GCP ASSET BACKED

GCP ASSET BACKED INCOME FUND LIMITED

Annual report and financial statements
for the year ended 31 December 2017

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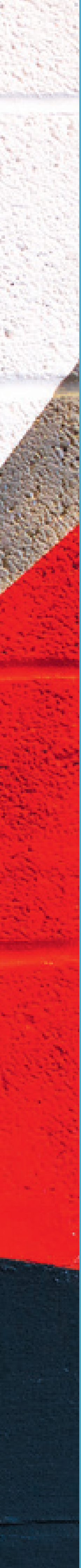

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ABOUT US

GCP Asset Backed Income Fund Limited ("GCP Asset Backed" or the "Company") is a listed investment company which focuses predominantly on investments in UK asset backed loans, across a range of sectors.

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

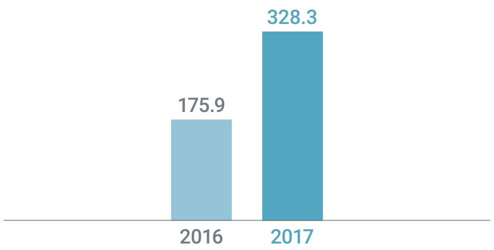
The Company is currently invested in a diversified portfolio of asset backed loans across the social infrastructure, property, energy and infrastructure and asset finance sectors.

GCP Asset Backed is a closed-ended investment company incorporated in Jersey. It was admitted to the premium segment of the Official List of the UKLA and to trading on the premium segment of the Main Market of the LSE on 23 October 2015, and since which its market capitalisation has grown to c.£330 million at 31 December 2017. The Company is a constituent of the FTSE All-Share Index.

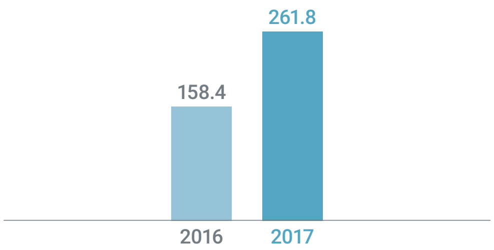
www.gcpassetbacked.com

AT A GLANCE – 31 DECEMBER 2017

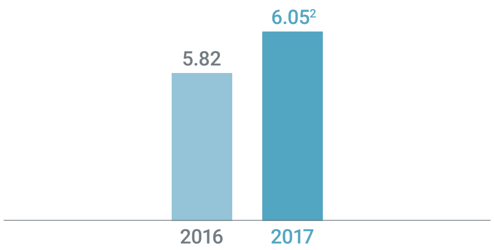
MARKET CAPITALISATION £M



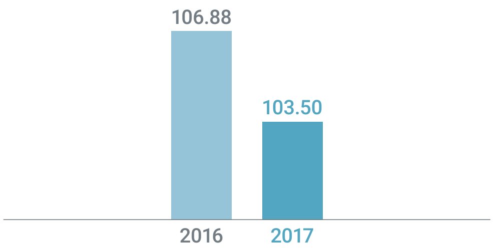
VALUE OF INVESTMENTS £M



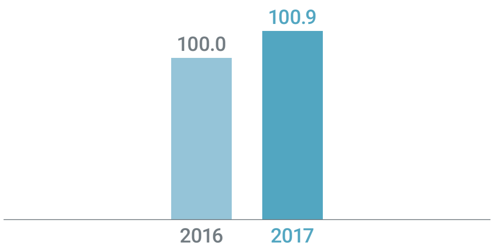
DIVIDENDS FOR THE YEAR[1] P



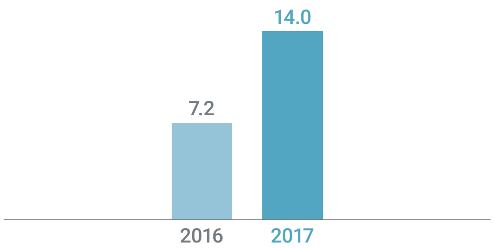
ORDINARY SHARE PRICE P



NAV PER ORDINARY SHARE P



PROFIT FOR THE YEAR[1] £M



HIGHLIGHTS FOR THE YEAR

- Dividends of 6.05 pence per share in respect of the year, ahead of the target of 6 pence per share. The dividend was fully covered by basic earnings per share of 7.1 pence.
- Total shareholder return for the year of 4.4% (prior period: 11.2%)[1] and an annualised total return since IPO of 6.1%.
- Profit for the year of £14 million, up from £7.2 million in the prior period.
- Two C share issuances in the year, one in February 2017 and a further issue in October 2017, raising gross proceeds of £154.3 million for the Company.
- Loans of £108.3 million advanced secured against 22 projects with a further £36.6 million secured against ten projects, advanced post year end.
- Diversified and partially inflation and/or interest rate protected portfolio of 32 asset backed loans with a third party valuation of £260.7 million at 31 December 2017.
- NAV per ordinary share of 100.9 pence at 31 December 2017.
- The C shares in issue at 31 December 2017 were converted to 73,403,850 ordinary shares post year end on 17 April 2018.

1. The prior period is for a period of greater than twelve months, being the first audited period from the date of incorporation. As a result, the comparative information disclosed is not directly comparable.
2. Includes a dividend of 1.525 pence per share for the quarter to 31 December 2017, which was declared post year end.

INVESTMENT OBJECTIVES

The Company makes asset-backed investments 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 Group's portfolio is generating a weighted average annualised yield of 8.2% and comprises a diversified, partially inflation and/or interest rate protected portfolio of loans secured against contracted medium to long-term cash flows and/or physical assets.

32

Number of investments at 31 December 2017

8.2%

Weighted average annualised yield on investment portfolio

REGULAR, GROWING DISTRIBUTIONS

To provide shareholders with regular, growing dividend distributions.

The Company paid dividends totalling 6.05 pence per ordinary share during the year, exceeding its stated target for the year and representing year-on-year dividend growth of 24% on an annualised basis.

6.05p

Dividends for year ended 31 December 2017

51%

Percentage of portfolio by value with inflation and/or interest rate protection

CAPITAL APPRECIATION

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

The Company has delivered NAV growth in the year of 0.9 pence per ordinary share and the NAV has increased 3% since IPO.

103.5p

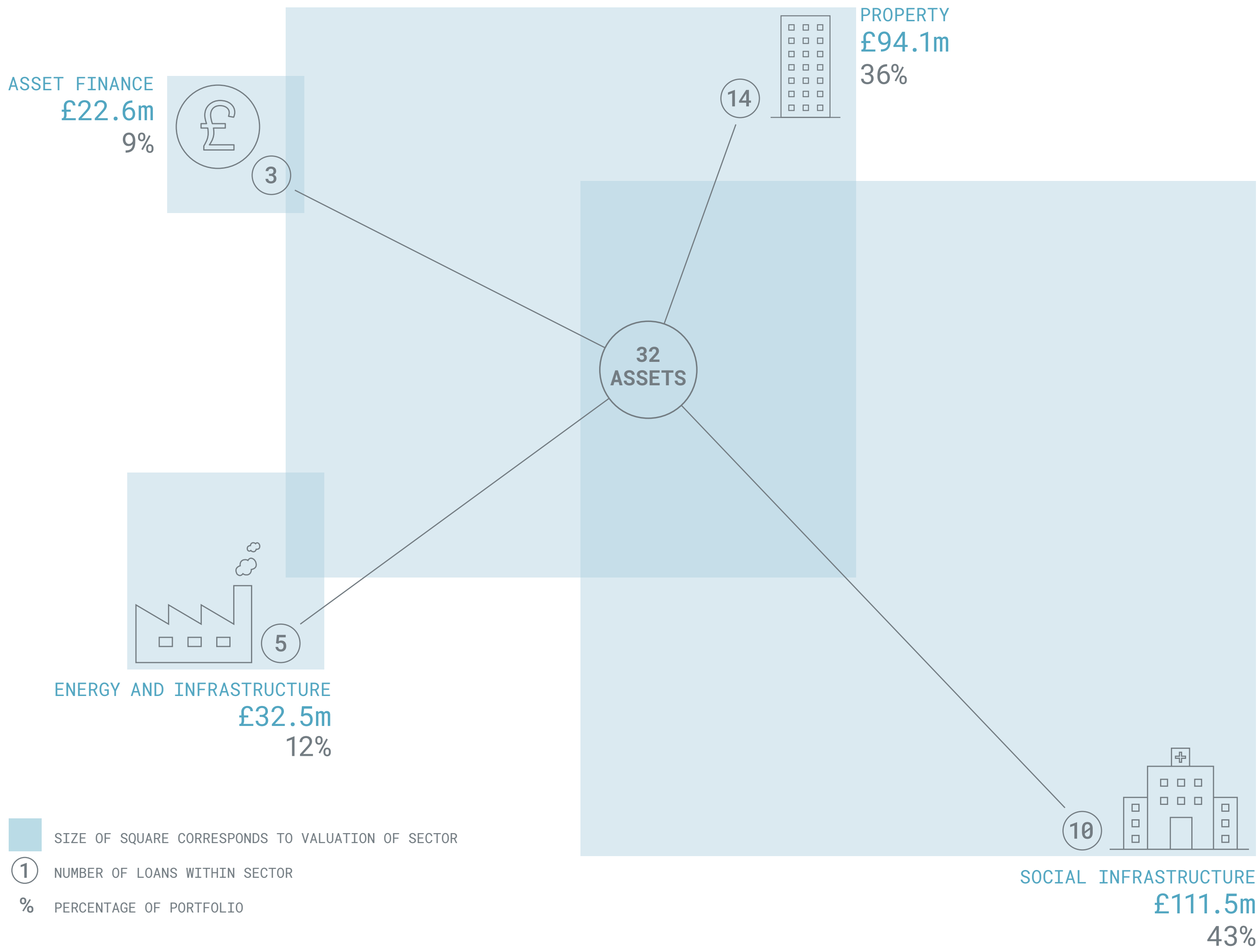
Share price of ordinary shares at 31 December 2017

4.4%

Total shareholder return for the year

PORTFOLIO AT A GLANCE

A diversified, partially inflation and/or interest rate protected portfolio of 32 asset-backed loans with an average life of 11 years which fall within the following sectors, predominantly in the UK:



SENIOR RANKING SECURITY
72%

WEIGHTED AVERAGE ANNUALISED YIELD
8.2%

INFLATION AND/OR INTEREST RATE PROTECTION
51%

CHAIRMAN'S STATEMENT

The strong performance of the underlying loan portfolio has been matched by the financial results of the Company.

Alex Ohlsson
Chairman

Introduction

The Company delivered a robust set of results, underpinned by a portfolio of investments that have all performed in line with or exceeded expectations. This is the second set of results for the Company, achieving strong growth and improving upon the positive set of results delivered in the longer first period, whilst continuing to focus on maintaining the quality of the investment portfolio.

A number of key improvements should be noted for the year, including an increase in the Company's earnings per share, NAV and dividend. The strong performance of the underlying loan portfolio has been matched by the financial results of the Company, with all investments servicing their loans as expected and robust underlying business performance.

Equity issuance

During the year, the Company raised £154.3 million through the issue of C shares in February and October 2017, which included pre-emption rights for existing shareholders. The issuances contributed to doubling the asset value of the Company, benefiting shareholders through greater portfolio diversification, delivering a broadening of the shareholder base and enhancing the market liquidity of the Company's ordinary shares.

As a result of capital raises, total investments increased during the year to 32 from 14 in 2016 with the largest asset exposure reducing from 12.3% to 6.3% of NAV.

C shares

The use of C share equity issuance to grow the Company's asset base facilitates the efficient deployment of funds without adversely impacting returns on the ordinary share class through the effect of cash drag. It is pleasing to note that the net proceeds of both issues were deployed in a timely manner with conversion into ordinary shares effected within six months in each instance. The C share issue in October 2017 was materially oversubscribed. The Company scaled back investor demand in order to retain a discipline of ensuring that it only accepted additional capital that could be deployed in appropriate investments and in a timely manner.

Investments

At the year end, the Group had an investment portfolio of 32 loans allocated across 23 separate borrowers. The Company invested in a number of new asset classes during the course of the year within the target sectors of social infrastructure, energy and infrastructure, property and asset finance. New asset classes include co-living, water infrastructure and battery storage. This has been complemented with the completion of subsequent deals with existing borrowers.

The Company continues to seek new asset classes within the sectors it targets to ensure that the portfolio remains highly diversified. The focus remains on financing assets and/or contracted cash flows which the Company believes have strong growth prospects for future deployment and where a structural demand exists for the goods and services provided. The significant upfront work performed by the Investment Manager when structuring a financial offering secured against a new asset class ensures the Company is well placed to capitalise on growth and potential NAV uplift of new sectors before they become established and a target of the wider lending market.

NAV and share price performance

At the year end, the net assets of the Company were £245 million. The NAV per ordinary share increased from 100 pence at 31 December 2016 to 100.9 pence at 31 December 2017.

The Company's ordinary shares have predominantly traded at a premium to NAV since IPO, with an average premium over the year of 5%. At 31 December 2017, the share price for the ordinary shares was 103.5 pence.

Dividend policy

The Company paid dividends in respect of the financial year of 6.05 pence per ordinary share, thereby exceeding its target dividend of 6 pence for the year. In respect of the forthcoming financial year the Company will be targeting an annual dividend of 6.1 pence per ordinary share.[1]

Market outlook

Market conditions remain supportive with the Company continuing to see strong demand for bespoke lending solutions tailored to individual borrowers' needs. Mainstream lenders continue to focus on core, established asset classes above a minimum scale, constrained by regulatory capital requirements. Constraints create a gap in the supply of lending which the Company is well placed to address.

However, new entrants are increasingly targeting more mature asset classes in which the Company has invested, as these asset classes become more developed and widely understood. This capital is typically offered at a lower rate, making it hard for the Company to continue to invest in these sectors.

Key areas where the Investment Manager has seen significant yield compression during the course of the year include the supported living and property bridging markets. These sectors have seen a fall in yield which indicates that the Company has been able to identify asset classes earlier than the wider lending market and as a result has capitalised on higher risk adjusted returns as those classes have developed. The value of this yield compression has been shown by an upward re-valuation of two investments in the year due to a combination of strong performance of the underlying assets and market factors.

In today's changing market, the challenge for the Company is to continue to identify sectors earlier than the wider lending market, to re-deploy capital repayments and continue to grow. At the end of the year, the Company had a significant investment pipeline with a value in excess of £70 million, which covers a number of new sectors which should continue to drive the Company's growth.

Whilst the interest rate environment remains low, the Board is aware that the attractiveness of investments on a risk-adjusted basis is sensitive to any rate changes. As a result, the Company has sought inflation and/or interest rate protection where possible and achieved this on approximately 51% of investments by value. These protections deliver benefit for investors with the principal value of three of the Group's investments having been uplifted as a result of inflation during the course of the year. Further, the shorter weighted average life of the portfolio and associated level of repayments expected to be received will enable the Company to reinvest at prevailing interest rates, resetting the portfolio to the wider market rates and maintaining attractiveness on a risk-adjusted basis.

Governance and compliance

The Board recognises the importance of a strong corporate governance culture and continues to maintain principles of good corporate governance as set out in the AIC Code and the accompanying AIC Guide, a copy of which is available at www.theaic.co.uk.

Alex Ohlsson
Chairman

25 April 2018

1. The target dividend set out above is a target only and not a profit forecast or estimate and there can be no assurance that it will be met.

STRATEGIC REPORT

WHAT'S IN THIS SECTION

STRATEGIC OVERVIEW

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

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

Investment objective and policies

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

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

The Company 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 used to finance investments outside the UK; and

— the Company will not invest in other listed closed-ended funds.

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

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

The Company offers a scrip dividend alternative to shareholders and currently anticipates that it will continue to do so.

Target returns

The Company will target an IRR of between 7% and 8% (net of expenses and fees) on the IPO price of 100 pence 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 directors, officers or employees of the Investment Manager are directly or indirectly interested in any entity or asset in relation to any investment proposal, the potential investment is presented to the Board for its approval. Further details can be found on page 21 under the heading "Conflicts of interest".

1. Investors should note that the targeted IRR set out above is a target only and not a profit forecast or estimate and there can be no assurance that it will be met.

STRATEGIC OVERVIEW CONTINUED

Delivery of investment objective through 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.

8.1%

Weighted average discount rate[1]

4.4%

Total shareholder return for the year

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 that 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.

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 Group'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 seeks to generate risk-weighted returns in excess of investments with an equivalent risk profile. The Company's weighted average annualised yield was 8.2% at 31 December 2017.

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.

REGULAR, GROWING DISTRIBUTIONS

To provide shareholders with regular, growing dividend distributions.

6.05p

Dividends in respect of the year ended 31 December 2017

£14m

Profit for the year

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 Group'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 long-term and growing demand. Similarly, the domestic boilers funded by the Group 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 the investment. The Company intends to balance amortising loans with bullet repayments, to enable 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 investments in an emerging sector or to create bespoke products through the provision of resource at the Investment Manager.

Delivery of investment objective

The Company paid dividends of 6.05 pence in respect of the year, exceeding its dividend target of 6 pence per share. The dividend for the year ended 31 December 2017 was more than fully covered by profits for the year.

CAPITAL APPRECIATION

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

100.9p

NAV per ordinary share at 31 December 2017

3%

NAV growth since IPO

Income generation in excess of dividends and costs

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 and/or interest rate protection

Approximately 51% of the Group's portfolio has an element of inflation and/or interest rate protection, 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.

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.

Delivery of investment objective

The Company's NAV per share has grown from 98 pence at IPO to 100.9 pence at the year end.

ASSET-BACKED LENDING

The Investment Manager continues to see a substantial pipeline of asset backed investment opportunities.

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, a corporate entity established with the specific purpose of owning, developing and operating an asset. Financing is provided to the Project Company with recourse solely to the shares held in, and assets held by, that Project Company. Cash generation to service loans and other financing relies on the monetisation of the goods and/or services the Project Company's assets provides. Lenders implement a security structure that allows them to take control of the Project Company and its assets to optimise the monetisation of goods and/or services associated with such assets if the Project Company has difficulties complying with its financing terms.

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. Further, it also means the residual risks (and potential rewards) being taken by the Project Company are well understood by the parties providing finance to such company.

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 general corporate or unsecured 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. Where borrowers may not have access to mainstream financing for reasons other than the creditworthiness of the relevant proposition, 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 dedicated company established specifically for that asset) is capable of analysis broadly by reference to a set of known variables such as:

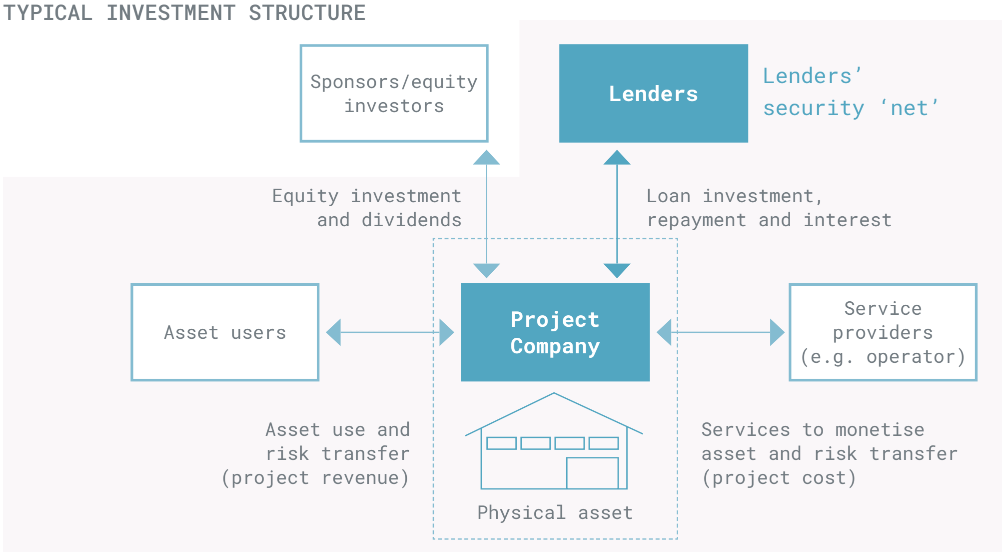
- how an asset generates cash flow and the inherent risks that will drive variability in such cash flow;
- the (limited) historic activities of such entity (e.g. employees, pensions, disputes etc);
- expected future value;
- its opening balance sheet position and any contingent or other liabilities and the book value of any assets;
- a known set of contractual relationships, the competence of its service providers and risk allocation to such parties; and
- the availability of alternative parties in the event of a failure by one or more service providers.

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. A larger number of variables included in general corporate risks makes such analysis more difficult, and typically relies on a combination of warranties from the Company and detailed due diligence, compared with an upfront structuring of a dedicated entity in accordance with a target risk profile. A bespoke structuring of a loan in this way allows the Company to implement specific financial covenants, undertakings and events of default that are designed to protect the lenders and provide them with enhanced controls in the event an asset has demonstrated, or there is a risk of, underperformance.

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 and therefore offers 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. In particular, the Company's focus on asset classes where there exists a structural supply/demand imbalance for goods and services (such as care homes in certain parts of the UK and battery storage to meet demands for electricity grid services) means that the performance of assets should be sheltered from changes in the macro-economic environment.

TYPICAL INVESTMENT STRUCTURE



MARKET OUTLOOK

The Investment Manager believes the Company is well placed to continue its controlled growth through the coming years.

By targeting sectors in the right stage of the growth cycle the Company is able to benefit from a yield that is disproportionate to the risk taken.

Early identification of attractive sectors

The Company seeks to invest in an asset class before it has become widely established and suffers from increased availability of finance driving the compression of yields. By targeting sectors in the right stage of the growth cycle (such as those sectors described on pages 16 to 19), the Company is able to benefit from a yield that is disproportionate to the risk taken. In addition, the Company seeks to restrict the ability of borrowers to repay early, ensuring this enhanced risk return is maintained.

NAV growth can be expected to result from revaluations where market discount rates for an asset class fall over time and the Company maintains higher yields. Discount rates have been adjusted in two loans during the year, generating a valuation gain on these loans.

The chart below shows the Investment Manager's view of the stage of development of a number of asset classes in which the Company has invested. Asset classes such as social housing are now considered increasingly mature with significant capital flowing into the asset class from both specialist funds and institutional investors. Similarly, the Company has seen the specialist bridging market evolve through this cycle, with providers attracting mainstream support through structures such as bond issuances.

To counter this movement of yield away from the Company in asset classes it has historically focused on, the Investment Manager spends a significant amount of time focusing on new asset classes that meet the Company's investment policy. Notable new areas that the Company has financed during the year include battery storage, co-living and water infrastructure. It is expected that further deals will be closed in these sectors during the course of the next financial year, ensuring further diversification and equally ensuring the Company is able to continue to offer attractive risk-adjusted returns to shareholders.

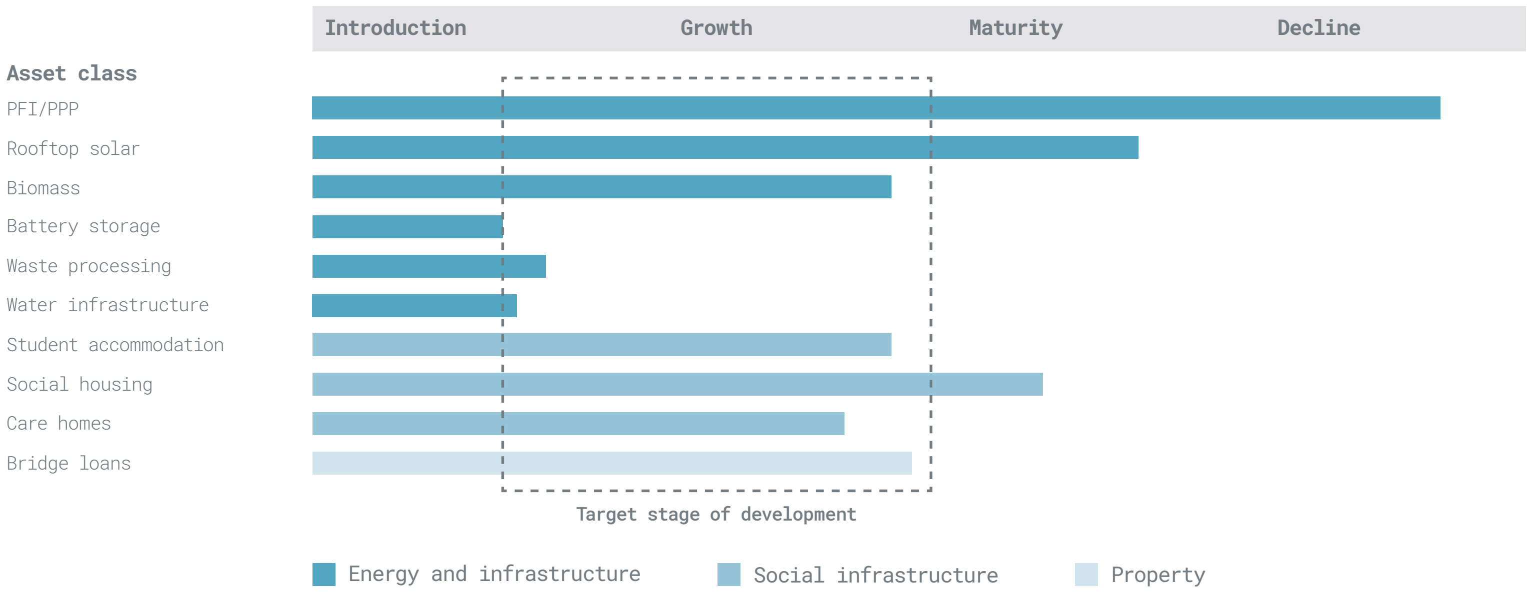
Investment pipeline

The Investment Manager maintains a pipeline of potential investments on behalf of the Company. At the end of the year, the pipeline represented c.£70 million of new opportunities.

The Investment Manager has spent considerable focus in the year concentrating on new borrowers and sectors. This has meant the average size of investment transactions has reduced, however, the Investment Manager is confident that transactions can be achieved with new borrowers, in addition to the continuation of funding new opportunities with existing borrowers. This strong borrower portfolio ensures that the Company will be able to continue to deploy and originate investment transactions in an efficient manner.

The Company raised £154.3 million in the year, deployed £108.3 million of capital, with a further £36.6 million deployed post year end.

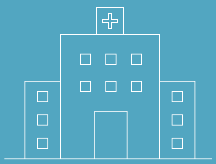
ASSET CLASSES IDENTIFIED BY THE INVESTMENT MANAGER



MARKET OUTLOOK CONTINUED

TARGET SECTOR UPDATES

SOCIAL INFRASTRUCTURE



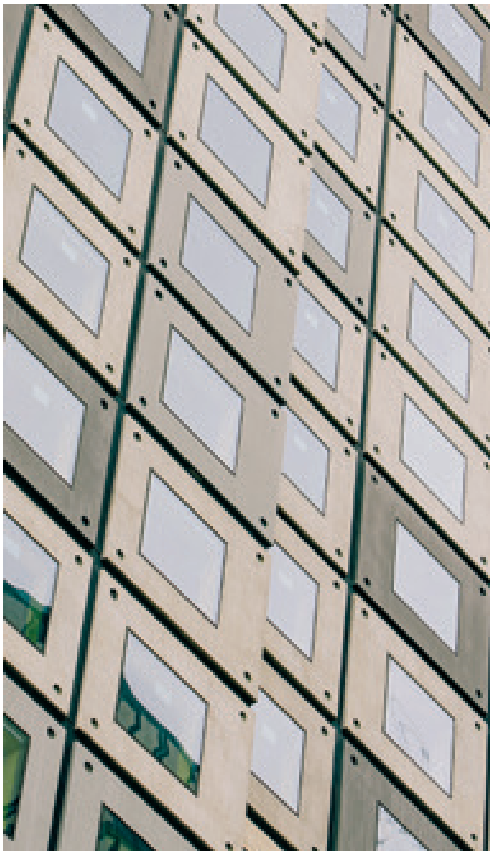
Assets that meet the requirements of society's core needs: student accommodation, housing for vulnerable adults, care for the elderly and urban regeneration.

43%

Percentage of portfolio by value

£111.5m

Valuation of sector



This sector provides a core element of the Group's investments (43% of the investment portfolio by value at year end). Social infrastructure as a sector is long term in nature and requires significant amounts of upfront due diligence to determine the quality and long-term structural demand position for the asset.

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

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

By way of an example, London has a structural supply imbalance for dedicated student accommodation that underserves the 71 higher education institutions that exist across the city.

Achieving planning permission for such developments is seen as a current and likely enduring barrier to entry for future developments given the comparative attractiveness of alternative uses in meeting local authority objectives (e.g. affordable living). The Company therefore believes the fundamentals exist to make this an attractive sector.

The whole social infrastructure sector is becoming increasingly competitive as more companies recognise the quality of credit available and as the specific asset classes within it (e.g. social housing) become more established. Going forward, the Company intends to focus on capitalising the strong relationships and lending infrastructure it has with existing borrowers and targeting new areas with similar characteristics, rather than compete with lower costs of capital.

Structural characteristics

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

Current investments

- Supported living
- Care homes
- Student accommodation
- Multi-use community facilities

New investment sectors

- Temporary accommodation

ENERGY AND INFRASTRUCTURE

Assets that meet a structural demand for producing or managing energy and/or processing waste.

12%

Percentage of portfolio by value

£32.5m

Valuation of sector

The Company continues to take advantage of lending opportunities created by the pressures on the UK's power grid as it moves from a baseload, centralised, fossil-fuel driven power generation system to a distributed, renewable system. The recent rapid growth of renewables in the UK, promoted by government subsidies, falling capital and operating costs has presented challenges and opportunities for distribution and transmission network operators and the centralised balancing of electricity.

Electricity only forms one component of the wider energy supply. Achieving the UK's legally binding targets for generation of energy used in heating and transport, from renewable or efficient sources remains a focus for the UK government. This is coupled with developments in technology and the reduction in the cost of electric vehicles. The Company believes these drivers will provide ongoing attractive investment opportunities.

By way of example, the increase of intermittent renewables (particularly solar and wind) in the UK has increased the demand from National Grid as the party responsible for balancing supply and demand across the UK network, giving the National Grid the tools to manage short-term supply and demand energy balances. This includes offering 'availability based' contracts to assets that can provide generation of, or demand for, electricity at short notice. Similarly, the contracts which are available to assist with the management of frequency deviations on the network are attractive to the Company. As the cost of batteries has fallen, it has become economic for suppliers to provide services and benefit from these contracts. Outside of these contracts, batteries are highly flexible assets that can be managed to take advantage of volatility in the day-ahead and balancing electricity markets.

The Company has therefore been able to lend against physical assets with contracted cash flows in markets where there is a growing demand for the services the asset can provide.

Structural characteristics

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

Current investments

- Solar O&M
- Water infrastructure
- Battery storage
- Material recovery facility
- Compressed natural gas fuel stations

New investment sectors

- Gas peaking plants
- Renewable heat
- Electric vehicle infrastructure

MARKET OUTLOOK CONTINUED

TARGET SECTOR UPDATES

ASSET FINANCE

Financing of assets that generate long-term, regular cash flows as a result of being central to an end users' needs.

9%

Percentage of portfolio by value

£22.6m

Valuation of sector

Asset finance continues to be a highly competitive sector with both new entrants and established finance houses competing for business. The core part of the sector, vehicle finance, is already well serviced and commands yields significantly below the Company's cost of capital.

However, the Company continues to seek value in less established, specialist pockets requiring bespoke and adviser led analysis or areas that are sub-scale for larger mainstream asset finance lenders. The Company is actively exploring a number of new areas which are sufficiently specialist to be able to command yields that remain attractive.

In this sector, the Company has focused on niche areas that offer strong credit characteristics, yet lack the market scale to attract traditional lenders. By way of an example, the Company has advanced a loan secured against the management fees derived from a European based fund manager.

The fund manager has a seven year management agreement in place which is only terminable in very limited circumstances. The fund manager received a loan from the Company to fund an investment in their managed fund and in return gave the Company security over the fixed management fees generated in respect of that investment over an eight year period. The Company was able to take security over the management vehicle and all assets owned by the vehicle, including the co-investment which the loan was advanced to fund. The transaction was €7 million, which made it too small for the traditional lenders, yet too big for a number of the new entrants. The Company was therefore, able to carve out a strong security package at a yield in excess of the rates of the traditional lenders, whilst also meeting the requirements of the borrower. The borrower is looking to raise additional funds in future, which will further enhance the security of the Company's loan through additional management fees.

Structural characteristics

- Physical assets
- Stable cash flows from fixed contracts
- RPI/CPI protection

Current investments

- Boilers
- Management fees
- Invoice discounting

New investment sectors

- Professional indemnity insurance finance
- Credit margins against trades
- Litigation bridging

PROPERTY

Addressing financing needs for property purchases or developments which mainstream lenders cannot serve, for reasons other than credit quality.

36%

Percentage of portfolio by value

£94.1m

Valuation of sector

The Company has identified niche areas of the property market which remain underserved by mainstream lenders for reasons other than credit quality.

Notable investments during the course of the year have come in the co-living sector, which provide high-end designed studio apartments with shared living spaces for young professionals. The sector is seeing significant growth, due to demand from renters who are struggling to access the housing market, particularly in London. The Group has lent to a portfolio of six properties, all with occupancy rates above 95%.

The Company sees co-living becoming a mainstream product and a supplement to the private rented sector schemes that are currently being developed by institutional funds. The sector is starting to benefit from an impressive track record with a number of large and well regarded businesses entering the space. The sector offers a number of advantages to both local authorities (such as significant council tax revenue and affordable housing) as well as to renters (short-term flexible contracts, with significant additional space, for example, gyms and cinema rooms).

The Company has also had significant success in offering high quality bridging arrangers institutional capital, providing a new source of capital for these parties, which better suited their funding requirements.

Structural characteristics

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

Current investments

- Bridging loans
- Buy to let
- Co-living
- Land

New investment sectors

- Subordinated bridging loans

REVIEW OF THE YEAR

The Company raised £154.3 million of equity capital, made 22 investments totalling £108.3 million and delivered a total shareholder return of 4.4%.

Financial performance

The Company has prepared its annual report and financial statements in accordance with IFRS. In the year to 31 December 2017, the Company's portfolio generated investment income of £18.7 million. Total profit for the year was £14 million, with basic earnings per ordinary share of 7.1 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, calculated in accordance with the AIC methodology, was 1.2% for the year to 31 December 2017.

Dividends

The Company paid dividends totalling 6.05 pence per share in respect of the year, thereby exceeding its dividend target of 6 pence per share.

Capital raised

The Company raised £154.3 million issuing 154.3 million C shares by way of two C share issuances. The first issue on 14 February 2017, raised £79.3 million by way of an open offer, placing and offer for subscription of 79.3 million C shares at an issue price of 100 pence per share, which were converted to 78,177,589 ordinary shares on 1 August 2017.

The second issue on 16 October 2017, raised a further £75 million by way of an open offer, placing and offer for subscription of 75 million C shares at an issue price of 100 pence per share, which were converted to 73,403,850 ordinary shares post year end on 17 April 2018.

NAV and share price performance

Net assets attributable to equity holders at 31 December 2017 were £245 million, up from £164.6 million at 31 December 2016. The Company's NAV per ordinary share has increased from 100 pence at 31 December 2016 to 100.9 pence per ordinary share at 31 December 2017.

The Company's ordinary shares have predominantly traded at a premium to the latest published prevailing NAV since IPO, with an average premium over the financial year of 5%. At 31 December 2017, there were 242,966,606 ordinary shares in issue.

Cash position

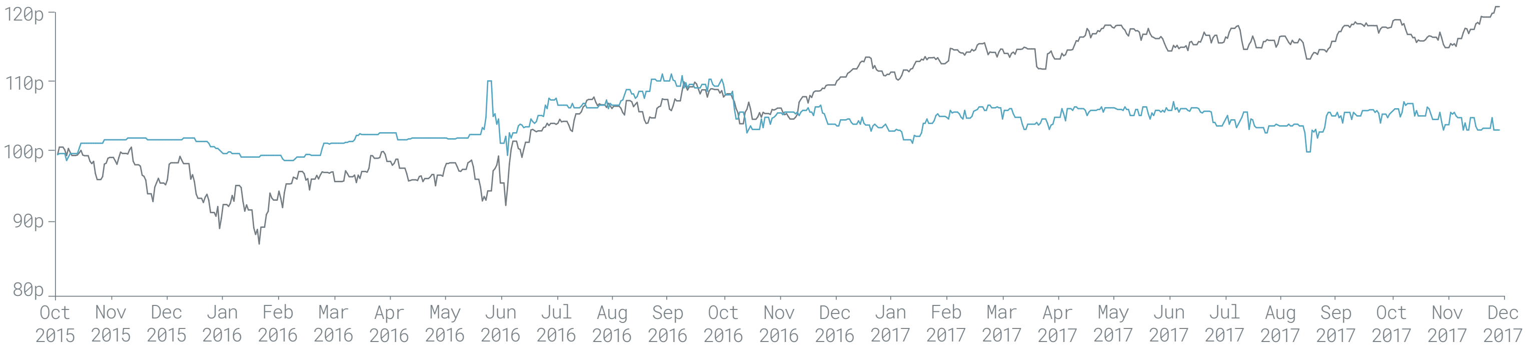
The Company received interest and capital payments of £23.7 million from investments in the year, in line with expectations. The Company paid dividends of £12.3 million (including dividends settled in shares[1]) during the year and a further £3.7 million (including dividends settled in shares[1]) post year end. The Company raised £154.3 million of equity capital and made investments of £108.3 million with a further £36.6 million advanced post year end. At the date of the report, investment commitments were £15.1 million. Total cash reserves at the year end were £61.1 million.

Conflicts of interest

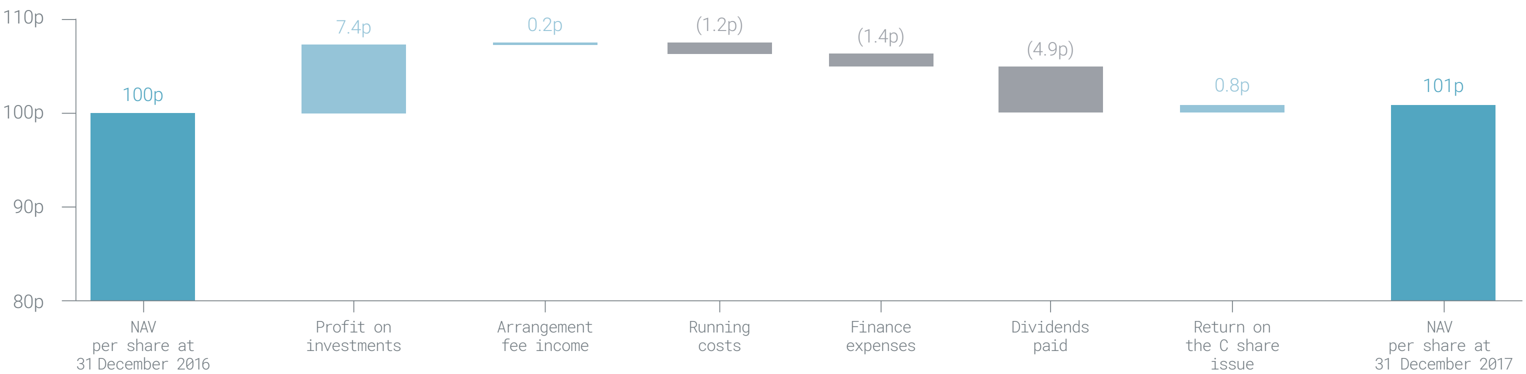
On 9 June 2017, the Company announced an investment of up to £18.5 million to finance the construction project for a private student accommodation development in a city centre location in Dublin, Ireland. The Company has also continued to finance construction projects of a number of private student accommodation developments in Australia and a student accommodation development in London.

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

SHARE PRICE PERFORMANCE SINCE IPO



NAV MOVEMENT FOR THE YEAR



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

REVIEW OF THE YEAR CONTINUED

Key investment highlights

The Group made 22 advances during the year totalling £108.3 million: 16 new loans, and 6 extensions to existing facilities[1]. From these advances, three investments were in the energy and infrastructure sector; two in asset finance; nine in property and eight in social infrastructure projects. The Company received capital repayments of £6.8 million, including one loan repayment in full and further, the Company refinanced one loan, in line with expectations for the year. The Company made a further ten advances totalling £36.6 million post year end.

INVESTMENTS MADE DURING THE YEAR

SECTOR	INVESTMENT	PROJECT	TERM	SECURITY	STATUS	AMOUNT
	Student Accom 3[2]	Financing of a student accommodation development in a city centre location in Dublin, Ireland.	15 years	Subordinated	Construction	**£16 million**
	Care Homes Co 3	The construction of a care home providing high-end nursing and dementia care.	20 years	Senior	Construction	**£11.1 million**
	Care Homes Co 4	The construction of a care home providing high-end nursing and dementia care.	5 years	Senior	Construction	**£5.5 million**
	Property Co 2 (formerly Property Co)[1]	Financing of three supported living developments and a high-specification complex care facility in the UK.	20 years	Senior	Construction	**£5.5 million**
	Student Accom Co 2[1,2]	Financing of a portfolio of a number of private student accommodation developments in Australia.	5 years	Subordinated	Construction	**£5.4 million**
	Student Accom Co 1[1,2]	Financing of a construction project for a private student residential accommodation in London.	2 years	Subordinated	Construction	**£3.5 million**
	Property Co[1]	Financing of one supported living development in the UK.	18 years	Senior	Operational	**£2 million**
	Social Co 1[1]	Financing of multi-use social infrastructure development in London.	3.5 years	Senior	Operational	**£0.2 million**
SOCIAL INFRASTRUCTURE INVESTMENTS TOTALLING £49.2 MILLION						
	Battery Co 1	Financing the construction of a power facility.	10 years	Senior	Construction	**£3.7 million**
	Water Co 1	Financing water pipes installed on a new housing development.	2 years	Senior	Construction	**£0.3 million**
	Asset Finance Co[1]	Financing of small distributed assets such as wind turbines and biomass boilers.	18 years	Senior	Operational	**£0.3 million**
ENERGY AND INFRASTRUCTURE INVESTMENTS TOTALLING £4.3 MILLION						

SECTOR	INVESTMENT	PROJECT	TERM	SECURITY	STATUS	AMOUNT
	Asset Finance Co 2	A Euro-denominated loan secured against the contracted management fees of a European-based fund manager.	7 years	Senior	Operational	**£6.8 million**
	Asset Finance Co 4	Financing development land.	4 years	Senior	Operational	**£2.3 million**
						ASSET FINANCE INVESTMENTS TOTALLING £9.1 MILLION
	Co-living Co 1 (formerly Property Co 2)	Financing a portfolio of co-living properties in London.	3 years	Subordinated	Operational	**£16 million**
	Property Co 3	Financing secured against UK residential property.	10 years	Subordinated	Operational	**£10 million**
	Mortgage Co 1 (formerly Bridging Co 3)	Bridge financing for the purchase of UK residential property.	5 years	Senior	Operational	**£5 million**
	Development Fin Co 2 (formerly Property Co 3)	Financing of a portfolio of buy-to-let mortgages in the UK.	3 years	Subordinated	Operational	**£3.8 million**
	Development Fin Co 4	Financing secured against UK residential property.	1 year	Senior	Operational	**£2.9 million**
	Property Co 4	Finance secured against land and residential development.	2 years	Subordinated	Operational	**£2.8 million**
	Development Fin Co 4	Financing secured against UK residential property.	0.5 year	Senior	Operational	**£1.9 million**
	Development Fin Co 3	Financing secured against UK residential property.	1 year	Senior	Operational	**£1.8 million**
	Mortgage Co 2	A warehousing facility for a portfolio of buy-to-let mortgages.	2 years	Subordinated	Operational	**£1.5 million**
						PROPERTY INVESTMENTS TOTALLING £45.7 MILLION
						INVESTMENTS TOTALLING £108.3 MILLION

A full list of the Company's investments is available on the Company's website.

1. Further drawings under, or extensions to, existing facilities.
2. An equity interest in these projects is indirectly owned by the directors of the Investment Manager.

REVIEW OF THE YEAR CONTINUED

CAPITAL REPAYMENTS IN THE YEAR

SECTOR	INVESTMENT	PROJECT	AMOUNT
	Property Co	Financing of one supported living development in the UK.	£0.04 million
		SOCIAL INFRASTRUCTURE CAPITAL REPAYMENTS TOTALLING £0.04 MILLION	
	Asset Finance Co	Financing of small distributed assets such as wind turbines and biomass boilers.	£2.7 million
	O&M Co	Financing of the operations and maintenance contracts for a portfolio of small rooftop solar installations.	£0.5 million
	Waste Infra Co	Financing a waste facility in the UK.	£0.01 million
		ENERGY AND INFRASTRUCTURE CAPITAL REPAYMENTS TOTALLING £3.21 MILLION	
	Boiler Co	Financing of new domestic gas boilers in residential properties across the UK.	£1.2 million
	Asset Finance Co 2	A Euro denominated loan secured against the contracted management fees of a European based fund manager.	£0.4 million
		ASSET FINANCE CAPITAL REPAYMENTS TOTALLING £1.6 MILLION	
	Development Fin Co 4[1]	Financing secured against UK residential property.	£1.9 million
		PROPERTY CAPITAL REPAYMENTS TOTALLING £1.9 MILLION	
		CAPITAL REPAYMENTS TOTALLING £6.75 MILLION	

INVESTMENTS MADE POST YEAR END

SECTOR	INVESTMENT	PROJECT	TERM	SECURITY	STATUS	AMOUNT
	Care Homes Co 2	Construction of a UK based care home providing high-end nursing and dementia care.	20 years	Senior	Construction	£0.5 million
	Care Homes Co 4	Construction of a UK based care home providing high-end nursing and dementia care.	5 years	Senior	Construction	£0.2 million
		SOCIAL INFRASTRUCTURE INVESTMENTS TOTALLING £0.7 MILLION				

1. Repayment in full.

SECTOR	INVESTMENT	PROJECT	TERM	SECURITY	STATUS	AMOUNT
	Battery Co 2	Financing of an operational battery storage project in the UK.	8 years	Senior	Operational	**£4.6 million**
	Gas Co 2	Financing the purchase of combined heat and power engines in the UK.	2 years	Senior	Construction	**£2.1 million**
	Gas Co 1	Financing of an operational compressed natural gas station.	7 years	Senior	Operational	**£0.7 million**
ENERGY AND INFRASTRUCTURE INVESTMENTS TOTALLING £7.4 MILLION						
	Development Fin Co 6	Financing for the development of UK residential property.	3 years	Senior	Operational	**£11.2 million**
	Co-living Co 1	Financing of a portfolio of co-living properties in London.	3 years	Subordinated	Operational	**£6.5 million**
	Development Fin Co 2	Financing of a portfolio of buy-to-let mortgages in the UK.	3 years	Subordinated	Operational	**£3.8 million**
	Mortgage Co 2	A warehousing facility for a portfolio of buy-to-let mortgages.	2 years	Subordinated	Operational	**£3.5 million**
	Property Co 2	Financing of three supported living developments and a high specification complex care facility in the UK.	20 years	Senior	Construction	**£3.5 million**
PROPERTY INVESTMENTS TOTALLING £28.5 MILLION						
INVESTMENTS TOTALLING £36.6 MILLION						

INVESTMENT COMMITMENTS AT THE DATE OF THE REPORT

SECTOR	INVESTMENT	PROJECT	TERM	SECURITY	STATUS	AMOUNT
	Mortgage Co 2	A warehousing facility for a portfolio of buy-to-let mortgages.	2 years	Subordinated	Operational	**£9.7 million**
	Property Co 2	Financing of three supported living developments and a high specification complex care facility in the UK.	3 years	Senior	Construction	**£5.4 million**
INVESTMENT COMMITMENTS TOTALLING £15.1 MILLION						

INVESTMENT PORTFOLIO

The valuation of the Group's 32 investments at 31 December 2017 was £260.7 million with a weighted average annualised yield of 8.2%.

Portfolio

The Group's investments are supported by assets geographically located across the UK, Europe and Australia and exposed to a diverse range of asset types and sectors. At 31 December 2017, the weighted average annualised yield was 8.2% across the portfolio with a weighted average expected term of eleven years. In total, 22 loans have been advanced to companies with operating assets. The remaining ten loans have been advanced to companies with assets under construction.

Investment valuation

The Valuation Agent carries out a fair market valuation of the Group'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 Group 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 at 31 December 2017 was 8.1%. 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 19.4.

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. Assets under construction are proceeding materially on time and budget, with a number of investments completing construction in the year, reducing the overall construction exposure across the portfolio as a percentage of portfolio by value. Construction exposure in absolute terms at the year end was £96.3 million (31 December 2016: £66 million).

The operational performance of the assets has been in line with, or better than, the Investment Manager's expectations. All interest and principal payments have been received from the underlying investments in accordance with expectations since IPO. The third party suppliers that provide services associated with the assets continue to perform in accordance with the agreements in place between the Company and the Project Company.

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 with property exposure, including 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 Group's exposure to ten projects that have not yet completed construction with reference to total portfolio assets by value at 31 December 2017 was 37%.

Elsewhere in the portfolio, the Company has exposure to the supply of commercial and industrial waste and the demand for high-end care homes. The Investment Manager believes that conservative assumptions have been used to generate the financial modelling, which the debt service of the Group's loans has been based. Contracting for these factors since financial close has been in line with, or more favourable than, the base case assumptions.

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

KEY EXPOSURES AT YEAR END

TOP TEN INVESTMENTS

LOAN	SECTOR	ASSET	% OF TOTAL ASSETS
Bridging Co 1	Property	Residential property	6.3%
Student Accom 1	Social Infrastructure	Student accommodation	5.4%
Co-living Co 1	Property	Residential property	4.9%
Student Accom 3	Social Infrastructure	Student accommodation	4.9%
Waste Infra Co	Energy and Infrastructure	Material recovery facility	4.5%
Boiler Co	Asset Finance	Domestic boilers	4.2%
Student Accom 2	Social Infrastructure	Student accommodation	4.1%
Bridging Co 2	Property	Residential property	4.0%
Care Homes Co 2	Social Infrastructure	Care home	4.0%
Property Co	Social Infrastructure	Social housing	3.9%

RISK MANAGEMENT

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

The Investment Manager's permanent risk management function has a primary role alongside the Board in shaping the risk policy of the Company.

Role of the Board

The Board has the ultimate responsibility for risk management and internal control within the Company. The Board and the Investment Manager recognise that risk is inherent in the operation of the Company and are committed to effective risk management to protect and maximise shareholder value. When setting the 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 objective.

The Board, with the assistance of the Audit Committee, regularly reviews the risks and assesses the effectiveness of the Company's risk management process and internal control systems. These reviews cover the operational, compliance and financial risks facing the Company. During the course of the year, 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 Investment Manager has been appointed as AIFM to the Company. The AIFM is required to operate an effective and suitable risk management framework to allow the identification, monitoring and management of the risks to which the AIFM and the AIFs under its management are exposed.

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

Principal uncertainty

The Board considers Brexit to be a principal uncertainty for the Company.

The UK voted to leave the EU on 23 June 2016, with the exit due to be effective from March 2019. There exists a considerable amount of uncertainty regarding the future relationship between the UK and EU.

Whilst the Board does not currently consider Brexit to be a principal risk for the Company, the Board considers it worth noting that the Company is principally focused on investments in UK-based asset-backed investments that generally rely on demand for the goods and services such assets provide from across the UK. A general and persistent weakening of demand, a reduction in competitiveness of the UK economy and/or a general fall in market sentiment caused by the uncertainty that Brexit may pose has the potential to impact on the performance of the Company's underlying investments.

The Board has also considered the impact of Brexit as a principal uncertainty on its principal risks. Particularly, for some of the Company's investments, the borrower relies on a workforce that currently comprises migrants living in the UK. A reduction in the availability of a workforce with the required skills may impact these investments. Further, a number of investments utilise plant and machinery manufactured by European companies. Whilst any foreign exchange risks during construction are hedged as part of any investment, where plant and machinery needs to be replaced during the operational life of assets, there is the risk that costs will increase when Sterling weakens against the Euro and/or other relevant currencies.

The Board will continue to monitor the potential impacts of Brexit as the detailed implications for its investments, and wider impact on the UK economy, becomes clearer over time.

Stress testing

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

- significant reductions in interest income received;
- new and reinvested capital levels;
- borrower default and recovery rates; and
- significant increases in the Company's operating expenses and debt financing costs.

Further information is given in the going concern and viability statement on page 33.

RISK MANAGEMENT CONTINUED

Principal risks

The Board considers the Company's principal risks, as detailed below, to be those that could materially threaten the successful delivery of the Company's strategic objective, detailed on page 2 and on page 9.

RISK 1: CREDIT RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Borrower default, loan non-performance and collateral risks Borrowers to whom the Group has provided loans default or become insolvent rendering them unable to meet their payment obligations or the Group being unable to recover all or any of its investment made in relation to such loans.	The success of the Company is dependent upon borrowers fulfilling their payment obligations when they fall due. Failure of the Group to receive payments or to recover part or all amounts owed together with potential additional costs incurred from the re-negotiation and/or re-structuring of non-performing loans can result in substantial, irrecoverable costs being incurred by the Group which could have a material adverse effect on the NAV of the Company and its ability to meet its stated target returns and dividend.	The Investment Manager constantly monitors the actual performance of projects and/or borrowers, taking action where appropriate, and reports on performance of the Company's portfolio to the Board each quarter.	New The Company's investment portfolio has continued to perform in line with, or exceed expectations, with all borrowers fulfilling their payment obligations since IPO.

RISK 2: ECONOMIC RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Property Loans made by the Group to projects involved in property or the development of property, are indirectly exposed to the performance of the underlying real estate market in the relevant area.	If the market value of any property investments 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.	Stable The average LTV of the Company's property portfolio has decreased in the year. The portfolio has a low average LTV giving in-built headroom to allow for reductions in property prices.
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 or long-term, asset or cash-flow backed revenues. Where possible, the Investment Manager ensures that each loan carries an element of inflation and/or interest rate protection.	Increase The long-term impacts of the UK's vote to leave the European Union remain unclear. The year under review has seen both inflationary and interest rate increases, which whilst the impact is currently immaterial the Company will continue to monitor the impact of these closely.

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
RISK 3: FINANCIAL RISK			
Sufficiency of due diligence and assumptions Assumptions made during the due diligence process or the financial modelling and analysis of a particular investment could be incomplete or incorrect.	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.	The Investment Manager uses assumptions considered to be conservative by third party experts when modelling future cash flows and structuring debt profiles. 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. The Board and the Investment Manager commissioned a third party audit of its financial models during the year which confirmed the integrity of the workings of the model.	Stable The Company's investment portfolio has continued to perform in line with, or exceed expectations, with a weighted average annualised yield of 8.2% and an average term of eleven years.
RISK 4: KEY RESOURCE RISK			
Reliance on key personnel at the Investment Manager The Investment Manager is unable to recruit or retain its key personable rendering it difficult for the Company's to deliver its strategy, investment objective and policy.	The Company is heavily reliant on the Investment Manager to implement the Company's strategy and meet its investment policy and objective. An inability by the Investment Manager to retain and recruit the required level of personnel with the appropriate skills and experience may adversely impact its ability to service the needs of the Company and its financial performance.	The Company has entered into a contractual engagement with the Investment Manager. The performance of the Investment Manager is monitored by the Board along with the Company's other key service providers on an ongoing basis. The Investment Manager provides regular updates to the Board on its resourcing plans.	Stable The Investment Manager continues to provide adequate resources and continues to act with due skill, care, and diligence in its responsibilities as Investment Manager and AIFM to the Company.

RISK MANAGEMENT CONTINUED

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
RISK 5: 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 the investment policy, to meet its investment objective and therefore on the value of the Company.	The Company has a comprehensive compliance monitoring programme relevant to its operations that ensures compliance with developments and changes in legislation and regulation in the Channel Islands, the UK and any impact of Brexit, the jurisdictions in which the Company invests and listing and FCA marketing rules.	Increase There remains uncertainty about the nature of Britain's exit from, and future relations with, the EU, which the Directors anticipate will continue to be the case in the short to medium term.
RISK 6: EXECUTION RISK			
Availability of suitable investments and reinvestment risk There is a decline in/no suitable investments for the Company to invest in within the required timescales meeting the risk and return characteristics of the investment strategy of the Company.	The decline or lack of availability of suitable investments meeting the risk and return profile of the Company's investment strategy within the required timescales may have a negative impact on the Company's returns.	The Investment Manager is constantly in touch with the market seeing new deals and builds a specifically identified investment pipeline before raising additional finance to ensure that capital is deployed in a timely fashion at the Company's target return level.	Decrease The Investment Manager continues to see attractive investment opportunities across a variety of sectors, including energy, social infrastructure, waste and property.

Going concern and viability statement

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.

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

The Directors have carried out a robust assessment of each of the Company's principal risks and uncertainties as detailed on pages 30 to 32 and, through stress testing as described on page 29 have also assessed the prospects of the Company over a longer period than the twelve months required by the going concern provision of the AIC Code.

The Board has determined that a five-year period constitutes an appropriate period over which to provide its viability statement. Whilst the weighted average term of the loans within the investment portfolio is eleven years, the Company's experience is such that the financial forecasts that 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 through the use of stress testing as detailed on page 29.

Based on this assessment 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 2022.

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

Alex Ohlsson
Chairman

25 April 2018

GOVERNANCE

WHAT'S IN THIS SECTION

LEADERSHIP
See pages 36 to 45 of the corporate governance statement

EFFECTIVENESS
See pages 46 and 47 of the corporate governance statement

ACCOUNTABILITY
See the Audit committee report on pages 48 to 50, risk management disclosures on pages 28 to 33 and financial statements on pages 64 to 93

REMUNERATION
See the Remuneration and Nomination committee report on pages 51 to 53

RELATIONS WITH SHAREHOLDERS
See page 54

DIRECTORS' REPORT
See pages 55 and 56

STATEMENT OF DIRECTORS' RESPONSIBILITIES
Page 57

LEADERSHIP BOARD OF DIRECTORS

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

Alex Ohlsson

Chairman

Alex Ohlsson, a Jersey resident, is the managing partner of the law firm Carey Olsen, and is recognised as an expert in corporate and finance law in Jersey with a particular focus on international real estate finance and structures. Alex 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. Alex served as the independent chairman of the States of Jersey's audit committee from 2009 until 2018. He is an advisory board member of Jersey Finance, Jersey's financial services promotional body. He acts as a non-executive director of a number of companies. He is also chairman of the LSE Main Market listed company Foresight Solar Fund Limited. Alex was appointed to the Board on 14 September 2015.

Colin Huelin FCA

Chair of the Audit committee

Colin Huelin, a Jersey resident, graduated in mechanical engineering with a first class honours BSc degree and Diploma at Southampton University in June 1982. He completed his graduate management development and monitored professional development scheme with Shell UK and the Institute of Mechanical Engineers in 1986. Colin 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. He also serves on the board of a Jersey corporate trust company. Colin was appointed to the Board on 7 September 2015.

Joanna Dentskevich

Chair of the Management Engagement committee and Remuneration and Nomination committee

Joanna Dentskevich, a Jersey resident, has over 25 years of risk, finance and investment banking experience gained in leading global banks worldwide, alternative investments and the offshore funds industry. Previously, she was a director at Morgan Stanley heading up its Global Customer Valuation Group, a director of risk at Deutsche Bank and chief risk officer of a London-based hedge fund. Joanna has a BSc (Hons) in Maths and Accounting and is a Chartered Member of the Chartered Institute of Securities & Investments. She is also a non-executive director and chair of the risk committee of RBSI and chair of the London specialist fund sector listed company, EJF Investments Ltd. Joanna was appointed to the Board on 7 September 2015.

LEADERSHIP THE INVESTMENT MANAGER

The Board of Directors has appointed Gravis Capital Management Limited to provide day-to-day investment management services to the Group.

David Conlon

Director

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

David is a chartered accountant, having trained at PwC before moving to the project finance team at KPMG. He has over 14 years' experience in project finance investment and has been involved in investing and arranging both debt and equity in a wide range of projects in the PFI, renewable and social infrastructure sectors. David joined the Investment Manager in 2013 as part of the origination team.

David has an LLB in Law from Nottingham Trent University.

Philip Kent

Director

Phillip Kent is a director of the Investment Manager, focusing on the origination and execution of project finance and asset-backed investments.

Phil joined the Investment Manager from Foresight Group where he was responsible for originating investments in the waste and renewable sectors, including large waste wood combustion projects and a pipeline of anaerobic digestion projects across the UK. Phil has been involved in the energy sector for over 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.

Phil graduated with a degree in Geography from Oxford University.

Dion Di Miceli

Head of Investment Companies

Dion Di Miceli is a director of the Investment Manager. As its Head of Investment Companies, he assists with the oversight of the Investment Manager's managed funds as well as providing transaction advisory services and support for corporate actions.

Dion qualified as a chartered accountant with Arthur Andersen in 2002 and subsequently spent four years in the investment funds practice at Ernst & Young. He joined the investment companies team at Cenkos Securities in 2007. Here, 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.

Dion graduated with a degree in Business Administration from the University of Bath. He is a qualified chartered accountant and a Member of the Chartered Institute for Securities & Investment.

Chloe Marlow
Head of Fund Financial Control

Chloe Marlow is Head of Fund Financial Control for the Investment Manager and is responsible for accounting and financial reporting across the Investment Manager's listed investment funds.

Chloe has over 15 years' experience in the financial services sector. She started her career at Lloyds Banking Group before moving into fund administration with Capita Sinclair Henderson Limited where she was responsible for the accounting and financial reporting for a portfolio of alternative investment funds. Chloe joined the Investment Manager in 2013.

Chloe is a qualified chartered management accountant and holds the investment administration qualification.

Antonia Vouraki
Portfolio Manager

Antonia is a Portfolio Manager for the Investment Manager and is responsible for monitoring the ongoing performance of the Company.

Antonia joined Gravis in 2015 from a tech start-up where she was responsible for the valuation and financial analysis of the company. Prior to that she conducted academic research on firm value volatility, corporate governance and regulations across developed and emerging markets.

Antonia graduated with a degree in Business Administration from Athens University of Economics and Business. She has a Master's degree in Finance and Management from Cranfield University and is currently a candidate for the Post-Experience Masters in Finance from the London Business School.

Ben Williams
Associate Director

Ben is an associate director at the Investment Manager working on the origination and execution of senior and subordinated project finance and asset backed investments.

Ben joined the Investment Manager in 2018 from Mitsubishi UFJ Financial Group where he was a member of the energy and natural resources structured finance team focusing on debt origination across sectors including onshore and offshore wind, solar, refineries, regulated utilities and vessels in Europe and the Middle East. Prior to MUFG, Ben worked at KPMG in the infrastructure advisory team advising both public and private sector clients on project finance, debt advisory and valuations on various UK transport, renewables and social infrastructure projects.

Ben has a degree in Social Sciences from Durham University, is a qualified chartered accountant and a qualified secondary school teacher.

LEADERSHIP CORPORATE GOVERNANCE STATEMENT

I am pleased to present the Company's corporate governance statement for the year ended 31 December 2017.

Alex Ohlsson
Chairman

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. Since becoming a member of the AIC in April 2017, the Company has been reporting against the principles and recommendations of the AIC Code and the accompanying AIC Guide.

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. A copy of the AIC Code and AIC Guide can be found at www.theaic.co.uk. A copy of the UK Code is available at www.frc.org.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code, by reference to the AIC Guide, (which incorporate the UK Code), will provide better information to shareholders.

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 recommendations of the AIC Code and 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 AIC Code in respect of executive directors' remuneration. A remuneration report is included on pages 51 to 53;
- 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 Alex 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.

ROLE OF THE BOARD AND ITS COMMITTEES

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

THE BOARD

PURPOSE:

Responsible for the long-term success of the Company.

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

COMPOSITION:


Chairman: Alex Ohlsson


Colin Huelin FCA


Joanna Dentskevich

BOARD COMMITTEES

Audit committee

PURPOSE:
Monitors the Company's financial reporting, internal financial controls and risk management, and external audit process.

COMPOSITION:
Chair: Colin Huelin
Alex Ohlsson
Joanna Dentskevich

See Audit committee report on pages 48 to 50.

Management Engagement committee

PURPOSE:
Reviews the performance and continuing appointments of the Investment Manager and other service providers.

COMPOSITION:
Chair: Joanna Dentskevich
Alex Ohlsson
Colin Huelin

Remuneration and Nomination committee

PURPOSE:
Considers appointments to the Board and its individual committees, makes recommendations in regard to changes to maintain a balanced and effective Board and reviews the remuneration of the Directors.

COMPOSITION:
Chair: Joanna Dentskevich
Alex Ohlsson
Colin Huelin

See Remuneration and Nomination committee report on pages 51 to 53.

LEADERSHIP CORPORATE GOVERNANCE STATEMENT CONTINUED

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 has appointed the Investment Manager as the authorised AIFM to the Company and Link Corporate Services (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 incorporating the requirements of the AIFMD regulations.

The total annual fee paid to the Investment Manager by the Company is disclosed in note 21 to the financial statements.

Markets in Financial Instruments Directive
The ordinary and C shares of the Company are considered as 'non-complex' in accordance with MiFID II.

Non-mainstream pooled investments
The Board notes the rules of the UK FCA on the promotion of non-mainstream pooled investments. The Board confirms that it conducts the Company's affairs, and intends to continue to conduct its affairs, so that the Company's shares will be "excluded securities" under the FCA's rules. This is on the basis that the Company, 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.

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.

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

The Criminal Finances Act (Commencement No.1) Regulations 2017 (SI 2017/739) brought Part 3 of the Criminal Finances Act 2017, the corporate offences of failure to prevent facilitation of tax evasion, into force on 30 September 2017. The Company does not tolerate tax evasion in any of its forms in its business. The Company complies with the relevant UK law and regulation in relation to the prevention of facilitation of tax evasion and supports efforts to eliminate the facilitation of tax evasion worldwide and works to make sure its business partners share this commitment.

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. The 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 23 May 2017, 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 2018 AGM are set out in the 2018 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
At 31 December 2017, the Board comprised three Directors, all of whom are non-executive and are considered to be independent. Biographical details of the Directors are shown on pages 36 and 37.

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.

Overview of Board and employees

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

Diversity is an important consideration in ensuring that the Board and its committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The right blend of perspectives is critical to ensuring an effective Board and a successful company. The Company's policy on diversity is set out in the Remuneration and Nomination committee report on pages 51 to 53.

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 below under the heading "Meetings".

Committees

In July 2017, the Board established separate Remuneration and Nomination committees. These committees were amalgamated to become a Remuneration and Nomination committee in December 2017.

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

Audit committee

The membership and activities of the Audit committee are described in its report on pages 48 to 50.

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. At the annual committee meeting held in December 2017, the committee independently evaluated the performance of, and services provided by, the Investment Manager. As with the previous year, this took the form of a questionnaire rating the services provided by the Investment Manager and giving feedback where necessary. The committee discussed the questionnaire, overall performance of the Investment Manager, and the terms of the investment management agreement, set out in note 21 on page 91, and based on the performance of the Investment Manager, the directors believe that the continued appointment of the Investment Manager is in the best interest of shareholders.

Remuneration and Nomination committee

The membership and activities of the Remuneration and Nomination committee are described in its report on pages 51 to 53.

Meetings

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

		Number of meetings attended during the year		
Meetings	Number of meetings held	Alex Ohlsson	Colin Huelin	Joanna Dentskevich
Quarterly Board	4	4	4	4
Audit committee	6	5	6	5
Management Engagement committee	1	1	1	1
Nomination committee	1	1	1	1
Remuneration committee	1	1	1	1
Remuneration and Nomination committee[1]	—	—	—	—
Total number of meetings attended	**13**	**12**	**13**	**12**

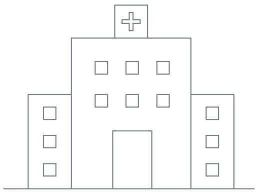
1. The Remuneration and Nomination committees were amalgamated in December 2017.

During the year, 14 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 and conflicted investments.

LEADERSHIP CORPORATE GOVERNANCE STATEMENT CONTINUED

During the year, the Board approved two C share issues, 22 investments and new borrowing arrangements.

2017

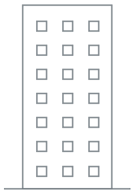


January 2017

- Approval of new borrowing arrangements with RBSI to enter into a two year £15 million revolving credit facility.
- Approval and publication of a prospectus in respect of a fully pre-emptive offer of C shares targeting gross proceeds of £100 million.
- £3.1 million extension to a £10.8 million social infrastructure loan facility.

February 2017

- Approval of the issuance of 79,250,000 C shares, raising gross proceeds of c.£79 million.



March 2017

- Two loans of up to £17.5 million in aggregate which were used to finance UK residential property.
- £7 million loan which was used to finance a portfolio of buy-to-let mortgages.

April 2017

- Approval of the novation of the Company's Investment Management Agreement from Gravis Capital Partners LLP to Gravis Capital Management Limited, as part of the transfer of the Investment Manager's fund management and advisory business from a limited liability partnership.
- Approval of the Company's annual report and financial statements for the period ended 31 December 2016.
- Approval of the application to become a member of the AIC.

May 2017

- Annual General Meeting.
- Introduction of the scrip dividend alternative with effect from the period relating to the 30 June 2017 dividend.

June 2017

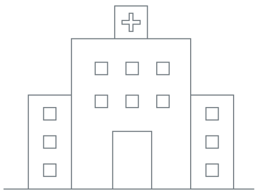
- Annual risk visit to the offices of the Investment Manager.
- Senior loan of €7.8 million financed against the contracted management fees of a European-based fund manager.
- £15 million loan secured on a subordinated basis against a portfolio of eight co-living properties.
- £18.5 million loan secured on a subordinated basis against a student accommodation development in a city centre location in Dublin, Ireland.
- Four new loans of, in aggregate, £12 million secured against property assets in the UK.

July 2017

- Establishment of Remuneration and Nomination committees.
- Approval of the appointment of BDO LLP as reporting accountant to the Company.
- Approval of the conversion of 79,250,000 C shares into 78,177,589 ordinary shares, in line with the prospectus issued on 20 January 2017.

August 2017

- Admission of 78,177,589 ordinary shares to the premium segment of the Official List of the UKLA and to trading on the premium segment of the Main Market of the LSE following the C share conversion.
- New investment of £11.1 million secured against a 70 bed care home in the UK.



September 2017

- Approval of the Company's interim report and financial statements for the period ended 30 June 2017.
- Approval and publication of a prospectus in respect of a fully pre-emptive offer of C shares targeting gross proceeds in excess of £70 million.
- Review and updating of the Company's business risk assessment.
- Launch of new website.

October 2017

- Approval of the issuance of 75,000,000 C shares, raising gross proceeds of £75 million.
- £3.7 million loan which was used to finance the construction of a power facility.

November 2017

- £2.3 million loan which was used to finance development land.
- £2.8 million loan secured against land and residential development.
- £0.3 million loan which was used to finance water pipes installed on a new housing development.

December 2017

- Amalgamation of Remuneration and Nomination committees to become a Remuneration and Nomination committee.
- £1.5 million loan used to finance a warehousing facility for a portfolio of buy-to-let mortgages.

2018

EFFECTIVENESS CORPORATE GOVERNANCE STATEMENT

The Board ensures that it has the appropriate balance of skills, experience, knowledge and independence in order to remain effective.

Performance evaluation

Post year end, the Directors carried out an internal evaluation process of the Board's, committees' and their own performance during 2017. Further details can be found in the Remuneration and Nomination committee report on page 52.

The Directors undertake annual anti-money laundering training and undertake 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 ensures 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 pages 36 and 37.

Appointment and re-election of Directors

In accordance with the Articles, at each annual general meeting of the Company one-third of the Directors shall retire from office, being the Directors who, at the date of the notice of the meeting, have been longest in office since their last appointment or re-appointment. Any Director who has been in office for three years or more since their appointment or their last re-appointment or who would have held office at not less than three consecutive annual general meetings of the Company without retiring shall also retire from office. Colin Huelin will stand for re-election by shareholders at the forthcoming AGM of the Company.

The Board's policy regarding tenure of service is detailed in the Remuneration and Nomination committee report on page 52.

Directors' independence and statement of Directors' shareholding and share interests

The Board has reviewed the independence of each Director in accordance with the guidance set out in the AIC Code. The Board acknowledges that all Board members have holdings of ordinary shares in the Company at 31 December 2017[1]:

- 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.

There have been no changes in the Directors' shareholdings between 31 December 2017 and the date of this report.

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.

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

Internal controls and risk management review

The Directors acknowledge that they have overall responsibility for ensuring that there are systems of internal control, both financial and non-financial, in place 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 30 to 32 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 process.

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 and the AIC Code and Guide, 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:

- credit risk (borrower default, loan non-performance and collateral risks);
- 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 that 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 year under review.

Key service providers other than the Investment Manager

Details of the key service providers other than the Investment Manager can be found in note 4 to the financial statements.

ACCOUNTABILITY AUDIT COMMITTEE REPORT

I am pleased to present the Audit committee report for the year ended 31 December 2017.

Colin Huelin FCA
Chair of the Audit committee

Summary

The Audit committee operates within clearly defined terms of reference, a copy of which is available from the Company's website or on request from the Company Secretary. The terms of reference require the committee to monitor the Company's financial reporting, internal financial controls and risk management and external audit process. In May 2017, the committee reviewed its terms of reference and approved those changes required to comply with the UK Code.

The 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 year.

Composition

At 31 December 2017, the committee comprised all three of the Company's independent Directors: Colin Huelin, who is a chartered accountant, Alex Ohlsson and Joanna Dentskevich.

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

The committee meets at least twice a year. Details of meetings held during the year under review are set out on page 43.

Although not members of the committee, the Company Secretary, the lead partner and representatives from the Company's Auditor are invited to attend committee meetings at which the Auditor may have the opportunity to meet with the committee without representatives of the Investment Manager being present. The committee chair meets when appropriate with the external Auditor ahead of the meetings to review key audit areas for discussions with the committee.

The Auditor is not present when their performance and/or remuneration is discussed. As set out on page 40, 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 committee chair has recent and relevant financial experience as required by the provisions of the AIC Code, refer to the Directors' biographies on pages 36 and 37.

Post year end, the Directors carried out an internal evaluation process which included a review of the Audit committee and the chair of the Audit committee. The results of which are due to be reported to, and discussed by, the Remuneration and Nomination committee and subsequently by the Board at meetings scheduled on 25 April 2018.

Financial reporting

The 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 committee specifically reviewed the Company's 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 year, as required under the AIC Code for companies with a Premium Listing.

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

The 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 position and performance, business model and strategy.

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

- meeting with the Investment Manager in June to conduct a review of the key risks facing the Company, to update the Company's risk register including the likelihood and impact of each risk and the residual risk after mitigating controls;
- 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 47 of the corporate governance statement;
- reviewing and recommending to the Board significant accounting matters and accounting disclosures in the interim and annual financial statements of the Company including matters of judgement in relation to valuation. This year, the areas examined include the discounts applied in the valuation process, and the performance of the investments. The committee discussed these matters with the Auditor;
- considering the presentation of the principal risks in the annual report and financial statements and to review the results of the Investment Manager's stress testing for the purpose of the disclosures in the viability statement; and
- overseeing the Company's relations with its Auditor including assessing the conduct and effectiveness of the audit process and the Auditor's independence and objectivity, recommending the Auditor's reappointment and fees.

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

Significant issues considered

After discussions with the Investment Manager and the Auditor, the committee determined that the key risk of material misstatement of the Company's financial statements related 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 2017 was £261.8 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 19.

The Valuation Agent performs a quarterly financial asset valuation and provides a quarterly valuation report to the Company. The fair value of the financial assets 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.

In order to provide further assurance regarding the basis of valuation, the Chairman met with the Valuation Agent to discuss the year end valuation of the investment portfolio. The Company intends to meet with the Valuation Agent at least once a year to discuss their valuation.

In December 2017, the committee met with the Auditor to review and agree their plan for the audit of the financial statements and in particular their approach on the valuation and in April 2018 to discuss their report after the conclusion of their audit. The committee concluded that the methodology adopted was appropriate and in accordance with the terms of engagement of the Valuation Agent.

The discount rates adopted to determine the valuation are selected and recommended by the Valuation Agent. The discount rates are applied to the expected future cash flows for each investment's financial forecasts, to arrive at a valuation (discounted cash flow valuation). The resulting valuation is sensitive to the discount rate selected. The Valuation Agent is experienced and active in the area of valuing these investments and adopts discount rates reflecting their current and extensive experience of the market. The discount rate assumptions and the sensitivity of the valuation of the investments to this discount rate are disclosed in note 19.4.

The committee discussed the material estimates and judgements and also compared this to feedback from the Investment Manager. After discussion with the Auditor, the 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.

ACCOUNTABILITY AUDIT COMMITTEE REPORT CONTINUED

Accounting policies, critical accounting estimates and key judgements

The committee reviewed the accounting policies, including a paper on disclosures from the Administrator and note 2.2 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 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 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 33 of the strategic report.

External audit

Audit fees for the period amounted to £55,000 (2016: £100,000) and fees for non-audit related services amounted to £64,000 (2016: £70,000). 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 year, PwC provided non-audit related services in relation to reporting accountant services on the first issuance of C shares on 14 February 2017 and their conversion on 1 August 2017. It has been decided that the Auditor would not be requested to perform reporting accounting services on further C share raises and the Board appointed BDO LLP as reporting accountants to the Company on 25 September 2017.

At a committee meeting in December 2017, PwC confirmed that this had not impacted their independence and outlined the reasons for this. The committee considered this and is satisfied that these non-audit related services had no bearing on the independence of the Auditor.

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

- the Auditor's fulfilment of the agreed audit plan and variations from it;
- the Auditor's report to the 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.

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

The following table summarises the remuneration paid to PwC for audit and non-audit related services during the year ended 31 December 2017:

	Year ended 31 December 2017 £'000	Period from 7 September 2015 to 31 December 2016 £'000
Audit fees		
Annual audit of the Company	**55**	100[1]
	55	100
Non-audit services		
Review of interim report	**15**	–
Reporting accountant services – LSE Main Market listing	**–**	45
Reporting accountant services – issuance of C shares	**45**	20
C share conversion	**4**	5
	64	70
Total	**119**	170

1. £45,000 is in relation to the audit of the financial information included in the C share prospectus dated 27 April 2016 and therefore forms part of the C share issue costs in note 16.

C. A. Huelin

Colin Huelin FCA
Chair of the Audit committee

25 April 2018

REMUNERATION REMUNERATION AND NOMINATION COMMITTEE REPORT

I am pleased to present the Remuneration and Nomination committee report for the year ended 31 December 2017.

Joanna Dentskevich
Chair of the Remuneration and Nomination committee

The report is made up of two sections; the committee report and the annual report on remuneration.

The annual report on remuneration provides details on remuneration in the year. It will be subject to a shareholder vote at the 2018 AGM. Although it is not a requirement under Companies Law to have the annual report on remuneration approved by shareholders, the Board believes that as a company whose shares are listed on the LSE, it is good practice for it to do so. Accordingly, a resolution to approve the annual report on remuneration will be proposed at the forthcoming AGM.

This report is not subject to audit.

Committee report

As set out in the corporate governance statement on page 43, the Board established separate Remuneration and Nomination committees in July 2017. In December 2017, these committees were subsequently amalgamated to become the Remuneration and Nomination committee with the membership comprising all of the Directors. Attendance of the members at committee meetings held during the year is shown in the table on page 43.

The function of the Remuneration and Nomination committee is to:

- consider appointments to the Board and its individual committees in the context of the requirements of the Company;
- make recommendations to the Board with regard to any changes to maintain a balanced and effective Board;
- assist the Board in developing a fair and transparent framework for setting the levels of Directors' remuneration while having regard to the Company's financial position and performance, remuneration in other companies of comparable scale and complexity and market statistics generally; and
- review the ongoing appropriateness and relevance of the Directors' remuneration policy.

During the year, the committee has reviewed its policies on remuneration, appointments, diversity, succession planning and tenure, the result of which was to recommend to the Board that the tenure policy be modified to emphasise the benefits of board continuity whilst also considering the issue of independence.

REMUNERATION REMUNERATION AND NOMINATION COMMITTEE REPORT CONTINUED

Board appointments and diversity

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

Board diversity, including, but not limited to, gender, professional and industry specific knowledge and expertise, understanding of geographic markets and different cultures, is taken into account when evaluating the skills, knowledge and experience desirable to fill vacancies on the Board as and when they arise. Board appointments are made based on merit and calibre with the most appropriate candidate, who is the best fit for the Company, being nominated for appointment.

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

Succession planning and tenure of service

The committee is also obliged to consider succession planning for Directors with particular attention paid to the challenges and opportunities facing the Company.

The Board's policy regarding tenure of service is that any decisions regarding tenure should balance the need to maintain continuity, knowledge, experience and independence, against the need to periodically refresh the Board composition in order to have the appropriate mix of skills, experience, age and length of service. The Board does not consider that the length of service of a Director should just be determined on length of service but should be considered on an individual basis. Therefore, if a Director has served more than nine years, the Board will consider their independence carefully as part of the annual board self-evaluation process and balance this against the benefits of maintaining continuity, knowledge and experience and will report its conclusions in the Directors' report.

Performance evaluation

At a committee meeting held on 1 December 2017, it was agreed that the committee would engage with an independent external consultant to conduct a performance evaluation of the Board for 2018. It is expected that this will be undertaken during the fourth quarter of 2018.

Post year end, the Directors carried out an internal evaluation of the performance of the Board, the committees, the Chairman and the Directors' performance during 2017. This evaluation covered a range of areas including processes and effectiveness, overall strategy, corporate governance, investment management, communications with shareholders, training requirements, independence and personal development. The results are due to be presented to and discussed by the Remuneration and Nomination committee and subsequently by the Board on 25 April 2018.

It is noted that each of the Directors had expressed an intention to continue in office for the foreseeable future however, in accordance with the Articles, Colin Huelin will stand for re-election by the shareholders at the forthcoming AGM on 6 June 2018.

Remuneration

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

Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits in respect of their services as non-executive Directors of the Company. The Board may however allow for additional remuneration to be paid where Directors, at the request of the Company, are involved in ad hoc duties beyond those normally expected as part of the appointment.

The remuneration of each of the Directors is subject to fixed fee arrangements, paid quarterly in arrears. Part of the Directors' fee may be paid in the form of fully-paid shares in the capital of the Company. The aggregate of all the Directors remuneration is subject to an annual cap in accordance with the articles of association and shall be reviewed annually.

Annual report on remuneration

At a meeting of the Remuneration committee in October 2017, based on the significant amount of time the Directors have contributed since incorporation and a review of peer group comparisons, the committee recommended to the Board that, with effect from 1 October 2017, the Chairman receive an increase of £7,500, each Director receive an increase of £6,000 and the additional amount received by the chair of the Audit committee be increased by £1,000. It was also recommended that additional remuneration, in the sum of £5,000 per Director, be paid for each C share raise of the Company effective from the C share raise in February 2017. All recommendations were approved by the Board in December 2017.

The fees paid to the Directors in the year ended 31 December 2017 are set out below.

	Directors' fee £'000		C share raise fee £'000		Audit committee fee £'000		Total £'000	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Alex Ohlsson	**32**	38	**10**	—	**—**	—	**42**	38
Colin Huelin	**25**	32	**10**	—	**4**	4	**39**	36
Joanna Dentskevich	**25**	32	**10**	—	**—**	—	**35**	32
Total	**82**	102	**30**	—	**4**	4	**116**	106

The prior period is for a period of greater than twelve months, being the first audited period from the date of incorporation. As a result the comparative information disclosed is not directly comparable.

Directors' fees for the year under review are calculated based on the below.

	Total 2017 £'000	Total 2016 £'000
Chairman's fee	**37**	30
Director fee	**30**	24
Additional fee for chair of Audit committee	**5**	4
Additional fee for C share raise	**5**	—

Directors' expenses for the year ended 31 December 2017 totalled £2,000 (31 December 2016: £2,000).

The table below sets out the Directors' fees for the Company in respect of the period ended 31 December 2017 as a relative proportion of the Company's total expenses for the period:

	31 December 2017	31 December 2016
Percentage of expenses	**3.9%**	4.7%

No other remuneration or compensation was paid or is payable by the Company during the year to any of the Directors. Directors' and officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Joanna Dentskevich
Chair of the Remuneration
and Nomination committee

25 April 2018

RELATIONS WITH SHAREHOLDERS

Dialogue with shareholders

The Board recognises the importance of maintaining a purposeful relationship with shareholders. The Company, through its Directors, Investment Manager 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.

Further dialogue with shareholders is achieved through the annual and interim reports, news releases via the LSE and the Company's website, further details are given below under the heading "Investor publications".

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 8 to 33 provide further information. Communication of up-to-date information is provided through the Company's website.

2017 Annual General Meeting

The 2017 Annual General Meeting of the Company was held on 23 May 2017. Resolutions 1 to 7 and resolution 9 related to ordinary business, which are put to the shareholders annually. Resolution 8 and 10 related to special business as passed by the shareholders as follows:

- to authorise the Directors to offer holders of ordinary shares the right to elect to receive ordinary shares instead of cash in respect of any dividend which may be declared by the Directors with 100% of the shareholders voting in favour of the resolution; and
- to amend the Company's Articles by the deletion of, "within three Business Days after the Calculation Date," in article 14.8.2(b) with 100% of the shareholders voting in favour.

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.

At the last Annual General Meeting, 99.99% of the shareholders voted for the resolution to approve the Directors' remuneration report.

2018 Annual General Meeting

The Annual General Meeting will be held on 6 June 2018 at the registered office of the Company; 12 Castle Street, St Helier, Jersey JE2 3RT.

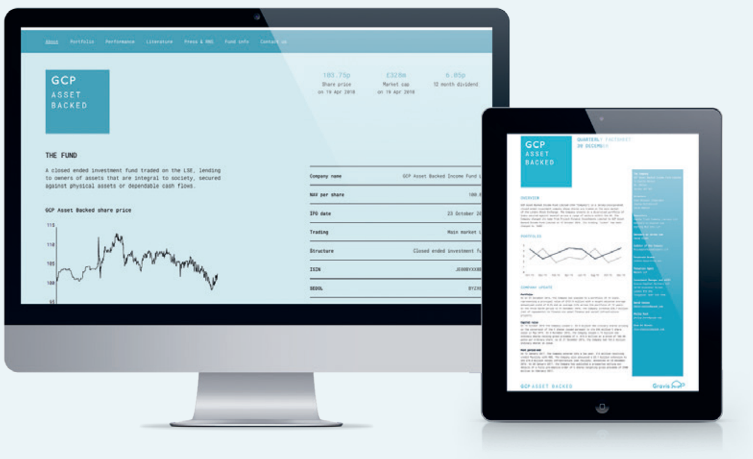
A separate notice convening the Annual General Meeting will be distributed to shareholders with the financial statements on or around 4 May 2018, which includes an explanation of the items of business to be considered at the meeting. A copy of the notice will also be published on the Company's website.

Investor publications

Results and other news releases such as loans advanced and annual and interim results of the Company are published via RNS. This information is supplemented by publication of the quarterly NAV and the dividend declarations.

The Investment Manager publishes a quarterly factsheet, available to download from the Company's website, which provides a Company update and key statistics in regards to the Company's portfolio.

The Company's annual report is despatched to shareholders annually by post. Electronic copies of the annual report and interim report are also available to download from the Company's website.



DIRECTORS' REPORT

The Directors are pleased to present their annual report and financial statements for the year ended 31 December 2017. The corporate governance statement set out on pages 40 to 47 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.

Dividends

At the AGM held on 23 May 2017, shareholders approved a proposal for the introduction of a scrip dividend facility that gives ordinary shareholders the opportunity to elect to receive new ordinary shares, these being scrip shares, in place of their cash dividend payments.

The annual scrip dividend circular for the financial year ended 31 December 2018, containing all relevant information for shareholders including an expected timetable for the quarterly scrip dividends will be published on the Company's website on or around 25 April 2018.

Details of the dividends paid and declared during the period are set out on page 21 and in note 10.

Share capital

During the year, the Company issued:

(i) 79,250,000 C shares in February 2017 (which were converted to 78,177,589 ordinary shares in August 2017);

(ii) 176,934 ordinary shares through the scrip dividend alternative; and

(iii) 75,000,000 C shares in October 2017 (which were converted to 73,403,850 ordinary shares post year end on 17 April 2018).

Details of the movements in share capital during the period are set out in the statement of changes in equity on page 66 and in note 18.

At 31 December 2017, the Company's issued share capital comprised 242,966,606 ordinary shares of no par value and 75,000,000 C shares of no par value, none of which were held in treasury.

At general meetings of the Company, every ordinary shareholder shall have one vote in respect of every ordinary share and every C shareholder shall have one vote in respect of every C share.

Significant voting rights

At 31 December 2017, the Company had received notification of the following significant interests in the voting rights of the Company, including both ordinary and C share classes:

Name	Shares held	Percentage of total voting rights
CCLA Investment Management	26,525,191	8.34
Premier Fund Managers Limited	26,123,448	8.22
Close Brothers Asset Management	25,078,290	7.89
City of Bradford Metropolitan DC	14,994,573	4.72
Investec Wealth & Investment	13,985,900	4.40
BMO Global Asset Management (UK)	12,479,702	3.92
Brooks Macdonald Asset Management	12,220,487	3.84
EFG Private Bank, Ltd	12,158,297	3.82
Valu-Trac Investment Management Ltd	10,148,166	3.19

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

The following changes have been notified to the Company between 31 December 2017 and the date of this report:

Name	Shares held	Percentage of total voting rights
CCLA Investment Management	26,333,651	8.32
Premier Fund Managers Limited	26,128,420	8.25
Close Brothers Asset Management	24,924,136	7.87
City of Bradford Metropolitan DC	14,857,326	4.69
BMO Global Asset Management (UK)	14,125,210	4.46
Investec Wealth & Investment	13,725,556	4.34
Brooks Macdonald Asset Management	12,808,410	4.05
EFG Private Bank, Ltd	12,281,993	3.88
Valu-Trac Investment Management Ltd	10,124,211	3.20

The above changes are as a result of the conversion of the C shares that occurred post year end, on 17 April 2018.

DIRECTORS' REPORT CONTINUED

Directors
The Directors in office at 31 December 2017 are listed on pages 36 and 37.

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.

Directors' interests
At the year 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 at 31 December 2017 can be found in the corporate governance statement on page 46.

None of the Directors or the Chairman sit on the Boards of any other companies managed by the Investment Manager and they 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 2017 and the date of this report.

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 their 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.

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.

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

Share repurchases
No shares have been bought back in the year. The latest authority to purchase ordinary shares for cancellation was granted to the Directors on 23 May 2017 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 2018 AGM.

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 did not hold any shares in treasury during the year, or at the year 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.

Financial risk management
Information about the Company's financial risk management objectives is set out in note 19 to the financial statements.

Requirements of the Listing Rules
Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the annual report or a cross reference table indication where the information is set out. The Directors confirm that there are no disclosures required in relation to Listing Rule 9.8.4.

On behalf of the Board

Alex Ohlsson
Chairman

25 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the annual report and financial statements

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

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

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

Directors' responsibility statement

In accordance with the UKLA's DTRs, each of the Directors, whose names are set out on pages 36 to 37 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, are 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.

On behalf of the Board

Alex Ohlsson
Chairman

25 April 2018

FINANCIAL STATEMENTS

WHAT'S IN THIS SECTION

INDEPENDENT AUDITOR'S REPORT

To the members of GCP Asset Backed Income Fund Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of GCP Asset Backed Income Fund Limited (the "Company") as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The Company's financial statements comprise:

— the statement of financial position as at 31 December 2017;

— the statement of comprehensive income for the year then ended;

— the statement of changes in equity for the year then ended;

— the statement of cash flows for the year then ended; and

— the notes to the financial statements, which include 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.

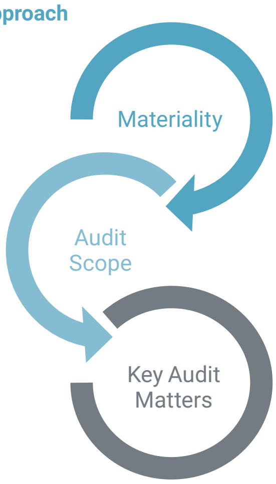
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 £5 million which represents 2% of net assets.

Audit scope

— The Company is based in Jersey and the financial statements include its investments in subsidiaries and other investments as financial assets through profit or loss rather than consolidated in accordance with the IFRS 10 requirements for investment companies.

— Our audit work was performed in Jersey and London for the audit of the financial statements of the Company.

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

Key audit matters

— Valuation of investments in the Subsidiary

— Acquisition of investments in the Subsidiary

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.

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

£5 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 £250,000, 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 MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
Valuation of investments in the Subsidiary **Refer to page 49 (Audit Committee Report), page 76 (Note 12 to the Financial Statements) and page 84 (Note 19 to the Financial Statements)** The valuation of investments in the Subsidiary drives a number of key performance indicators, such as Net Asset Value, which is of significant interest to investors and the market. The fair value of the investment in the Subsidiary is derived from the fair value of the underlying loans to the end borrowers. 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 ("DCF") is inherently subjective due to key assumptions used for the discount rate and the amount or timing of cash flows supporting the interest and capital repayments on debt positions held. The existence of significant estimation uncertainty, coupled with the fact that small percentage differences in assumptions to the valuations when aggregated could result in material misstatement, are the reasons for our specific audit focus and attention to this area.	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 expert and considered if 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 DCF to the contractual payment schedule of the loan facility agreements and checked the mathematical accuracy of the DCF 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.
Acquisition of investments in the Subsidiary **Refer to page 76 (Note 12 to the Financial Statements).** During the year, the Company has acquired 16 new secured loan notes to the value of £108,317,000 through the Subsidiary. The acquisition of the new secured loan notes were the most prominent investment activity for the Company during the year and represents a significant balance on the statement of financial position, as a result was an 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 a sample of new secured loan notes advanced during the year, we tested the movement to facility agreements, note certificates and cash payments. For a sample of secured loan notes repaid during the year, 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 procedure, no differences were identified by our testing which required reporting to those charged with governance.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of GCP Asset Backed Income Fund Limited

Other information

The Directors are responsible for the other information. The other information comprises the Introduction, Strategic report, Governance, 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 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.

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.
- 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' statement set out on page 33 in relation to going concern. As noted in the strategic 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

25 April 2018

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**Year ended 31 December 2017 £'000**	Period from 7 September 2015 to 31 December 2016 £'000
Income			
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	3	**18,136**	9,029
Fee income	3	**556**	729
Interest income		**29**	121
Total income		**18,721**	9,879
Expenses			
Investment management fees	21	**(1,953)**	(1,154)
Directors' remuneration	6	**(103)**	(108)
Operating expenses	4	**(969)**	(1,007)
Total expenses		**(3,025)**	(2,269)
Total operating profit before finance costs		**15,696**	7,610
Finance costs			
Finance income	7	**1,705**	685
Finance expense	8	**(3,385)**	(1,084)
Total profit and comprehensive income		**14,016**	7,211
Basic earnings per share (pence)	11	**7.10**	6.91
Diluted earnings per share (pence)	11	**5.61**	6.12

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

The accompanying notes on pages 68 to 93 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	**At 31 December 2017 £'000**	At 31 December 2016 £'000
Assets			
Financial assets at fair value through profit or loss	12	**261,751**	158,418
Other receivables and prepayments	13	**521**	140
Cash and cash equivalents	14	**61,094**	6,819
Total assets		**323,366**	165,377
Liabilities			
Liability in respect of C share issue	16	**(73,980)**	–
Other payables and accrued expenses	17	**(4,335)**	(803)
Derivative financial instruments	19	**(16)**	–
Total liabilities		**(78,331)**	(803)
Net assets		**245,035**	164,574
Capital and reserves			
Share capital	18	**241,326**	162,597
Retained earnings		**3,709**	1,977
Total capital and reserves		**245,035**	164,574
Ordinary shares in issue	18	**242,966,606**	164,612,083
NAV per ordinary share (pence per share)		**101**	100

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

Alex Ohlsson
Chairman

25 April 2018

Colin Huelin
Director

25 April 2018

The accompanying notes on pages 68 to 93 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Notes	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017		**162,597**	**1,977**	**164,574**
Total profit and comprehensive income for the year		**—**	**14,016**	**14,016**
Equity shares issued	18	**78,752**	**—**	**78,752**
Share issue costs	18	**(23)**	**—**	**(23)**
Dividends paid	10	**—**	**(12,284)**	**(12,284)**
Balance at 31 December 2017		**241,326**	**3,709**	**245,035**

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
Balance at 7 September 2015		—	—	—
Total profit and comprehensive income for the period		—	7,211	7,211
Equity shares issued	18	165,039	—	165,039
Share issue costs	18	(2,442)	—	(2,442)
Dividends paid	10	—	(5,234)	(5,234)
Balance at 31 December 2016		162,597	1,977	164,574

The accompanying notes on pages 68 to 93 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Year ended 31 December 2017 £'000	Period from 7 September 2015 to 31 December 2016 £'000
Cash flows from operating activities		
Total operating profit before finance costs	**15,696**	7,610
Net changes in fair value of financial asset at fair value through profit or loss	**(18,136)**	(9,029)
Realised losses on derivative financial instruments	**(88)**	–
Increase in other payables and accrued expenses	**306**	803
Increase in other receivables and prepayments	**(137)**	(140)
Interest received from Subsidiary	**16,576**	8,409
Investment in Subsidiary	**(104,907)**	(159,602)
Capital repayments from Subsidiary	**6,269**	1,804
Net cash flow used in operating activities	**(84,421)**	(150,145)
Cash flows from financing activities		
Proceeds from interest bearing loans and borrowings	**14,800**	–
Repayment of interest bearing loans and borrowings	**(14,800)**	–
Proceeds from issue of ordinary shares	**–**	121,638
Ordinary share issue costs	**(23)**	(2,442)
Proceeds from issues of C shares	**154,250**	44,086
C share issue costs	**(3,000)**	(1,084)
Finance costs paid	**(434)**	–
Dividends paid	**(12,097)**	(5,234)
Net cash flow generated from financing activities	**138,696**	156,964
Net increase in cash and cash equivalents	**54,275**	6,819
Cash and cash equivalents at beginning of the year	**6,819**	–
Cash and cash equivalents at end of the year/period	**61,094**	6,819
Net cash flow used in operating activities includes:		
Interest received from deposits	**29**	121
Loan interest received from Subsidiary	**16,576**	8,409
Non-cash items:		
Purchase of financial assets – indexation	**(325)**	–
Interest received from Subsidiary	**325**	–
Scrip dividend	**(187)**	–
Equity issue in respect of scrip dividend	**187**	–

The accompanying notes on pages 68 to 93 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 of the Company are listed on the premium segment of the Official List of the UKLA and on the premium segment of the Main Market of the LSE.

The Company makes its investments through its wholly owned Subsidiary, by subscribing for the Secured Loan Notes issued by the Subsidiary, which are listed on the TISE. The Subsidiary subsequently on-lends the funds to borrowers. At the year end, the wholly owned Subsidiary was GABI UK, a private limited company incorporated in England and Wales on 23 October 2015 (registration number 9838893), which is audited by PricewaterhouseCoopers CI LLP. The Company, through GABI UK, will seek to meet its investment objective through a diversified portfolio of investments which are secured against, or comprise, contracted, predictable medium to long-term cash flows and/or physical assets. The Group's investments will primarily be in the form of medium to long-term fixed or floating rate loans which are secured against cash flows and/or physical assets which are predominantly UK based.

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

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

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

At 31 December 2017, the Company had one wholly owned subsidiary, GABI UK. GABI GS is a wholly owned subsidiary of GABI UK and was incorporated in England and Wales on 4 January 2017 (registration number 10546087) and is indirectly owned by the Company. The Company disposed of GABI Housing, another wholly owned subsidiary, for a consideration of £1 on 19 January 2017.

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 year presented.

2.1 Basis of preparation

The annual report and financial statements for the year ended 31 December 2017 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 prior period is for a period of greater than twelve months, being the first audited period from the date of incorporation. As a result the comparative information disclosed is not directly comparable.

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.

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

During the year the Company raised capital through the issue of C shares. The initial issue on 14 February 2017 was converted on 1 August 2017 in accordance with the relevant C share prospectus; the second C share issue took place on 16 October 2017 and was converted after the year end on 17 April 2018. 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. Expenses are either specifically allocated to an individual share class or split proportionally by the NAV of each share class.

New standards, amendments and interpretations adopted in the year

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Disclosure Initiative (Amendments to IAS 7).

The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities, see note 20.

New standards, amendments and interpretations not yet adopted

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 2018 or later periods, which the Company has decided not to early adopt. The following are the most relevant to the Company:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018); and
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014 and applies to an annual reporting period beginning in or after 1 January 2018).

The Board's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9 Financial Instruments

Nature of change

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

Financial assets such as 'investment in the Subsidiary' are currently measured at fair value. This classification is still relevant under the new standard. Therefore there will be no impact on the accounting for financial assets at fair value through profit or loss. The interest bearing loans and borrowings (note 15) and other receivables and prepayments (note 13) are accounted for at amortised cost and meet the criteria for classification at amortised cost under IFRS 9, hence there will be no change in the accounting for these assets.

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. As financial assets held by the Company are classified as fair value through profit or loss this has no impact to current disclosure.

As a result of the above the adoption of IFRS 9 is not expected to have a material impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

Nature of change

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 Revenue, which covers contracts for goods and services and IAS 11 Construction Contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Revenue consists of fee income, interest income and net changes in fair value of financial assets at fair value through profit or loss:

- IFRS 15 would have no impact on the recognition of bank interest income;
- other fee income is recognised when amounts are due. Therefore IFRS 15 would have no impact on the recognition of fee income, disclosed in note 3; and
- due to the current application of IAS 39, the recognition and measurement of interest income received and changes in the fair value of the investments do not fall within the scope of IFRS 15, as such the Directors do not expect this standard to have a material impact on net changes in fair value of financial assets at fair value through profit or loss (which comprises the aforementioned).

Further to the above, there are no new IFRS or IFRIC interpretations that are issued but not effective that would be expected to have a material impact on the Company's financial statements.

Going concern

The 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 doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have 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 33 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. There are no changes in estimates reported in prior financial statements that require disclosure in these financial statements.

(a) Critical accounting estimates and assumptions

Fair value of instruments not quoted in an active market

The Subsidiary's assets consist of investments held and loan notes issued to the Project Companies. The Subsidiary's investments are valued by a third-party Valuation Agent on a quarterly basis. The assets 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 19.4, 19.6 and 19.7 respectively.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2017

2. Significant accounting policies continued

2.2 Significant accounting estimates and assumptions continued

(b) Critical judgements

Assessment as an investment entity

The Directors have concluded that the Company continues to meet the definition of an investment entity.

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

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

The Directors have concluded that the Company continues to meet the additional characteristics of an investment entity, in that it indirectly holds a portfolio of investments by investing in a Subsidiary which holds 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 21.

The Company had one wholly owned Subsidiary at 31 December 2017 (31 December 2016: two). The investment in the Subsidiary is valued at fair value through profit or loss and is not consolidated, in accordance with IFRS 10.

Accounting for C share class

i. Classification as financial liability or equity instrument

   The Directors have assessed the characteristics of the C share class and concluded that the C shares issued meet the definition of a liability under IAS 32 Financial Instruments: Presentation. The C shares are non-derivatives that include a contractual obligation under the terms of the issue to deliver a variable number of an issuer's own ordinary shares. The C shares (under IAS 32 11(b)) therefore meet the definition of a financial liability.

ii. Recognition and measurement of the financial liability

   The Directors have considered whether the C share liability should be valued in the financial statements at fair value or stated at amortised cost under IAS 39 Financial Instruments: Recognition and Measurement.

The C shares were trading at a premium to NAV at the year end which is different to the value of the cash/assets held in the C share pool. All assets/liabilities attributable to the C share pool are aggregated. If the C shares were to be fair valued, the corresponding C share liability on the statement of financial position would not equal that of the sum of the assets and liabilities, creating an accounting mismatch, which would reduce net assets and create an artificial loss in fair value. The amortised cost value of the C share pool equates to the NAV of the C shares, which the Directors consider is the most appropriate way to disclose the liability within the financial statements.

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. All values have been rounded to the nearest thousand pounds except where otherwise indicated.

Segmental information

The Directors view the operations of the Company as one operating segment, being the investment portfolio of asset-backed loans held via the Subsidiary, which is a registered UK company. All significant operating decisions are based upon analysis of the Subsidiary's investments as one segment which is consistent with the 2016 annual report and financial statements. The financial results from this segment are equivalent to the financial results of the Company as a whole, which are evaluated regularly by the Directors.

Significant shareholders are disclosed in the Directors' report on page 55.

3. Operating income

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

Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	**Year ended 31 December 2017 £'000**	Period from 7 September 2015 to 31 December 2016 £'000
Loan interest realised[1]	**16,953**	8,409
Unrealised gain on investments at fair value through profit or loss	**1,243**	664
Unrealised loss on investments at fair value through profit or loss	**–**	(44)
Unrealised losses on forward foreign exchange contracts	**(16)**	–
Realised losses on forward foreign exchange contracts	**(88)**	–
Realised gains on financial assets at fair value through profit or loss[2]	**44**	–
Total	**18,136**	9,029

1. Represents interest received from the Subsidiary and is included as part of the fair value movement calculation in line with the Company's accounting policy.
2. Refer to note 12 for further information.

Fee income	**Year ended 31 December 2017 £'000**	Period from 7 September 2015 to 31 December 2016 £'000
Arrangement fees	**397**	729
Commitment fees	**21**	–
Early repayment fees	**138**	–
Total	**556**	729

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 Subsidiary 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 21. The Investment Manager, at its discretion, is entitled to an arrangement fee of up to 1% of the value of each investment made by the Company. The Investment Manager typically expects the costs of any such fee to be covered by the borrowers and not the Company, and which may be paid by borrowers through the Subsidiary. 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.

Commitment fees are accounted for on an accruals basis.

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

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

Forward currency contracts are initially recognised at fair value and subsequently stated at fair value being the difference between agreed price of selling or buying the financial instrument on a future date and the price quoted for selling or buying the same or similar instrument on the statement of financial position date. The gain or loss on measurement of the fair value is recognised in the statement of comprehensive income. The Company does not adopt hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2017

4. Operating expenses

	Year ended 31 December 2017 £'000	Period from 7 September 2015 to 31 December 2016 £'000
Corporate administration, Depositary and Registrar fees	**466**	308
Audit fees	**55**	55
Legal and professional	**63**	240
Valuation agent fees	**185**	172
Other	**200**	232
Total	**969**	1,007

Key service providers other than the Investment Manager (refer to note 21 for disclosures on transactions with the Investment Manager)
The acquisition of Capita Asset Services, formerly part of Capita plc, by Link Group, formally completed on 3 November 2017 and as such the legal names of the Administrator, Company Secretary, Depositary and Registrar were changed as noted below.

Administrator and Company Secretary
The Company has appointed Link Alternative Fund Services (Jersey) Limited (formerly Capita Financial Administrators (Jersey) Limited) as Administrator and Company Secretary. Fund accounting, administration services and company secretarial services are provided to the Company pursuant to an agreement dated 29 September 2015. All Directors have access to the Company Secretary, who provides guidance to the Board, through the Chairman, on Governance matters. The fee for the provision of administration and company secretarial services during the year was £346,000 (period from 7 September 2015 to 31 December 2016: £220,000) of which £93,000 remains payable at year end (2016: £51,000).

Depositary
Custody services are provided to the Company by Link Corporate Services (Jersey) Limited (formerly Capita Trust Company (Jersey) Limited) pursuant to an agreement dated 29 September 2015. The fee for the provision of these services during the year was £75,000 (period from 7 September 2015 to 31 December 2016: £50,000) of which £23,000 remains payable at year end (2016: £12,000).

Registrar
Registrar services are provided to the Company by Link Market Services (Jersey) Limited (formerly Capita Registrars (Jersey) Limited) pursuant to an agreement dated 29 September 2015. The fee for the provision of these services during the year was £45,000 (period from 7 September 2015 to 31 December 2016: £38,000) of which £9,000 remains payable at year end (2016: £8,000).

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

5. Auditor's remuneration

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

	Year ended 31 December 2017 £'000	Period from 7 September 2015 to 31 December 2016 £'000
Audit fees		
Annual audit of the Company	**55**	100[1]
	55	100
Non-audit services		
Review of interim report	**15**	–
Reporting accountant services – LSE Main Market listing	**–**	45
Reporting accountant services – issuance of C shares	**45**	20
Review of the C share conversion	**4**	5
	64	70
Total	**119**	170

1. £45,000 is in relation to the audit of the financial information included in the C share prospectus dated 27 April 2016 and therefore forms part of the C share issue costs in note 16.

In order to maintain independence, the Board appointed BDO LLP as reporting accountant of the Company on 25 September 2017 and going forward no further non-audit related services will be carried out by PwC.

6. Directors' remuneration

The Directors of the Company were remunerated as follows:

	Year ended 31 December 2017 £'000	Period from 7 September 2015 to 31 December 2016 £'000
Alex Ohlsson	**37**	38
Colin Huelin	**34**	36
Joanna Dentskevich	**30**	32
	101	106
Directors' expenses	**2**	2
Total	**103**	108

During the year, the Board approved to increase the remuneration of the Directors effective from 1 October 2017 and to pay each Director an additional £5,000 per C share issue effective from the issue in February 2017. Additional remuneration for C shares issued in February 2017 is included in the table above. The fees for C shares issued in October 2017 (£15,000) are included in C share issue costs, refer to note 16.

For further information refer to page 53 of the Remuneration and Nomination committee report.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2017

7. Finance income

	Year ended 31 December 2017 £'000	Period from 7 September 2015 to 31 December 2016 £'000
Amortisation of C share financial liability (C shares issued October 2017)	**1,020**	–
Return on C share liability (C shares issued February 2017)	**685**	–
Return on C share liability (C shares issued May 2016)	**–**	685
Total	**1,705**	685

Accounting policy

Finance income in the statement of comprehensive income represents the return on 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

	Year ended 31 December 2017 £'000	Period from 7 September 2015 to 31 December 2016 £'000
Amortisation of C share issue costs (C shares issued May 2016, converted October 2016)	**–**	1,084
Amortisation of C share issue costs (C shares issued February 2017, converted July 2017)	**1,572**	–
Amortisation of C share issue costs (C shares issued October 2017)	**1,440**	–
Loan arrangement fees	**179**	–
Loan commitment fee	**131**	–
Loan interest	**63**	–
Total	**3,385**	1,084

Accounting policy

Finance expenses in the statement of comprehensive income comprise loan arrangement and commitment fees which are accounted for on an accruals basis, along with interest accrued on the revolving credit facility (refer to note 15) incurred in connection with the borrowing of funds. Arrangement fees are amortised over the life of the revolving credit facility.

Also included in finance expenses are the C share amortisation and commitment fees which are expensed in the year they occur. The C shares issued during the year represent contracts for conversion into a variable number of ordinary shares and therefore the C shares are classified as liabilities under IAS 39 Financial Instruments: Recognition and Measurement, while in issue. The classification results 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 year ended 31 December 2017 are subject to tax at the standard rate of 0% in accordance with the Income Tax Law.

10. Dividends

Quarter ended	Dividend	Pence per share	**Year ended 31 December 2017 £'000**	Period from 7 September 2015 to 31 December 2016 £'000
Current year dividends				
31 December 2017[1]	2017 fourth interim dividend	1.525	**–**	–
30 September 2017	2017 third interim dividend	1.525	**3,704**	–
30 June 2017	2017 second interim dividend	1.500	**3,642**	–
31 March 2017	2017 first interim dividend	1.500	**2,469**	–
		6.050		
Prior period dividends				
31 December 2016	2016 fourth interim dividend	1.500	**2,469**	–
30 September 2016	2016 third interim dividend	1.500	**–**	2,245
30 June 2016	2016 second interim dividend	1.500	**–**	1,590
31 March 2016	2016 first interim dividend	1.320	**–**	1,399
		5.820		
Dividends in statement of changes in equity			**12,284**	5,234
Dividends settled in shares[2]			**(187)**	–
Dividends in the statement of cash flows			**12,097**	5,234

On 17 January 2018, the Company announced a fourth interim dividend of 1.525 pence per ordinary share amounting to £3,705,000 (including dividends settled in shares[2]) which was paid on 23 February 2018 to ordinary shareholders on the register at 26 January 2018.

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

1. The current year fourth interim dividend was declared after the year end and is therefore not accrued for as a provision in the financial statements.
2. Dividends settled in shares are where shareholders have elected to take the scrip dividend alternative.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2017

11. Earnings per share

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

	Profit £'000	Weighted average number of ordinary shares	Pence per share
Year ended 31 December 2017			
Basic earnings per ordinary share	**14,016**	**197,413,333**	**7.10**
Diluted earnings per ordinary share	**14,016**	**249,711,963**	**5.61**
Period from 7 September 2015 to 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 the Subsidiary

The Company's financial assets consist solely of the investment in the Subsidiary, which represents amounts advanced to finance the Group's investment portfolio. The Company's investment in the Subsidiary at 31 December 2017 comprised:

Debt – Secured Loan Notes up to £1,000,000,000	**31 December 2017 £'000**	31 December 2016 £'000
Opening balance	**158,224**	–
Purchase of financial assets	**108,317**	159,601
Repayment of financial assets	**(6,269)**	(1,804)
Unrealised gains on investment at fair value through profit or loss	**1,235**	427
Total	**261,507**	158,224

Equity – representing one ordinary share in GABI UK and 1,000 ordinary shares in GABI Housing[1]	**31 December 2017 £'000**	31 December 2016 £'000
Opening balance	**194**	–
Purchase of financial assets	**–**	1
Unrealised gains on investment at fair value through profit or loss	**6**	237
Unrealised losses on investment at fair value through profit or loss	**–**	(44)
Realised gains on investment at fair value through profit or loss[1]	**44**	–
Total	**244**	194
Total investment in Subsidiary	**261,751**	158,418

1. The Company's 1,000 ordinary shares investment in GABI Housing was sold on 19 January 2017 for a consideration of £1 with the resulting gains of £44,000 reflected within the statement of comprehensive income.

The above represents a 100% interest in the Subsidiary.

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 on the following page in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets at fair value through profit or loss

The category which includes financial assets at fair value through profit or loss consists of financial instruments that have been designated at fair value through profit or loss upon initial recognition. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Company, as set out in the prospectus, the latest copy of which is available on the Company's website.

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 timeframe generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

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

— the rights to receive cash flows from the asset have expired; or

— the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and

— either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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 classified at fair value through profit or loss at their 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 19.9.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2017

13. Other receivables and prepayments

	31 December 2017 £'000	31 December 2016 £'000
Arrangement fees	**55**	117
Intercompany receivable	**101**	–
Loan arrangement fees unamortised	**192**	–
Loan interest receivable	**52**	–
Other income debtors	**99**	–
Prepayments	**22**	23
Total	**521**	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 2017 £'000	31 December 2016 £'000
Cash and cash equivalents	**5,787**	6,819
Cash and cash equivalents attributable to the C share pool	**55,307**	–
Total	**61,094**	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. Interest bearing loans and borrowings

	31 December 2017 £'000	31 December 2016 £'000
Opening balance	**–**	–
Proceeds from interest bearing loans and borrowings	**14,800**	–
Repayment of interest bearing loans and borrowings	**(14,800)**	–
Total	**–**	–

On 13 January 2017, the Company entered into a two-year £15 million revolving credit facility with RBSI.

On 30 June 2017, the Company entered into an agreement with RBSI to amend the original terms of the revolving credit facility to include the ability of the Company to enter into forward currency hedges with RBSI, and as an alternative to cash cover for entering into these, the available commitment under the facility was reduced.

During the year, the Company drew down £5.3 million on 21 January 2017 and £9.5 million on 25 August 2017, resulting in a total amount of £14.8 million drawn down. The Company repaid the balance of £5.3 million on 20 February 2017 and £9.5 million on 31 October 2017, upon issuance of the C shares.

All amounts drawn under the facility are to be used in or towards the making of investments (including the reduction of available commitment as an alternative to cash cover for entering into forward currency hedges) in accordance with the Company's investment policy.

In December 2017, a utilisation request for the sum of £734,000 was submitted to RBSI in relation to the open forward currency hedge at year end. This has restricted the amount available for drawdown on the revolving credit facility to £14.3 million.

The total cost incurred to establish the facility was £369,758 (including an arrangement fee of £300,000); £178,294 of costs were amortised during the year and charged through the statement of comprehensive income. The unamortised balance is disclosed in note 13.

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 facility with RBSI is secured against the investment in the Subsidiary (refer to note 12).

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its NAV and is calculated under the gross and commitment methods, in accordance with the AIFMD.

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD at 31 December 2017, figures are as follows:

Leverage exposure	Maximum limit	Actual exposure
Gross method	1.25	0.82
Commitment method	1.25	1.01

The leverage figures above represent leverage calculated under the AIFMD methodology as follows:

	Gross £'000	Commitment £'000
Investments at fair value through profit or loss	261,751	261,751
Cash and cash equivalents	—	61,094
Total exposure under AIFMD	261,751	322,845
Total shareholders' funds	245,035	245,035
Leverage	0.82	1.01

The Company's leverage limit under the AIFMD is 1.25 which equates to a gearing limit of 25% of NAV. The Company has maintained significant headroom against the limit throughout the year.

Accounting policy

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are amortised over the lifetime of the facility through the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2017

16. Financial liabilities at amortised cost: C shares

The C shares issued during the comparative period were converted before the period ended on 31 December 2016. Further details of the prior period C share issue are disclosed in the 2016 annual report and financial statements, a copy of which is available on the Company's website.

Whilst the C shares are in issue, the results of the assets and liabilities attributable to the C shares are accounted for as a separate pool to the results of the assets and liabilities attributable to the ordinary shares. A share of Company expenses for the period the C shares have been in issue are allocated to the C share pool based on the net assets of each share class. On conversion, each holder of C shares will receive such number of ordinary shares as equals the number of C shares held multiplied by the NAV per C share and divided by the NAV per ordinary share, in each case at a date shortly prior to conversion. 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 shares carry the right to receive all dividends resolved by the Directors to be paid out of the pool of assets attributable to the C shares which shall be divided pro rata among the holders of the C shares. The C shares are no par value shares.

February 2017 C share issue

On 10 February 2017, the Company announced the first issue of 79,250,000 C shares in the year, issued at £1 per share. The shares were admitted to the premium segment of the Official List of the UKLA and to trading on the premium segment of the Main Market of the LSE on 14 February 2017.

The first issue of C shares, as noted below, was converted to 78,177,589 ordinary shares on 1 August 2017, and the carrying amount of the C share liability prior to the conversion constituted of:

	31 December 2017 £'000
Proceeds from issue of C shares	79,250
C share issue costs	(1,572)
Net proceeds from issue of C shares	77,678
Amortisation of C share issue costs	1,572
Return on C share financial liability	(685)
Extinguishment of C share liability on conversion to ordinary shares	(78,565)
Value of first issue of C shares at the year end	**–**

Results of the February 2017 C share issue are given below.

	31 December 2017 £'000
Net changes in fair value on financial assets at fair value through profit or loss	975
Other income	211
Company expenses allocated to the C share pool	(299)
Total profit and comprehensive income attributable to the first issue of C shares during the year	**887**

Prior to conversion on 1 August 2017 the C share pool was represented by the following assets and liabilities:

	31 July 2017 £'000
Financial assets held at fair value through profit or loss	57,580
Cash and cash equivalents	21,213
Other receivables and prepayments	382
Other payables and accrued expenses	(610)
Extinguishment of first issue C share liability on conversion to ordinary shares	**(78,565)**

October 2017 C share issue

On 12 October 2017, the Company announced the second issue of 75,000,000 C shares in the year, issued at £1 per share. The shares were admitted to the premium segment of the Official List of the UKLA and to trading on the premium segment of the Main Market of the LSE on 16 October 2017. C shares, whilst in issue, are classified as a financial liability in line with the accounting treatment noted in 2.2 (b). The second issue of C shares were converted after the year end (refer to note 23). The carrying amount of the C share liability at 31 December 2017 consists of:

	31 December 2017 £'000
Proceeds from issue of C shares	75,000
C share issue costs	(1,440)
Net proceeds from issue of C shares	73,560
Amortisation of C share issue costs	1,440
Amortisation of C share financial liability	(1,020)
Value of second issue of C shares at the year end	**73,980**

Results of the October 2017 C share issue are given below:

	31 December 2017 £'000
Net changes in fair value on financial assets at fair value through profit or loss	392
Other income	148
Company expenses allocated to the C share pool	(120)
Total profit and comprehensive income attributable to the second issue of C shares during the year	**420**

The second issue C share pool is represented by the following assets and liabilities contained within the statement of financial position:

	31 December 2017 £'000
Financial assets held at fair value through profit or loss	21,838
Cash and cash equivalents	55,307
Other receivables and prepayments	112
Other payables and accrued expenses	(3,277)
NAV of second issue of C shares	**73,980**

The NAV of the second issue of C shares at 31 December 2017 is £73,979,944 representing 98.64 pence per share.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2017

16. Financial liabilities at amortised cost: C shares continued

Accounting policy

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

The C shares convert 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 agree upon), have 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 receives such number of ordinary shares as equals the number of C shares held multiplied by the NAV per C share and divided by the NAV per ordinary share, in each case at a date shortly prior to conversion.

17. Other payables and accrued expenses

	31 December 2017 £'000	31 December 2016 £'000
Accruals	**295**	211
Amounts due to Subsidiary	**232**	233
Investment management fees	**580**	359
Investment in Subsidiary[1]	**3,085**	—
Loan commitment fee accrued	**131**	—
Share issue costs	**12**	—
Total	**4,335**	803

1. Amounts due to the Subsidiary for the purchase of investments which represents a commitment outstanding which is payable by the Subsidiary to a Project Company.

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.

18. Authorised and issued share capital

Share capital	31 December 2017 Number of shares	31 December 2017 £'000	31 December 2016 Number of shares	31 December 2016 £'000
Ordinary shares issued at no par value and fully paid				
Shares in issue at beginning of the year/period	**164,612,083**	**162,597**	2	—
Equity shares issued through:				
Placing and offer for subscription	**—**	**—**	120,964,734	121,638
Scrip dividend[1]	**176,934**	**187**	—	—
Ordinary shares issued upon conversion of C shares	**78,177,589**	**78,565**	43,647,347	43,401
Total shares issued in the year/period	**78,354,523**	**241,349**	164,612,083	165,039
Share issue costs	**—**	**(23)**	—	(2,442)
Total shares in issue	**242,966,606**	**241,326**	164,612,083	162,597

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

The Company's share capital is represented by ordinary shares.

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

On 1 August 2017, the Company issued 78,177,589 new ordinary shares following the conversion of the C shares on the basis of a conversion ratio of 0.986468 ordinary shares for every C share held.

At 31 December 2017, the Company's issued share capital comprised 242,966,606 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.

The C shares, when in issue, are classified as a financial liability. At year end there were 75,000,000 C shares in issue (refer to note 16).

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2017

19. 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.

	31 December 2017 £'000	31 December 2016 £'000
Financial assets		
Cash and cash equivalents	**61,094**	6,819
Other receivables and prepayments	**521**	140
Loans and receivables	**61,615**	6,959
Financial assets at fair value through profit or loss	**261,751**	158,418
Total	**323,366**	165,377
Financial liabilities		
Other payables and accrued expenses	**(4,335)**	(803)
Financial liabilities measured at amortised cost	**(73,980)**	–
Derivative financial instruments	**(16)**	–
Total	**(78,331)**	(803)

19.1 Derivatives

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss. Derivative financial assets and liabilities comprise forward foreign exchange contracts for hedging purposes. The Company does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs, where applicable, are included directly in finance costs. Gains or losses on derivatives are recognised in the statement of comprehensive income in net changes in fair value of financial assets and financial liabilities through profit or loss.

The table below sets out the forward foreign exchange contract held by the Company at year end:

	Maturity	Hedged amount	Principal amount	**31 December 2017 Fair value £'000**
Contract EUR/GBP	21 March 2018	9,065,545	(8,048,247)	**(16)**

There were no forward foreign exchange contracts held by the Company at 31 December 2016.

19.2 Capital management

The Company's capital is represented by share capital comprising of issued ordinary share capital and ordinary shares issued following conversion of C shares, 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 advanced investment opportunities to ensure the rapid deployment of capital.

As detailed in the Company's prospectus, (the latest copy of which is available on the Company's website), the Company may borrow up to 25% of its NAV at such time any such borrowings are drawn down. During the year the Company entered into a revolving credit facility, refer to note 15 for further information.

19.3 Financial risk management objectives

The Company has an investment policy and strategy as summarised within its prospectus that sets out the Company's overall investment strategy and general risk management philosophy and has established processes to monitor and control these in a timely and accurate manner. These guidelines are subject to regular operational reviews undertaken by the Investment Manager to ensure that the Company's policies are adhered to as it is the Investment Manager's duty to identify and assist in the management of risk. The Investment Manager reports regularly to the Directors who have ultimate responsibility for the overall risk management approach.

The 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 (which includes interest rate risk) credit risk, currency risk and liquidity risk.

As explained in note 2.2, the Company's financial assets and liabilities at fair value through profit or loss are investments in the Subsidiary and derivatives. The Subsidiary is 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 Subsidiary's investments.

19.4 Market risk

The investment that the Company holds in the Subsidiary is valued based on the NAV of the Subsidiary.

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

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

The valuation principles used are based on a discounted cash flow methodology. A fair value for each asset acquired by the 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 Group 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 Subsidiary's NAV is the valuation of its portfolio of loan notes provided to the Project Companies.

The table below shows how changes in discount rates affect the changes in the valuation of the loan notes provided to the Project Companies (refer to note 12):

31 December 2017 **Change in discount rates**	**(0.50%)**	**0.00%**	**0.50%**
Value of financial assets at fair value (£'000)	**261,964**	**261,507**	**261,158**
Change in value of financial assets at fair value (£'000)	**457**	**—**	**(349)**

31 December 2016 Change in discount rates	(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	—	(4,554)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2017

19. Financial instruments continued

19.5 Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing level of market interest rates on the fair value of financial assets 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 Subsidiary, 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 Group's investments will predominantly be in the form of medium to long-term fixed or floating rate loans which are secured against cash flows and/or physical assets which are predominantly UK based.

Interest rate hedging may be carried out to seek to provide protection against falling interest rates in relation to assets that do not have a minimum fixed rate of return acceptable to the Company in line with its investment policy and strategy. The Company has not entered into an interest rate hedging agreement in the year.

Borrowings

During the year the Company made use of its revolving credit facility with RBSI which was used towards the making of investments in accordance with the Company's investment policy. Details of the RBSI revolving credit facility are given in note 15.

Any potential financial impact of movements in interest rates on the cost of borrowings to the Company is mitigated by the short-term nature of such borrowings.

19.6 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty is not an exchange clearing house. The assets classified at fair value through profit or loss do not have a published credit rating, however the Investment Manager monitors the financial position and performance of the Project Companies on a regular basis to ensure that credit risk is appropriately managed.

The Company is exposed to differing levels of credit risk on all its assets. Per the statement of financial position, the Company's total exposure to credit risk is £323.4 million (2016: £165.4 million) represented by its cash, receivables and investment assets.

Cash is held at a number of financial institutions to spread credit risk. Cash awaiting investment is currently held on behalf of the Company at banks carrying a minimum rating of A-2, P-2 or F-2 from Standard and Poor's, Moody's and Fitch respectively.

The Company's investment assets are debt and equity securities in the Subsidiary and therefore, the credit risk of the Company's investment assets is highly dependent on the performance of the Subsidiary's investment portfolio, which is 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 by way of the cash flows receivable being 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. At year 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 19.4 has been provided in this respect.

19.7 Currency risk

All of the Group's investments at 31 December 2017 are denominated in Sterling save for one investment which is denominated in Euros (at 31 December 2016 all investments were denominated in Sterling) and secured against Euro-valued assets and cash flows. The Company engages in currency hedging, in the form of a forward currency exchange contract, to reduce the risk of adverse movements in currency exchange rates in relation to its Euro-denominated investment.

Realised and unrealised gains or losses on forward foreign exchange contracts are disclosed in note 3.

As an alternative to cash cover/margin required on these forward foreign exchange contracts, the Company has made use of its revolving credit facility, as disclosed in note 15.

19.8 Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Company ensures it maintains adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. During the year ended 31 December 2017, all investments made by the Group were funded by proceeds from issuance of shares in the Company and utilisation of the revolving credit facility.

The table below analyses all of the Company's assets and liabilities into relevant maturity groupings based on the remaining period from 31 December 2017 to the contractual maturity date. The Directors have elected to present both assets and liabilities in the liquidity disclosure below to illustrate the net liquidity exposure of the Company.

All cash flows in the table below are presented on an undiscounted basis.

31 December 2017	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	Total £'000
Financial assets					
Financial assets at fair value through profit and loss	**458**	**6,574**	**27,273**	**409,362**	**443,667**
Other receivables and prepayments	**38**	**353**	**124**	**6**	**521**
Cash and cash equivalents	**61,094**	**—**	**—**	**—**	**61,094**
Total financial assets	**61,590**	**6,927**	**27,397**	**409,368**	**505,282**
Financial liabilities					
Liability in respect of C shares	**—**	**(73,980)**	**—**	**—**	**(73,980)**
Other payables and accrued expenses	**(607)**	**(643)**	**(3,085)**	**—**	**(4,335)**
Derivative financial instruments	**—**	**(16)**	**—**	**—**	**(16)**
Total financial liabilities	**(607)**	**(74,639)**	**(3,085)**	**—**	**(78,331)**
Net exposure	**60,983**	**(67,712)**	**24,312**	**409,368**	**426,951**

31 December 2016	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	Total £'000
Financial assets					
Financial assets at fair value through profit and loss	—	3,609	10,984	258,719	273,312
Other receivables and prepayments	23	117	—	—	140
Cash and cash equivalents	6,819	—	—	—	6,819
Total financial assets	6,842	3,726	10,984	258,719	280,271
Financial liabilities					
Liability in respect of C shares	—	—	—	—	—
Other payables and accrued expenses	(51)	(752)	—	—	(803)
Derivative financial instruments	—	—	—	—	—
Total financial liabilities	(51)	(752)	—	—	(803)
Net exposure	6,791	2,974	10,984	258,719	279,468

The Directors' assessment of the Company's ability to continue as a going concern, noted in note 2.1, includes an assessment of liquidity risk. The Board 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2017

19. Financial instruments continued

19.9 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 Subsidiary and the Secured Loan Notes. These valuations are reviewed by the Investment Manager and Directors 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 Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The table below 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/(liabilities) measured at fair value through profit or loss:					
Assets:					
Investment in Subsidiary	31 December 2017	—	—	261,751	**261,751**
Investment in Subsidiary	31 December 2016	—	—	158,418	**158,418**
Liabilities:					
Derivative financial instruments	31 December 2017	—	(16)	—	**(16)**
Derivative financial instruments	31 December 2016	—	—	—	**—**

The derivative financial instruments are classified as Level 2 as observable market data is used for valuation and pricing.

Derivative financial instruments relate to forward currency contracts that are contractual obligations to buy or sell financial instruments on a future date at a specific price established over the counter. Forward currency contracts are valued based on the difference between the agreed price of selling or buying the financial instrument on a future date and the price quoted on the year end date for selling or buying the same or similar financial instruments.

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

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and end of the year:

	31 December 2017 £'000	31 December 2016 £'000
Opening balance	**158,418**	–
Investment in Subsidiary	**108,317**	159,602
Capital repayments from Subsidiary	**(6,269)**	(1,804)
Unrealised gains on investments at fair value through profit or loss	**1,241**	620
Realised gains on investments at fair value through profit or loss	**44**	–
Closing balance	**261,751**	158,418

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 19.4 in determining the discount rate for calculating the fair value of financial assets at fair value through profit or loss, reference is made to Pound Sterling interest rates, movements of comparable credit markets and observable yield on comparable instruments. Hence, movements in these factors could give rise to changes in the discount rate. A change in the discount rate used to value the Level 3 investments would have the effect on the valuation. as shown in the table in note 19.4.

The investment the Company holds in any Subsidiary is valued based on the NAV of the Subsidiary. At 31 December 2017, the NAV was as follows:

	31 December 2017 £'000	31 December 2016 £'000
GABI UK	**244**	237
GABI Housing	**–**	(43)
Total	**244**	194

The key driver of the NAV is the valuation of its portfolio of Secured Loan Notes.

The Secured Loan Notes issued by the Subsidiary that the Company has subscribed for are valued on a discounted cash flow basis in line with the model used by the Valuation Agent, 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 – 31 December 2017	**261,507**	Discounted cash flow	Discount rate	6 – 14%
Financial assets at fair value through profit or loss – 31 December 2016	**158,224**	Discounted cash flow	Discount rate	6 – 10%

Refer to note 19.4 for the sensitivity analysis performed in relation to fair value of the investment in the Subsidiary.

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, the latest copy of which is available on the Company's website. Should the valuation approach change causing an investment to meet the characteristics of a different level of the fair value hierarchy, it will be reclassified accordingly.

During the year, there were no transfers of investments between levels therefore no further disclosure is considered necessary under IFRS.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2017

20. Note to the cash flow statement

Reconciliation of movement of liabilities arising from financing activities

	Liability in respect of C shares £'000	Interest bearing loans and borrowings £'000	**Total £'000**
Balance at 1 January 2017			**162,597**
Changes from cash flows			
Proceeds from issue of C shares	154,250	–	**154,250**
C share issue costs	(3,000)	–	**(3,000)**
Proceeds from interest bearing loans and borrowings	–	14,800	**14,800**
Repayment of interest bearing loans and borrowings	–	(14,800)	**(14,800)**
Total changes from cash flows	151,250	–	**151,250**
Non-cash changes			
Net changes in fair value of financial assets at fair value through profit or loss	1,367	–	**1,367**
Extinguishment of C share liability on conversion to ordinary shares	(78,565)	–	**(78,565)**
Scrip dividend	–	–	**–**
Liability related changes	(72)	–	**(72)**
Total non-cash changes	(77,270)	–	**(77,270)**
Balance at 31 December 2017	73,980	–	**73,980**

21. Related party disclosures

As defined by IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Subsidiary companies are also deemed to be related parties as they are members of the same group of companies.

Directors

The non-executive Directors of the Company are considered to be the key management personnel of the Company. Directors' remuneration for the year (including reimbursement of Company related expenses) totalled £103,000 (period from 7 September 2015 to 31 December 2016: £108,000). At 31 December 2017, liabilities in respect of these services amounted to £36,000 (period from 7 September 2015 to 31 December 2016: £19,000). The Directors did not receive any performance based fees in the year or for the period to 2016.

During the year, the Board approved to increase the remuneration of the Directors effective from 1 October 2017 and pay each Director an additional £5,000 per C share issue effective from the C share issue in February 2017 (refer to page 53 of the Remuneration and Nomination committee report for further information). Additional remuneration paid to the Directors for the C share issues totalled £15,000 and liabilities as 31 December in respect of these fees amounted to £10,000. The fees for C shares issued in October 2017 are included in C share issue costs (refer to note 16).

At 31 December 2017, the Directors of the Company held directly or indirectly, and together with their family members, 109,700 ordinary shares (2016: 109,700) and nil C shares (2016: nil) of 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 year. Carey Olsen maintains procedures to ensure that Mr Ohlsson has no involvement in the delivery of legal services to the Company.

During the year, the aggregate sum of £42,000 (period from 7 September 2015 to 31 December 2016: £90,000) was paid to Carey Olsen in respect of legal work undertaken in respect of the revolving credit facility and reviewing documents, such as the scrip dividend circular and AGM notice.

Joanna Dentskevich is a non-executive Director and chair of the risk committee of RBSI. In her role as a non-executive Director, Mrs Dentskevich will not be involved in the day-to-day services or operational aspects of the business, however, may still face a conflict of interest by reason of RBSI being the lender under the revolving credit facility. Further details on the revolving credit facility can be found in note 15 on pages 78 and 79.

Investment Manager

The Company is party to an investment Management Agreement with the Investment Manager dated 28 September 2015 and as novated in April 2017, pursuant to which the Company has appointed the Investment Manager to provide discretionary portfolio and risk management services relating to the assets on a day-to-day basis in accordance with its investment objective and policies, subject to the overall control and supervision of the Directors. As a result of the responsibilities delegated under this Investment Management Agreement the Company considers it to be a related party by virtue of being "key management personnel". Under the terms of the Investment Management Agreement, the notice period of the termination of the Investment Manager by the Company is twelve months, with such notice not being given prior to the fifth anniversary of the Company's IPO. The remuneration of the Investment Manager is set out below.

On 20 April 2017, the Company approved the novation of its Investment Management Agreement from Gravis Capital Partners LLP to Gravis Capital Management Limited, as part of the transfer of the Investment Manager's fund management and advisory business from a limited liability partnership to a newly-incorporated limited company under substantially the same ownership.

For its services to the Company, the Investment Manager receives an investment management fee which is calculated and paid quarterly in arrears at an annual rate of 0.9% per annum of the prevailing NAV of the Company less the value of the cash holdings of the Company pro rata for the period for which such cash holdings have been held. The Investment Manager receives an annual fee of £23,000 in relation to its role as the Company's AIFM.

The Investment Manager has committed additional resource in providing its client funds, including the Company, a more comprehensive service which increases the level of transaction advisory and marketing support received by the Company. The Investment Manager receives additional fees, from any issue of new shares, in consideration for the provision of marketing and investor introduction services. The Investment Manager has appointed Highland Capital to assist it with the provision of such services and pays all fees due to Highland Capital out of the fees it receives from the Company.

During the year, the Company incurred £2,443,000 (31 December 2016: £1,367,000) in respect of the services outlined above: £1,953,000 (2016: £1,154,000) in respect of investment management and advisory services, £467,500 (2016: £185,000) in relation to the issuance of C shares and £22,500 (2016: £28,000) in respect of AIFM services provided by the Investment Manager. At 31 December 2017, liabilities in respect of these services amounted to £586,000 (2016: £365,000).

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 Company. 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 Subsidiary. 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.

Some of the directors of the Investment Manager also sit on the board of the Subsidiary. The Company has delegated to the Investment Manager through the Investment Management Agreement, the day-to-day operations of the Subsidiary.

At 31 December 2017, the key management personnel of the Investment Manager held directly or indirectly, and together with their family members, 2,147,873 ordinary shares in the Company (31 December 2016: 1,639,251).

As disclosed in the prospectus of the Company dated 25 September 2017, the directors of the Investment Manager indirectly own an equity interest in three of the Subsidiary's underlying investments and one development and facilities management company providing services to the aforementioned three entities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2017

21. Related party disclosures continued

Subsidiary

At 31 December 2017, the Company owns a 100% (31 December 2016: 100%) controlling stake in the Subsidiary. The Subsidiary is considered to be a related party by virtue of being part of the same group.

On 19 January 2017, the share in GABI Housing was sold for consideration of £1.

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

Transactions	Year ended 31 December 2017 £'000	Period from 7 September 2015 to 31 December 2016 £'000
Intercompany income received		
Other income	**159**	–
Arrangement fee income	**397**	729
Loan interest income received	**16,953**	8,409
Total	**17,509**	9,138

Balances	31 December 2017 £'000	31 December 2016 £'000
Intercompany balances payable		
GABI UK	**(3,317)**	(232)
GABI Housing	**–**	(1)
Total	**(3,317)**	(233)
Intercompany balances receivable		
GABI UK	**208**	117
Total	**208**	117
Intercompany principal value of holdings within financial assets at fair value through profit or loss		
GABI UK – Secured Loan Notes	**259,845**	157,797

22. Reconciliation of NAV

	31 December 2017 £'000	31 December 2016 £'000
Valuation per NAV calculation	**245,035**	164,625
Adjustments	**–**	(51)
Valuation as per financial statements	**245,035**	164,574

23. Subsequent events after the report date

On 17 January 2018, the Company announced a fourth interim dividend of 1.525 pence per ordinary share amounting to £3,705,000 (including dividends settled in shares[1]) which was paid on 23 February 2018 to ordinary shareholders on the register at 26 January 2018.

Pursuant to the scrip dividend alternative in lieu of cash for the fourth interim dividend declared on 17 January 2018, 229,223 ordinary shares were admitted to the premium segment of the Official List of the UKLA and to trading on the premium segment of the Main Market of the LSE on 23 February 2018.

On 16 April 2018, the Company announced that the C shares in issue would be converted into ordinary shares as described in the prospectus dated 25 September 2017 at a ratio of 0.978718 ordinary shares for every C share with a record date of close of business on 16 April 2018.

The C shares ceased to exist with effect from 8.00am on 17 April 2018 and 73,403,850 ordinary shares were admitted to the premium segment of the Official List of the UKLA and to trading on the premium segment of the Main Market of the LSE from the same date and time.

The Company made ten advances post year end totalling £36.6 million. Refer to pages 24 and 25 for further details.

24. Ultimate controlling party

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

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

GLOSSARY

AGM
The Annual General Meeting of the Company

AIC
Association of Investment Companies

AIC Code
AIC Code of Corporate Governance

AIC Guide
Corporate Governance Guide for Investment Companies

AIF
Alternative Investment Fund

AIFM
Alternative Investment Fund Manager

AIFMD
Alternative Investment Fund Managers Directive

Articles
The articles of association of the Company

C shares
The C shares of the Company

CIF Law
Collective Investment Funds (Jersey) Law 1988

Companies Law
Companies (Jersey) Law 1991, as amended

The Company
GCP Asset Backed Income Fund Limited

CPI
Consumer price index

DTRs
Disclosure Guidance and Transparency Rules of the UKLA

EEA
European Economic Area

EU
European Union

FCA
Financial Conduct Authority

FRC
Financial Reporting Council

GABI GS
GABI GS Limited

GABI Housing
GABI Housing Limited

GABI UK
GCP Asset Backed Income (UK) Limited

GCP Infrastructure
GCP Infrastructure Investments Limited

Group
The Company and the Subsidiary

Highland Capital
Highland Capital Partners Limited

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

LSE
London Stock Exchange

LTV
Loan-to-value

MAR
EU Market Abuse Regulation

MiFID II
Markets in Financial Instruments Directive

NAV
Net asset value

O&M
Operations and maintenance

Ordinary shares
The ordinary shares of the Company

PFI
Private Finance Initiative

PPP
Public Private Partnerships

Project Company
A special purpose company which owns and operates an asset

RBSI
Royal Bank of Scotland International Limited

RPI
Retail price index

Secured Loan Notes
Loan notes issued to the Company

Subsidiary
GABI UK

TISE
The International Stock Exchange

UK
United Kingdom

UK Code
The UK Corporate Governance Code

UKLA
United Kingdom Listing Authority

SHAREHOLDER INFORMATION

Key dates 2018

February	Payment of fourth interim dividend
April	Annual results announced
June	Annual General Meeting Payment of first interim dividend Company's half year end
September	Payment of second interim dividend
November	Payment of third interim dividend
December	Company's year end

Frequency of NAV publication

The Company's NAV is released to the London Stock Exchange on a quarterly basis and is published on the Company's website.

Sources of further information

Copies of the Company's annual and half-yearly reports, quarterly investor reports, stock exchange announcements and further information on the Company can be obtained from the Company's website.

Warning to shareholders

This report is intended solely for the information of the person to whom it is provided by the Company, the Investment Manager or the Administrator. This report is not intended as an offer or solicitation for the purchase of shares in the Company and should not be relied on by any person for the purpose of accounting, legal or tax advice or for making an investment decision. The payment of dividends and the repayment of capital are not guaranteed by the Company. Any forecast, projection or target is indicative only and not guaranteed in any way, and any opinions expressed in this report are not statements of fact and are subject to change, and neither the Company nor the Investment Manager is under any obligation to update such opinions.

Past performance is not a reliable indicator of future performance, and investors may not get back the original amount invested. Unless otherwise stated, the sources for all information contained in this report are the Investment Manager and the Administrator. Information contained in this report is believed to be accurate at the date of publication, but none of the Company, the Investment Manager and the Administrator gives any representation or warranty as to the report's accuracy or completeness. This report does not contain and is not to be taken as containing any financial product advice or financial product recommendation. None of the Company, the Investment Manager and the Administrator accepts any liability whatsoever for any loss (whether direct or indirect) arising from any use of this report or its contents.

CORPORATE INFORMATION

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Directors and/or the Board
Alex Ohlsson (Chairman)
Colin Huelin
Joanna Dentskevich

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