK banks are Banco Santander, Bank of Ireland, Barclays, Co-operative Banking Group, HSBC, LBG, National Australia Bank, Nationwide, RBS and Virgin Money. Data excludes Northern Rock/Virgin Money from 2008.

(b) Between 2008 and 2011, the chart shows core Tier 1 ratios as published by banks, excluding hybrid capital instruments and making deductions from capital based on FCA definitions. Prior to 2008 that measure was not typically disclosed; the chart shows Bank calculations approximating it as previously published in the report.

(c) Weighted by risk-weighted assets.

(d) From 2012, the 'Basel III common equity Tier 1 capital ratio' is calculated as CET1 capital over risk-weighted assets, according to the CRD IV definition as implemented in the UK. The Basel III peer group includes Barclays, Co-operative Banking Group, HSBC, LBG, Nationwide, RBS and Santander UK.

Specialist lending

The specialist lending market has experienced a reduction in the lending activity of mainstream credit providers. This reduction has been driven by requirements on banks to increase equity capital ratios as part of legislation such as Basel III and the periodic stress testing of the banking sector. Historic increases in the CET1 capital ratio, an indicator of the level of first loss equity capital, of the main UK banks is shown in the chart above. Improvements to equity ratios are achieved either through building additional equity reserves, by attracting investment or through reducing dividends; or reducing the risk-weighted assets on a bank's balance sheet, achieved through:

(i) the realisation of impairments;

(ii) a move to investments in lower-risk assets (demonstrated by reductions in investment banking activities); or

(iii) a reduction in lending activities in certain sectors and/or tightening of financial covenants (such as LTV ratios) in remaining sectors.

It is this final area that has created, and will continue to create, an opportunity for the Company.
The withdrawal of mainstream lenders from certain sectors, or a tightening of lending terms, has led to these credit opportunities facing a surplus of demand for capital over supply for reasons other than the credit quality of the lending proposition. The market response has been the emergence of challenger banks, peer-to-peer lenders and investment companies (such as the Company) seeking to redress this imbalance.

Investment pipeline

The Investment Manager maintains a pipeline of potential investments on behalf of the Company. At the end of the period, the pipeline represented c.£168 million of new opportunities. The Investment Manager continues to market and originate new opportunities through its network of developers and advisers and the Investment Manager continues to see attractive investment opportunities across a variety of sectors, including energy, social infrastructure, waste and specialist property.

Review of the period

The Company has raised £165.7 million in the period, deploying substantially all capital into 14 investments and delivered a total shareholder return of 11.2%.

Financial performance

The Company has prepared its annual report and financial statements in accordance with IFRS.

In the period to 31 December 2016, the Company's portfolio generated investment income of £9.7 million. Total profit for the period was £7.2 million, with earnings per ordinary share of 6.91 pence and diluted earnings per ordinary share of 6.12 pence. The Company's ongoing charges percentage, a measure expressed as a percentage of NAV, of the regular, recurring costs of running an investment company was 1.03% for the period from IPO to 31 December 2016.

The Company paid dividends totalling 4.32 pence per share for the period from IPO to 30 September 2016 with a further dividend of 1.5 pence per share for the quarter to 31 December 2016 paid on 21 February 2017.

Cash position

The Company received interest payments of £8.4 million from investments and capital repayments of £1.8 million in the period, in line with expectations. The Company paid dividends of £5.2 million during the period and a further £2.5 million post period end.

The Company raised £165.7 million of equity capital and made investments of £159.6 million. Total cash reserves at the period end were £6.8 million.

Capital raised

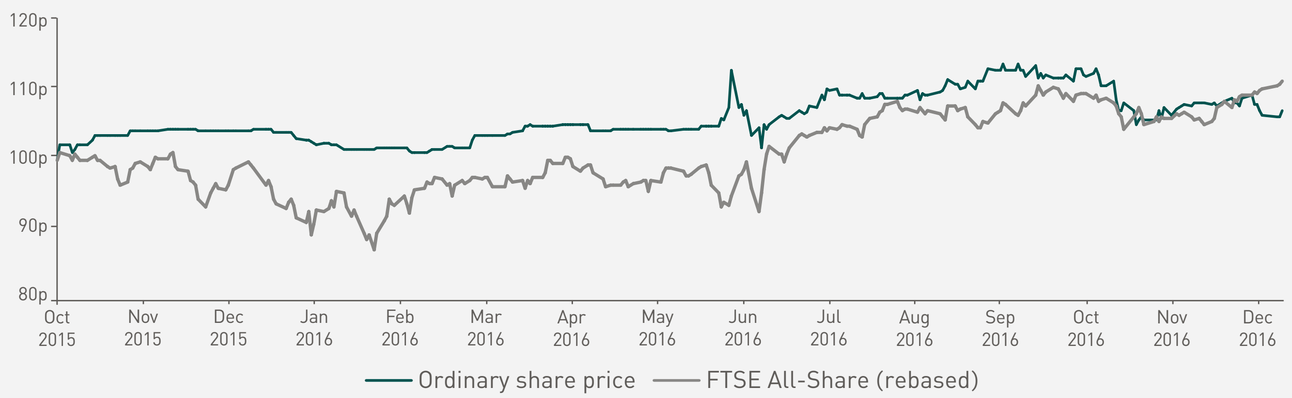
The Company raised £106 million at IPO issuing 106,000,000 ordinary shares at an issue price of 100 pence per share. On 24 May 2016, the Company raised £44.1 million by way of an open offer, placing and offer for subscription of 44,086,270 C shares at an issue price of 100 pence per share. On 2 November 2016, the Company raised a further £15.6 million by way of a non-pre-emptive placing of 14,964,734 ordinary shares at an issue price of 104.50 pence per share. Post period end, on 10 February 2017, the Company raised £79.3 million by way of an open offer, placing and offer for subscription of 79,250,000 C shares at a price of 100 pence per share.

NAV and share price performance

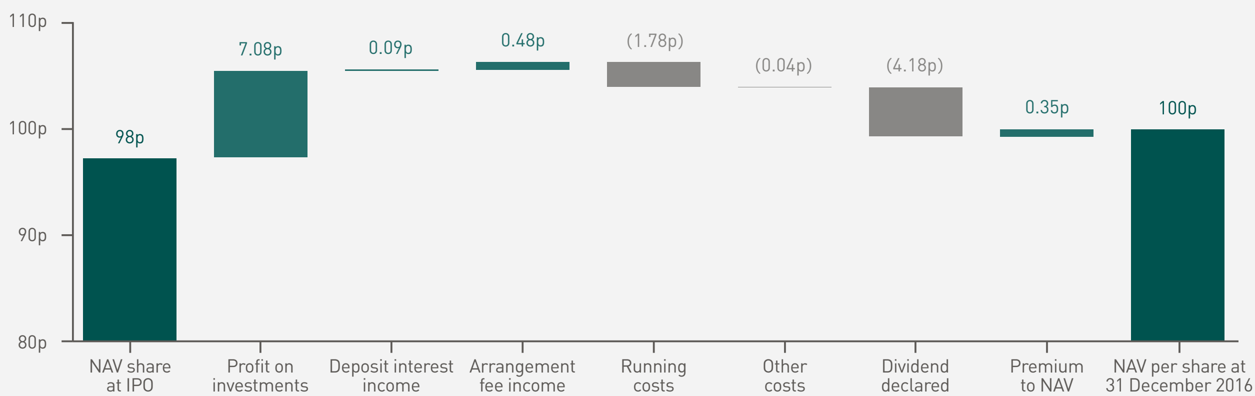
Net assets attributable to equity holders at 31 December 2016 were £164.6 million, up from £105.4 million at 30 June 2016. The Company's NAV per ordinary share has increased from 98 pence at IPO to 100 pence per ordinary share as at 31 December 2016, a 2% increase since IPO.

The Company's ordinary shares have traded at a premium to the latest published prevailing NAV since IPO, with an average premium over the financial period of 7.1%. At 31 December 2016, there were 164,612,083 ordinary shares in issue.

Share price performance since IPO



NAV movement for the period since IPO



Conflicts of interest

On 24 August 2016, the Company announced an investment of £13.5 million to finance the construction project of a private student residential accommodation development located adjacent to Queen Mary University of London.

On 16 December 2016, the Company announced an investment of £15 million to finance the construction project of six private student accommodation developments in Australia.

As set out in the prospectus published on 20 January 2017, the partners of the Investment Manager indirectly own an equity interest in these two development projects. In accordance with the Company's investment approval process, these investments were reviewed and approved by the Board.

Review of the period continued

Key investment highlights

The Company made 14 investments during the period totalling £159.6 million: three investments in the energy and infrastructure sector; one in asset finance; three property investments and seven investments in social infrastructure projects. The Company received capital repayments of £1.8 million, in line with expectations for the period. The Company made a further four investments totalling £14.7 million post period end.

Investments made during the period

Investment	Loan		Project
Bridging Co 1 ("BC1")	Amount Term Security Status	£20.3 million 7 years Senior Operational	Bridge financing for the purchase of UK residential property.
Boiler Co ("BC")	Amount Term Security Status	£15.6 million 10 years Senior Operational	The financing of new domestic gas boilers in residential properties across the UK.
Waste Infra. Co ("WIC")	Amount Term Security Status	£14.5 million 15 years Senior Construction	The construction of a materials recovery facility near Heathrow, London.
Bridging Co 2 ("BC2")	Amount Term Security Status	£13.0 million 5 years Senior Operational	Bridge financing for the purchase of UK residential property.
Development Finance Co ("DF")	Amount Term Security Status	£12.0 million 5 years Senior Operational	Short-term financing for the development of UK residential property.
Care Homes Co 1 ("CHC1")	Amount Term Security Status	£11.3 million 20 years Senior Construction	The construction of a care home providing high-end nursing and dementia care in the UK.
O&M Co ("O&M")	Amount Term Security Status	£10.7 million 15 years Senior Operational	The financing of the operations and maintenance contracts for a portfolio of small rooftop solar installations based in the UK.
Asset Finance Co ("AFC")	Amount Term Security Status	£11.5 million 18 years Senior Operational	The financing of small distributed assets such as wind turbines and biomass boilers based in the UK.
Social Housing Co ("SH")	Amount Term Security Status	£10.5 million 21 years Senior Operational	The acquisition and refurbishment of residential housing in the UK to accommodate high-dependency adults through an "assisted living" model.
Student Accom Co 1 ("SA1")	Amount Term Security Status	£14.0 million 2 years Subordinated Construction	Financing of a construction project for a private student residential accommodation in London.

Investment	Loan		Project
Care Homes Co 2 ("CHC2")	Amount Term Security Status	£12.8 million 20 years Senior Construction	The construction of a UK based care home providing high-end nursing and dementia care.
Social Co 1 ("S1")	Amount Term Security Status	£2.6 million 3.5 years Senior Construction	Financing of multi-use social infrastructure development in London.
Student Accom Co 2 ("SA2")	Amount Term Security Status	£8.0 million 5 years Subordinated Construction	Financing of a portfolio of six private student accommodation developments in Australia.
Property Co ("PC")	Amount Term Security Status	£2.8 million 20 years Senior Construction	Financing of three supported living developments and a high-specification complex care facility in the UK.
		Investments totalling £159.6 million	

Capital repayments in the period

Investment	Loan		Project
Boiler Co ("BC")	Amount	£1.2 million	The financing of new domestic gas boilers in residential properties across the UK.
O&M Co ("O&M")	Amount	£0.4 million	The financing of the operations and maintenance contracts for a portfolio of small rooftop solar installations based in the UK.
Asset Finance Co ("AFC")	Amount	£0.2 million	The financing of small distributed assets such as wind turbines and biomass boilers in the UK.
		Capital repayments totalling £1.8 million	

Investments made post period end

Investment	Loan		Project
Social Housing Co ("SH")	Extension	£3.1 million	The acquisition and refurbishment of residential housing based in the UK to accommodate high-dependency adults through an "assisted living" model.
Bridging Co 3 ("BC3")	Amount Term Security Status	£2.5 million 5 years Senior Operational	Bridge financing for the purchase of UK residential property.
Property Co 2 ("PC2")	Amount Term Security Status	£5.3 million 3 years Subordinated Construction	The financing of a portfolio of co-living properties in London.
Property Co 3 ("PC3")	Amount Term Security Status	£3.8 million 3 years Subordinated Operational	The financing of a portfolio of buy-to-let mortgages in the UK.
		Investments made post period end totalling £14.7 million	

Investment portfolio

The Company is exposed to a portfolio of fourteen asset-backed loans valued at £158.3 million with an average annualised yield of 8.2% and an average life across the portfolio of twelve years.

Investment summary

- Social infrastructure **39%**
- Property **29%**
- Energy and infrastructure **23%**
- Asset finance **9%**

Investment portfolio

The valuation of the Group's 14 investments at 31 December 2016 was £158.3 million.

The Group's investments are supported by assets geographically located across the UK and Australia and exposed to a diverse range of asset types and sectors. As at 31 December 2016, the weight-adjusted average annualised yield was 8.2% across the portfolio with a weighted average expected term of twelve years. Seven of the loans have been advanced to companies with operating assets. The remaining seven loans have been advanced to companies with assets under construction.

Portfolio analysis

Portfolio by security ranking

- Senior **86%**
- Mezzanine **14%**

Portfolio by yield

- < 7% **16%**
- 7% to 8% **59%**
- > 8% **25%**

Portfolio by expected term

- < 10 years **44%**
- 10 to 15 years **16%**
- > 15 years **40%**

Key exposures

Top ten investments

Loan	Sector	Asset	% of total assets
Bridging Co 1 ("BC1")	Property	Residential property	12.3%
Waste Infra. Co ("WIC")	Energy and infrastructure	Material recovery facility	8.8%
Boiler Co ("BC")	Asset finance	Domestic boilers	8.8%
Student Accom 1 ("SA1")	Social infrastructure	Student accommodation	8.5%
Bridging Co 2 ("BC2")	Property	Residential property	7.9%
Care Homes Co 2 ("CHC2")	Social infrastructure	Care home	7.8%
Development Fin ("DF")	Property	Residential property	7.3%
Asset Finance Co ("AFC")	Energy and infrastructure	Various	7.0%
Care Homes Co 1 ("CHC1")	Social infrastructure	Care home	6.9%
Property Co ("PC")	Social infrastructure	Social housing	6.5%

Investment valuation

The Valuation Agent carries out a fair market valuation of the Company's investments on behalf of the Board 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 Company is calculated by applying a discount rate (determined by the Valuation Agent) to the cash flow expected to arise from each asset.

The weighted average annualised discount rate across the portfolio as at 31 December 2016 was 8%. The valuation of investments is sensitive to changes in discount rates applied. Sensitivity analysis detailing the impact of a change in discount rates is given in note 17.3.

Portfolio performance

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

The portfolio is performing well and there are no material issues to report. The assets under construction are all proceeding materially on time and budget, with a number of important milestones in relation to the completion of ground works passed in the period.

Brexit has been seen to impact upon the valuations of a number of UK-based property funds. As a result, the Investment Manager has closely reviewed those loans in the portfolio with property exposure, such as the bridge and development finance loans. The low LTVs and the type of property investment in these structures mean that the Investment Manager does not expect these loans to be impacted by Brexit-related factors, as demonstrated by the continued performance of these loans since the Brexit vote.

Company exposure

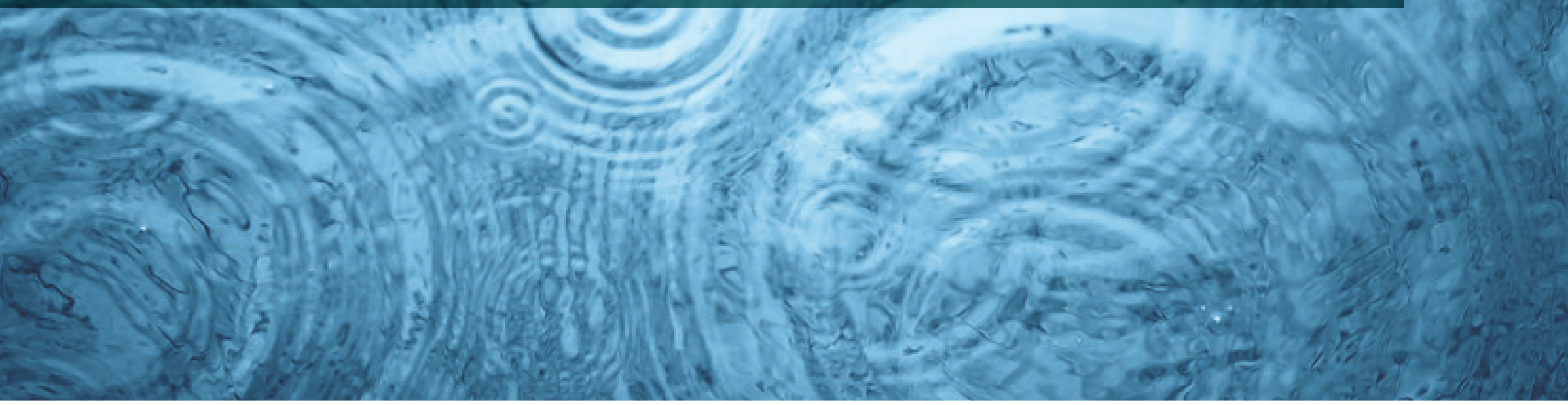
The Company's exposure to seven projects that have not yet completed construction with reference to total portfolio assets as at 31 December 2016 was 42%.

Elsewhere in the portfolio, the Company has exposure to the supply of commercial and industrial waste and the demand for high-end care beds (and the associated pricing of these income streams). The Investment Manager believes that conservative assumptions have been used for these factors as part of the financial model on which debt service of the Company's loans has been based, and contracting for these elements since financial close has been in line with or more favourable than the base case assumptions.

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

Principal risks and uncertainties

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



Risk management

Role of the Board

The Board has the ultimate responsibility for risk management and internal control within the Company. The Board recognises the existence of inherent risks within the Company's operation and that effective risk management is critical to the success of the organisation. When setting the risk management strategy, the Board also determines the nature and extent of the principal risks they are willing to take to achieve the Company's strategic objectives.

The Board, with the assistance of the Audit Committee, undertakes a formal risk review twice a year to assess the effectiveness of the Company's risk management process and internal control systems. The review covers the operational, compliance and financial risks facing the Company. During the course of such review, the Board has not identified, nor been advised of any failings or weaknesses which it has determined to be of a material nature.

Role of the AIFM

The AIFM is required to operate an effective and suitable risk management framework to allow the identification, monitoring and management of the risks that the AIFM and the AIFs under its management are exposed.

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

Principal risks faced by the Company include (but are not limited to) economic risk, financial risk, key resource risk, regulatory risk and execution risk.

The following items are the key components which the Company has in place to provide effective internal control:

Risk	Impact	How the risk is managed	Link with strategy
Economic risk			
Property The Company's investment portfolio includes loans to projects involved in property, including development property. Such investments are indirectly exposed to the performance of the underlying real estate market in the relevant area.	If the market value of any property investments for which the Company has provided finance is found to be materially lower than assumed or projected, this may adversely impact the Company's ability to recover the value of its investments in the event of a borrower default or sale process.	The Company's property investments are at a low LTV level. In addition, the credit risk associated with each Project Company is mitigated as the cash flows receivable are secured over the assets of the Project Company, which in turn has security over the assets of the underlying projects.	• Risk adjusted returns • Capital appreciation
Valuation The value of the investments made by the Company will change from time to time according to a variety of factors, including movements in interest rates and inflation and general market pricing of similar investments.	Material increases in interest rates and reductions in real estate prices may adversely impact the value of the Company's investment portfolio.	The Company invests in investments with stable pre-determined, medium-term, asset or cash-flow backed revenues. Where possible the Investment Manager ensures that each loan carries an element of inflation protection.	• Capital appreciation
Financial risk			
Sufficiency of due diligence and assumptions Subject to due diligence, the Company makes investments which rely on detailed financial models that are based on certain assumptions, estimates and projections of each investment's future cash flows (which primarily consist of interest and principal receipts). The Investment Manager's due diligence process may not reveal all facts that may be relevant in connection with an investment. There can be no assurance that the assumptions, estimates and projections used turn out to be accurate and hence that an investment's actual cash flows will equal or exceed those that are expected or that the targeted return on such investment will be achieved.	Errors in the due diligence and these financial models, or in the methodology used in such financial models, or in the analysis of the models or their assumptions, may mean that the return on an investment in a project is less than expected.	Where appropriate, the Investment Manager complements its analysis through the use of professional third-party advisers, including technical built asset consultants, financial and legal advisers, expert market consultants, independent valuers and insurance experts. When modelling future cash flows and structuring debt profiles, the Investment Manager uses assumptions considered to be conservative by third-party experts. The Investment Manager constantly monitors the actual performance of projects, takes action where appropriate, and reports each quarter on such performance to the Board.	• Regular growing distributions

Principal risks and uncertainties continued

Risk	Impact	How the risk is managed	Link with strategy
Key resource risk			
Reliance on key personnel at the Investment Manager The Company is heavily reliant on the Investment Manager to implement the Company's strategy and investment policy to deliver its objectives through the recruitment and retention of key resources at the Investment Manager.	An inability by the Investment Manager to retain and recruit the required level of resources with the required 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 resource and succession plans.	• Risk adjusted returns
Regulatory risk			
Change in laws, regulation and/or policy The Company, its operations and the underlying Project Companies are subject to changes in 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 its investment policy, to meet its investment objective and therefore on the value of the Company.	The Board monitors compliance information provided by the Administrator, Company Secretary, Investment Manager and legal counsel and monitors ongoing compliance developments in the Channel Islands and Europe along with regulatory developments in the UK as well as listing rules and FCA marketing rules. The Company has a comprehensive compliance monitoring programme to ensure full compliance with legislation/ regulation relevant to the Company's operations.	• Regular growing distributions • Capital appreciation
Execution risk			
Availability of suitable investments and reinvestment risk There is no guarantee that the Company will be able to make suitable investments with risk and return characteristics that fit within the investment strategy of the Company, or that suitable investments that can be identified will be made in a timely manner.	If the Company cannot invest capital in suitable assets in a timely manner, the uninvested cash balance will have a negative impact on the Company's returns.	The Investment Manager is constantly in touch with the market seeking new deals and builds a specifically identified investment pipeline before raising additional finance in an attempt to ensure that capital is deployed in a timely fashion at the Company's target return level.	• Risk adjusted returns

Going concern and viability statement

In accordance with the requirements of the UK Code, the Directors have assessed the financial prospects of the Company for the foreseeable future 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.

Twice a year, the Board carries out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Board also assesses the Company's policies and procedures for monitoring, managing and mitigating its exposure to these risks. The Directors have considered each of the Company's principal risks and uncertainties detailed on pages 25 to 26, in particular the risk of impact of changes in the external environment including macroeconomic, political, social, technological and regulatory changes that could materially affect the cash flows of the underlying investments. The Directors have also assessed the prospects of the Company over a longer period than the twelve months required by the going concern provision of the UK Code. The Board has determined that a five-year period to 31 December 2021 constitutes an appropriate period to provide its viability statement. Whilst the weighted average term of the loans within the investment portfolio is twelve years, the Company's experience is such that the financial forecasts to support the strategy will 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 macroeconomic, political, social, technological and regulatory changes beyond a five-year term may have a plausible impact on the Company are difficult to envisage. The assessment involved an evaluation of the potential impact on the Company of these risks occurring.

Where appropriate, the Company's financial model was subject to sensitivity analysis that involved flexing a number of key assumptions in the underlying financial forecasts for the current capital base in order to analyse the effect on the Company's net cash flows and other key financial ratios. This analysis included modelling the aggregated impact of significant reductions in interest income received, capital reinvestment levels achieved and significant increases in the Company's operating expenses and debt financing costs that would be impacted by severe but plausible downside scenarios that incorporate the principal risks.

Based on this assessment of the principal risks facing the Company and the aggregated 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 2021.

By order of the Board

Alex Ohlsson
Chairman

12 April 2017

Board of Directors

Alex Ohlsson

Chairman – 47

Mr Ohlsson 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 is the independent chairman of the States of Jersey's audit committee and 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. Mr Ohlsson was appointed to the Board on 14 September 2015.

Colin Huelin

Non-executive Director – 56

Mr Huelin 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 when the business transferred to a Jersey branch of Santander UK plc under Article 48D of the Banking Business (Jersey) Law. Mr Huelin was appointed to the Board on 7 September 2015.

Joanna Dentskevich

Non-executive Director – 52

Mrs Dentskevich has over 25 years of risk, finance and investment banking experience gained in leading global banks worldwide, alternative investments and the offshore fiduciary industry. Mrs Dentskevich currently runs her own risk management advisory company providing advice and resourcing to offshore trust, fund and investment businesses. Previously, she was a Director at Morgan Stanley heading up its Global Customer Valuation Group, Director of Risk at Deutsche Bank and Chief Risk Officer of a London based hedge fund. Mrs Dentskevich has a BSc Hons in Maths & Accounting and is a Member of the Chartered Institute of Securities & Investments and a member of the Institute of Directors. She is also a non-executive director of the LSE (Specialist Fund Segment) traded company Blackstone/GSO Loan Financing Ltd. Mrs Dentskevich was appointed to the Board on 7 September 2015.

The Investment Manager

David Conlon
Partner

Mr Conlon has overall responsibility for the provision of investment advice to the Company. Mr Conlon qualified as a chartered accountant with PwC before moving into project finance at KPMG where he focused on PFI transactions.

Mr Conlon has acted as a financial adviser to project finance transactions, as well as working for firms that have invested debt and equity into project finance opportunities. He has 14 years of experience in the sector. Over recent years, Mr Conlon has continued to focus on investments using project finance techniques in multiple sectors, including PFI and renewables. He is part of the origination and transaction team at the Investment Manager.

Philip Kent
Director

Mr Kent is responsible for asset sourcing and acquisition for the Company. Mr Kent joined GCP from Foresight Group where he was responsible for investments in the waste and renewable sectors, including large waste wood combustion projects and a pipeline of anaerobic digestion projects across the UK, since joining in 2012.

Mr Kent has been involved in the energy sector for ten years, working initially as a consultant within PA Consulting's Energy practice, focusing on energy markets and energy asset valuations. In 2008 he moved to Gazprom Marketing and Trading, working in risk management across a number of commodities before moving into the Clean Energy team.

Mr Kent graduated with a degree in Geography from Oxford University.

Dion Di Miceli
Head of Investment Companies

Mr Di Miceli has responsibility for liaising with client boards, investors and advisers, and leading product development alongside the fund managers. A member of the Chartered Institute for Securities & Investment since 2005, Mr Di Miceli qualified as a chartered accountant with Arthur Andersen LLP in 2002 and subsequently spent four years in the Investment Funds practice at Ernst & Young LLP. He joined the Investment Companies Team at Cenkos Securities plc in 2007 where, as a senior corporate adviser, he worked with investment company boards and their managers advising on and structuring a broad range of transactions covering IPOs, secondary issuance, mergers and corporate reconstructions. Mr Di Miceli joined the Investment Manager in February 2016.

Chloe Marlow
Head of Operations and Risk

Ms Marlow is responsible for reporting and monitoring of the ongoing performance of the Group. Before joining the Investment Manager in 2013, she worked in a broad range of financial services roles over ten years. Ms Marlow began her career at Lloyds Banking Group where she qualified as a chartered management accountant. After holding a number of roles at the bank, she went on to work for a large IFA before joining fund administrator Capita Sinclair Henderson Limited in 2011, where she was responsible for a portfolio of alternative real estate and infrastructure funds.

Corporate governance statement

Alex Ohlsson
Chairman

"

I am pleased to present the Company's corporate governance statement for the period.

Corporate Governance Code

The DTRs of the UKLA require certain listed companies to disclose how they have applied the principles and complied with the provisions of the UK Code to which the issuer is subject. The Board has considered the principles and recommendations of the UK Code issued by the FRC. A copy of the UK Code is available at www.frc.org.

Statement of compliance with the UK Code

The Board recognises the importance of a strong corporate governance culture that meets the requirements of the Listing Rules and DTRs of the UKLA. The Board has put in place a framework for corporate governance which it believes is appropriate for the Company. All Directors contribute to Board discussions and debates. The Board believes in providing as much transparency for shareholders as is reasonably possible. It should be noted that most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the Directors are non-executive.

The Company has complied with the relevant provisions of the UK Code, except as set out below:

- **the role of the chief executive:** the Board considers that the post of chief executive is not relevant for the Company, being an externally managed investment company;
- **the appointment of a senior independent Director:** given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and senior independent Director. The Board considers that the independent Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed;
- **executive Directors' remuneration:** as the Board has no executive Directors, it is not required to comply with the principles of the UK Code in respect of executive Directors' remuneration and does not have a remuneration committee. A remuneration report is included on pages 40 and 41;

- **establishment of a nomination committee:** the Board does not consider it necessary to establish a nomination committee since all of the Directors are non-executive and are considered independent as explained in more detail in the section of this report titled "Composition of the Board" below. As the Board was appointed in September 2015, the Board does not yet have a policy on tenure. An explanation is detailed in the section of this report titled "Appointment and re-election of Directors" on page 32;
- **internal audit function:** the Company delegates the majority of its operations to third parties and has no employees. The majority of these third parties have their own internal audit function and the Board has therefore determined that there is no need for the Company to have its own internal audit function but this is reviewed on an annual basis. The Directors consider semi-annually the principal risks relating to the operations of the Company. Such a review includes the consideration of whether the Company's third parties have adequate internal controls in place; and
- **the Chairman of the Company, Alex Ohlsson is also a member of the Audit Committee:** the Board believes it is appropriate for Mr Ohlsson to be a member of the committee as he is considered to be independent.

The Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Board's responsibilities and processes

The Board is responsible to shareholders for the overall management of the Company, and may exercise all the powers of the Company subject to the relevant laws, the Company's Articles and any directions given by special resolution of the shareholders. The Company's Articles empower the Board to offer, allot, grant options over or otherwise deal with or dispose of the Company's shares. Companies Law authorises the Company to make market purchases of its own shares if such purchase has first been authorised by a resolution of the Company.

At the AGM on 12 October 2016, the shareholders renewed the Board's authority to allot ordinary shares and to repurchase ordinary shares on behalf of the Company subject to certain limits. Details of the authorities which the Board will be seeking at the 2017 AGM are set out in the 2017 notice of AGM.

At each quarterly meeting of the Board, the Directors follow a formal agenda which includes a review of the Company's investments and associated matters such as gearing, asset allocation, principal risks, marketing and investor relations and economic and sector issues.

The Board is also active in ensuring any regulatory developments which may affect the operations of the Company are considered. The Board regularly considers the Company's investment policy, objective and strategy. In order to enable the Directors to discharge their responsibilities effectively, they have full and timely access to all relevant information.

Matters reserved for the Board

The Board has approved a formal schedule of matters reserved which is available upon request from the Company Secretary.

Composition of the Board

As at 31 December 2016, the Board comprised three Directors, all of whom are non-executive and are considered to be independent.

- Alex Ohlsson is the Chairman of the Board;
- Colin Huelin is the Chairman of the Audit Committee; and
- Joanna Dentskevich is the Chair of the Management Engagement Committee.

Each Director has signed a letter of appointment which sets out the terms and conditions of their appointment. These letters are available for inspection at the Company's registered office. No Director has any contract or arrangement in place between themselves and the Company. Further details as to the terms of appointment of the Directors are set out in the remuneration report on page 40.

Corporate governance statement continued

Overview of Board

Appointments to the Board continue to be based on merit, regardless of gender, ethnic group or background. The Board comprises two male Directors and one female Director. The Company has no other employees.

Diversity

The Board recognises the recommendations made by the UKLA regarding Board diversity and acknowledges that gender diversity is a key element to broaden the contribution made to Board deliberations and aid the Board's effectiveness. However, as the Board is small, comprising only three members, the Board continues to believe that diversity quotas are not appropriate. The Board also accepts that there are many different aspects to diversity, including professional and industry specific knowledge and experience, understanding of geographical markets, different cultures as well as gender, all of which are/will be considered when making appointments to the Board. Board appointments will be made based on merit and calibre.

Appointment and re-election of Directors

The appointment and re-election of Directors is detailed in the remuneration report on page 40.

As the Board was appointed in September 2015, the Board does not yet have a policy regarding tenure of service however the Board recognises that any decisions regarding tenure should balance the need to maintain continuity, knowledge, experience and independence, against the need to periodically review the Board composition in order to have the appropriate mix of skills, experience, age and length of service.

Each Director was subject to election at the first AGM held on 12 October 2016 and one-third of the Directors (excluding any Director who has been appointed by the Board since the previous AGM) shall be subject to re-election annually. Alex Ohlsson will stand for re-election by shareholders at the forthcoming AGM of the Company.

Directors' independence

The Board has reviewed the independence of each Director in accordance with the guidance set out under principle B.1 and Code B.1.1 of the UK Code. The Board acknowledges that all Board members have holdings of ordinary shares in the Company as at 31 December 2016. Further details are provided in the statement of Directors' shareholding and share interests within the remuneration report on page 41.

The Board has discussed the interests in the Company held by all three Board members and it is satisfied that it does not materially impact their ability to exercise independent judgement on the Company. Accordingly, the Board considers all Directors on the Board to be independent.

Performance evaluation

During the period, the Directors carried out an internal evaluation process of the Board's and committees' performance. The evaluation process included the completion of two separate questionnaires by the Directors. The areas under review included an assessment of the Chairman, Board and committee processes and effectiveness, overall strategy, corporate governance, investment management, communications with shareholders, training requirements and personal development. A report summarising the conclusions is due to be presented to and discussed by the Board at a meeting scheduled on 25 April 2017. The Company intends to carry out an evaluation of its Audit Committee in June 2017.

The Company intends to carry out an external performance review every three years and the first external review is due to take place in 2019.

Additionally, the Board undertakes annual anti-money laundering training and undertakes the required hours of continuing professional development in accordance with their professions and Jersey regulations including training on areas relating to the Company's activities.

The Board attempts to ensure that it has the appropriate balance of skills, experience, knowledge and independence in order to remain effective. Biographical details of the Directors are shown on page 28.

Board operation

The Board holds formal meetings on a quarterly basis and additional ad-hoc meetings are held when necessary. Attendance at the quarterly Board and committee meetings is detailed in the table on page 33 under the heading "Meetings".

Committees

The structure includes an Audit Committee and a Management Engagement Committee.

Audit Committee

The membership and activities of the Audit Committee are described in its report on pages 36 to 39.

Management Engagement Committee

Due to the size of the Board, the Management Engagement Committee comprises all Directors of the Company. The committee meets at least once a year to consider the performance of the Investment Manager and other third party service providers; the terms of their engagement and continued appointment. The committee met once during the period to independently evaluate the Investment Manager and third party service providers and no material issues were raised.

The terms of reference for each of the committees are available upon request from the Company Secretary.

Meetings

The number of meetings of the Board and committees held during the period and the attendance of individual Directors are shown below:

Meetings	Number of meetings held	Number of meetings attended during the period: Alex Ohlsson	Colin Huelin	Joanna Dentskevich
Quarterly Board	4	4	4	4
Audit Committee	4	3	4	4
Management Engagement Committee	1	1	1	1
Total number of meetings attended	**9**	**8**	**9**	**9**

During the period, 23 additional ad-hoc Board meetings were held. These meetings were in respect of capital raising, the issue of a prospectus, C share conversion, allotment of shares, conflicted investments, a revolving credit facility and regulatory/procedural matters such as the adoption of revised procedures following the implementation of MAR.

Conflicts of interest

The Directors have declared any conflicts or potential conflicts of interest to the Board which has the authority to approve such situations. The Company Secretary maintains the register of Directors' conflicts of interests which is reviewed quarterly by the Board and whenever changes are notified. The Directors advise the Company Secretary and Board as soon as they become aware of any conflicts of interest. Directors who have conflicts of interest do not take part in discussions which relate to any of their conflicts.

It is the responsibility of each individual Director to avoid a conflict arising. In the event that a conflict of interest does arise, the Director(s) must request authorisation from the Board as soon as they become aware of the possibility of a situational conflict arising.

The Board is responsible for considering Directors' requests for authorisation of situational conflicts and for deciding whether or not the situational conflict should be authorised. The factors to be considered will include whether the situational conflict could prevent the Director from properly performing his duties, whether it has, or could have, any impact on the Company and whether it could be regarded as likely to affect the judgement and/or actions of the Director in question. When the Board is deciding whether to authorise a conflict or potential conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors are able to impose limits or conditions when giving authorisation if they believe this is appropriate in the circumstances.

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.

Dialogue with shareholders

The Board recognises the importance of maintaining a purposeful relationship with shareholders. The Company, through its Directors, Investment Manager, Financial Adviser and Broker, engages in ongoing communication with its shareholders. The Board encourages shareholders to attend and vote at general meetings of the Company in order that they may discuss governance and strategy and to understand shareholders' issues and concerns. The Chairman of the Board and the Chair of each of the committees attend general meetings of the Company to answer any questions posed by the shareholders.

The Company's annual and interim reports are dispatched to shareholders by post and are also available to download from the Company's website at https://www.gcpuk.com/gcp-asset-backed-income-fund-ltd/investor-relations/publications/all. This information is supplemented by the quarterly calculation and publication of the NAV of the Company's shares on the LSE and the publication of a quarterly factsheet by the Investment Manager.

Corporate governance statement continued

Dialogue with shareholders continued

In the annual report and financial statements, the Directors seek to provide shareholders with information in sufficient detail to allow them to obtain a reasonable understanding of recent developments affecting the business and the prospects for the Company in the year ahead. The various sections of the strategic report on pages 10 to 27 provide further information.

Communication of up-to-date information is provided through the Company's website at https://www.gcpuk.com/gcp-asset-backed-income-fund-ltd/investor-relations/announcements.

Internal controls and risk management review

The Directors acknowledge that they have overall responsibility for ensuring that there are in place systems of internal control, both financial and non-financial, and for reviewing their effectiveness. The purpose of the internal financial controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and information for publication is accurate and reliable; such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board reviews the effectiveness of its risk management systems and all financial performance and results notifications together with the Investment Manager. Non-financial internal controls include the systems of operational and compliance controls maintained by the Administrator and the Investment Manager in relation to the Company's business as well as the management of key risks as referred to in the strategic report. Please refer to pages 24 to 26 for a more detailed overview of the principal risks that have been assessed. There were no matters arising from this review that required further investigation and no significant failings or weaknesses were identified.

Responsibility for accounting and company secretarial services has been contractually delegated to the Administrator. The Administrator has established its own system of internal controls in relation to these matters, details of which have been reviewed by the Board as part of the semi-annual risk assessment.

Internal control assessment process

The Board conducts a risk assessment on a semi-annual basis. The review covers the operational, compliance and financial risks facing the Company. The Directors confirm that by means of the procedures set out above, and in accordance with the UK Code, they have established a continuing process for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the internal control systems. The Board has identified risk management controls in the following key areas:

- economic risk (property and valuation);
- financial risk (sufficiency of due diligence and assumptions);
- key resource risk (reliance on key personnel at the Investment Manager);
- regulatory risk (change in laws, regulation and/or policy); and
- execution risk (availability of suitable investments and reinvestment risk).

In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance;
- the cost to the Company and benefits related to the review of risk associated controls of the Company; and
- the extent to which the third parties operate the relevant controls.

This process has been in place throughout and subsequent to the period under review.

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.

AIFMD

The Company is classed as an externally-managed AIF under the Directive. The Board appointed the Investment Manager as the authorised AIFM to the Company and Capita Trust Company (Jersey) Limited as the Company's Depositary under the Directive.

AIFM remuneration

The Company's Investment Manager is authorised as an AIFM by the FCA under the AIFMD regulations. The Company has provided disclosures on its website, http://www.gcpuk.com/gcp-asset-backed-income-fund-ltd/investor-relations/publications/all incorporating the requirements of the AIFMD regulations.

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

Annual General Meeting

The AGM of the Company will be held on 23 May 2017 at 12 Castle Street, St Helier, Jersey JE2 3RT.

By order of the Board

Alex Ohlsson
Chairman

12 April 2017

Audit Committee report

Colin Huelin ACA
Chairman of the Audit Committee

I am pleased to present the first Audit Committee report for the period ended 31 December 2016.

Summary

This is the Company's first annual external audit by PwC. Revised versions of the UK Code were published in April 2016 with the amended provisions having a specific impact on Audit Committee reporting. The Board has adopted the provisions set out in the revised UK Code.

The Audit Committee operates within clearly defined terms of reference, a copy of which is available on request from the Company Secretary. The terms of reference require the Audit Committee to monitor the Company's financial reporting, internal financial controls and risk management and external audit process. In December 2016, following discussions with the Board, the Audit Committee reviewed and agreed updates to its terms of reference in line with the revisions to the UK Code.

The Audit Committee is responsible for making recommendations to the Board in respect of appointment, re-appointment, and remuneration of the Auditor and the Auditor's plan for the period.

Composition

At 31 December 2016, the Audit Committee comprised the Audit Committee Chairman, Colin Huelin, Alex Ohlsson and Joanna Dentskevich. All members of the Audit Committee are independent Directors; have no links with PwC; and are independent of the Investment Manager.

The Board considers that the independence and diverse backgrounds of the members, taken with their combined skills and experience enables the Audit Committee to discharge its responsibilities fully.

The Audit Committee meets at least twice a year. Details of meetings held in the period under review are set out on page 33.

Although not members of the Audit Committee, the Company Secretary, the lead partner and representatives from the Company's Auditors are invited to attend committee meetings at which the Auditor may have the opportunity to meet with the Audit Committee without representatives of the Investment Manager being present. The Audit Committee

Chairman meets when appropriate with the external Auditor ahead of the meetings to review key audit areas for discussion with the Audit Committee. The Auditor is not present when their performance and/or remuneration is discussed. As set out on page 31, the Board has determined that there is no need for the Company to have its own internal audit function, but this is reviewed on an annual basis.

The Board has agreed that the Audit Committee Chairman has recent and relevant financial experience as required by the provisions of the UK Code, refer to the Directors' biographies on page 28.

After each meeting, the Audit Committee Chairman reports to the Board on the main issues discussed.

The Audit Committee has complied with relevant audit committee requirements under the UK Code.

Financial reporting

The Audit Committee considered the requirements of the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2013 with which it is complying voluntarily, in line with best practice reporting. The Audit Committee specifically reviewed the Company's first annual report and financial statements to conclude whether the financial reporting is fair, balanced, understandable, comprehensive and consistent with how the Board assesses the performance of the Company's business during the financial period, as required for companies with a Premium Listing under the UK Code.

As part of this review, the Audit 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.

The Audit Committee presented its conclusions 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 provides the information necessary for the shareholders to assess the Company's performance, business model and strategy.

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

- reviewing the effectiveness of the internal financial control environment of the Company and the Company's compliance with its regulatory requirements which is further explained on page 34 of the corporate governance statement;
- reviewing and recommending to the Board significant accounting matters and accounting disclosures in the half yearly and annual financial statements of the Company including matters of judgement in relation to valuation;
- 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, recommending the Auditor's reappointment and approving the Auditor's fees; and
- reviewing the Company's compliance with its regulatory obligations in Jersey.

The Audit 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 were accepted by the Board.

In September and December 2016, the Audit Committee met with the Auditor and reviewed and agreed the Auditor's audit plan.

Significant issues considered

After discussions with the Investment Manager and the Auditor, the Audit Committee identified two significant risks. The first related to management override of controls within the Company. The second related to risk of material misstatement of the Company's financial statements attributed to the valuation of investments.

Valuation of investments

As outlined in note 12, the total carrying value of financial assets at fair value at 31 December 2016, was £158.4 million. Market quotations are not available for these financial assets such that their valuation is undertaken using a discounted cash flow methodology. This requires a series of material judgements to be made as further explained in note 17.

The Board discussed the valuation process with the Valuation Agent in April 2016 and the Audit Committee Chairman discussed the valuation process in respect of a specific investment in December 2016. The Board and the Audit Committee concluded that the methodology adopted was appropriate and in accordance with the terms of engagement.

The Valuation Agent performs a quarterly financial asset valuation and provides a detailed valuation report to the Company which is discussed with the Investment Manager at each quarterly Board meeting. Further discussions were undertaken with the Investment Manager throughout the period as part of the review of the interim financial report and financial statements.

Audit Committee report continued

Valuation of investments continued

In order to provide further assurance regarding the basis of valuation, the Company intends to meet with the Valuation Agent at least once a year to discuss this as well as reviewing the formal reports from the Valuation Agent on a regular basis.

The discount rates adopted to determine the valuation are selected and recommended by the Valuation Agent. The discount rate is applied to the expected future cash flows for each investment's financial forecasts, to arrive at a valuation (discounted cash flow valuation). The resulting valuation is sensitive to the discount rate selected. The Valuation Agent is experienced and active in the area of valuing these investments and adopts discount rates reflecting their current and extensive experience of the market. The discount rate assumptions and the sensitivity of the valuation of the investments to this discount rate are disclosed in note 17.3.

The Audit Committee discussed the material estimates and judgements and also compared this to feedback from the Investment Manager. After discussion with the Auditor, the Audit Committee was satisfied that the range of discount rates were appropriate for the valuation carried out by the Valuation Agent.

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

Accounting policies, critical accounting estimates and key judgements

The Audit Committee reviewed the accounting policies, including a paper on disclosures from the Administrator and note 2.2 and 2.3 to the annual financial statements that relate to critical accounting estimates and key judgements, and reconfirmed that they remain appropriate for the Company.

Going concern and viability statement

The Audit 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, the Audit Committee confirmed that it continues to be appropriate to follow the going concern basis of accounting in the annual report and financial statements. Further detail on the basis of the going concern assessment and viability by the Directors is set out on page 27 of the strategic report.

External audit

Audit fees for the period amounted to £100,000 and fees for non-audit related services amounted to £70,000. Mr Karl Hairon is the partner from PwC responsible for the audit.

To fulfil its responsibility regarding the independence 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.

During the period from IPO on 23 October 2015 to 31 December 2016, PwC provided non-audit related services in relation to reporting accountant services on IPO and the issuance and conversion of C shares. At the Audit Committee meeting in December 2016, PwC confirmed this had not impacted their independence and outlined the reasons for this. The Audit Committee considered this and is satisfied that these non-audit related services had no bearing on the independence of the Auditor.

The following table summarises the remuneration paid to PwC for audit and non-audit related services during the period ended 31 December 2016:

PricewaterhouseCoopers CI LLP	For the period from 23 October 2015 (date of IPO) to 31 December 2016 £'000
Annual audit of the Company	**55**
Reporting accountant services – LSE Main Market listing	**45**
Reporting accountant services – issuance of C shares	**20**
Audit of financial information for prospectus – issuance of C shares	**45**
C share conversion	**5**
Total	**170**

The Audit Committee reviewed the effectiveness of the Audit process during the period considering performance, objectivity, independence, relevant experience and materiality with PwC throughout the period. To assess the effectiveness of the Auditor, the Audit Committee reviewed:

- the Auditor's fulfilment of the agreed audit plan and variations from it;
- the Auditor's report to the Audit Committee highlighting any issues that arose during the course of the audit; and
- feedback from the Investment Manager and Administrator evaluating the performance of the audit team.

Where non-audit related services are to be provided to the Company by the Auditor, full consideration of the financial and other implications on independence of the Auditor arising from any such engagement will be considered before proceeding. All non-audit related services are pre-approved by the Audit Committee if it is satisfied that relevant safeguards are in place to protect the Auditors' independence and objectivity.

Following this review, the Audit Committee has recommended the re-appointment of PwC as the Company's Auditor at the forthcoming AGM.

C. A. Huelin.

Colin Huelin ACA
Chairman of the Audit Committee

12 April 2017

Remuneration report

The Company does not have a remuneration committee as the Board agreed that the size and nature of the Board does not warrant establishing a separate committee.

The Company's report on remuneration will be subject to an advisory shareholder vote at the 2017 AGM. Although it is not a requirement under the Companies Law to have the report on remuneration approved by shareholders, the Board believes that as a company whose shares are listed on the Main Market of the LSE, it is good practice to do so. Accordingly a resolution to approve the report on remuneration will be proposed at the forthcoming AGM. This report is not subject to audit.

The Chairman is entitled to annual remuneration of £29,500. The other Directors are entitled to annual remuneration of £24,000, with Colin Huelin receiving an additional annual fee of £3,500 for acting as Chairman of the Audit Committee. The aggregate of such fees shall not exceed £300,000 per annum (or such larger sum that the Company may, by ordinary resolution, determine).

The fees paid to the Directors in the period 7 September 2015 to 31 December 2016 are set out in the table below:

	Directors' fees £'000	Audit Committee fees £'000	Total fees paid to Directors £'000
Alex Ohlsson	38	—	38
Colin Huelin	32	4	36
Joanna Dentskevich	32	—	32
Total			**106**

Directors' expenses for the period totalled £2,000.

Relative importance of the spend on pay

The table below sets out Directors fees for the Company in respect of the period ended 31 December 2016, as a relative proportion of the Company's total expenses for the period:

	31 December 2016
Percentage of expenses	**4.7%**

Directors' and officers' liability insurance cover is maintained by the Company on behalf of the Directors. No other remuneration or compensation was paid or was payable by the Company during the period to any of the Directors, nor does any Director have any entitlement to bonuses, pensions, share options or any long-term incentive plans or any other benefits in respect of their services as non-executive Directors of the Company.

The Directors were appointed as non-executive Directors under letters of appointment issued on 28 September 2015. The Directors' appointments can be terminated in accordance with the Company's Articles and without compensation. A copy of the Articles is available upon request from the Company Secretary.

Statement of Directors' shareholding and share interests

At the period end, Alex Ohlsson had a holding of 50,000 ordinary shares in the Company. Colin Huelin had a holding of 19,900 ordinary shares in the Company and Joanna Dentskevich had a holding of 39,800 ordinary shares in the Company.[1]

Accordingly, the Board is satisfied that the interests in the Company held by Directors does not materially impact their ability to exercise independent judgement on the Company and considers all Directors on the Board to be independent.

Statement of voting at general meeting

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against any resolution at the AGM, the Company will liaise with investors and agree on the actions it intends to take going forward.

Approval

This remuneration report was approved by the Board on 12 April 2017 and signed on its behalf by:

By order of the Board

Alex Ohlsson
Chairman

12 April 2017

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

Directors' report

The Directors are pleased to present their annual report and financial statements for the period 7 September 2015 to 31 December 2016. The corporate governance statement set out on pages 30 to 35 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.

Greenhouse gas emissions reporting

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

General information

The Company is a registered public company incorporated and domiciled in Jersey on 7 September 2015, with registration number 119412. The Company is governed by the Companies Law and the CIF Law.

The Company is a closed-ended investment company. The ordinary shares of the Company, and the C shares when in issue, are listed on the LSE's Main Market.

On 12 October 2016, the Company changed its name from Project Finance Investments Limited to GCP Asset Backed Income Fund Limited, following shareholder approval at the 2016 AGM.

Dividends

Details of the dividends paid and declared during the period are set out on page 18 and in note 10.

Share capital

During the period, the Company issued (i) 2 ordinary shares on incorporation, (ii) 106,000,000 ordinary shares at IPO, (iii) 44,086,270 C shares in April 2016, (which were converted to 43,647,347 ordinary shares in October 2016) and (iv) 14,964,734 ordinary shares in November 2016. Details of the movements in share capital during the period are set out in the statement of changes in equity on page 54 and in note 16.

At 31 December 2016, the Company's issued share capital comprised 164,612,083 ordinary shares of no par value, none of which were held in treasury.

At general meetings of the Company, every holder shall have one vote in respect of every ordinary share. When C shares are in issue, every C shareholder shall have one vote in respect of every C share.

Significant voting rights

As at 31 December 2016, the Company had received notification of the following disclosable interests in the voting rights of the Company:

Name	Shares held	% of total voting rights
City of Bradford Metropolitan DC	11,940,088	7.25
CCLA Investment Management	11,011,478	6.69
Bank of Montreal	11,000,000	6.68
Brewin Dolphin	10,812,979	6.57
Premier Fund Managers Limited	9,893,334	6.01
Close Brother Asset Management	9,053,139	5.50
EFG Harris Allday	8,656,921	5.26
Smith & Williamson Investment Management	6,619,852	4.02

The following changes have been notified to the Company between 31 December 2016 and the date of this report:

Name	Shares held	% of total voting rights
Bank of Montreal	12,000,000	4.92
Premier Fund Managers Limited	9,464,084	3.88

The table of significant shareholders disclosed above forms part of note 2.3(c) in the financial statements.

Directors' interests

At the period end, none of the Directors or any persons connected with them have had a material interest in the Company's transactions or agreements during the period.

Details of the ordinary shares held by the Directors as at 31 December 2016 are set out within the remuneration report on page 41.

None of the Directors or the Chairman sit on the Boards of any other Companies managed by the Investment Manager and do not have any close family ties with any of the Company's advisers.

There are no agreements between the Company and its Directors concerning compensation for loss of office.

There has been no change to the interests of each Director between 31 December 2016 and the date of this report.

Directors' and officers' liability insurance and indemnity agreements

The Company has purchased insurance to cover Directors' and officers' liability, as permitted by the Companies Law.

Key service providers

Investment Manager

Gravis Capital Partners LLP is the Investment Manager and AIFM to the Company. The Investment Manager was incorporated in England and Wales on 14 October 2007 under the Limited Liability Partnership Act 2000 (registered number OC332060) and is authorised and regulated by the FCA (registration number 487393). The partners of the Investment Manager formed Gravis Capital Partners LLP in May 2008 as a specialist advisory boutique offering fund management services, providing investors access to income generating defensive sectors in the UK.

The Investment Manager provides advice to the Directors to enable them to make informed decisions for the Company's funding requirements (including advice and assistance in any equity/further fund raising process) and also borrowing/gearing requirements. The Investment Manager also provides discretionary portfolio management services to the Company, subject to the overall control and supervision of the Directors.

The Investment Manager recommends and regularly reviews the Company's investment policy and performs and/or procures all due diligence in relation to potential investments for the Company.

In addition, the Investment Manager is responsible, inter alia, for the following:

- maintaining a website showing the NAV of the shares;
- presenting to meetings of the Board in relation to: (i) performance of existing investments; and (ii) opportunities in relation to new investments;
- monitoring the credit market generally;
- providing the Company's Valuation Agent or its delegates with such information as any of them may from time to time require to provide an independent fair value of the investment portfolio; and
- conducting investor relationship management activities, including making presentations to existing and potential investors and intermediaries.

The role of the AIFM is explained in the principal risk and uncertainties report on page 24.

The senior management members of the Investment Manager have extensive experience of originating, structuring and managing project finance transactions across the energy, infrastructure, property and asset finance sectors. This experience has informed the Investment Manager's investment approach since its inception, offering market access to its asset backed finance approach and expertise applied to the UK public infrastructure sector.

The Company is party to an investment management agreement with the Investment Manager, dated 28 September 2015 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 objectives and policies, subject to the overall control and supervision of the Board.

The fee for the provision of these services during the period was £1,154,328 in respect of investment management and advisory fees. Additional arrangement fees amounting to £185,000 were paid to the Investment Manager in relation to the issuance of the C shares. The investment management agreement continues until terminated by either party giving twelve months' written notice. Such notice must not be given prior to the fifth anniversary of admission. The Investment Manager has also been appointed as AIFM for an annual fee of £22,500. During the period, the fee for the provision of these services was £28,000. Further information is set out in note 18.

Directors' report continued

Key service providers continued

Investment Manager continued

The Investment Manager is also the Investment Adviser to GCP Infrastructure. The Investment Manager has agreed with GCP Infrastructure that where it identifies an investment which, in its opinion acting reasonably and in good faith, falls within the remit of GCP Infrastructure's investment policy, GCP Infrastructure will have a right of first refusal.

The Board has been notified of the Investment Manager's intention, subject to regulatory approval, to transfer its fund management and advisory business from the existing limited liability partnership to a newly incorporated management company under substantially the same ownership as the current limited liability partnership. Accordingly, it is currently anticipated that the investment management agreement will be novated to the new management company in Q2 2017. Under the novation agreement, the new management company will assume liability for all acts and omissions of the existing limited liability partnership vehicle under the investment management agreement.

Administrator and Company Secretary

Fund accounting, administration services and company secretarial services are provided to the Company by Capita Financial Administrators (Jersey) Limited pursuant to an agreement dated 29 September 2015. The fee for the provision of these services during the period was £220,000. The agreement with Capita Financial Administrators (Jersey) Limited continues until terminated by either party on giving not less than six months' written notice.

Depositary

Depositary services are provided to the Company by Capita Trust Company (Jersey) Limited pursuant to an agreement dated 29 September 2015. The fee for the provision of these services during the period was £50,000. The agreement with Capita Trust Company (Jersey) Limited continues until terminated by either party on giving not less than six months' written notice.

Registrar

Registrar services are provided to the Company by Capita Registrars (Jersey) Limited pursuant to an agreement dated 29 September 2015. The fee for the provision of these services during the period was £38,000. The agreement with Capita Registrars (Jersey) Limited continues until terminated by either party on giving not less than six months' written notice.

The Management Engagement Committee undertakes an annual review of the effectiveness of all third-party service providers. Following the first review in September 2016, it is the Management Engagement Committee's opinion that the continuing appointment of the Investment Manager, the Administrator, the Company Secretary, the Depositary and the Registrar, on the terms agreed, is in the best interests of the Company and its shareholders.

Political donations

The Company made no donations to political parties or organisations during the period and no political expenditure was incurred.

Annual general meetings

The Company's annual report and financial statements for the period will be tabled for approval at the Company's 2017 AGM. The AGM will be held on 23 May 2017 at 12 Castle Street, St Helier, Jersey JE2 3RT.

Share repurchases

No shares have been bought back in the period. The latest authority to purchase ordinary shares for cancellation was granted to the Directors on 12 October 2016 and expires on the date of the next AGM. The Directors are proposing that their authority to buy back shares be renewed at the forthcoming AGM on 23 May 2017.

Treasury shares

The Company may hold any ordinary shares that it purchases as treasury shares 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 as treasury shares will give the Company the ability to re-sell or transfer them quickly and cost-effectively and will provide 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 as treasury shares will be made by the Directors at the time of purchase, on the basis of the Company's and shareholders' best interests.

The Company does not hold any shares in treasury at the period end.

Disclosure of information to the Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

External audit

Resolutions to appoint PwC as Auditor to the Company and for the Directors to determine the Auditors' remuneration will be proposed at the forthcoming AGM on 23 May 2017.

Financial risk management

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

Non-mainstream pooled investments

The Board notes the rules of the UK FCA on the promotion of non-mainstream pooled investments, effective from 1 January 2014.

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 new rules. This is on the basis that the Company, which is resident outside the EEA, 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.

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 indication where the information is set out.

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

By order of the Board

Alex Ohlsson
Chairman

12 April 2017

Statement of Directors' responsibilities

Under the terms of the DTRs of the UKLA, 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 proper 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 UKLA's DTRs, each of the Directors, whose names are set out on page 28 confirms that to the best of his or her knowledge that:

- 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 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, is considered by the Board to be fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

By order of the Board

Alex Ohlsson
Chairman

12 April 2017

Colin Huelin
Director

12 April 2017

Independent Auditor's report

To the members of GCP Asset Backed Income Fund Limited

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 2016, and of its financial performance and its cash flows for the period 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 2016;
- the statement of comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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.

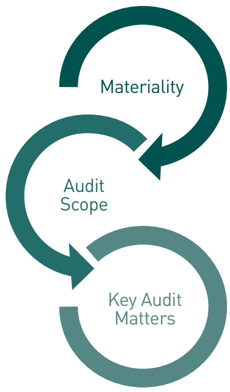
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview



Materiality

- Overall materiality was £3.2 million, which represents 2% of net assets.

Audit scope

- The Company is based in Jersey and the financial statements include its investments in Subsidiaries as financial assets through profit or loss, in accordance with the IFRS 10 requirements for investment companies.
- Our audit work was performed solely in Jersey and included the audit of the financial statements of the Company.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties and the accounting processes and controls.

Key audit matters

- Valuation of investments.
- Acquisition of investments.

Audit scope

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.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide 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. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 the financial statements.

Independent Auditor's report continued

To the members of GCP Asset Backed Income Fund Limited

Materiality continued

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality

£3.2 million.

How we determined it

2% of net assets.

Rationale for the materiality benchmark

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 agreed with the Audit Committee that we would report to them misstatements identified during our audit above 5% of overall materiality, being £160,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of investments in Subsidiaries Refer to page 37 (Audit Committee report), page 62 (note 12 to the financial statements) and page 67 (note 17 to the financial statements) The valuation of investments in Subsidiaries 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 Subsidiaries is derived from the fair value of the underlying loans to the end borrower. The valuations are performed using contractual cash flows generated by each loan facility over a medium to long-term period and by selecting key assumptions such as the discount rate and macroeconomic assumptions such as inflation, interest and tax rates. The nature of the discounted cash flow 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.	Our audit procedures with respect to the valuation of underlying loans included, understanding the controls over the process and approval of the valuation. We evaluated the competency of the Company's external valuation agent in the context of their ability to generate a reliable estimate of the fair value, by assessing their professional qualifications, experience and independence from the Company. We held discussions with the external valuation agent and considered if the findings are consistent with the results of the audit work we performed. We communicated directly 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 discounted cash flow to the contractual payment schedule of the loan facility agreements and checked the mathematical accuracy of the discounted cash flow calculation. We challenged the assumptions used in the valuations model. We considered the adequacy of the Company's disclosures in respect of the fair value of the unlisted investments, specifically the estimates and judgements taken by the Company in arriving at the fair value of the unlisted investments. We also considered the disclosure of the degree of sensitivity when a reasonably possible change in a key assumption could give rise to a change in the fair value of the unlisted investments. Based on the above procedures, we found the fair values adopted by the Company and the disclosures to be appropriate and the assumptions used to be supportable and within a reasonable range.

Key audit matter	How our audit addressed the key audit matter
Acquisition of investments Refer to page 62 and 63 (note 12 to the financial statements). During the period, the Company has acquired 14 new secured loan notes to the value of £157,797,000 through its wholly owned subsidiaries. The acquisition of the new Secured Loan Notes were the most prominent investment activity for the Company during the year and represents a significant balance on the statement of financial position, as a result this was an areas of audit focus.	Our audit procedures with respect to the acquisition of the new underlying loans included understanding the controls over the process and approval of the new loan notes. For the new loan notes advanced during the period, we tested the movement to facility agreements, note certificates and cash payments. For the loan notes repaid during the period, we tested the movement to facility agreements and cash payments. We tested the existence of the loans to independent confirmations from the entities to which loan has been advanced to confirm the outstanding balance at period end. Based on the above procedures, no differences were identified by our testing which required reporting to those charged with governance.

Other information

The Directors are responsible for the other information. The other information comprises all sections of the introduction, strategic report, corporate governance statement, statement of Directors' responsibilities, glossary of key terms and Company information (but does not include the financial statements and our Auditor's report thereon).

Other than as specified in our report, our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In our opinion the information given in the Directors' report is consistent with the financial statements and the information given in the corporate governance statement set out on pages 30 to 35 in the annual report with respect to internal control and risk management systems is consistent with the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of 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 relating 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.

Independent Auditor's report continued

To the members of GCP Asset Backed Income Fund Limited

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.

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. 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.

Report on other legal and regulatory requirements

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.

We have nothing to report in respect of the following matters which we have reviewed:

- the Directors' report set out on page 42 to 46 in relation to going concern. As noted in the Directors' report, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern;
- the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the Directors' statement in relation to the longer-term viability of the Company. Our review 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 UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review.

This report, including the opinion, 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 this opinion, 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.

Karl Hairon
For and on behalf of
PricewaterhouseCoopers CI LLP
Chartered Accountants and
Recognized Auditor

Jersey, Channel Islands

12 April 2017

Statement of comprehensive income

For the period 7 September 2015 to 31 December 2016

	Notes	Period ended 31 December 2016 £'000
Income		
Net income/gains on financial assets at fair value through profit or loss	3	**9,029**
Arrangement fee income	3	**729**
Interest income	3	**121**
Total income		**9,879**
Expenses		
Investment management fees	18	**(1,154)**
Directors' remuneration	6	**(108)**
Operating expenses	4	**(1,007)**
Total expenses		**(2,269)**
Total operating profit before finance costs		**7,610**
Finance costs		
Finance income	7	**685**
Finance expense	8	**(1,084)**
Total profit and comprehensive income		**7,211**
Basic earnings per share (pence)	11	**6.91**
Diluted earnings per share (pence)	11	**6.12**

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

The notes on pages 56 to 74 form an integral part of these financial statements.

Statement of financial position

As at 31 December 2016

	Notes	As at 31 December 2016 £'000
Current assets		
Financial assets at fair value through profit or loss	12	**158,418**
Other receivables and prepayments	13	**140**
Cash and cash equivalents	14	**6,819**
Total assets		**165,377**
Current liabilities		
Other payables and accrued expenses	15	**(803)**
Total liabilities		**(803)**
Net assets		**164,574**
Capital and reserves		
Share capital	16	**162,597**
Retained earnings		**1,977**
Total capital and reserves		**164,574**
Ordinary shares in issue	16	**164,612,083**
NAV per ordinary share (pence per share)		**100**

Signed and authorised for issue on behalf of the Board of Directors

Alex Ohlsson
Director

12 April 2017

Colin Huelin
Director

12 April 2017

The notes on pages 56 to 74 form an integral part of these financial statements.

Statement of changes in equity

For the period 7 September 2015 to 31 December 2016

	Notes	Share capital £'000	Retained earnings £'000	Total equity £'000
At 7 September 2015		—	—	—
Total profit and comprehensive income for the period		—	7,211	7,211
Equity shares issued	16	165,039	—	165,039
Share issue costs	16	(2,442)	—	(2,442)
Dividends paid	10	—	(5,234)	(5,234)
At 31 December 2016		**162,597**	**1,977**	**164,574**

The notes on pages 56 to 74 form an integral part of these financial statements.

Statement of cash flows

For the period 7 September 2015 to 31 December 2016

	Notes	Period ended 31 December 2016 £'000
Cash flows from operating activities		
Total operating profit before finance costs		**7,610**
Unrealised gain on financial asset at fair value through profit or loss	12	**(620)**
Increase in other payables and accrued expenses	15	**803**
Increase in other receivables and prepayments	13	**(140)**
Investment in Subsidiaries	17.7	**(159,602)**
Capital repayments from Subsidiaries	17.7	**1,804**
Net cash flow used in operating activities		**(150,145)**
Cash flows from financing activities		
Proceeds from issue of ordinary shares	16	**121,638**
Ordinary share issue costs	16	**(2,442)**
Proceeds from issue of C shares	16	**44,086**
C share issue costs	16	**(1,084)**
Dividends paid	10	**(5,234)**
Net cash flow generated from financing activities		**156,964**
Net increase in cash and cash equivalents		**6,819**
Cash and cash equivalents at beginning of the period		**—**
Cash and cash equivalents at end of the period	14	**6,819**
Net cash generated in operating activities includes:		
Interest received from deposits		**121**
Loan interest received from Subsidiaries		**8,409**

The notes on pages 56 to 74 form an integral part of these financial statements.

Notes to the financial statements

For the period 7 September 2015 to 31 December 2016

1. General information

The Company is a registered public company incorporated and domiciled in Jersey on 7 September 2015, with registration number 119412. The Company is governed by the Companies Law and the CIF Law.

The Company is a closed-ended investment company incorporated under the laws of Jersey. The ordinary shares (and the C shares when in issue) of the Company are listed on the LSE's Main Market.

On 12 October 2016, the Company changed its name from Project Finance Investments Limited to GCP Asset Backed Income Fund Limited following shareholder approval at the 2016 AGM.

The Company makes its investments through its wholly owned Subsidiaries, by subscribing for the Secured Loan Notes issued by the Subsidiaries, who on-lend the funds to an end borrower. At the period end, the Subsidiaries comprise GABI UK, a private limited company incorporated in the UK on 23 October 2015 (registration number 9838893) and GABI Housing, a private limited company incorporated in the UK on 25 November 2016 (registration number 10497254). The Company, through its Subsidiaries, seeks to make investments in a diversified portfolio of projects which have contracted predictable medium to long-term cash flows and/or physical assets, such investments being asset backed lending. The asset backed debt investments are mainly in the form of medium to long-term fixed or floating rate loans which are secured against or comprised contracted cash flows and/or physical assets which are predominantly UK based. Where possible, investments are structured to benefit from partial inflation protection.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period presented.

2.1 Basis of preparation

The annual report and financial statements for the period 7 September 2015 to 31 December 2016 have been prepared on a going concern basis in accordance with IFRS issued by IASB and interpretations issued by IFRIC as approved by IASC, which remain in effect. The annual report and financial statements give a true and fair view of the Company's affairs and comply with the requirements of the Companies Law.

The annual report and financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss. The financial report and financial statements are presented in Pound Sterling and all values have been rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

In accordance with the investment entities exemption contained in IFRS 10 (Consolidated Financial Statements) the Directors have determined that the Company meets the definition of an investment entity and as a result the Company is not required to prepare consolidated financial statements. The Company measures its investment in its Subsidiaries at fair value and it is treated as a financial asset through profit or loss in the statement of financial position (refer to note 2.3).

The Company raised its initial capital on 23 October 2015 through a placing of ordinary shares, and raised further capital through the issue of C shares on 31 May 2016 and a placing of ordinary shares on 10 November 2016. The C shares converted into ordinary shares on 18 October 2016 in accordance with the C share prospectus. When in issue, the net assets attributable to the C share class 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. Invested C share capital is managed as a distinct pool by the Company, whereas expenses are either specifically invoiced to the individual share class or split proportionally to the NAV of each share class (refer to note 16). Under IFRS, equity capital raised by way of the issuance of C shares is treated as debt for accounting purposes.

New standards, amendments and interpretations

There are a number of new standards and amendments to existing standards which have been published that are mandatory for the Company's accounting periods beginning after 1 January 2016 or later periods, which the Company has decided not to early adopt. The following are the most relevant to the Company:

- **Amendment to IAS 1** (Presentation of Financial Statements) – amendments 1 January 2016 resulting from the disclosure initiative;
- **IFRS 7** (Financial Instruments: Disclosures) – amendments regarding additional hedge accounting disclosures (applied when IFRS 9 is applied);
- **IFRS 9** (Financial Instruments) effective for annual periods beginning on or after 1 January 2018;
- **IFRS 15** (Revenue from Contracts with Customers) was issued in May 2014 and applies to an annual reporting period beginning in or after 1 January 2018; and
- **IFRS 16** (Leases) was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019.

In addition to the above, there are no new IFRS or IFRIC interpretations that are effective that would be expected to have a material impact on the Company's annual report and financial statements.

Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial information has been prepared on a 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 on page 27 in the viability statement.

2.2 Significant accounting estimates and assumptions

The preparation of financial statements, in accordance with IFRS, requires the Directors to make estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

Fair value of instruments not quoted in an active market

The Subsidiaries' assets consist of investments held by the Subsidiaries and loan notes issued to the Company. The fair value of the Subsidiaries' investments are not quoted in an active market and therefore the fair value is determined using a discounted cash flow methodology adjusted as appropriate for market, credit and liquidity risk factors, refer to notes 17.3, 17.5 and 17.6 respectively.

The investments held by the Subsidiaries are valued by a third-party Valuation Agent on a quarterly basis using the discounted cash flow methodology.

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

Notes to the financial statements continued

For the period 7 September 2015 to 31 December 2016

2. Significant accounting policies continued

2.3 Significant judgements

2.3 (a) Assessment as an investment entity

The Directors have concluded that the Company meets 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 defines 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 has met the additional characteristics of an investment entity, in that it indirectly holds a portfolio of investments by investing in Subsidiaries which hold a portfolio of investments; the Company's ownership interest in the investment entity is in the form of equity. The Company has more than one investor and its investors are not related parties, other than those disclosed in note 18.

The Company reports to its investors via quarterly investor information, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value in the Company's reports to the extent allowed by IFRS.

The Company has two wholly owned Subsidiaries as at 31 December 2016. The investments in the Subsidiaries are valued at fair value through profit or loss and are not consolidated, in accordance with IFRS 10 (Consolidated Financial Statements).

2.3 (b) 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.

2.3 (c) Segmental information

The Directors view the operations of the Company as one operating segment, being the investment in the Subsidiaries, which are registered UK companies. All significant operating decisions are based upon analysis of the Subsidiaries' 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.

The following table analyses the Company's operating income per geographical location. The basis for attributing the operating income is the place of incorporation of the counterparty.

	Period ended 31 December 2016 £'000
Channel Islands	**121**
United Kingdom	**9,758**
Total	**9,879**

Significant shareholders are disclosed in the Directors' report on page 42.

3. Operating income

The table below analyses the Company's operating income per investment category:

	Period ended 31 December 2016 £'000
Net income/gains on financial assets at fair value through profit or loss	**9,029**
Arrangement fee income	**729**
Interest income	**121**
Total	**9,879**

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

	Period ended 31 December 2016 £'000
Loan interest realised	**8,409**
Unrealised gain on investments at fair value through profit and loss	**664**
Unrealised loss on investments at fair value through profit and loss	**(44)**
Total	**9,029**

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 movement in fair value of financial assets at fair value through profit or loss includes changes in the fair value of the investment in the Subsidiaries held at fair value through profit or loss.

Arrangement fee income comprises fees relating to the issue and set up of Secured Loan Notes, as detailed in note 18. The Investment Manager is entitled to receive from the Company an arrangement fee of up to 1% of the cost of each investment made 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 shall be paid to the Company.

Notes to the financial statements continued

For the period 7 September 2015 to 31 December 2016

4. Operating expenses

	Period ended 31 December 2016 £'000
Administration and depositary fees	270
AIFMD fees	28
Audit fees	55
Bank charges	1
Broker's fees	58
Compliance fees	13
Directors' insurance	27
FATCA fees	4
Financial advisory fees	8
Legal and professional fees	240
Printing fees	17
Public relations fees	30
Registrar's fees	38
Regulatory fees	8
Stock exchange announcement fees	7
Stock exchange listing fee	13
Sundry expenses	18
Valuation agent fees	172
Total	**1,007**

Accounting policy

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

5. Auditor's remuneration

	Period ended 31 December 2016 £'000
Audit fees	100
Non-audit related fees[1]	70
Total	**170**

1. The Auditor provided non-audit related services during the period in the form of services provided as reporting accountant during the IPO of the ordinary shares and the subsequent issue of C shares. A fee of £45,000 was charged in relation to the issue of the ordinary shares, a fee of £20,000 was charged in relation to the issue of the C shares in the period and a fee of £5,000 was charged in relation to the conversion of the C shares to ordinary shares in the period, refer to note 16 and pages 38 to 39 of the Audit Committee report.

6. Directors' remuneration

The Directors of the Company were remunerated as follows:

	Period ended 31 December 2016 £'000
Alex Ohlsson	**38**
Colin Huelin	**36**
Joanna Dentskevich	**32**
Directors' expenses	**2**
Total	**108**

7. Finance income

	Period ended 31 December 2016 £'000
Return on C share financial liability	**685**
Total	**685**

Accounting policy

Finance income in the statement of comprehensive income represents the return on the conversion of the C shares, refer to note 16. The return on the C shares represents an increase in the net assets attributable to the C shares over and above the funds raised from their issue.

8. Finance expenses

	Period ended 31 December 2016 £'000
Amortisation of C share issue costs	**1,084**
Total	**1,084**

Accounting policy

Finance expense in the statement of comprehensive income comprises the C share amortisation and commitment fees which are expensed in the period they occur. The C shares issued during the period represented contracts for conversion into a variable number of ordinary shares and therefore the C shares were classified as liabilities under IFRS. The classification resulted in the C share issue costs being presented as finance costs in the statement of comprehensive income.

9. Taxation

Profits arising in the Company for the period 7 September 2015 to 31 December 2016 are subject to tax at the standard rate of 0% in accordance with the Income Tax Law.

Notes to the financial statements continued

For the period 7 September 2015 to 31 December 2016

10. Dividends

	Pence per share	Period ended 31 December 2016 £'000
First interim dividend paid on 25 May 2016	1.32	**1,399**
Second interim dividend paid on 22 August 2016	1.50	**1,590**
Third interim dividend paid on 22 November 2016	1.50	**2,245**
Dividends paid during the period	4.32	**5,234**
Fourth interim dividend paid on 21 February 2017	1.50	**2,469**
Total	5.82	**7,703**

As the fourth interim dividend was declared after the period end, it is not accrued as a provision in the financial statements.

Accounting policy

In accordance with the Company's Articles, in respect of the ordinary shares and the C shares when in issue, 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 when they become payable. The Company intends to pay dividends on a quarterly basis with dividends declared in January, April, July and October and paid in February, May, August and November in each financial year.

11. Earnings per share

Basic earnings per share are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share are calculated by dividing the profit attributable to ordinary equity holders by the diluted weighted average number of ordinary shares, which includes the C shares issued in the period up to the date of conversion based on their value at issue.

	Profit £'000	Weighted average number of ordinary shares	Pence per share
Period ended 31 December 2016			
Basic earnings per ordinary share	**7,211**	**104,289,872**	**6.91**
Diluted earnings per ordinary share	**7,211**	**117,735,270**	**6.12**

12. Financial assets at fair value through profit or loss: Investment in Subsidiaries

The Company's financial assets consist solely of the investment in Subsidiaries, which represent amounts advanced to finance the Group's investment portfolio. The Company's investment in Subsidiaries as at 31 December 2016 comprised:

	Investment at cost £'000	Unrealised gain/(loss) £'000	Fair value £'000
Debt			
Secured Loan Notes up to £1,000,000,000	157,797	427	158,224
Equity			
GABI UK ordinary share – representing 1 ordinary share (£1)	—	237	237
GABI Housing ordinary shares – representing 1,000 ordinary shares (£1 each)	1	(44)	(43)
Total investment in Subsidiaries	**157,798**	**620**	**158,418**

The above represents a 100% interest in the Subsidiaries.

Secured Loan Notes

GABI UK 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. The loan notes are secured and listed on the TISE (formerly the Channel Islands Securities Exchange).

Accounting policy

The Company classifies its financial assets into the categories below in accordance with IAS 39 (Financial Instruments: Recognition and Measurement).

This category 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, as set out in the prospectus dated 20 January 2017.

The financial information about the financial assets of the Company is provided by the Investment Manager to the Directors with the valuation model being supplied 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 time frame 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 where:

- 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.

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the statement of comprehensive income.

After initial measurement, the Company measures financial instruments which are classified at fair value through profit or loss at fair value. Subsequent changes in the fair value of those 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 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 17.7.

Notes to the financial statements continued

For the period 7 September 2015 to 31 December 2016

13. Other receivables and prepayments

	31 December 2016 £'000
Arrangement fees	117
Prepayments	23
Total	**140**

Accounting policy

Other receivables and prepayments are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost.

A provision for impairment is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

14. Cash and cash equivalents

	31 December 2016 £'000
Cash and cash equivalents	6,819
Total	**6,819**

Accounting policy

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash on hand, demand deposits, short-term deposits in banks with original maturities of three months or less and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

15. Other payables and accrued expenses

	31 December 2016 £'000
Investment management fees	359
Amounts due to Subsidiaries	233
Accruals	211
Total	**803**

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

Share capital	Number of shares	31 December 2016 £'000
Ordinary shares issued at no par value and fully paid		
Shares issued upon incorporation at 7 September 2015	2	—
Issued in the period	120,964,734	**121,638**
Shares issued upon conversion of C shares	43,647,347	**43,401**
Total shares issued	164,612,083	**165,039**
Share issue costs	—	**(2,442)**
At 31 December 2016	164,612,083	**162,597**

The Company's share capital is represented by ordinary shares and C shares when in issue. Quantitative information about the Company's capital is provided in the statement of changes in equity.

The authorised share capital of the Company on incorporation was represented by an unlimited number of no par value ordinary shares.

On 7 September 2015, the Company was incorporated with two ordinary shares issued to the Investment Manager. These shares continue to be owned by the Investment Manager.

On 23 October 2015, the Company issued 106,000,000 new ordinary shares following its IPO.

On 24 May 2016, the Company announced the issue of 44,086,270 C shares, issued at 100 pence per share. C shares are no par value shares. The C shares were listed on the Main Market of the LSE and dealing in the C shares commenced on 31 May 2016.

On 18 October 2016, the Company issued 43,647,347 new ordinary shares following the conversion of the C shares on the basis of a conversion ratio of 0.9901 ordinary shares for every C share held. After conversion of the C shares to ordinary shares, the C shares were delisted on 18 October 2016.

On 8 November 2016, the Company announced the issue of 14,964,734 ordinary shares following a placing. The ordinary shares were listed on the Main Market of the LSE and dealing commenced on 10 November 2016.

As at 31 December 2016, the Company's issued share capital comprised 164,612,083 ordinary shares, none of which were held in treasury.

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. When in issue, the C shares carry the right to receive notice of, attend and vote at general meetings of the Company and, on a poll, to one vote for each C share held.

C share financial liability

	31 December 2016 £'000
Proceeds from the issue of C shares	**44,086**
Issue costs	**(1,084)**
Net proceeds from C shares	**43,002**
Amortisation of C share issue costs	**1,084**
Return on C share financial liability	**(685)**
Extinguishment of C share liability on conversion to ordinary shares	**(43,401)**
Value of C shares at period end	**—**

Notes to the financial statements continued

For the period 7 September 2015 to 31 December 2016

16. Authorised and issued share capital continued

The tables below give a summary of the results of the C share pool up to the date of conversion and value of the C share pool assets on the date of conversion:

For the period from issue to conversion

	£'000
Proceeds from the issue of C shares	44,086
C share issue costs	(1,084)
Deposit interest income	17
Change in fair value on financial assets at fair value through profit or loss	381
Arrangement fee income	168
Administration expenses	(167)
Value of C shares on conversion	**43,401**

	30 September 2016 £'000
Represented by the following assets and liabilities:	
Financial assets held at cost	26,890[1]
Trade and other receivables	551
Cash and cash equivalents	16,078
Other payables and accrued expenses	(118)
Value of C shares on conversion	**43,401**

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.

In accordance with IFRS, C shares were recognised on issue as a liability at fair value, less directly attributable transaction costs. After initial recognition C shares were measured at amortised cost using the effective interest method. Amortisation was credited or charged to finance income or finance costs in the statement of comprehensive income. Transaction costs were amortised up until the conversion point.

The C shares were converted into ordinary shares once at least 90% of all the assets representing the net proceeds or such other percentage as the Board and Investment Manager agreed had been invested in accordance with the Company's investment policy or, if earlier, six months after the date of issue of the C shares. On conversion, each holder of C shares received such number of ordinary shares as equalled the number of C shares held by them multiplied by the NAV per C share and divided by the NAV per ordinary share, in each case as at a date shortly prior to conversion.

1. Following an announcement made by the Company on 3 October 2016, in respect of investment completions of £16.8 million, the Company had invested substantially all of the proceeds of the C share issue and consequently the conversion of C shares occurred on 14 October 2016.

17. Financial instruments

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

Financial assets	31 December 2016 £'000
Cash and cash equivalents	**6,819**
Other receivables and prepayments	**140**
Loans and receivables	**6,959**
Financial assets at fair value through profit or loss	**158,418**
Total	**165,377**
Financial liabilities	
Other payables and accrued expenses	**803**
Financial liabilities measured at amortised cost	**803**

17.1 Capital management

The Company is wholly funded from equity balances, comprising issued ordinary share capital as detailed in note 16.

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 highly advanced investment opportunities to ensure the rapid deployment of capital.

As detailed in the Company's prospectus dated 20 January 2017, the Company may borrow up to 25% of its NAV as at such time any such borrowings are drawn down. During the period the Company did not have a debt facility.

17.2 Financial risk management objectives

The Company has an investment policy and strategy as summarised within its prospectus dated 20 January 2017, that sets out its overall investment strategy and its general risk management philosophy and has established processes to monitor and control these in a timely and accurate manner. These guidelines are the subject of 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 Investment Manager and the Directors 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, interest rate risk, credit risk and liquidity risk.

As explained in note 2.3, the Company's financial assets at fair value through profit or loss are investments in the Subsidiaries. The Subsidiaries are a holding vehicle used solely to hold the Company's investments and therefore, the market risk, interest rate risk, credit risk and liquidity risk is highly dependent on the performance of the Subsidiaries' investments.

Notes to the financial statements continued

For the period 7 September 2015 to 31 December 2016

17. Financial instruments continued

17.3 Market risk

The investments that the Company holds in the Subsidiaries are valued based on the NAV of the Subsidiaries.

The Subsidiaries' portfolio of assets is held at fair value, and their values are monitored on a quarterly basis by the Valuation Agent. There is a risk that market movements may decrease or increase the value of the Company's assets without regard to the assets underlying performance.

The Valuation Agent considers the movements in comparable credit markets and publicly available information around each project in assessing the expected future cash flows from each of the Subsidiaries' investments.

The valuation principles used are based on a discounted cash flow methodology. A fair value for each asset acquired by the Company 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 of the Company are generally fixed income debt instruments (in some cases with elements of inflation 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 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 key driver of the Subsidiaries' NAV is the valuation of their portfolio of Secured Loan Notes.

The table below shows how changes in discount rate affect the changes in the valuation of the Secured Loan Notes (refer to note 12):

31 December 2016

Change in discount rate	(0.50%)	0.00%	0.50%
Value of financial assets at fair value (£'000)	**162,989**	**158,224**	**153,680**
Change in value of financial assets at fair value (£'000)	**4,765**	**—**	**(4,544)**

17.4 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 and liabilities, future cash flows and borrowings.

Interest rate risk has the following effect:

Fair value of financial assets and liabilities

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 Subsidiaries, in a diversified portfolio of projects which have contracted predictable medium to long-term cash flows and/or physical assets, such investments being asset-backed. 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.

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 in the period.

Cash is held at a number of financial institutions to spread interest rate risk and 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 F-2 from Standard and Poor's, Moody's and Fitch respectively.

Borrowings

During the period, the Company did not have a debt facility. As disclosed in note 20, the Company entered into a two-year £15 million revolving credit facility with Royal Bank of Scotland International Limited post period end.

17.5 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 £165.4 million represented by its cash, receivables and investment assets.

As noted in section 17.4 above, cash is held at a number of financial institutions to spread credit risk.

The Company's investment assets are debt and equity securities in the Subsidiaries and therefore, the credit risk of the Company's investment assets is highly dependent on the performance of the Subsidiaries' investment portfolios, which are valued on a quarterly basis by the Valuation Agent. The Valuation Agent takes into account the credit risk associated with these investments when valuing the financial assets.

Credit risk is considered by the Valuation Agent during both the origination process and at quarterly valuation updates. Depending on the nature of the underlying projects and the extent to which due diligence was originally performed, 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 Project Companies in order to monitor ongoing financial performance. In addition, the credit risk associated with each Project Company is mitigated because the cash flows receivable are secured either on a senior or subordinated basis over the assets of the Project Company, which in turn have security over the assets of the underlying projects. As at period end, the concentration of credit risk to any Project Company did not exceed 20% of the Company's total assets.

The Directors currently consider the fair value of the financial instruments at par plus accumulated interest to be reasonable. The impact of such fair value attributable to any change in credit risk will continue to be reviewed at each quarter end and specifically when investments mature and their ongoing performance can be assessed. Therefore, no additional sensitivity analysis to that disclosed in note 17.3 has been provided in this respect.

Notes to the financial statements continued

For the period 7 September 2015 to 31 December 2016

17. Financial instruments continued

17.6 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 period ended 31 December 2016, all investments made by the Company were funded solely by proceeds from the IPO, the C share equity raise and the placing.

The financial assets held at fair value through profit or loss are predominantly the investments in the Subsidiaries. Such investments would take time to realise and there is no assurance that the valuations placed on the investments would be achieved from any such sale process. As at 31 December 2016, the Company holds £6.8 million in cash and cash equivalents, which are readily available and does not have any financial liabilities aside from the standard trade payables and accrued expenses totalling £0.8 million arising from the normal course of business, which are all due within the year.

The Directors assessment of the Company's ability to continue as a going concern, noted in note 2.1, included an assessment of liquidity risk. The Board concluded that the Company will be able to generate sufficient cash resources to settle its obligations in full as they fall due. Therefore no additional sensitivity analysis to liquidity risk has been provided in this respect.

17.7 Fair values of financial assets and liabilities

Basis of determining fair value

The Valuation Agent carries out quarterly fair valuations of the financial assets of the Subsidiaries and the Secured Loan Notes. These valuations are reviewed by the Investment Manager and the subsequent NAV is reviewed by the Investment Manager and Directors on a quarterly basis.

Fair value measurements

Investments measured and reported at fair value are classified and disclosed in one of the following fair value hierarchy levels depending on whether their fair value is based on:

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

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 table below summarises all securities held by the Company based on the fair valuation technique adopted.

	Date of valuation	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Financial assets measured at fair value through profit or loss:					
Investment in Subsidiaries	31 December 2016	—	—	158,418	**158,418**

The Directors have classified the financial instruments as Level 3 due to the limited number of comparable and observable market transactions in this sector. The current input for the Level 3 at period end is the discount rate for these investments which are considered to be primarily modelled rather than market observed. The debt securities that the Subsidiaries have 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 period:

	31 December 2016 £'000
Opening balance	**—**
Investment in Subsidiaries	**159,602**
Capital repayments from Subsidiaries	**(1,804)**
Unrealised gains on investments at fair value through profit or loss	**620**
Closing balance	**158,418**

Included within the investment in Subsidiaries figure of £159,602,000 is an amount of unpaid share capital of £1,000 relating to the investment in GABI Housing, which is outstanding as at 31 December 2016.

For the Company's financial instruments categorised as Level 3, changing the discount rate used to value the underlying instruments alters the fair value. As noted in note 17.3 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 profit before tax as shown in the table in note 17.3.

The fair value of the investment in the Subsidiaries consists of both debt (the Secured Loan Notes) and equity (1,001 ordinary shares), refer to note 12.

The investments that the Company holds in the Subsidiaries are valued based on the NAV of the Subsidiaries. As at 31 December 2016, the Subsidiaries NAVs were as follows:

	31 December 2016 £'000
GABI UK	**237**
GABI Housing	**(43)**
Total	**194**

The Secured Loan Notes that the Company has subscribed for, are valued on a discounted cash flow basis in line with the model used by the Valuation Agent, which is also applied to the underlying investments of GABI UK shown below:

	Fair value £'000	Valuation technique	Key unobservable inputs	Range
Financial assets at fair value through profit or loss	**158,224**	Discounted cash flow	Discount rate	6-10%
Total	**158,224**			

Refer to note 17.3 for the sensitivity analysis performed in relation to fair value of the investment in the Subsidiaries.

The Directors review the quarterly 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 derivation of the discount rate adopted by the Valuation Agent are pursuant to the Valuation Agent engagement letter as set out within the prospectus dated 20 January 2017. 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 period there were no transfers of investments between levels therefore no further disclosure is considered necessary under IFRS.

Notes to the financial statements continued

For the period 7 September 2015 to 31 December 2016

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 period (including reimbursement of Company related expenses) totalled £107,719. As at 31 December 2016, liabilities in respect of these services amounted to £19,481. The Directors did not receive any performance based fees in the period. As at 31 December 2016, the Directors of the Company hold directly or indirectly, and together with their family members, 109,700 ordinary shares in the Company.

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 period. Carey Olsen maintains procedures to ensure that Mr Ohlsson has no involvement in the delivery of legal services to the Company.

During the period, the aggregate sum of £90,367 was paid to Carey Olsen in respect of legal work undertaken in respect of the incorporation of the Company, the IPO, the variable funding note programme, the C share raise, the placing, the 2016 AGM and the change of name of the Company.

Investment Manager

The Company is party to an investment management agreement with the Investment Manager, 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 objectives and policies, subject to the overall control and supervision of the Directors.

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.

During the period, the Company expensed £1,154,328 in respect of investment management and advisory fees. Additional arrangement fees amounting to £185,000 were paid to the Investment Manager in relation to the issuance of the C shares. As at 31 December 2016, liabilities in respect of these services amounted to £359,065.

The Investment Manager receives an annual fee of £22,500 in relation to its role as the Company's AIFM. During the period, the Company expensed £28,000 in respect of AIFMD fees due to the Investment Manager. As at 31 December 2016, liabilities in respect of these services amounted to £5,656.

The Investment Manager, at its discretion, is entitled to an arrangement fee of up to 1% of the cost of each investment made by the Subsidiaries. The Investment Manager typically expects the cost of any such fee to be covered by the borrowers, and not the Company, and which may be paid by borrowers through the Subsidiaries. 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.

Subsidiaries

As at 31 December 2016, the Company owns a 100% controlling stake in the Subsidiaries. The Subsidiaries are considered to be a related party by virtue of being part of the same group.

The tables below disclose the transactions and balances between the Company and Subsidiaries:

Transactions	31 December 2016 £'000
Intercompany income received	
GABI UK	
Arrangement fee income	**729**
Loan interest income received	**8,409**
Total	**9,138**

Balances	31 December 2016 £'000
Intercompany balances due	
GABI UK	**(232)**
GABI Housing	**(1)**
Total	**(233)**
Intercompany loan balance within book cost of financial asset at fair value through profit or loss	
GABI UK – Secured Loan Notes	**157,797**

19. Reconciliation of NAV

	31 December 2016 £'000
Valuation per NAV calculation	**164,625**
Adjustments	**(51)**
Valuation as per financial statements	**164,574**

Notes to the financial statements continued

For the period 7 September 2015 to 31 December 2016

20. Subsequent events after the report date

On 4 January 2017, the Company transferred 1,000 shares in GABI Housing to GABI UK. These shares were transferred to a third party, Mr David Rae Wylde Limited on 20 January 2017.

On 13 January 2017, the Company entered into a two-year £15 million revolving credit facility with Royal Bank of Scotland International Limited. Interest on amounts drawn under the facility is charged at LIBOR plus 2.75% per annum. A commitment fee is payable on undrawn amounts. The total costs incurred to establish the facility were £375,759 (including an arrangement fee of £300,000).

On 27 January 2017, £5.3 million was drawn on the facility which was repaid in full on 20 February 2017.

On 13 January 2017, the Company agreed a £3.1 million extension to the £10.8 million social infrastructure loan facility. The revised £13.9 million facility, which will be issued in tranches, is secured on a senior basis against the underlying units and leases and is subject to upward-only principal indexation.

On 10 February 2017, the Company issued 79,250,000 C shares at 100 pence per share by way of an open offer, placing and offer for subscription, raising gross proceeds of £79.25 million. Issue costs incurred as part of the capital raise were £1.6 million.

On 10 March 2017, the Company announced two loans of up to £17.5 million to finance UK residential property. The first loan of up to £15 million, with a term of c.three years, will be secured on a subordinated ranking basis and issued in tranches with an inital amount advanced of £5.3 million. The second loan of £2.5 million is to provide asset-backed finance to a specialist lender active in the UK short-term finance market. The facility is secured on a senior basis. These loans have been funded from the net proceeds of the Company's recent issue of C shares.

On 24 March 2017, the Company committed to a loan of up to £7 million which will be used to finance a portfolio of buy-to-let mortgages. The loan has a term of c.three years, will be secured on a subordinated ranging basis and issued in tranches with an initial amount of c.£3.8 million. The loan has been funded from the net proceeds of the Company's recent issue of C shares.

21. Ultimate controlling party

It is the view of the Board that there is no ultimate controlling party.

Glossary of key terms

ACA	Associate of the Institute of Chartered Accountants
AGM	The Annual General Meeting of the Company
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Managers Directive
Articles	The articles of association of GCP Asset Backed Income Fund Limited
C shares	The C shares of GCP Asset Backed Income Fund Limited
CET1	Common Equity Tier 1
CIF Law	Collective Investment Funds (Jersey) Law 1988
Companies Law	Companies (Jersey) Law 1991, as amended
The Company	GCP Asset Backed Income Fund Limited
DTRs	Disclosure Guidance and Transparency Rules of the UKLA
FATCA	Foreign Account Tax Compliance Act
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
GABI Housing	GABI Housing Limited
GABI UK	GCP Asset Backed Income (UK) Limited
GCP Infrastructure	GCP Infrastructure Investments Limited
Group	The Company and the Subsidiaries
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IESBA Code	International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Income Tax Law	Income Tax (Jersey) Law 1961, as amended
IPO	Initial public offering
IRR	Internal rate of return
ISA	International Standards on Auditing
LSE	London Stock Exchange
LTV	Loan-to-value
MAR	EU Market Abuse Regulation
NAV	Net asset value
Ordinary shares	The ordinary shares of GCP Asset Backed Income Fund Limited
Project Company	A special purpose company which owns and operates an asset
Secured Loan Notes	Loan notes issued to the Company
The Subsidiaries	GABI UK and GABI Housing
TISE	The International Stock Exchange
Total shareholder return	The sum of the percentage increase in the ordinary share price, plus dividends deemed to be reinvested on the dividend payment date
UK	United Kingdom
UK Code	The UK Corporate Governance Code
UKLA	United Kingdom Listing Authority

Company information

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Colin Huelin
Joanna Dentskevich

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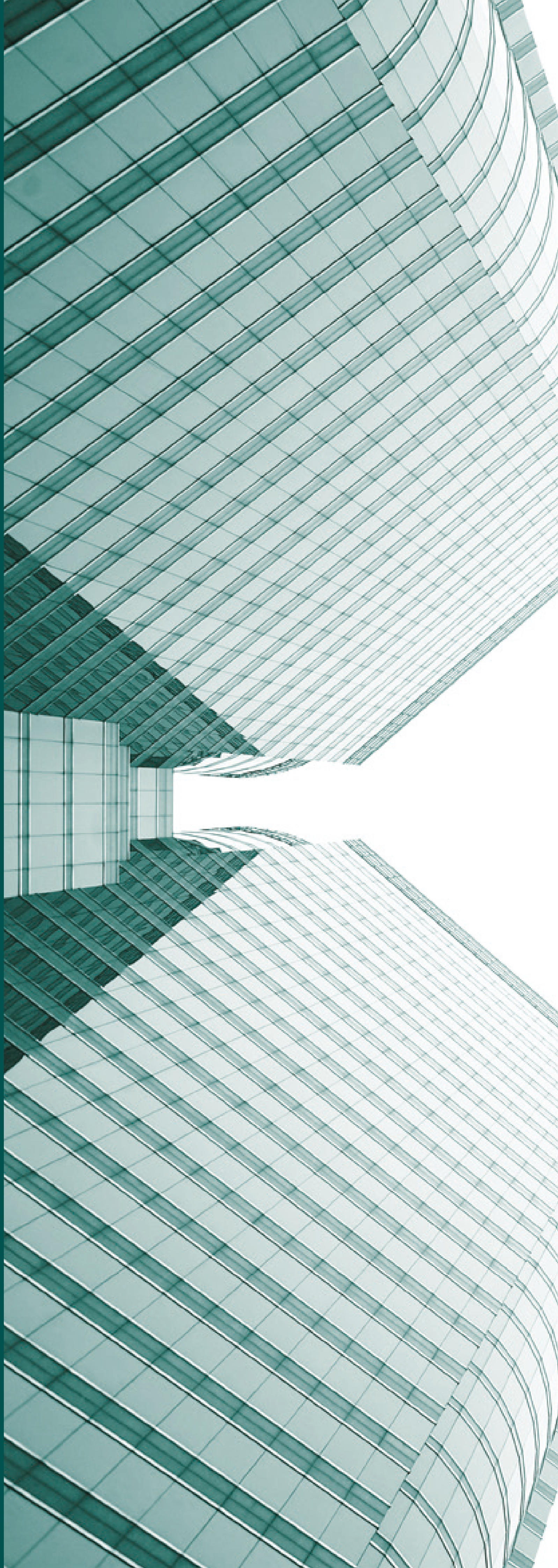

GCP Asset Backed Income Fund Limited
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