GCP
ASSET
BACKED

GCP ASSET BACKED INCOME FUND LIMITED

Half-yearly report and unaudited interim condensed financial statements for the period ended 30 June 2020

Gravis

CONTENTS

ABOUT THE COMPANY

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

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

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

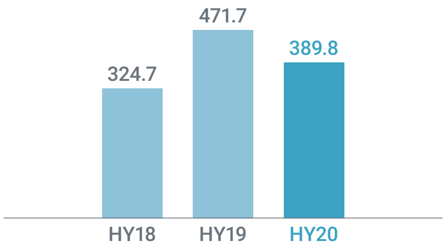
The Company is a closed-ended investment company incorporated in Jersey. The Company has a premium listing on the Official List of the FCA with its shares admitted to trading on the Premium Segment of the Main Market of the LSE since 23 October 2015.

At 30 June 2020, its market capitalisation was £389.8 million. The Company is a constituent of the FTSE All-Share Index.

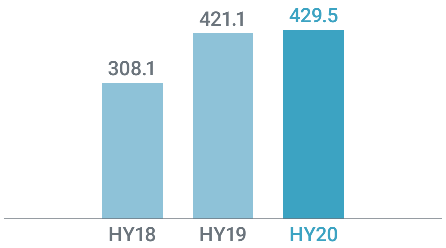
www.gcpassetbacked.com

AT A GLANCE – 30 JUNE 2020

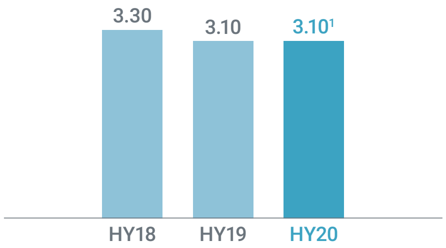
MARKET CAPITALISATION £m



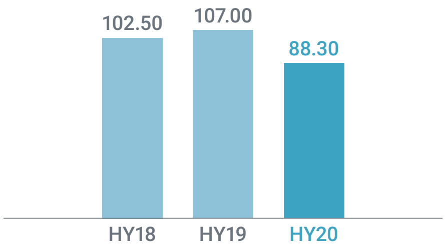
VALUE OF INVESTMENTS £m



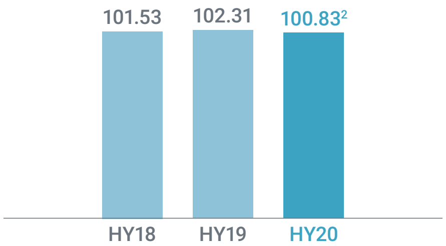
DIVIDENDS FOR THE PERIOD p



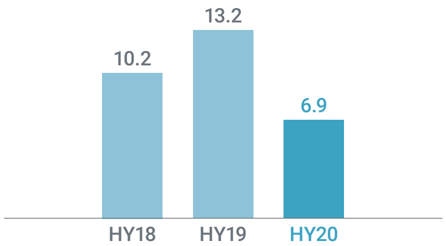
ORDINARY SHARE PRICE p



NAV PER ORDINARY SHARE p



PROFIT FOR THE PERIOD £m



HIGHLIGHTS FOR THE PERIOD

- Dividends of 3.1[1] pence per share declared and paid for the period.
- Total shareholder return[3] for the period of -16.0% (prior period: 5.4%) and an annualised total shareholder return since IPO[3] of 3.4%.
- Profit for the period of £6.9 million, down from £13.2 million in the six month comparable period predominantly due to discount rate adjustments made to reflect the uncertainties associated with the Covid-19 pandemic.
- NAV per ordinary share of 100.83[2] pence at 30 June 2020.
- Loans of £49.5 million advanced in the period.
- Exposure to a diversified, partially inflation and/or interest rate protected portfolio of 44 asset backed loans with a third party valuation of £427.9 million at 30 June 2020.
- Post period end, the Group advanced £18.1 million secured against ten projects.

1. Includes a quarterly dividend of 1.55 pence per share for the quarter to 30 June 2020, which was declared and paid post period end.
2. Does not include a provision for the dividend in respect of the quarter to 30 June 2020, which was declared and paid post period end.
3. Alternative performance measure – refer to page 42 for definitions and calculation methodology.

INVESTMENT OBJECTIVES AND KPIs

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

ATTRACTIVE RISK ADJUSTED RETURNS

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

REGULAR, GROWING DISTRIBUTIONS

To provide shareholders with regular, growing dividend distributions.

CAPITAL APPRECIATION

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

KEY PERFORMANCE INDICATORS

The Group is exposed to 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.

44

Number of investments at 30 June 2020

8.1%

Weighted average annualised yield[1] on investment portfolio

The Company is paying dividends at the target rate set in 2019[2]. The Company has declared and paid dividends totalling 3.1 pence per ordinary share for the period.

3.1p

Dividends declared and paid in respect of the period to 30 June 2020

44%

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

The Company's ordinary shares closed at 88.30 pence per share at the period end and have traded at a discount to NAV since the Covid-19 pandemic impacted markets in March 2020[3].

88.30p

Ordinary share price at 30 June 2020

12.4%

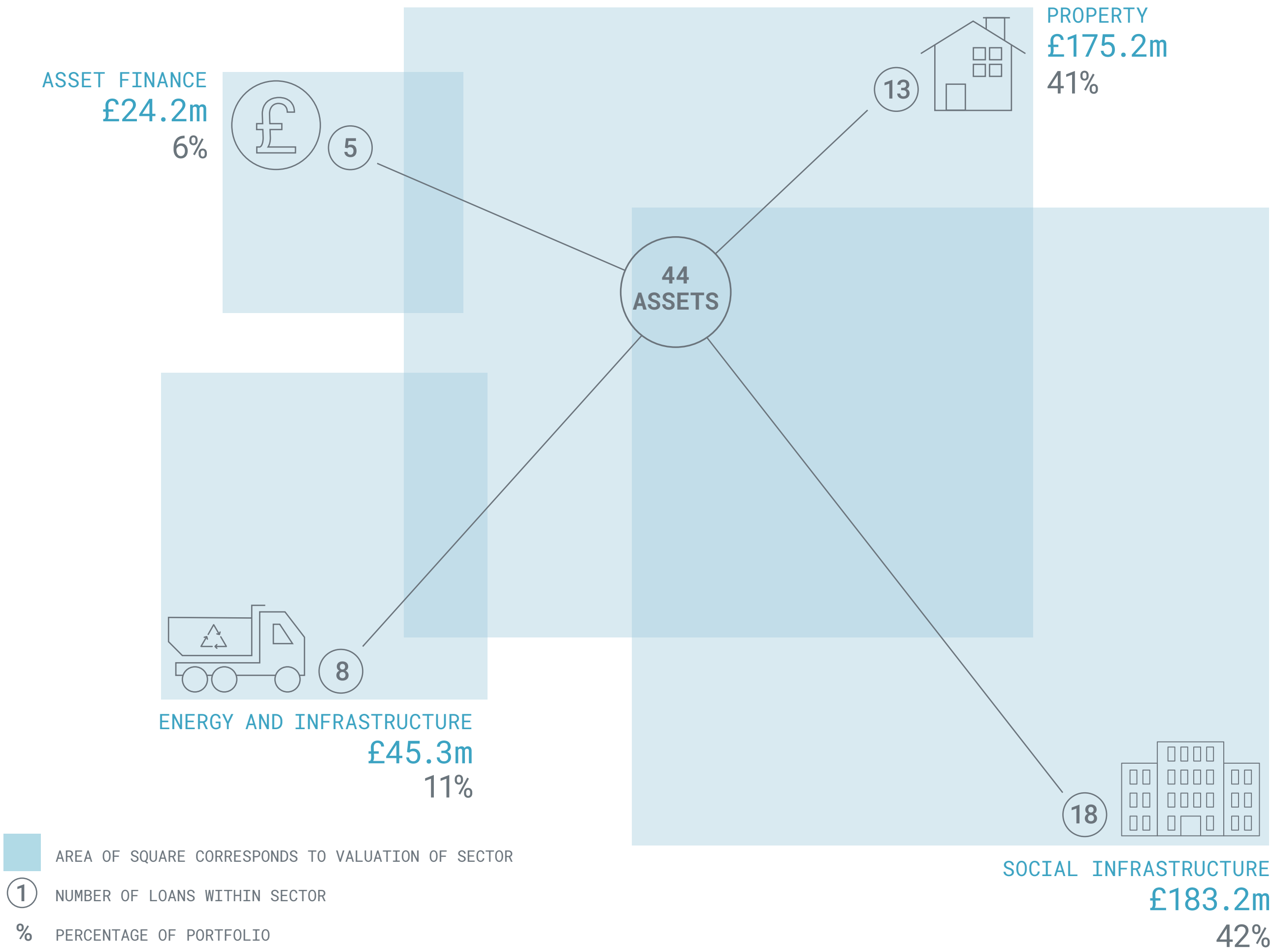
Discount to ordinary share NAV at 30 June 2020

Further information on Company performance can be found on page 7.

1. Alternative performance measure – refer to page 42 for definitions and calculation methodology.
2. Information in relation to dividends set out above is for illustrative purposes only and is not intended to be, and should not be taken as, a profit forecast or estimate.
3. At the date of the report, the closing share price per ordinary share was 92.80 pence with the shares trading at an 8.0% discount to NAV.

PORTFOLIO AT A GLANCE

A portfolio of 44 asset backed loans with an average life of six years which are partially inflation and/or interest rate protected. The loans fall within the following sectors and are secured predominantly against assets and cash flows in the UK:



SENIOR RANKING SECURITY

62%

WEIGHTED AVERAGE ANNUALISED YIELD[1]

8.1%

INFLATION AND/OR INTEREST RATE PROTECTION

44%

1. Alternative performance measure – refer to page 42 for definitions and calculation methodology.

CHAIRMAN'S INTERIM STATEMENT

It has been an extraordinary period, with seismic changes to the way we live and work due to the Covid-19 pandemic. These results demonstrate the performance of the Company through this uniquely challenging time.

Alex Ohlsson
Chairman

Introduction

I am pleased to report that the Company has continued its strong performance even through these challenging times. The Company has collected all expected payments[1] of interest and principal for the period, as well as three early repayment premiums.

The Covid-19 pandemic has impacted the global economy and has led to significant volatility in both the equity and debt capital markets. As a result, the Board and Investment Manager, in conjunction with the Company's independent Valuation Agent, recognised that the market pricing of risk had increased in the period. It was therefore decided to take the prudent step of increasing the market risk premium across a number of the asset classes which the Company invests in by adjusting the discount rates of a number of loans.

The Company generated earnings of 1.56 pence per share on an IFRS basis, which includes an adjustment to discount rates of 2.22 pence per share to reflect the uncertainties associated with the Covid-19 pandemic, as detailed above. EPS excluding these discount rate adjustments (adjusted EPS[2]) was 3.78 pence per share which more than fully covered the dividend paid of 3.10 pence for the period.

The Board remains happy with the performance of the loan book to date and notes that no requests for forbearance have been received for the upcoming quarter.

I would like to take this opportunity to thank the Company's borrowers, stakeholders, service providers and my fellow Board members for the effort and work they have put in during this challenging period. Their efforts have ensured that the Company continues to perform well and remains well placed to meet the expectations of shareholders.

Covid-19 impact

The Group has been closely monitoring the performance of its investments in the period and the impact which Covid-19 is having on the portfolio. At the period end, the Group's investments were categorised into the following broad headline risk bands:

COVID-19 IMPACT ON BORROWER	DESCRIPTION	VALUATION AT 30 JUNE 2020	% OF PORTFOLIO
High	Significant impact on how the business of the borrower operates, increases in costs or reductions in revenues. Expected disruption to the business model in the medium term.	£37.2 million	8.7%
Medium	Some impact on how the business of the borrower operates, some increases in costs or reduction in revenues. Limited expected disruption to the business model in the medium term.	£257.1 million	60.1%
Low	No major impact to the way the business of the borrower operates, with revenue and costs remaining in line with previous periods. No expected disruption to the business model in the long term.	£133.6 million	31.2%

1. As previously reported by the Company, the CHP loan remains in default and no payments are expected on this loan until the anticipated sale completes.
2. Alternative performance measure – refer to page 42 for definitions and calculation methodology.

The 'high' impact investments detailed in the table on page 4, comprise a CHP loan, co-living assets and an operational multi-use community facility. The latter two investments have a public-facing element and are therefore exposed to a greater impact from Covid-19.

The co-living investments have been impacted by a drop in short-stay residents due to travel restrictions. However, the borrower remains in a strong cash position and is looking to realign its business to maximise revenues. The long-stay element of the portfolio has performed well during the pandemic.

The operational multi-use community facility continues to be impacted due to the bars and restaurants remaining closed on site. The non-public areas have all re-opened and are enjoying strong occupancy. The borrower is formulating plans to re-open the entire facility in accordance with Government guidelines in the coming months. This is one of the smaller loans, representing 0.5% of the portfolio.

NAV and share price performance

At the period end, the net assets of the Company were £445.2 million. The NAV per ordinary share decreased from 102.33 pence at 31 December 2019 to 100.83[1] pence at 30 June 2020.

The Company's ordinary shares have traded at a discount since the pandemic impacted financial markets, with an average discount of 7.6% to NAV in the period. Since IPO, the shares have traded at an average premium to NAV of 3.9%. At 30 June 2020, the share price per ordinary share was 88.30 pence and the shares were trading at a 12.4% discount to NAV.

The Board recognises this and has sought to manage the discount through the following methods:

— shareholder communications – releasing significantly more detailed information in the quarterly NAV announcement to reassure investors about the security and performance of the loans;

— webinars – the Investment Manager has been hosting quarterly webinars to discuss the assets in greater detail with stakeholders; and

— investor meetings – the Board and Investment Manager have been meeting shareholders on an individual basis.

The Board also instructed the repurchase of shares as the share price discount to NAV offered value to shareholders. A total of 542,000 shares at an average price of 73.49 pence per share were bought back in the period.

At the date of the report, the closing share price per ordinary share was 92.80 pence with the shares trading at an 8.0% discount to NAV.

Investments

During the period, the Group advanced £49.5 million secured against 16 projects. The Group continues to target and invest into key sectors with existing borrowers who have demonstrated strong governance and stewardship of their businesses.

A total of £64.6 million of principal was repaid in the period. As the Company matures, it is expected that the rate at which principal is repaid will continue to increase. The Company factors the return of principal into the calculation of its funding needs, ensuring it utilises its RCF where necessary to mitigate against the impact of cash drag.

Post period end, a further £18.1 million was advanced and £12.1 million was repaid. The Company continues to have access to an attractive pipeline which along with the RCF will enable it to efficiently utilise its cash moving forward.

Credit facility

Post period end, the Company extended its RCF with RBSI which is now due to mature in August 2021, with all terms remaining the same as the previous £40 million facility.

Dividend policy

The Company has not set a dividend target for the year as the Board and the Investment Manager are monitoring performance of the investments in the current uncertain climate. The dividend is on track to remain at 6.2 pence per ordinary share, which was the dividend target for 2019[2], with the Company having declared dividends totalling 3.1 pence per ordinary share in respect of the period ended 30 June 2020.

Notwithstanding this, the Board continues to pursue an increase in the dividend in accordance with the Company's investment objectives and, based on the performance of the Company for the first six months of the year, the Directors and the Investment Manager currently believe this is likely to be achievable in the future.[3]

Market overview and outlook

Covid-19 has presented, and continues to present, a number of challenges for the underlying borrowers and it is likely that these uncertain market conditions will continue to persist in the short term.

We continue to believe in the defensive qualities of the portfolio which have held the Group in good stead throughout this difficult period. The careful approach to asset and borrower selection and the utilisation of a 'covenant-heavy' model have all shown to provide resilience in dealing with the impact of the pandemic.

1. Does not include a provision for the dividend in respect of the quarter to 30 June 2020, which was declared and paid post period end.
2. This was not a profit forecast or estimate and there can be no assurance that dividends at this level will be paid in respect of the year to 31 December 2020.
3. This is not a profit forecast or estimate and there can be no assurance that there will be an increase in the dividend in the future.

CHAIRMAN'S INTERIM STATEMENT CONTINUED

Market overview and outlook continued

Equally, an asset selection policy of targeting assets that are integral to society has proven prudent.

Going forward, it will remain imperative that the Company retains its investment discipline, only looking to add loans that enhance the quality of the portfolio.

The Investment Manager continues to work on an attractive pipeline of opportunities in which to efficiently deploy funds from loan repayments. During uncertain times there are opportunities available for those who are willing to commit the resource, innovation and time. It is seeing a number of such opportunities, allowing the Company to enter into markets for which the cost of capital was previously too high, such as the recent investment secured against football media rights.

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.

Principal risks and uncertainties

The Directors consider that the principal risks and uncertainties facing the Company, in particular the uncertainties relating to the impact of Brexit and Covid-19, remain substantially unchanged since the publication of the Company's 2019 annual report and financial statements. However, the profile of these risks (and the accompanying risk profile of the Company) has increased. The principal risks and uncertainties are expected to remain relevant to the Company for the next six months of its financial year. The principal risks include (but are not limited to) credit risk, economic risk, key resource risk, regulatory risk and execution risk.

The principal uncertainties facing the Company are the impacts of Brexit and Covid-19 on the principal risks. Further details can be found on pages 14 and 17 and pages 32 to 37 of the 2019 annual report and financial statements.

Going concern statement

Under the AIC Code and applicable regulations, the Directors are required to satisfy themselves that the Company is a going concern.

The Directors have undertaken a thorough review of the Company's ability to continue as a going concern including reviewing the level of cash reserves at the reporting date as well as taking forecasts of future cash flows into consideration. The review included impact analysis on the portfolio as a result of disruption from Covid-19. Further information is provided on page 17.

After making enquiries of the Investment Manager and the Administrator and having reassessed the principal risks, including the impact of uncertainties in regards to Covid-19 and that of Brexit, the Directors are satisfied that there are no material uncertainties in the Company's ability to continue in operational existence for the foreseeable future, being a period of at least twelve months from the date on which the half-yearly report and unaudited interim condensed financial statements are approved. Based on its assessment and considerations, the Directors have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the half-yearly report and unaudited interim condensed financial statements.

On behalf of the Board

Alex Ohlsson
Chairman

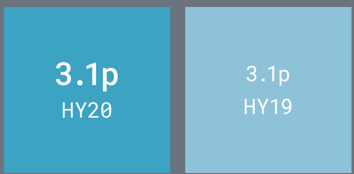
9 September 2020

FOR MORE INFORMATION, PLEASE REFER TO THE INVESTMENT MANAGER'S REPORT ON PAGES 8 TO 17.

COMPANY PERFORMANCE

The Company continues to deliver regular income to shareholders.

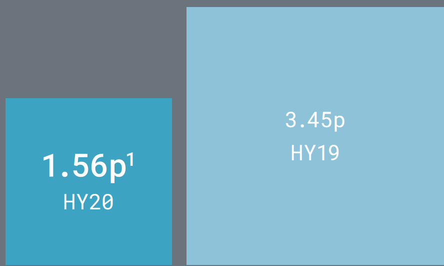
Dividends declared and paid in respect of the period



Relevance to strategy

The dividend reflects the Company's ability to deliver regular, sustainable, long-term dividends and is a key element of total return.

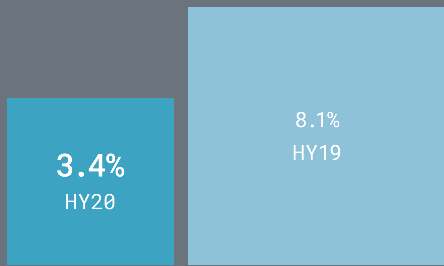
Basic earnings per share



Relevance to strategy

Basic EPS represents the earnings generated by the Group's investment portfolio in line with the investment strategy.

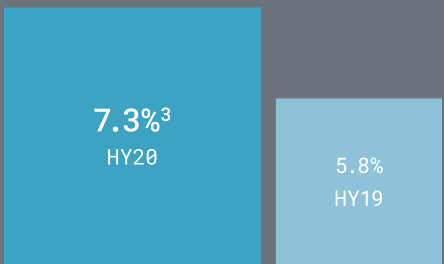
Annualised total return since IPO[2]



Relevance to strategy

Total return measures the delivery of the Company's strategy, to provide shareholders with attractive total returns in the longer term.

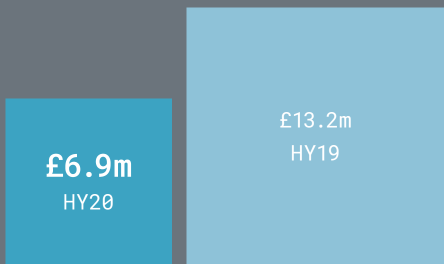
Dividend yield



Relevance to strategy

The dividend yield measures the Company's ability to deliver on its investment strategy of generating regular, sustainable, long-term dividends.

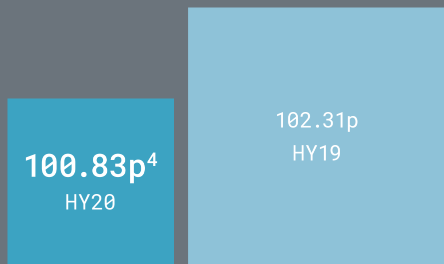
Profit for the period



Relevance to strategy

Profit for the period measures the Company's ability to deliver attractive risk-adjusted returns from its investment portfolio.

NAV per ordinary share



Relevance to strategy

Growth in NAV per share measures the Company's ability to deliver modest capital appreciation over the long term.

1. Includes an unrealised loss of 2.22 pence per share in respect of discount rate adjustments to reflect the uncertainties associated with Covid-19.
2. Alternative performance measure – refer to page 42 for definitions and calculation methodology.
3. Total dividend paid to shareholders over the twelve month period to 30 June 2020, relative to the closing share price at the period end, expressed as a percentage.
4. Does not include a provision for the dividend in respect of the quarter to 30 June 2020, which was declared and paid post period end.

INVESTMENT MANAGER'S REPORT

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

3.1p

Dividends declared and paid for the period

-16.2%

Total shareholder return[1] for the period

The Investment Manager

Gravis Capital Management Limited provides discretionary investment management and risk management services to the Group which includes investment identification, investment due diligence and structuring, investment monitoring, the management and reporting of the existing loan portfolio and financial reporting support. Investment decisions are made on behalf of the Group by the Investment Manager's investment committee, with an update provided to the Board on a quarterly basis and additional updates when significant events have occurred. The Board has overall responsibility for the Group's activities, including the review of investment activity, performance, control and supervision of the Investment Manager.

The Investment Manager also provides advice regarding the Company's equity and debt funding requirements. The Investment Manager is the AIFM to the Company. The basis of the remuneration of the Investment Manager is set out in note 15 to the unaudited interim condensed financial statements.

Summary investment policy

The Company makes investments[2] in a diversified portfolio of senior and subordinated debt instruments which are secured against, or comprise, contracted, predictable medium to long-term cash flows and/or physical assets.

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

The Company will at all times invest and manage its assets in a manner which is consistent with the objective of spreading investment risk. This will include diversification by asset type, counterparty, locality and revenue source.

Further information on the Company's investment objective, policy and restrictions is set out in the Company's 2019 annual report and financial statements, which is available on the Company's website.

Asset backed lending overview

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

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

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

Cash generation to service loans and other financing relies on the monetisation of the goods and/or services 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.

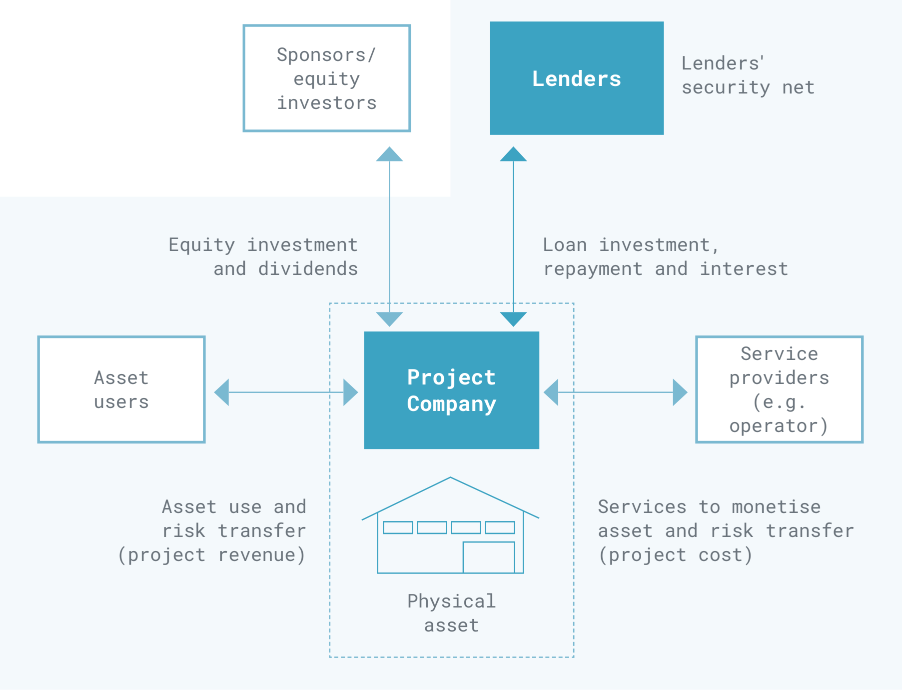
1. Alternative performance measure – refer to page 42 for definitions and calculation methodology.
2. The Company makes its investments through its wholly owned Subsidiary. Refer to note 1 for further information.

INVESTMENT MANAGER'S REPORT CONTINUED

Asset backed lending overview continued

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.

TYPICAL INVESTMENT STRUCTURE



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.

In particular, 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 Project Company established specifically for that asset) is capable of analysis broadly by reference to a set of known variables such as:

- how an asset generates cash flow;
- its current value;
- expected future value;
- the competence of its service providers; and
- the availability of alternative parties in the event of a failure by one or more service providers.

The need to fully understand the risks associated with a given asset and structure arrangements with experienced service providers to effectively manage those risks requires specialist skills and resources.

For this reason, the Company's target market remains underserviced by mainstream lenders, therefore offering an attractive risk-adjusted return for parties with relevant experience and access to the required resources.

INVESTMENT PORTFOLIO

Portfolio performance

The Investment Manager, along with its advisers, monitors investments against strict reporting and information requirements as set out in the investment documentation. Where assets are in construction, the Investment Manager employs third party specialist consultants to monitor progress against key milestones and drawdowns.

Despite the significant economic impact of the Covid-19 pandemic, the Company's portfolio performed well in the period. The Company is pleased to report that all its borrowers responded well to the individual challenges that Covid-19 has brought. The performance of the underlying borrowers illustrates the success of the Investment Manager's investment approach of looking in detail at the capability of borrowers' management teams, as well as the assets.

In the period, three assets completed construction, reducing construction exposure of the portfolio from 17% at the year end to 7% at 30 June 2020. Five loans refinanced in the period and a further loan refinanced post period end. Refinancing loans generated £1.5 million in repayment fees in the period. As the Company matures, it is expected that additional loans will refinance, generating arrangement fees which increase the Company's dividend cover ratio[1].

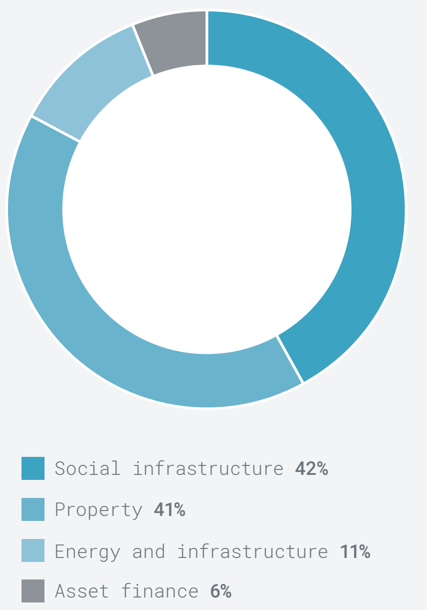
As detailed on page 4, discount rates were adjusted on a number of assets giving an overall discount rate increase of 80 basis points across the portfolio during the period. This discount rate movement reflected the widening of debt yield spreads as a result of Covid-19, impacting some sectors. As noted above, all loans continued to perform and all payments have been received as expected[2].

The portfolio includes two assets which are currently of principal focus to the Investment Manager; a loan to a multi-use community facility and the CHP loan which defaulted in the prior year[2]. The multi-use community facility represents 0.5% of the portfolio. The CHP loan was due to be sold in the second quarter of 2020; however, gas prices have halved since the beginning of the year which placed the purchaser's financial model under strain. The loan represented 0.7% of the portfolio at the time of default.

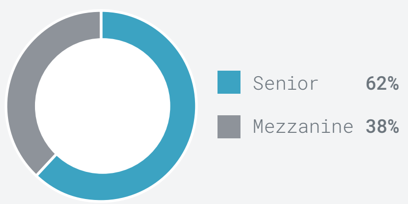
The Investment Manager is working closely with borrowers to ensure they continue to meet their ongoing obligations to the Company. It remains confident of the quality of the portfolio, the valuations that underpin the assets on which the loans are secured and believes the Covid-19 related provisions that have been put in place in the period are sufficient. The Investment Manager is pleased to report that, at the date of publication, no requests for forbearance for the September 2020 quarter payments have been received.

PORTFOLIO ANALYSIS

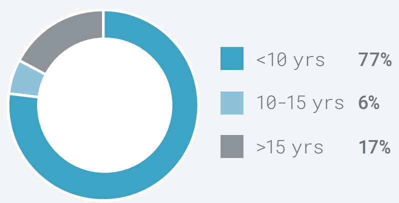
SECTOR TYPE



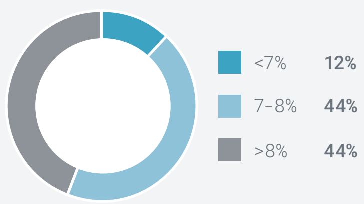
SECURITY RANKING



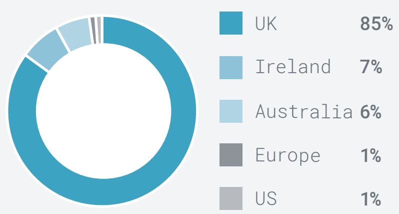
TERM PROFILE



INTEREST RATE PROFILE



LOCATION



1. Alternative performance measure – refer to page 42 for definitions and calculation methodology.
2. As previously reported by the Company the CHP loan remains in default and no payments are expected on this loan until the anticipated sale completes.

INVESTMENT MANAGER'S REPORT CONTINUED

INVESTMENT PORTFOLIO CONTINUED

TOP TEN INVESTMENTS BY VALUE

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

1 Development Fin Co 6
1 Property
2 9.5%
3 Residential property
4 Multi asset

2 Co-living Co 3
1 Property
2 7.1%
3 Co-living
4 Multi asset

3 Student Accom 2
1 Social infrastructure
2 5.8%
3 Student accommodation
4 Single asset

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

5 Bridging Co 1
1 Property
2 5.0%
3 Residential property
4 Multi asset

6 Student Accom 1
1 Social infrastructure
2 4.9%
3 Student accommodation
4 Single asset

7 Student Accom 4
1 Social infrastructure
2 4.9%
3 Student accommodation
4 Single asset

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

9 Property Co 2
1 Social infrastructure
2 4.1%
3 Social housing
4 Multi asset

10 Waste Infra. Co
1 Energy and infrastructure
2 3.5%
3 Material recovery facility
4 Single asset

A full list of the Group's portfolio can be found on the Company's website.

Investment portfolio and new investments

At 30 June 2020, the Group was exposed to a diversified portfolio of 44 asset backed investments with a fair value of £427.9 million, of which 62% benefit from senior security and 44% from partial inflation and/or interest rate protection. The weighted average annualised yield[1] on the Group's investments was 8.1%, with a weighted average expected term of six years.

The key metrics above, principally yield and inflation and/or interest rate protection, are in line with the same period last year, demonstrating that the Company is continuing to deploy capital efficiently at rates that are value accretive to shareholders.

The portfolio is primarily backed by assets in the UK, representing 86% of such security, with the remainder of the Group's security provided by assets located in Europe, Australia and the USA. The Company has minimal currency exposure (which is hedged) with 99% of investments denominated in Pound Sterling.

Post period end, the Company advanced a further £12.9 million secured against international projects, increasing its percentage exposure to 17%.

During the period, the Group made investments totalling £49.5 million. This is significantly less than prior periods but is a reflection of the uncertainty that has been prevailing in the period due to the pandemic.

Despite the uncertainty, the Company's assets have continued to perform, allowing the Company to invest into attractive sectors, concluding £18.1 million of investments post period end. The current uncertainty is creating opportunities to invest in areas which were previously below the yield requirements of the Company, including a transaction secured against football media rights. The Investment Manager continues to see a strong pipeline of attractive asset backed financing opportunities across all of its core sectors.

1. Alternative performance measure – refer to page 42 for definitions and calculation methodology.

INVESTMENTS AND REPAYMENTS DURING THE PERIOD[1]

SECTOR	AVERAGE TERM	SECURITY	STATUS	INVESTMENTS	REPAYMENTS
Property[2]	3 years	Senior/ Subordinated	Operational	£34.4 million	£60.8 million
Asset finance	8 years	Senior	Operational	—	£1.3 million
Energy and infrastructure	7 years	Senior	Operational	£0.3 million	£2.2 million
Social infrastructure	9 years	Senior/ Subordinated	Operational/ Construction	£14.8 million	£0.3 million
			TOTAL	£49.5 MILLION	£64.6 MILLION

INVESTMENTS AND REPAYMENTS POST PERIOD END[1]

SECTOR	AVERAGE TERM	SECURITY	STATUS	INVESTMENTS	REPAYMENTS
Property	3 years	Senior	Operational	£0.1 million	—
Asset finance	3 years	Senior	Operational/ Construction	£12.4 million	—
Social infrastructure	9 years	Senior/ Subordinated	Operational/ Construction	£5.6 million	£12.1 million
			TOTAL	£18.1 MILLION	£12.1 MILLION

1. The Company makes its investments through its wholly owned Subsidiary. Refer to note 1 for further information.
2. Includes development projects that were subject to review by the Board under the Company's investment approval process, refer to page 19.

INVESTMENT MANAGER'S REPORT CONTINUED

RISKS AND VIABILITY

Covid-19 impact

As noted on page 6, whilst the categories of principal risks and uncertainties of the Company have not changed, similar to many businesses, their residual risk profile and the risk profile of the Company has been impacted by the Covid-19 pandemic.

The Board, on advice from its Valuation Agent and Investment Manager, has sought to quantify this increase in risk in the period by increasing the discount rate of a number of the loans in the portfolio. When assessing changes to discount rates, the Board, on advice from its Valuation Agent and Investment Manager, takes account of the movements in pricing of risk across the market as a whole, such as those caused by the uncertainties associated with the Covid-19 pandemic. It also considers an asset specific approach to the assessment of residual risk which takes into account a number of other variables that can impact the discount rate such as:

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

The table below sets out a summary of the risk rating factors and discount rate movements for each asset class experiencing a 'high', 'medium' or 'low' impact from the Covid-19 pandemic, as set out on page 4.

It should be noted that whilst this prudent approach to value adjustment has been taken in respect of the portfolio, the principal amount of debt owed by the underlying borrowers has not changed. In the event of non-payment of interest by a borrower, outstanding amounts would be added to the principal owed and therefore become recoverable in final repayments or against any enforcement proceeds, taking into account the value of the underlying security structure for each loan.

Changes to discount rates result in a revaluation of investments, which is reflected through fair value movements in the statement of comprehensive income. Where discount rate changes result in a downward revaluation, as the loans approach their maturity dates, income recognised in future years will be higher than the interest accrued on the loan due to a phenomenon known as 'pull-to-par' where loans converge on their par value at maturity. This phenomenon leads to an increase in the Company's dividend cover ratio[1] on an earnings basis (under IFRS). The Board and the Investment Adviser consider this aspect when evaluating and declaring dividends.

The discount rate adjustments set out below had a 2.22 pence per share impact on the earnings and NAV of the Company.

COVID-19 IMPACT ON BORROWER	% OF PORTFOLIO	IMPACTED ASSET CLASS	30 JUNE 2020 £'000	RISK RATING FACTORS	AVERAGE % DISCOUNT RATE CHANGE
High	8.7%	CHP	1,900	Gas prices and impact on asset sale	21.0%
		Co-living	30,496	Occupancy levels and LTV	1.5%
		Multi-use community facility	4,850	Regulatory risk and occupancy	8.8%
Total			**37,246**		
Medium	60.1%	Student accommodation	46,007	Occupancy, operating costs and construction timetables	0.8%
		Residential property	127,824	Default rates and LTV	0.5%
		Care homes	39,690	Occupancy and operating costs	1.6%
		Boilers	9,778	Underlying default risk	1.0%
		Nurseries	9,419	Occupancy and operating costs	0.6%
		Material recovery facility	15,147	Security of supply contracts	1.0%
		Buy-to-let mortgages	9,216	Underlying default risk	(0.2)%
Total			**257,081**		
Low	31.2%	Various asset classes	133,579	Multiple factors	Nil
Total			**133,579**		
Valuation of portfolio			**427,906**		

1. Alternative performance measure – refer to page 42 for definitions and calculation methodology.

Update on principal risks and uncertainties

In light of the ongoing impact of the Covid-19 pandemic and Brexit, the Board is providing the update below on the uncertainties impacting the Company and their impact on the Company's principal risks for those risks where residual risk has increased since the year end.

UNCERTAINTY 1: BREXIT

As noted in the 2019 annual report, the Board considers Brexit to be a principal uncertainty for the Company.

Whilst the UK officially left the EU on 31 January 2020, there remains considerable uncertainty around the future relationship between the UK and the EU. In particular, the disruption to negotiations and shift in political focus caused by the Covid-19 pandemic has increased the risk of a 'no deal' Brexit occurring.

Specifically, in relation to the Group, the Board continues to monitor:

— the portfolio's reliance on the EU for materials and/or labour;

— the potential impact on the Group's access to pipeline transactions and financing; and

— foreign exchange risk.

The Board will continue to monitor the potential macro-economic and political impacts of Brexit in the coming months.

UNCERTAINTY 2: COVID-19

Since the release of the Company's annual report in March 2020, the Board has been able to observe the direct impact of the Covid-19 pandemic on the Company's portfolio.

To date, there has been no impact on the cash flows of the Company and no borrowers have requested payment holidays or restructuring of loans.

As well as the impact on valuation risk as noted above, the other key risks to investments across the portfolio which the Board continues to assess are:

— a second wave of Covid-19 infections and any enforced restrictions on business or operations through a lockdown;

— regulatory changes introduced by the Government to manage Covid-19 risk on operations; and

— vulnerable populations supported by the Company's investments (e.g. care homes).

The Covid-19 outbreak is an ongoing uncertainty which the Board continues to closely monitor.

INVESTMENT MANAGER'S REPORT CONTINUED

RISKS AND VIABILITY CONTINUED

RISK 1: CREDIT RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN THE RESIDUAL RISK IN THE PERIOD
Borrower default, loan non-performance and collateral risks Borrowers to whom the Group has provided loans default or become insolvent.	The success of the Group is dependent upon borrowers fulfilling their payment obligations when they fall due. Failure of the Group to receive payments or to recover part or all amounts owed together with potential additional costs incurred from the renegotiation and/or restructuring of loans can result in substantial irrecoverable costs being incurred. This could have a material adverse effect on the NAV of the Company and its ability to meet its stated target returns and dividend.	The Investment Manager continuously monitors the actual performance of projects and their borrowers, taking action where appropriate, and reports on performance of the Group's portfolio to the Board each quarter.	**Increase** The Group's investment portfolio has continued to perform in line with expectations during the period. The Investment Manager has assessed the impact of Covid-19 on the investments in the portfolio (as noted in the Chairman's interim statement and on page 14). Across the sectors which the Company has provided finance to, the most affected to date have been public-facing projects (such as multi-use community facilities and co-living projects). The Investment Manager is working closely with the borrowers on these assets to ensure they are taking steps to minimise the impact to their businesses. The continued uncertainty around Brexit also poses risks to the underlying borrower businesses, particularly where those businesses rely on migrant labour from the EU. The Investment Manager will continue to monitor the impact of any changes in policy on these borrowers.

RISK 2: ECONOMIC RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN THE RESIDUAL RISK IN THE PERIOD
Property Loans made by the Group to projects involved in property or the development of property are indirectly exposed to the performance of the underlying real estate market in the relevant area.	If the market value of any property investments to which the Group has provided finance is found to be materially lower than assumed or projected, this may adversely impact the Group's ability to recover the value of its investments in the event of a borrower default or sale process.	The Group's property investments are at a low average LTV level. In addition, the credit risk associated with each Project Company is mitigated as the cash flows receivable are secured over the assets of the Project Company, which in turn have security over multiple assets at the underlying project level.	**Increase** Whilst there have not been any material revaluations of property investments in the portfolio during the period, reduced transaction activity across the property market and the current economic recession in the UK has increased the risk that assets may have reduced market valuations. Since Government restrictions relating to Covid-19 have begun to be lifted and incentives such as the stamp duty relief have been introduced, it is expected that transaction volumes in the property market will increase. The Investment Manager and the Board continue to monitor the market.

RISK 2: ECONOMIC RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN THE RESIDUAL RISK IN THE PERIOD
Valuation risk Due to the nature of the investments made by the Group, observable market data or comparable prices may not exist for some of the assumptions used in their valuation.	Uncertainty about valuation assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets in the portfolio in the future.	The Company has engaged an experienced Valuation Agent to carry out the valuation of investments on a regular basis. In addition, the Investment Manager, as part of its due diligence process, uses market-recognised professionals to provide initial valuations where possible.	**Increase** During periods of market uncertainty, valuations of assets can be more difficult to estimate due to a reduction in comparable market transactions. Both Brexit and Covid-19 have potential impact on the volume of transactions in the market and on certainty of valuations. During the period, the Board, together with the Investment Manager and Valuation Agent, took a prudent approach to increase discount rates on investments in the portfolio which have experienced an impact from Covid-19.

Going concern and viability

In addition to the analysis set out in the Investment Manager's report on page 14 which informed changes to the discount rates of the assets, the Investment Manager has carried out a going concern and viability review. This analysed the impact of the Covid-19 pandemic on the equity financing, debt financing and investment portfolio of the Company, and which has been reviewed by the Board.

Whilst the Board recognises that the residual risk associated with the principal risks of the Company have increased due to the Covid-19 pandemic (as set out above and on page 16), the mitigations in place are such that it remains of the view that none of the challenges identified impact on the going concern or viability of the Company.

FINANCIAL REVIEW

The Company has generated total income of £9.9 million, declared and paid dividends of 3.1 pence per share and generated a total shareholder return[1] of -16.0% for the period.

Financial performance

The Company has prepared its half-yearly report and unaudited interim condensed financial statements in accordance with IAS 34 Interim Financial Reporting.

In the period to 30 June 2020, the Company's portfolio generated investment income of £9.9 million. Profit for the period was £6.9 million, with basic EPS of 1.56 pence. The Company's EPS has been impacted by discount rate adjustments made to reflect the uncertainties associated with the Covid-19 pandemic. Adjusted EPS[1] for the period was 3.78 pence per share which more than fully covered the dividend for the period of 3.10 pence share. The dividend was paid as 1.55 pence per share for the quarter to 31 March 2020 with a further dividend of 1.55 pence per share for the quarter to 30 June 2020, declared post period end, on 23 July 2020.

The Company's ongoing charges ratio[1], calculated in accordance with the AIC methodology, was 1.2% (annualised) for the six month period ended 30 June 2020.

Investment valuation

The weighted average discount rate[1] across the portfolio at 30 June 2020 was 9.0%. The valuation of investments is sensitive to changes in discount rates applied. A sensitivity analysis detailing the impact of a change in discount rates is given in note 14.3.

The valuation at 31 March 2020 included an adjustment to discount rates to reflect the movements in pricing of risk across the market as a whole, caused by the uncertainties associated with the Covid-19 pandemic. These adjustments contributed to an overall discount rate increase of 106 basis points across the portfolio.

In June 2020, the Board and the Valuation Agent were able to take a more asset specific approach in determining discount rates. This resulted in an overall decrease to the weighted average discount rate[1] of 26 basis points. Changes to discount rates by asset class are presented in the table on page 14.

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

Cash position

The Company received interest payments of £17.9 million and capital repayments of £64.5 million in the period, in line with expectations. The Company paid dividends of £13.2 million (excluding dividends settled in shares[2]) during the period and a further £6.8 million post period end. Total cash reserves at the period end were £17 million.

Borrowings

During the period, the Company had access to an RCF with RBSI for an amount of £50 million, with £40 million charged at a rate of LIBOR plus 2.10% and £10 million charged at a reduced rate of LIBOR plus 1.70%, both due to mature in August 2020 plus a twelve month extension option, with lender approval. Post period end, in July 2020, the twelve month extension option was exercised and, as a result, the facility will now expire in August 2021. All terms of the RCF remain the same as the previous £40 million facility.

Conflicts of interest

The Group committed to make investments of up to £8.3 million to finance the development of a student accommodation building in the UK, of which £5.2 million was drawn in the period. Additionally, £2.1 million was drawn in the period under existing facilities to finance student accommodation development projects in the UK, Ireland and the USA.

Post period end, the Company advanced loans of £2.1 million to finance the development of student accommodation in the UK, Ireland and the USA.

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

GCP Infra

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

During the period, no investments were offered to GCP Infra under its right of first refusal.

To date, no investments offered to GCP Infra have been accepted.

1. Alternative performance measure – refer to page 42 for definitions and calculation methodology.
2. Dividends settled in shares are where shareholders have elected to take the scrip dividend alternative.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Under the terms of the DTRs of the FCA, the Directors are responsible for preparing the half-yearly report and unaudited interim condensed financial statements in accordance with applicable regulations.

The Directors confirm to the best of their knowledge that:

- the unaudited interim condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting;
- the Chairman's interim statement and the Investment Manager's report constitute the Company's interim management report, which includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year);
- the unaudited interim condensed financial statements include a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein); and
- the half-yearly report and unaudited interim condensed financial statements for the period ended 30 June 2020 give a true and fair view of the assets, liabilities, financial position and return of the Company.

The Directors are responsible 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.

On behalf of the Board

Alex Ohlsson
Chairman

Colin Huelin
Director

9 September 2020

INDEPENDENT REVIEW REPORT

To GCP Asset Backed Income Fund Limited

Report on review of the unaudited interim condensed financial statements

Our conclusion

We have reviewed GCP Asset Backed Income Fund Limited's unaudited interim condensed financial statements (the "interim financial statements") in the half-yearly report and unaudited interim condensed financial statements of GCP Asset Backed Income Fund Limited (the "Company") for the 6-month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the unaudited interim condensed statement of financial position as at 30 June 2020;
- the unaudited interim condensed statement of comprehensive income for the period then ended;
- the unaudited interim condensed statement of cash flows for the period then ended;
- the unaudited interim condensed statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly report and unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Company is the Companies (Jersey) Law 1991 and International Financial Reporting Standards (IFRSs).

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly report and unaudited interim condensed financial statements, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly report and unaudited interim condensed financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half-yearly report and unaudited interim condensed financial statements based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly report and unaudited interim condensed financial statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands

9 September 2020

UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2020

	Notes	**Period ended 30 June 2020 £'000**	Period ended 30 June 2019 £'000
Income			
Loan interest realised	3	**17,889**	17,798
Net unrealised loss on investments at fair value through profit or loss	3	**(9,382)**	(2,067)
Net (loss)/gain on derivative financial instruments	3	**(382)**	15
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	3	**8,125**	15,746
Fee income	3	**1,806**	132
Deposit interest income		**5**	—
Total income		**9,936**	15,878
Expenses			
Investment management fees		**(1,905)**	(1,698)
Operating expenses		**(657)**	(475)
Directors' remuneration		**(101)**	(52)
Total expenses		**(2,663)**	(2,225)
Total operating profit before finance costs		**7,273**	13,653
Finance costs			
Finance expenses	4	**(372)**	(495)
Total profit and comprehensive income		**6,901**	13,158
Basic earnings per share (pence)	7	**1.56**	3.45
Diluted earnings per share (pence)	7	**1.56**	3.45

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

The notes on pages 26 to 41 form an integral part of the financial statements.

UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	As at 30 June 2020 £'000	(Audited) As at 31 December 2019 £'000
Assets			
Financial assets at fair value through profit or loss	8	**429,482**	453,877
Other receivables and prepayments	9	**94**	63
Derivative financial instruments	14	**—**	4
Cash and cash equivalents	10	**17,025**	8,687
Total assets		**446,601**	462,631
Liabilities			
Other payables and accrued expenses	12	**(1,426)**	(1,473)
Derivative financial instruments	14	**(3)**	—
Revolving credit facilities	11	**—**	(9,312)
Total liabilities		**(1,429)**	(10,785)
Net assets		**445,172**	451,846
Equity			
Share capital	13	**444,027**	443,915
Retained earnings		**1,145**	7,931
Total equity		**445,172**	451,846
Ordinary shares in issue	13	**441,491,518**	441,544,019
NAV per ordinary share (pence per share)		**100.83**	102.33

The unaudited interim condensed financial statements were approved and authorised for issue by the Board of Directors on 9 September 2020 and signed on its behalf by:

Alex Ohlsson
Chairman

Colin Huelin
Director

The notes on pages 26 to 41 form an integral part of the financial statements.

UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2020

	Notes	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2020		**443,915**	**7,931**	**451,846**
Total profit and comprehensive income for the period		**—**	**6,901**	**6,901**
Equity shares issued	13	**518**	**—**	**518**
Share issue costs		**(20)**	**—**	**(20)**
Share repurchases	13	**(386)**	**—**	**(386)**
Dividends paid	6	**—**	**(13,687)**	**(13,687)**
Balance at 30 June 2020		**444,027**	**1,145**	**445,172**

UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2019

	Notes	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2019		380,235	6,355	386,590
Total profit and comprehensive income for the period		—	13,158	13,158
Equity shares issued		63,955	—	63,955
Share issue costs		(983)	—	(983)
Dividends paid	6	—	(11,688)	(11,688)
Balance at 30 June 2019		443,207	7,825	451,032

The notes on pages 26 to 41 form an integral part of the financial statements.

UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the period ended 30 June 2020

	Notes	**Period ended 30 June 2020 £'000**	Period ended 30 June 2019 £'000
Cash flows from operating activities			
Total operating profit before finance costs		**7,273**	13,653
Adjustments for:			
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	3	**(8,125)**	(15,746)
Realised (losses)/gains on derivative instruments		**(375)**	87
Decrease in other payables and accrued expenses		**(49)**	(369)
Decrease in other receivables and prepayments		**32**	264
Total		**(1,244)**	(2,111)
Interest received from Subsidiary		**17,889**	17,165
Investment in Subsidiary		**(49,520)**	(54,858)
Capital repayments from Subsidiary		**64,533**	9,590
Net cash flow generated from/(used in) operating activities		**31,658**	(30,214)
Cash flows from financing activities			
Proceeds from revolving credit facilities	11	**11,399**	39,332
Repayment of revolving credit facilities	11	**(20,875)**	—
Proceeds from the issue of ordinary shares		**—**	63,333
Share issue costs		**(20)**	(893)
Share repurchases		**(386)**	—
Finance costs paid		**(269)**	(212)
Dividends paid	6	**(13,169)**	(11,066)
Net cash flow (used in)/generated from financing activities		**(23,320)**	90,494
Net increase in cash and cash equivalents		**8,338**	60,280
Cash and cash equivalents at beginning of the period		**8,687**	9,206
Cash and cash equivalents at end of the period		**17,025**	69,486
Net cash flow used in operating activities includes:			
Interest received from bank deposits		**5**	—
Interest received from Subsidiary		**17,889**	17,165
Non-cash items:			
Purchase of financial assets: indexation		**(304)**	(420)
Interest received from Subsidiary		**304**	420
Scrip dividend	6	**(518)**	(622)
Equity issue in respect of scrip dividend		**518**	622

The notes on pages 26 to 41 form an integral part of the financial statements.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the period ended 30 June 2020

1. General information

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

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

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

At 30 June 2020, the Company had one wholly owned subsidiary, GABI UK, (31 December 2019: one) incorporated in England and Wales on 23 October 2015 (registration number 9838893). GABI UK had two subsidiaries (2019: one): GABI Housing (registration number 10497254) incorporated in England and Wales on 25 November 2016 and GABI GS (registration number 10546087) incorporated in England and Wales on 4 January 2017. The Company, GABI UK, GABI Housing (including its subsidiary, GABI Blyth) and GABI GS comprises the Group. The registered office address for GABI UK, GABI Housing, GABI Blyth and GABI GS Limited is 24 Savile Row, London W1S 2ES.

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

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

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

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

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

Further information on the Company's investment objective, policy and restrictions is set out in its 2019 annual report and financial statements, which is available on the Company's website.

GABI GS was set up to hold class A shares as security for a loan issued to an underlying borrower, in order to isolate the holding of such shares as security (and any liabilities under the shareholder agreement associated with them) from the Company. During the period, the loan was refinanced and GABI GS is now a dormant company.

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

2. Significant accounting policies

The principal accounting policies applied in the preparation of these unaudited interim condensed financial statements are set out below. In the current period, the Company has applied a number of amendments to IFRS, issued by the IASB. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentational requirements. The adoption of these changes has had no material impact on the current or prior period financial statements.

2.1 Basis of preparation

The unaudited interim condensed financial statements for the period ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The unaudited interim condensed financial statements do not include all financial information required for full annual financial statements and therefore do not constitute statutory accounts as defined in Companies Law. They should be read in conjunction with the Company's annual report and financial statements for the year ended 31 December 2019 which were prepared in accordance with IFRS issued by the IASB and interpretations issued by IFRIC as approved by IASC (which remain in effect) and audited by the Independent Auditor, who issued an unqualified audit opinion. The accounting policies adopted in the unaudited interim condensed financial statements are the same as those applied in the annual report and financial statements for the year ended 31 December 2019.

The financial information for the period ended 30 June 2020 has been reviewed by the Independent Auditor, in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information performed by the Independent Auditor, and were approved for issue on 9 September 2020.

The financial risk management objectives include (but are not limited to) market risk, interest rate risk, credit risk, currency risk and liquidity risk which are detailed in full on pages 87 to 90 of the 2019 annual report and financial statements. The Board considers that these remain unchanged.

The unaudited interim condensed 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)).

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

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

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, being a period of at least twelve months from the date on which these unaudited interim condensed financial statements were approved. In making the assessment, the Directors have considered the likely impacts of the current Covid-19 pandemic on the Company, operations and the investment portfolio. The Directors noted the cash balance exceeds any short-term liabilities and the Company is able to meet the obligations of the Company as they fall due.

The surplus cash reserves in addition to the RCF enables the Company to meet any funding requirements and finance future additional investments. The Company is a closed-ended investment company, where assets are not required to be liquidated to meet redemptions. Whilst the economic future is uncertain, and the Directors believe it is possible the Company could experience further reductions in income and/or valuation of the underlying investment portfolio, this should not be to a level which would threaten the Company's ability to continue as a going concern. The Directors, the Investment Manager and other service providers have put in place contingency plans to minimise disruption. 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, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, debt and investment commitments. Therefore, the unaudited interim condensed financial statements have been prepared on a going concern basis.

2.2 Significant accounting estimates and judgements

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

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS CONTINUED
For the period ended 30 June 2020

2. Significant accounting policies continued

2.2 Significant accounting estimates and judgements continued

(a) Critical accounting estimates and assumptions

Fair value of instruments not quoted in an active market

The Company's investments are made by subscribing for the Secured Loan Notes issued by the Subsidiary. The Subsidiary's assets consist of investments held by the Subsidiary, which represent secured loan facilities issued to the Project Companies and its investment in GABI Housing.

The Subsidiary's 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 note 14.3 for further information). This requires assumptions to be made regarding future cash flows and the discount rates applied to these cash flows. The Subsidiary's investments are valued by a third party Valuation Agent on a semi-annual basis. Investments which may be subject to discount rate changes are valued on a quarterly basis (previously, all valuations had been performed on a quarterly basis).

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

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

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

The value of the investment in the Subsidiary is based on the aggregate of the NAV of the Subsidiary and the value of the Secured Loan Notes issued by the Subsidiary. Refer to note 8 for further details.

(b) Critical judgements

Assessment as investment entity

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

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

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

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

- raises funds from investors through the issue of equity, has more than one investor and its investors are not related parties, other than those disclosed in note 15;
- invests in a portfolio of investments held by the Subsidiary for the purposes of generating risk-adjusted returns through regular distributions and modest capital appreciation; and
- the Company's investments are held at fair value through profit or loss with the performance of its portfolio evaluated on a fair value basis.

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

Ordinary shares

The Company repurchased its own shares during the period, which are held in treasury. The costs of purchase, including transaction costs, are charged to the share capital account.

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 while in issue 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) therefore meet the definition of a financial liability, and are classified as such while in issue. At 30 June 2020, there were no C shares in issue.

(ii) Recognition and measurement of the financial liability

Whilst in issue, the C shares are recognised as a financial liability and measured at amortised cost within the unaudited interim condensed financial statements.

(c) Functional and presentation currency

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

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

(d) Segmental information

The Directors view the operations of the Company as one operating segment, being the investment portfolio of asset backed loans held through the Subsidiary, which is a registered UK company. All significant operating decisions are based on the analysis of the Subsidiary's investments as one segment, which is consistent with the 2019 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.

3. Operating income

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

	Period ended 30 June 2020 £'000	Period ended 30 June 2019 £'000
Loan interest realised	**17,889**	17,798
Unrealised (loss)/gain on investments at fair value through profit or loss[1]		
Debt – Secured Loan Notes up to £1,000,000,000	**(10,596)**[2]	(1,177)
Equity – representing one ordinary share in the Subsidiary	**1,214**	(890)
Net unrealised loss on investments at fair value through profit or loss	**(9,382)**	(2,067)
(Loss)/gain on derivative financial instruments		
Unrealised loss on forward foreign exchange contracts	**(7)**	(72)
Realised (loss)/gain on forward foreign exchange contracts	**(375)**	87
Net (loss)/gain on derivative financial instruments	**(382)**	15
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	**8,125**	15,746

1. Refer to note 8 for further information.
2. Includes unrealised losses in respect of discount rate adjustments made to reflect the uncertainties associated with the Covid-19 pandemic.

The table below analyses the fees income earned by the Company by type:

	Period ended 30 June 2020 £'000	Period ended 30 June 2019 £'000
Arrangement fee income	**72**	91
Commitment fee income	**279**	41
Early repayment fee income	**1,451**	—
Other income	**4**	—
Total	**1,806**	132

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS CONTINUED
For the period ended 30 June 2020

4. Finance expenses

	Period ended 30 June 2020 £'000	Period ended 30 June 2019 £'000
Arrangement fees relating to the RCF	**133**	107
Commitment fees relating to the RCF	**180**	67
Early repayment costs relating to the RCF	**2**	–
Interest expense relating to the RCF	**57**	321
Total	**372**	495

5. Taxation

Profits arising in the Company for the period 1 January 2020 to 30 June 2020 are subject to tax at the standard rate of 0% (30 June 2019: 0%) in accordance with the Income Tax Law.

6. Dividends

Quarter ended	Dividend	Pence per share	**Period ended 30 June 2020 £'000**	Period ended 30 June 2019 £'000
Current period dividends				
30 June 2020[1] / 2019	Second interim dividend	**1.550** / 1.550	**–**	–
31 March 2020 / 2019	First interim dividend	**1.550** / 1.550	**6,843**	5,894
Total		**3.100** / 3.100		
Prior period dividends				
31 December 2019 / 2018	Fourth interim dividend	**1.550** / 1.525	**6,844**	5,794
30 September 2019 / 2018	Special dividend	**0.250** / –	**–**	–
30 September 2019 / 2018	Third interim dividend	**1.550** / 1.525	**–**	–
Total		**3.350** / 3.050		
Dividends in the statement of changes in equity			**13,687**	11,688
Dividends settled in shares[2]			**(518)**	(622)
Dividends in the statement of cash flows			**13,169**	11,066

On 23 July 2020, the Company declared a second interim dividend of 1.55 pence per ordinary share amounting to £6.84 million which was paid on 28 August 2020 to ordinary shareholders on the register at close of business on 31 July 2020.

The Board, at its discretion, suspended the scrip dividend alternative for the first and second interim dividends. The suspension was as a result of the significant discount between any scrip dividend reference price of the shares and the NAV per share of the Company at the time. The Board intends to keep the payment of future scrip dividends under review.

7. Earnings per share

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

1. The second interim dividend was declared after the period end and is therefore not accrued for in the unaudited interim condensed financial statements.
2. Dividends settled in shares are where shareholders have elected to take the scrip dividend alternative.

	Profit £'000	Weighted average number of ordinary shares	Pence per share
Period ended 30 June 2020			
Basic earnings per ordinary share	**6,901**	**441,581,106**	**1.56**
Diluted earnings per ordinary share	**6,901**	**441,581,106**	**1.56**
Period ended 30 June 2019			
Basic earnings per ordinary share	13,158	381,544,924	3.45
Diluted earnings per ordinary share	13,158	381,544,924	3.45

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

The Company's financial assets at fair value through profit or loss comprise its investment in the Subsidiary, which represents amounts advanced to finance the Group's investment portfolio in the form of Secured Loan Notes and equity, in addition to financial derivatives (see note 14) utilised for the purpose of hedging foreign currency exposure. The Company's investment in the Subsidiary at 30 June 2020 comprised:

Debt – Secured Loan Notes up to £1,000,000,000	**30 June 2020 £'000**	(Audited) 31 December 2019 £'000
Opening balance	**453,081**	377,916
Purchase of financial assets	**49,520**	89,451
Repayment of financial assets	**(64,533)**	(10,761)
Unrealised loss on investments at fair value through profit or loss:		
Unrealised valuation loss	**(10,617)**[2]	(1,001)
Unrealised foreign exchange gain/(loss)	**174**	(386)
Other unrealised movements on investments[1]	**(153)**	(2,138)
Total unrealised loss on investments at fair value through profit or loss	**(10,596)**	(3,525)
Total	**427,472**	453,081

1. Other unrealised movements on investments at fair value through profit or loss are attributable to the timing of the debt service payments and principal indexation applied.
2. Includes unrealised losses in respect of discount rate adjustments made to reflect the uncertainties associated with the Covid-19 pandemic.

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

	30 June 2020 £'000	(Audited) 31 December 2019 £'000
Valuation of the underlying investments held by the Subsidiary	**427,906**	453,439
Principal received from the Subsidiary in respect of an underlying investment	**(400)**	(400)
Principal received from underlying investments and held by the Subsidiary	**12**	1
Interest rate differential	**(46)**	41
Fair value of Secured Loan Notes	**427,472**	453,081

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS CONTINUED
For the period ended 30 June 2020

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

Equity – representing one ordinary share in the Subsidiary	30 June 2020 £'000	(Audited) 31 December 2019 £'000
Opening balance	**796**	434
Unrealised gain on investments at fair value through profit or loss	**1,214**	362
Total	**2,010**	796

Financial assets at fair value through profit or loss	**429,482**	453,877

The above represents a 100% interest in the Subsidiary at period end 30 June 2020 (31 December 2019: 100%).

9. Other receivables and prepayments

	30 June 2020 £'000	(Audited) 31 December 2019 £'000
Arrangement fees	**–**	2
Intercompany receivable	**–**	7
Loan arrangement fees unamortised	**64**	–
Other income debtors	**6**	6
Prepayments	**24**	48
Total	**94**	63

10. Cash and cash equivalents

	30 June 2020 £'000	(Audited) 31 December 2019 £'000
Cash and cash equivalents	**17,025**	8,687
Total	**17,025**	8,687

11. Revolving credit facilities

	30 June 2020 £'000	(Audited) 31 December 2019 £'000
Opening balance	**9,476**	–
Proceeds from amounts drawn on the RCF[1]	**11,399**	48,808
Repayment of amounts drawn on the RCF[1]	**(20,875)**	(39,332)
Loan arrangement fees unamortised	**–**	(164)
Total	**–**	9,312

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

1. Excluding the amount drawn down as an alternative to cash cover for the open forward foreign exchange contracts.

As the facility was undrawn at 30 June 2020, the remaining unamortised arrangement fees cannot be offset against any amount drawn. Therefore, these fees are recorded as a prepayment (see note 9).

The tables below show the amounts drawn and repaid under the RCF during the period:

Date of drawdown/repayment	Amount of drawdown/ (repayment) £'000
Brought forward from 31 December 2019	**9,312**
Loan arrangement fees unamortised – £40 million facility	**164**
Loan arrangement fees unamortised – £10 million facility	**–**
Total loan arrangement fees unamortised at 31 December 2019	**164**
Total amount repayable at 31 December 2019[1]	**9,476**
Amounts drawn on 13 January 2020	**1,000**
Amounts drawn on 30 January 2020	**5,300**
Amounts drawn on 4 February 2020	**3,627**
Amounts repaid on 17 February 2020	**(19,403)**
Amounts drawn on 31 March 2020	**1,472**
Amounts repaid on 30 June 2020	**(1,472)**
Total amount repayable at 30 June 2020[1]	**–**
Loan arrangement fees unamortised – £40 million facility	**56**
Loan arrangement fees unamortised – £10 million facility	**8**
Total loan arrangement fees unamortised at 30 June 2020	**64**
Total	**64**

All the above amounts were drawn down and repaid on the £40 million facility. The £10 million facility was unutilised during the period.

On 15 April 2019, the Company entered into an agreement with RBSI to increase the existing RCF from £30 million to £50 million, represented by £40 million maturing in August 2020 (plus a twelve month extension option, with lender approval) and £10 million maturing in December 2019.

On 16 January 2020, the Company extended its RCF in respect of the £10 million tranche, such that it would also mature in August 2020. The other terms of the RCF remained unchanged.

The total cost incurred to extend the facility was £33,000 (including an arrangement fee of £25,000); and an amount of £25,000 in respect of these costs was amortised during the period ended 30 June 2020 and charged through the statement of comprehensive income.

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

Both the £40 million facility and the £10 million facility were unutilised at the period end.

During the period, utilisation requests were submitted to RBSI in relation to the open forward foreign exchange contracts. These utilisations restrict the amount available for drawdown, and at the period end, a utilisation request for the sum of £335,000 (30 June 2019: £549,000) was in place, which limited the amount available for drawdown on the RCF to £49.7 million.

1. Excluding the amount drawn down as an alternative to cash cover for the open forward foreign exchange contracts.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS CONTINUED
For the period ended 30 June 2020

11. Revolving credit facilities continued

Interest on amounts drawn under the £40 million facility is charged at LIBOR plus 2.10% per annum and LIBOR plus 1.70% under the £10 million facility. A commitment fee is payable on undrawn amounts of 0.84% on the £40 million facility and 0.68% on the £10 million facility.

Post period end, in July 2020, the two tranches were amalgamated and the twelve month extension option was exercised. As a result, the facility will now expire in August 2021. All terms of the RCF remain the same as the previous £40 million facility.

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

At 30 June 2020, the Company is in full compliance with all loan covenants stipulated in the RCF agreement.

12. Other payables and accrued expenses

	30 June 2020 £'000	(Audited) 31 December 2019 £'000
Accruals	**368**	356
Amounts due to Subsidiary	**–**	15
Loan commitment fee accrued	**97**	74
Loan interest payable on RCF	**–**	20
Investment management fees	**961**	1,008
Total	**1,426**	1,473

13. Authorised and issued share capital

	30 June 2020		(Audited) 31 December 2019	
Share capital account	Number of shares	£'000	Number of shares	£'000
Ordinary shares issued at no par value and fully paid				
Shares in issue at beginning of the period/year	**441,544,019**	**443,915**	379,962,298	380,235
Equity shares issued through:				
Placing and offer for subscription	**–**	**–**	60,317,181	63,333
Dividends settled in shares[1]	**489,499**	**518**	1,264,540	1,357
Total shares issued in the period/year	**489,499**	**518**	61,581,721	64,690
Share issue costs	**–**	**(20)**	–	(1,010)
Total shares in issue	**442,033,518**	**444,413**	441,544,019	443,915
Treasury shares				
Shares repurchased and held in treasury	**(542,000)**	**(386)**	–	–
Total ordinary share capital excluding treasury shares	**441,491,518**	**444,027**	441,544,019	443,915

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

During the period, 542,000 (31 December 2019: nil) ordinary shares of no par value and fully paid were repurchased and held in treasury for an aggregate consideration of £386,000 (31 December 2019: £nil).

The Company's share capital is represented by no par value ordinary shares. At 30 June 2020, the Company's issued share capital comprised 442,033,518 ordinary shares (31 December 2019: 441,544,019), 542,000 of which are held in treasury (31 December 2019: nil).

14. 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.

	30 June 2020 £'000	(Audited) 31 December 2019 £'000
Financial assets		
Cash and cash equivalents	**17,025**	8,687
Other receivables and prepayments	**94**	63
Financial assets at amortised cost	**17,119**	8,750
Derivative financial instruments	**—**	4
Investment in the Subsidiary	**429,482**	453,877
Financial assets at fair value through profit or loss	**429,482**	453,881
Total	**446,601**	462,631
Financial liabilities		
Other payables and accrued expenses	**(1,426)**	(1,473)
Revolving credit facilities	**—**	(9,312)
Financial liabilities at amortised cost	**(1,426)**	(10,785)
Derivative financial instruments	**(3)**	—
Financial liabilities at fair value through profit or loss	**(3)**	—
Total	**(1,429)**	(10,785)

14.1 Derivative financial instruments

Derivative financial instruments comprise forward foreign exchange contracts for the purpose of hedging foreign currency exposure of the Company to a Euro denominated loan investment made by the Subsidiary (for which the final repayment date is 1 June 2025); the investment represents 1% of the portfolio by value. The Company intends to utilise the forward foreign exchange contract on a rolling three month basis for the term of the investment. Derivative financial assets and liabilities are respectively classified as either financial assets or financial liabilities at fair value through profit or loss. Recognition of the derivative financial instruments takes place when the hedging contracts are entered into. They are initially recognised and subsequently measured at fair value; transaction costs, where applicable, are included directly in finance costs. The Company does not apply hedge accounting and consequently all gains or losses are recognised in the unaudited interim condensed statement of comprehensive income.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS CONTINUED
For the period ended 30 June 2020

14. Financial instruments continued

14.1 Derivative financial instruments continued

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

30 June 2020	**Maturity**	**Principal amount**	**Hedged amount**	**Fair value £'000**
Contract EUR/GBP	**22 September 2020**	**(£5,220,864)**	**€5,737,208**	**(3)**

31 December 2019 (Audited)	Maturity	Principal amount	Hedged amount	Fair value £'000
Contract EUR/GBP	23 March 2020	(£5,466,129)	€6,401,384	4

14.2 Capital management

The Company's capital is represented by share capital comprising issued ordinary share capital and ordinary shares issued following conversion of C shares, as well as credit facilities, as detailed in note 11.

The Company may seek to raise additional capital from time to time to the extent that the Board and the Investment Manager believe the Company will be able to make suitable investments. The Company raises capital only when it has a clear view of a robust pipeline of advanced investment opportunities to ensure the rapid deployment of capital.

The Company may borrow up to 25% of its NAV at such time any such borrowings are drawn down. Refer to note 11 for further information in relation to the RCF.

14.3 Fair value of financial assets

This note provides an update on the judgements and estimates made by the Company in determining the fair value of the financial instruments since the last annual report and financial statements.

Fair value measurements

The Company measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to their fair value measurement of the relevant assets as follows:

- Level 1: valued using quoted prices unadjusted in active markets for identical assets or liabilities;
- Level 2: valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in Level 1; or
- Level 3: valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

An investment is always categorised as Level 1, 2 or 3 in its entirety. In certain cases the fair value measurement for an investment may use a number of different inputs that fall into different levels of the fair value hierarchy. In such cases, an investment level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement and is specific to the investment.

The Valuation Agent has carried out semi-annual fair valuations of the financial assets of the Subsidiary (quarterly for investments which may be subject to discount rate changes). The same discount rates, determined by the Valuation Agent, are applied to the future cash flows of the Secured Loan Notes, to determine the fair value of the assets of the Company.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The table below sets out fair value measurements of financial instruments at the period/year end, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the value recognised in the condensed statement of financial position. All fair value measurements are recurring.

	Date of valuation	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total
Financial assets/(liabilities) measured at fair value through profit or loss					
Assets:					
Investment in Subsidiary	30 June 2020	–	–	429,482	**429,482**
Investment in Subsidiary	31 December 2019 (audited)	–	–	453,877	**453,877**
Derivative financial instruments	31 December 2019 (audited)	–	4	–	**4**
Liabilities:					
Derivative financial instruments	30 June 2020	–	(3)	–	**(3)**

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

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

Investment in Subsidiary

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

	30 June 2020 £'000	(Audited) 31 December 2019 £'000
Opening fair value investments	**453,877**	378,350
Investment in Subsidiary	**49,520**	89,451
Capital repayments from Subsidiary	**(64,533)**	(10,761)
Unrealised gain/(loss) on investments at fair value through profit or loss[1]:		
Debt – Secured Loan Notes up to £1,000,000,000	**(10,596)**	(3,525)
Equity – representing one ordinary share in the Subsidiary	**1,214**	362
Closing fair value of investments[2]	**429,482**	453,877

1. Refer to note 8 for further information.
2. The difference between the valuation of the Secured Loan Notes and the underlying investments of the Subsidiary is as a result of payment timings and differing application of the effective interest rate in respect of the underlying investments. For further information, refer to note 8.

The fair value of the investment in the Subsidiary consists of both debt (the Secured Loan Notes) and equity (ordinary shares); refer to note 8 for further information.

During the period there were no transfers of investments between levels and therefore no further disclosure is considered necessary under IAS 34.

Basis of determining fair value

The Valuation Agent carries out semi-annual valuations of the financial assets of the Subsidiary and the Secured Loan Notes. Any assets which may be subject to discount rate changes are valued on a quarterly basis. The NAVs calculated by the Administrator are reviewed by the Investment Manager and the Directors on a quarterly basis (in addition to the Valuation Agent's semi-annual valuation).

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS CONTINUED
For the period ended 30 June 2020

14. Financial instruments continued

14.3 Fair value of financial assets continued

Valuation techniques

The value of the investment in the Subsidiary is based on the aggregate of the NAV of the Subsidiary and the value of the Secured Loan Notes issued by the Subsidiary. The Subsidiary's portfolio of assets is held at fair value and its values are monitored on a semi-annual basis by the Valuation Agent. The Valuation Agent considers the movements in comparable credit markets and publicly available information around each project in assessing the expected future cash flows from each of the Subsidiary's investments.

The valuation principles used are based on a discounted cash flow methodology. A fair value for each asset acquired by the Group is calculated by applying a relevant market discount rate to the contractual cash flow expected to arise from each asset.

The Valuation Agent determines the discount rate that it believes the market would reasonably apply to each investment taking, inter alia, into account the following significant inputs:

— Pound Sterling interest rates;

— movements of comparable credit markets; and

— observable yield on other comparable instruments.

In addition, the following are also considered as part of the overall valuation process:

— market activity and investor sentiment; and

— changes to the economic, legal, taxation or regulatory environment.

The Valuation Agent exercises its judgement in assessing the expected future cash flows from each investment. Given that the investments are generally fixed income debt instruments (in some cases with elements of inflation and/or interest rate protection) or other investments with a similar economic effect, the focus of the Valuation Agent is on assessing the likelihood of any interruptions to the debt service payments, in light of the operational performance of the underlying asset.

The Covid-19 pandemic has impacted the global economy and has led to significant volatility in comparable credit markets. The Board and Investment Manager, in conjunction with the Company's independent Valuation Agent, adjusted the discount rates in the period on a number of assets to reflect the increase in market pricing of risk. Further analysis on the discount rate changes is presented on page 14.

The value of the investment in the Subsidiary is based on the aggregate of the NAV of the Subsidiary and the value of the Secured Loan Notes issued by the Subsidiary. As at 30 June 2020, the NAV was as follows:

	30 June 2020 £'000	(Audited) 31 December 2019 £'000
GABI UK[1]	**2,010**	796

1. Refer to note 8 for further information.

The key driver of the NAV is the valuation of its portfolio of secured loan facilities issued to the Project Companies.

The Secured Loan Notes issued by the Subsidiary that the Company has subscribed for, are valued on a discounted cash flow basis in line with the methodology used by the Valuation Agent, applying the following discount rates:

	Fair value[1] £'000	Valuation technique	Key unobservable inputs	Discount rate
Financial assets at fair value through profit or loss 30 June 2020	**429,482**	**Discounted cash flow**	**Discount rate**	**9.0%**
Financial assets at fair value through profit or loss 31 December 2019 (audited)	453,877	Discounted cash flow	Discount rate	8.1%

1. Including the NAV of the Subsidiary.

The investments held by the Subsidiary are valued on a discounted cash flow basis, in line with the methodology used by the Valuation Agent. At the period end, discount rates ranged from 6-17% (31 December 2019: 6-10%) The discount rate ranges exclude the CHP loan which is in default, no payments are expected on this loan until the anticipated sale completes.

The table below shows how changes in discount rates affect the changes in the valuation of financial assets at fair value through profit or loss. The range of discount rate changes has been determined with reference to historic discount rates made by the Valuation Agent. In the period, discount rates were adjusted giving an overall discount rate increase of 106 basis points across the portfolio to reflect the uncertainties associated with the Covid-19 pandemic.

30 June 2020 **Change in discount rates**	**(1.0%)**	**(0.50%)**	**0.00%**	**0.50%**	**1.0%**
Value of financial assets at fair value through profit or loss (£'000)	**444,941**	**437,055**	**429,482**	**422,212**	**415,216**
Change in value of financial assets at fair value (£'000)	**15,459**	**7,573**	**—**	**(7,270)**	**(14,266)**

31 December 2019 (audited) Change in discount rates	(0.50%)	0.00%	0.50%
Value of financial assets at fair value through profit or loss (£'000)	461,743	453,877	446,274
Change in value of financial assets at fair value (£'000)	7,866	—	(7,603)

15. 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 party in making financial or operational decisions. Subsidiary companies are also determined to be related parties as they are members of the same group of companies.

Directors

The non-executive Directors of the Company are considered to be the key management personnel of the Company. Directors' remuneration for the period (including reimbursement of Company-related expenses) totalled £101,000 (30 June 2019: £52,000). At 30 June 2020, liabilities in respect of these services amounted to £50,000 (31 December 2019: £45,000).

At 30 June 2020, the Directors of the Company held directly or indirectly, and together with their family members, 141,521 ordinary shares in the Company (31 December 2019: 123,942).

Alex Ohlsson is the managing partner of Carey Olsen, the Company's Jersey legal advisers. Carey Olsen has provided legal services to the Company during the period. Carey Olsen maintains procedures to ensure that the Chairman has no involvement in the provision of legal services to the Company. Additionally, the Company maintains procedures to ensure that the Chairman takes no part in any decision to engage the services of Carey Olsen. During the period, the aggregate sum of £17,000 was paid to Carey Olsen (30 June 2019: £20,000) in respect of legal work, of which £nil is outstanding at period end (31 December 2019: £nil).

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS CONTINUED
For the period ended 30 June 2020

15. Related party disclosures continued

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 Board.

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.

For its services to the Company, the Investment Manager receives an investment management fee which is calculated and paid quarterly in arrears at an annual rate of 0.9% per annum of the prevailing NAV of the Company less the value of the cash holdings of the Company pro rata for the period for which such cash holdings have been held. The Investment Manager receives an annual fee of £25,000 in relation to its role as the Company's AIFM, which has been increased annually at the rate of the RPI since IPO.

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 period, the Company incurred £1,918,000 (30 June 2019: £1,868,000) in respect of the services outlined above: £1,905,000 (30 June 2019: £1,698,000) in respect of investment management and advisory services, £nil (30 June 2019: £158,000) in relation to the issuance of ordinary shares and £13,000 (30 June 2019: £12,000) in respect of AIFM services provided by the Investment Manager. At 30 June 2020, liabilities in respect of these services amounted to £967,000 (31 December 2019: £1,014,000).

The Investment Manager, at its discretion, is entitled to an arrangement fee of up to 1% of the value of each investment made by the Company. The Investment Manager typically expects the cost of any such fee to be covered by the borrowers, and not the Company. To date, such fee in respect of all but three of the Group's investments has been met and paid by borrowers. During the period, the Investment Manager received £107,000 (30 June 2019: £289,000) from arrangement fees which had been met by borrowers and £nil (30 June 2019: £40,000) from arrangement fees which had been met by the Company. To the extent any arrangement fee negotiated by the Investment Manager with a borrower exceeds 1%, the benefit of any such excess is paid to the Company, for the period to 30 June 2020 the Company received £72,000 (30 June 2019: £91,000).

A number of the directors of the Investment Manager also sit on the board of the Subsidiary.

At 30 June 2020, the key management personnel of the Investment Manager held directly or indirectly, and together with their family members, 1,240,114 ordinary shares in the Company (31 December 2019: 1,777,577).

At 30 June 2020, the directors of the Investment Manager, and their family members, directly or indirectly own an equity interest in six of the Group's student accommodation investments; refer to note 16 for details of post period end investments. These investments are valued by the Valuation Agent in line with the rest of the portfolio and were approved by the Board at the time of acquisition.

Subsidiary

At 30 June 2020, the Company owned a 100% (31 December 2019: 100%) controlling stake in the Subsidiary. The Subsidiary is considered to be a related party by virtue of being part of the same group. The Company indirectly owns GABI Housing Limited, GABI GS Limited and GABI Blyth; for further information refer to note 1.

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

Transactions	**30 June 2020 £'000**	30 June 2019 £'000
Intercompany income received		
Other income	**1,739**	41
Arrangement fee income	**72**	91
Loan interest realised	**17,889**	17,868
Total	**19,700**	18,000

Balances	**30 June 2020 £'000**	(Audited) 31 December 2019 £'000
Intercompany balances payable	**—**	(15)
Intercompany balances receivable	**—**	9
Principal value of intercompany holdings within financial assets at fair value through profit or loss	**436,709**	451,722

16. Subsequent events after the report date

On 9 July 2020, the Company extended the current RCF of £50 million so it will now expire in August 2021. Interest on amounts drawn under the facility will be charged at LIBOR plus 2.10% per annum, a commitment fee is payable on undrawn amounts of 0.68% and an arrangement fee of £230,000 was paid to be amortised over the period of the facility. All terms of the RCF remain the same as the previous £40 million facility.

On 23 July 2020, the Company declared a second interim dividend of 1.55 pence per ordinary share amounting to £6.8 million, which was paid on 28 August 2020 to ordinary shareholders on the register on 31 July 2020.

Post period end, the Company drew down an aggregate amount of £8.5 million on the RCF with RBSI, being the total amount drawn at the date of the report, not including the amount drawn down as an alternative to cash cover for the forward foreign exchange contracts.

The Group made three new investments and seven further advances totalling £18.1 million post period end. The further advances included four projects of which the directors of the Investment Manager directly or indirectly own an equity interest. The Group also received three repayments totalling £12.1 million. Refer to the Investment Manager's report and the financial review on page 13 for further details.

17. Ultimate controlling party

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

ALTERNATIVE PERFORMANCE MEASURES

The Board and the Investment Manager assess the Company's performance using a variety of measures that are not defined under IFRS and are therefore classed as APMs. Where possible, reconciliations to IFRS are presented from the APMs to the most appropriate measure prepared in accordance with IFRS.

All items listed below are IFRS financial statement line items unless otherwise stated. APMs should be read in conjunction with the statement of comprehensive income, statement of financial position and statement of cash flows, which are presented in the financial statements section of this report. The APMs below may not be directly comparable with measures used by other companies.

Annualised total shareholder return since IPO

Total shareholder return[1] expressed as a time weighted annual percentage.

This is a standard performance metric across the investment industry and allows comparability across the sector.

Source: Bloomberg.

Adjusted EPS

EPS adjusted to remove the effect of discount rate adjustments made to reflect the uncertainties associated with the Covid-19 pandemic.

Adjusted EPS	**For the period ended 30 June 2020 (Pence per share)**
Basic and diluted earnings	**1.56**
Adjustments to discount rates in respect of the Covid-19 pandemic	**2.22**
Adjusted EPS	**3.78**

Ongoing charges ratio

Ongoing charges (previously "total expense ratios" or "TERs") is a measure of the annual percentage reduction in shareholder returns as a result of recurring operational expenses assuming markets remain static and the portfolio is not traded.

This is a standard performance metric across the investment industry and allows comparability across the sector.

Ongoing charges	**30 June 2020 £'000**	30 June 2019 £'000
Investment Manager	**1,918**	1,710
Directors' fees	**101**	52
Administration expenses	**644**	463
Total expenses	**2,663**	2,225
Non-recurring expenses	**–**	–
Total	**2,663**	2,225
Average NAV[2]	**443,181**	419,438
Ongoing charges ratio	**1.2**	1.1

Dividend cover ratio

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

Dividend cover ratio	**For the period ended 30 June 2020**	For the period ended 30 June 2019
Total profit and comprehensive income (£'000)	**6,901**	13,158
Weighted average number of shares	**441,581,106**	381,544,924
Basic EPS (p)	**1.56**	3.45
Dividends (p)	**3.10**	3.10
Dividend cover ratio	**0.50**	1.11

Total shareholder return

A measure of the performance of a company's shares over time. It combines share price movements and dividends to show the total return to the shareholder expressed as a percentage. It assumes that dividends are reinvested in the shares at the time the shares are quoted ex dividend.

This is a standard performance metric across the investment industry and allows comparability across the sector.

Source: Bloomberg.

Weighted average annualised yield

The weighted average yield on the investment portfolio calculated based on the yield of each investment weighted by the principal balance outstanding on such investment, expressed as a percentage.

The yield forms a component of investment cash flows used for the valuation of financial assets at fair value through profit or loss under IFRS 9.

Weighted average discount rate

A rate of return used in valuation to convert a series of future anticipated cash flows to present value under a discounted cash flow approach. This approach used for the valuation financial assets at fair value through profit or loss under IFRS 9.

The average rate is calculated with reference to the relative size of each investment.

1. Refer to relevant APM for further information.
2. Based on average NAV for the six month period to 30 June 2020.

GLOSSARY

Adjusted EPS
Refer to APMs on page 42

AIC
The Association of Investment Companies

AIC Code
AIC Code of Corporate Governance

AIFM
Alternative Investment Fund Manager

Annualised total shareholder return since IPO
Refer to APMs on page 42

APM
Alternative performance measure

Carey Olsen
Carey Olsen Jersey LLP

CHP loan
A loan secured against combined heat and power engines

CIF Law
Collective Investment Funds (Jersey) Law 1988

Companies Law
Companies (Jersey) Law 1991, as amended

Company
GCP Asset Backed Income Fund Limited

Covenant-heavy model
An approach to structuring that focuses on borrower needs but requires borrowers to meet well defined and specific performance measurements

Dividend cover ratio
Refer to APMs on page 42

Dividend yield
Total dividend paid to shareholders over the twelve month period to 30 June 2020 relative to the closing share price at the period end, expressed as a percentage

DTRs
Disclosure Guidance and Transparency Rules of the FCA

EPS
Earnings per share

FCA
Financial Conduct Authority

GABI Blyth
GABI Housing (Blyth) Limited

GABI GS
GABI GS Limited

GABI Housing
GABI Housing Limited

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

GCP Infra
GCP Infrastructure Investments Limited, a third party company advised by the Investment Manager

Group
The Company, GABI UK, GABI GS and GABI Housing (including its subsidiary, GABI Blyth)

Highland Capital
Highland Capital Partners Limited

HY18
Six months ended 30 June 2018

HY19
Six months ended 30 June 2019

HY20
Six months ended 30 June 2020

IAS
International Accounting Standards

IASB
International Accounting Standards Board

IASC
International Accounting Standards Committee

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

LIBOR
London inter-bank offered rate

LSE
London Stock Exchange

LTV
Loan-to-value

NAV
Net asset value

Ongoing charges ratio
Refer to APMs on page 42

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

RBSI
The Royal Bank of Scotland International Limited

RCF
Revolving credit facility

RPI
Retail Price Index

Secured Loan Notes
Loan notes issued to the Company

TISE
The International Stock Exchange

Total shareholder return
Refer to APMs on page 42

Weighted average annualised yield
Refer to APMs on page 42

Weighted average discount rate
Refer to APMs on page 42

CORPORATE INFORMATION

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