GCP ASSET BACKED

GCP ASSET BACKED INCOME FUND LIMITED
Annual report and financial statements
for the year ended 31 December 2018

Gravis

CONTENTS

Cover image: Peckham Levels

ABOUT US

The Company is a listed investment company which focuses predominantly on investments in UK asset backed loans across a range of sectors.

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

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

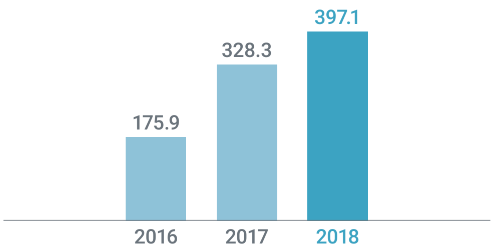
The Company is a closed-ended investment company incorporated in Jersey. The Company has a premium listing on the Official List of the FCA with its shares admitted to trading on the Premium Segment of the Main Market of the LSE since 23 October 2015. At 31 December 2018, its market capitalisation was c.£400 million. The Company is a constituent of the FTSE All-Share Index.

www.gcpassetbacked.com

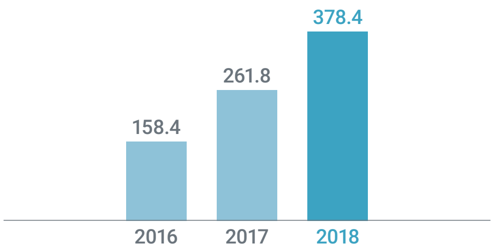
PREMIUM MAIN MARKET
LONDON STOCK EXCHANGE

AT A GLANCE – 31 DECEMBER 2018

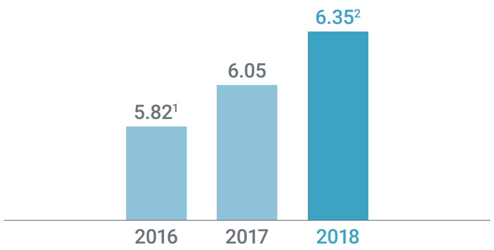
MARKET CAPITALISATION £m



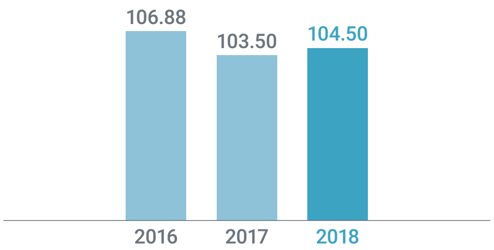
VALUE OF INVESTMENTS £m



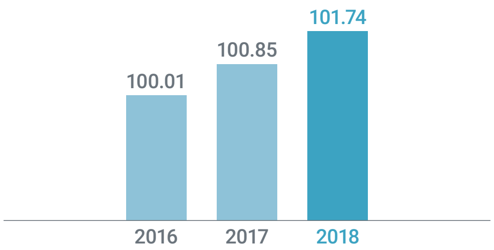
DIVIDENDS FOR THE YEAR p



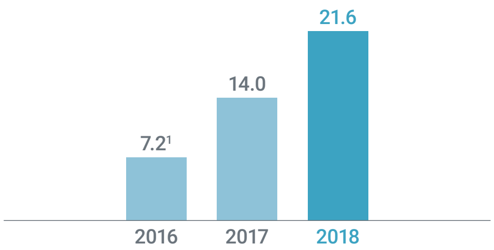
ORDINARY SHARE PRICE p



NAV PER ORDINARY SHARE p



PROFIT FOR THE YEAR £m



HIGHLIGHTS FOR THE YEAR

- Dividends of 6.35[2] pence per share in respect of the year, including a special dividend of 0.25 pence, ahead of the target of 6.10 pence per share. The dividend was fully covered by basic EPS of 7.27 pence.
- Total shareholder return[3] for the year of 9.1% (prior year: 4.4%) and an annualised total return since IPO[3] of 7.7%.
- Profit for the year of £21.6 million, up from £14.0 million in the prior year.
- NAV per ordinary share of 101.74 pence at 31 December 2018 (December 2017: 100.85 pence).
- Aggregate gross proceeds of £64.5 million were raised during the year through a pre-emptive issue of C shares in October 2018 and a placing of ordinary shares in December 2018.
- The Company's C shares converted into new ordinary shares in December 2018, substantially ahead of schedule.
- £15 million increase to the Company's existing revolving credit facility with RBSI, from £15 million to £30 million.
- Diversified and partially inflation and/or interest rate protected portfolio of 35 asset backed loans with a third party valuation of £376.1 million at 31 December 2018.
- Loans of £129.2 million advanced secured against 25 projects with a further £27.3 million secured against twelve projects, advanced post year end.

1. The 2016 period was for a period of greater than twelve months, being the first audited period from the date of incorporation. As a result, the comparative information disclosed is not directly comparable.
2. Includes a dividend of 1.525 pence per share for the quarter to 31 December 2018, which was paid post year end.
3. APM – refer to glossary for definitions and calculation methodology.

INVESTMENT OBJECTIVES AND KPIs

The Group makes asset backed investments to meet the following key objectives:

ATTRACTIVE RISK ADJUSTED RETURNS

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

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.

35

Number of investments at 31 December 2018

31 December 2017: 32

8.0%

Weighted average annualised yield on investment portfolio

31 December 2017: 8.2%

The Company exceeded its dividend target for the year ended 31 December 2018, with the Company having paid or declared dividends totalling 6.35 pence per ordinary share for the year.

6.35p

Dividends in respect of the year

31 December 2017: 6.05p

46%

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

31 December 2017: 51%

The Company's ordinary shares were trading at 104.50 pence per share at the year end. The Company's NAV growth continues to be predominantly driven through the excess cash flows the Company generates.

104.50p

Share price of ordinary shares at 31 December 2018

31 December 2017: 103.50p

2.7%

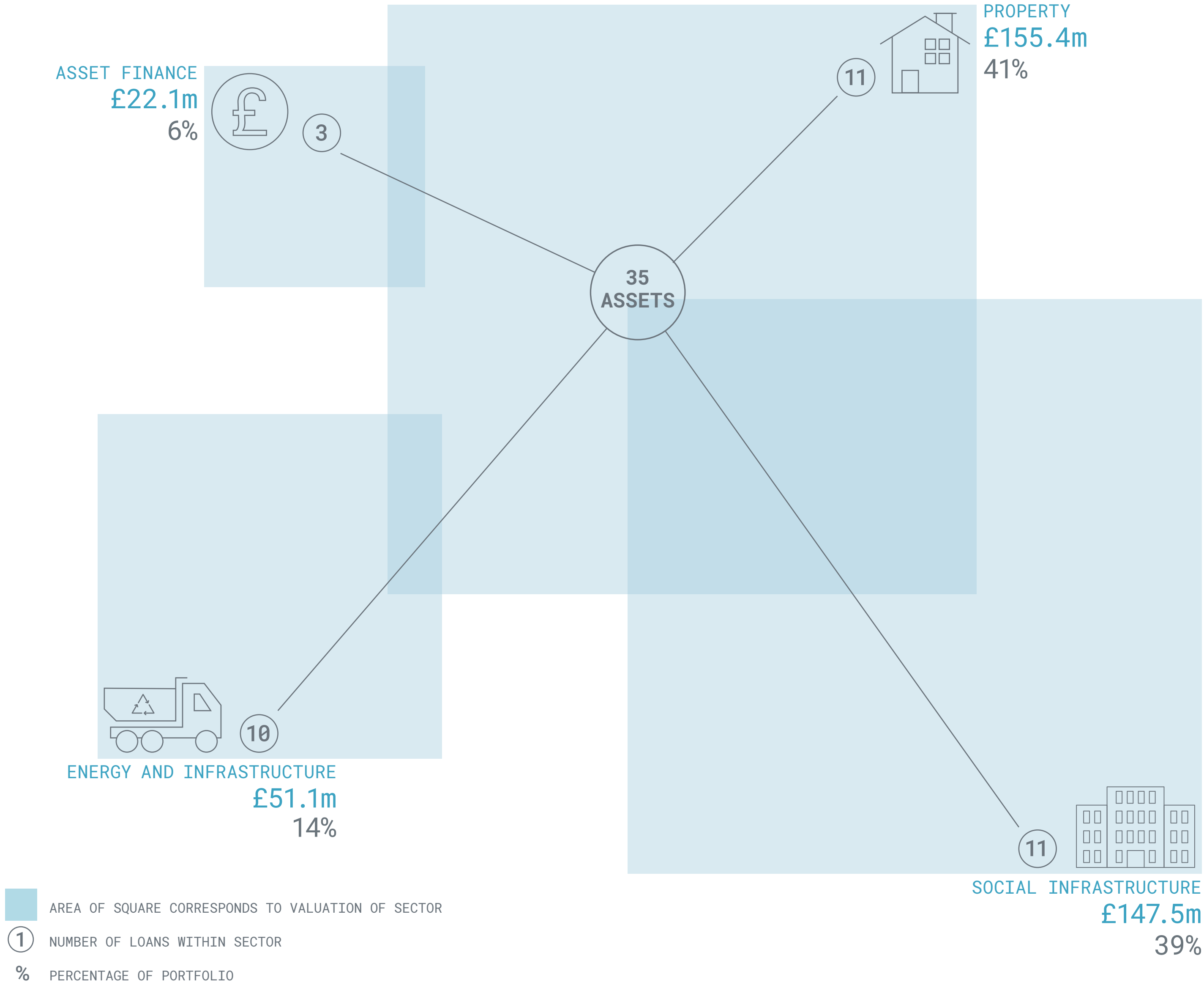
Premium to ordinary share NAV at 31 December 2018

31 December 2017: 2.6%

Further information on Company performance can be found on page 27.

PORTFOLIO AT A GLANCE

A diversified portfolio of 35 asset backed loans with an average life of eight years which are partially inflation and/or interest rate protected. The loans fall within the following sectors and are secured against assets and cash flows predominantly in the UK:



SENIOR RANKING SECURITY
63%

WEIGHTED AVERAGE ANNUALISED YIELD
8.0%

INFLATION AND/OR INTEREST RATE PROTECTION
46%

CHAIRMAN'S STATEMENT

During the year, the Group invested £129.2 million in 25 assets, ten new and 15 follow-on transactions, improving the diversification and risk profile of the portfolio.

Alex Ohlsson
Chairman

Introduction

The Company's driving philosophy is the delivery of regular, growing risk-adjusted income from a portfolio of asset backed loans and I am pleased to report that the Company has once again delivered against this objective. The underlying portfolio of loans continues to perform, with all borrowers paying in full and on time. The Company has been able to exceed its dividend target for the third straight year (with the dividend fully covered by earnings), generating a total shareholder return of 9.1% and further diversifying the Group's portfolio of loans by asset class and borrower.

The Company converted two C share issuances during the year, with the October 2017 issuance converting in April 2018 and the October 2018 issuance converting in December 2018. These issuances converted prior to the anticipated conversion deadline, demonstrating that the Company continues to apply its disciplined approach of only raising capital when it can deploy it efficiently.

With the UK set to leave the EU there may be structural changes and economic challenges ahead. Whilst the Board cannot fully predict what those challenges may be, it believes the Company's strategy, of targeting assets that are integral to society, positions it favourably for the future. Equally, market uncertainty may create a favourable lending environment for the Company should mainstream lenders become less active in the sectors it targets.

Financing

The Company raised £51.5 million through the issue of C shares in October 2018, which included pre-emption rights for existing shareholders and £13 million through a placing in December 2018. These issuances allowed the Group to take advantage of an attractive pipeline of opportunities, benefiting shareholders through greater portfolio diversification and enhancing the market liquidity of the Company's ordinary shares.

As a result of capital raises and the deployment of capital, the valuation of investments increased during the year to £378.4 million from £261.8 million at 31 December 2017, with the largest single asset exposure reducing from 6.3% to 5.4% of NAV.

The use of C share equity issuance to grow the Group's portfolio facilitates the efficient deployment of funds without adversely impacting returns on the ordinary share class through the effect of holding large cash balances. It is pleasing to note that the net proceeds of both the October 2017 and October 2018 issues were deployed in a timely manner with conversion into ordinary shares announced within six months in each instance.

On 21 August 2018, the Company entered into an agreement with RBSI to increase its existing revolving credit facility from £15 million to £30 million. The increased facility is for a term of two years (plus twelve month extension option, with lender approval) and was undrawn at the year end. The margin on the facility is 2.10%. It is intended that the revolving credit facility will be used to take advantage of attractive investment opportunities identified by the Investment Manager.

Investments

During the year, the Group invested £129.2 million in 25 assets, ten new and 15 follow-on transactions, improving the diversification and risk profile of the portfolio. All new investments were consistent with the Investment Manager's approach of positioning the portfolio at the lower end of the risk spectrum.

The Group continued to invest into key sectors with its existing borrowers who have demonstrated strong stewardship of their businesses. Loans were entered into with a number of new borrowers and it is envisaged that over time further deals will be completed with these parties.

Additionally, during the year four loans were repaid, returning £12.4 million of principal. On average, the IRR on the loans repaid was 10.6%, demonstrating the benefit of the repayment protections that the Group has in place. Any funds repaid are available to be reinvested at prevailing market rates, ensuring returns remain attractive to investors on a risk-adjusted basis.

The focus remains on financing assets and/or contracted cash flows which are supported by a structural demand for the goods and services provided. The Group continues to invest using a project finance, covenant focused approach to debt. The Board believes this method, alongside developing strong relationships with borrowers and understanding their businesses, is a significant contributing factor to the strength of the Group's loan portfolio.

Whilst the interest rate environment remains low, the Board is aware that the attractiveness of investments is sensitive to rate changes. As a result, the Group has sought partial inflation and/or interest rate protection where possible and has achieved this on approximately 46% of investments by value. These protections deliver benefit for investors with the principal value of three investments having been uplifted as a result of inflation during the course of the year. The Group has also sought to shorten the average weighted life of the portfolio during the year. This decision was made as increased political uncertainty has made predicting interest rate and inflation movements over longer tenors more challenging.

NAV and share price performance

At the year end, the net assets of the Company were £386.6 million. The NAV per ordinary share increased from 100.85 pence at 31 December 2017 to 101.74 pence at 31 December 2018.

The Company's ordinary shares have predominantly traded at a premium to NAV since IPO, with an average premium of 5.3%. At 31 December 2018, the share price of the ordinary shares was 104.50 pence, representing a premium of 2.7%.

Dividend policy

The Company paid dividends in respect of the financial year of 6.35 pence per ordinary share, including a special dividend of 0.25 pence, thereby exceeding its target dividend of 6.1 pence for the year and growing the dividend by 5% year-on-year. In respect of the forthcoming financial year the Company is targeting an annual dividend of 6.2 pence per ordinary share.[1]

Market outlook

Market conditions remain supportive with the Group continuing to see strong demand for its bespoke lending solutions. Mainstream lenders that focus on core established asset classes above a minimum scale, continue to be constrained by regulatory capital requirements. These constraints create a gap in the supply of lending which the Group has demonstrated it is well placed to address.

The Group remains focused on lending to high quality borrowers with whom it can complete multiple transactions. This approach ensures the Group can benefit from the track record and knowledge gained through the existing loan portfolio, whilst equally ensuring the Group is able to build a highly predictable and executable pipeline. At the end of the year, the Group had a significant investment pipeline with a value of c.£60 million, which includes transactions with new and existing borrowers, at rates accretive to the value of the current loan portfolio.

Governance and compliance

The Board recognises the importance of a strong corporate governance culture and continues to maintain principles of good corporate governance as set out in the AIC Code and accompanying AIC Guide. Refer to page 42 for further details.

Key risks

Political and regulatory risks are inherent in any UK focused business at present. At the date of writing, the impact of Brexit remains uncertain. Aside from the macro-economic impact, there is the risk of an increase in operating costs for certain of the Group's borrowers as well as implications if the free movement of labour ceases. The Company and the Investment Manager are cognisant of these risks and continue to perform stress testing on loans during the structuring process to ensure the loans remain viable in a variety of possible scenarios.

The Group has one fully hedged non-Sterling loan, representing less than 2% of the portfolio. As a result, any increased volatility in currency markets will have a limited impact on the profitability of the Company.

Across the loan portfolio, the Company has exposure to UK house prices. The Board closely monitors activity in the market and its current view on the UK property market remaining unchanged. The Board believes the fundamentals remain relatively strong and the continued demand versus supply dynamic provides comfort against a significant correction of prices. The Group's loan portfolio has a large degree of inbuilt protection due to being advanced against an average LTV of c.65%.

To date, the political environment has not had a negative impact on the portfolio. The Board will continue to monitor closely to ensure this remains the case, whilst also being mindful that this uncertain environment may create opportunities for the Group.

Corporate social responsibility

The Board believes that a commitment to strong principles of corporate social responsibility should be embedded within and complement all investment decisions. As noted later in this report, the Board is delighted to report on the strong environmental impact, job creation and community benefits that have derived from the Group's loans. The Group intends to continue to back borrowers that have a positive impact, as fundamentally such positive impact enhances the security of the portfolio and enables the Company to fulfil one of its core objectives, backing transactions that are integral to society.

Alex Ohlsson
Chairman

28 March 2019

FOR MORE INFORMATION, PLEASE REFER TO THE STRATEGIC REPORT ON PAGES 8 TO 35.

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

STRATEGIC REPORT

WHAT'S IN THIS SECTION

Oakleaf recycling plant

STRATEGIC OVERVIEW

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

Peckham Levels

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

Investment objective

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

Investment policy

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

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

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

Investment restrictions

The Company observes the following investment restrictions:

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

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

Structure of investments

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

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

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

Non-financial objectives of the Company

The key non-financial objectives of the Company are:

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

Key policies

Borrowing and gearing policy

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

Hedging and derivatives

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

Investments will be denominated primarily in Sterling. However, the Company may make limited investments denominated in currencies other than Sterling including US Dollars, Euros and Australian Dollars. In the event of the Company making such investments, the Investment Manager will use its judgement, in light of the Company's investment policy, in deciding whether or not to effect any currency hedging in relation to any such investments. In addition, the Company may do so where the Investment Manager considers such hedging to be in the interests of efficient portfolio management and may utilise derivative instruments to seek to achieve this. The Company will not engage in currency trading for speculative purposes.

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

Dividend policy

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

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

Conflicts of interest

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

In the event that the Investment Manager or any directors, officers or employees of the Investment Manager are directly or indirectly interested in any entity or asset in relation to any investment proposal, the potential investment is presented to the Board for its approval. Further details can be found on page 27.

STRATEGIC OVERVIEW CONTINUED

BUSINESS MODEL

The Company

GCP ASSET BACKED

The Company's business model targets assets for which there is a structural demand within society.

These assets have a risk and income profile that is predictable and akin to infrastructure investments, which fall within sectors where the Investment Manager has significant expertise and a proven track record in originating and monitoring exposures.

Funds are deployed across 28 separate borrowers, in 35 investments and across 20 distinct asset classes.

Strengths

Investment approach

- Able to create loans which match asset and borrower requirements
- Able to move quickly and efficiently
- High quality and personal service to borrowers
- Highly engaged team with in-depth experience and knowledge
- Able to provide finance to smaller opportunities that can grow

Strong relationships

Borrowers

Advisers

Debt providers

Operating model

Strong governance

Independent Board

Investment Manager

Origination

Creating value

Innovation
Offering a debt product which more accurately reflects the contractual fundamentals of the underlying assets and cash flows.

Research
Identification of and research into new asset classes requiring capital.

Focus
Focusing on non-yield aspects such as structural demand and the quality of borrowers.

Aggregation
Aggregating scalable investment opportunities which are below the radar of mainstream lenders.

Execution
Using the expertise, knowledge, market contacts, origination and execution capabilities of the Investment Manager.

Robust financial management

Effective risk management

- Providing leadership
- Setting strategic aims
- Investment management oversight
- Allocating resources to ensure objectives are met
- Effective internal control

Management

Protecting value

Structuring
Using an established model of structuring, involving the detailed identification of risks associated with owning an asset.

Expertise
Using experts where necessary to advise on the market, regulatory and any other specific risk factors.

Design
Creating bespoke loans to match the life and operation of the asset being financed.

Control
Adopting a covenant focused approach to its loans, ensuring assets and cash flows are controlled.

Monitoring
Diligently monitoring the loans using the Investment Manager's in-house credit team.

- Disciplined approach to capital raising
- Building highly executable pipeline of investments
- Providing fully covered dividends
- Hedging foreign exchange where appropriate

- Understanding inherent risk in investment sectors
- Robust assessment and mitigation processes
- Apportionment of risk to parties best placed to manage
- Active controls monitoring and stress testing

Value creation

Generating returns to shareholders

Attractive risk adjusted returns

8.0%
Weighted average annualised yield

9.1%
Total shareholder return[1] for the year

Regular, growing distributions

6.35p
Dividends in respect of the year

7.27p
Earnings per share

Capital appreciation

101.74p
NAV per ordinary share at 31 December 2018

3.8%
NAV growth since IPO

Social impact

Contribution to society through investment

Jobs created

c.500
since IPO

Investment: various

Refer to page 29.

Waste diverted

c.180,000
tonnes since April 2017

Investment:
Oakleaf Recycling Facility

Refer to pages 22 and 23.

Diesel displaced

3.7m
litres in 2018

Investment:
CNG Service Stations

Refer to page 29.

Time contributed to community

c.4,000
hours per annum

Investment: Peckham Levels

Refer to pages 24 and 25.

1. APM – refer to glossary for definitions and calculation methodology.

INVESTMENT MANAGER'S REPORT

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

THE MARKET

Asset backed lending

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:

(i) the intrinsic value of physical assets; and/or

(ii) the value of long-term, contracted cash flows generated from the sale of goods and/or services produced by an asset.

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

Typically, an asset backed lending structure involves a number of counterparties, who enter into contractual relationships with the Project Company that apportion value and risk through providing services (e.g. operations and maintenance) associated with the development, ownership and/or operations of an asset. In structuring an asset backed loan, the Project Company will seek to ensure risks (and associated value) are apportioned to those counterparties best able to manage them. This ensures the effective pricing and management of risks inherent in the asset. Further, it also means the residual risks (and potential rewards) being taken by the Project Company are well understood by the parties providing finance to such company.

The benefits associated with asset backed investments

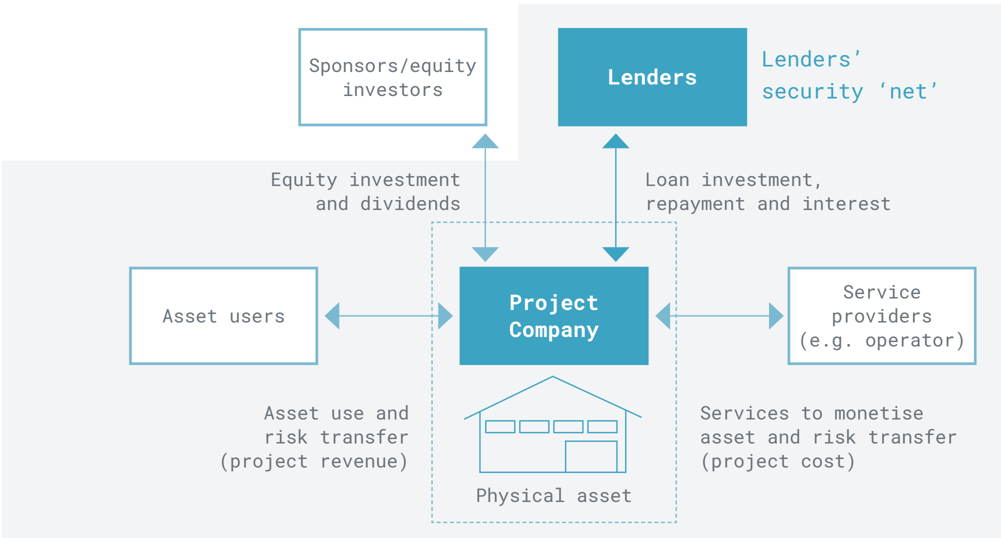
Investment in asset backed loans offers relatively secure and predictable returns to their lenders, when compared with general corporate or unsecured lending. Further, the reduction since 2007 in the availability of mainstream debt (primarily from banks) has created the potential for more attractive 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 and therefore offers an attractive risk-adjusted return for parties with relevant experience and access to the required resources.

TYPICAL INVESTMENT STRUCTURE



INVESTMENT MANAGER'S REPORT CONTINUED

Early identification of attractive sectors

The Group seeks to invest in an asset class before it has become widely established and experiences increased availability of finance driving the compression of yields.

By targeting sectors in the right stage of the growth cycle (such as those sectors described on pages 15 to 18), the Group is able to benefit from a yield that is disproportionate to the risk taken. In addition, the Group seeks to restrict the ability of borrowers to repay early, ensuring this enhanced risk return is maintained.

NAV growth can be expected to result from revaluations where market discount rates for an asset class fall over time and the Group maintains higher yields. Discount rates have been adjusted in respect of two investments in the current year, generating a valuation gain on these loans. Three investments have been uplifted as a result of inflation, as detailed in the Chairman's statement.

Asset classes such as social housing are now considered increasingly mature, with significant capital flowing into the asset class from both specialist funds and institutional investors. Similarly, the Group has seen the specialist bridging market evolve through this cycle, with providers attracting mainstream support through structures such as bond issuances.

To counter this movement of yield away from the asset classes the Group has historically focused on, the Investment Manager has spent a significant amount of time focusing on new asset classes that meet the Company's investment policy. Notable areas that the Group has financed during the year include battery storage, co-living and CNG service stations. It is expected that further deals will be transacted in these asset classes during the course of the next financial year, providing further diversification and equally ensuring the Company is able to continue to offer attractive risk-adjusted returns to shareholders. Multiple transactions with existing borrowers allows, in some cases, cross-collateralisation of assets, reducing individual asset risk.

Outlook

The Investment Manager focuses predominantly on secured investments which seek to deliver attractive risk-adjusted returns over the medium to long term. Notwithstanding the ongoing uncertainties surround Brexit the Investment Manager continues to see a pipeline of attractive asset backed investment opportunities with both new and existing borrowers due to mainstream lenders typically focusing on mature asset classes above a minimum scale, and lenders who are constrained by regulatory capital requirements.

Further, the current environment of political uncertainty may position the Company to benefit from lending opportunities taking an asset specific approach and where mainstream lenders become less active for reasons other than the creditworthiness of underlying borrowers.

Against a backdrop of low interest rates, the Investment Manager continues to seek inflation and/or interest rate protection where possible, with approximately 46% of the Group's portfolio at year end benefiting from such protection.

Further, the shorter weighted average life of the Group's investment portfolio and associated level of repayments expected to be received should enable the Company to reinvest at prevailing interest rates, resetting the portfolio to the wider market rates and maintaining its attractiveness on a risk-adjusted basis.

Investment pipeline

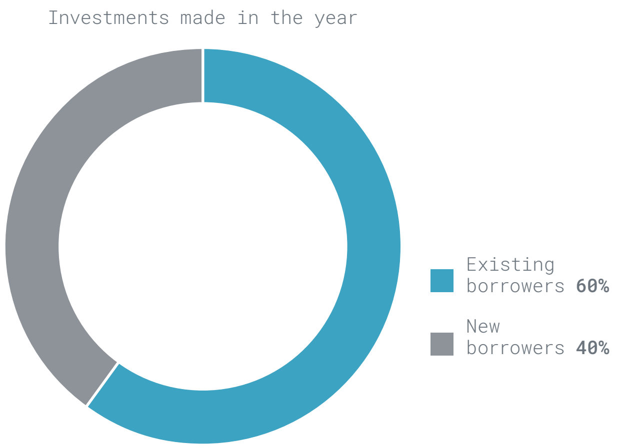
The Investment Manager maintains a pipeline of potential investments on behalf of the Group. At the end of the year, the pipeline represented c.£60 million of new opportunities.

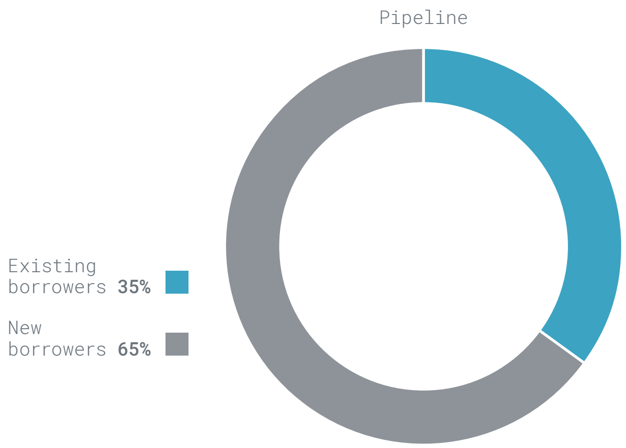
The Investment Manager continues to focus on borrowers and sectors where it will have the ability to complete follow-on transactions. This enables the Investment Manager to ensure it builds up significant sector knowledge and enhanced confidence over the certainty of its pipeline. This approach has enabled the Company to ensure funds from the C share issues have been deployed efficiently within the six month target time period.

Currently 35% of the pipeline consists of transactions with existing borrowers; these transactions can be scheduled to complete on a timetable which matches the repayment profile of existing loans, ensuring capital remains efficiently deployed.

The Company raised £64.5 million in the year which, along with the Company's remaining cash reserves from the October 2017 C share issue, were deployed into 25 investments totalling £129.2 million, with a further £27.3 million deployed post year end.

FOLLOW-ON TRANSACTIONS





TARGET SECTOR UPDATES

SOCIAL INFRASTRUCTURE

Assets that include student accommodation, housing for vulnerable adults, care for the elderly and urban regeneration.

39%
Percentage of portfolio by value

£147.5m
Valuation of sector

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

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

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

As noted in last year's annual report, the finance available and, therefore, competition for social infrastructure assets is increasing. This increase in demand is as a result of the strong credit characteristics that persist in the sector. However, due to the strong borrower led approach the Group adopts, the Investment Manager has continued to be able to execute high quality loans during the course of the year, increasing support for each of the key investment areas.

The pipeline consists of further multi-use community facilities, care homes and student accommodation assets, all asset classes which have performed well to date. The Group does not intend currently to fund any future supported living assets, principally as a result of the lower yields available in the sector.

The Investment Manager continues to target new areas in this sector and is actively speaking to potential borrowers about nursery facilities, private schools and temporary accommodation.

The Investment Manager continues to see significant opportunities in the international student accommodation sector. The UK has been at the forefront of this sector and supporting successful organisations with overseas expansion continues to offer an attractive yield against an undersupplied market.

This sector includes loans secured against assets located in the UK (75%), Europe (13%) and Australia (12%).

Structural characteristics

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

Current investments

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

New investment asset classes

- Nursery facilities
- Private schools
- Temporary accommodation

INVESTMENT MANAGER'S REPORT CONTINUED

TARGET SECTOR UPDATES

ENERGY AND INFRASTRUCTURE

Assets that produce or manage energy and/or process waste.

14%
Percentage of portfolio by value

£51.1m
Valuation of sector

The Group continues to take advantage of lending opportunities created by the pressures on the UK's power grid, the drive for businesses and people to recycle more and the move to remove diesel vehicles from our roads.

The Group has invested into some exciting new areas in the course of the year, including an operating CNG fuel station. The fuel station services custom built lorries and has so far displaced 3.67 million litres of diesel fuel, with 100% renewable waste derived biomethane.

The recycling facility that the Group has lent to has continued to perform well, diverting over 180,000 tonnes of waste from landfill. Due to the available supply of waste and the strong offtake contracts the borrower has entered into, the Group funded additional plant during the course of the year, enabling the facility to increase its intake to the maximum capacity allowed under the planning permission.

Due to the strong financial and business performance of both the recycling facility and the CNG station, the Investment Manager is in discussions with both borrowers about completing further transactions.

The Investment Manager is expecting new transactions across the waste and CNG asset classes this year. The drive for cleaner alternatives to current fuels will continue to offer attractive opportunities for lenders prepared to invest the time to understand the sector drivers.

This sector includes loans secured against assets in the UK.

Structural characteristics

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

Current investments

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

New investment asset classes

- Data centres
- Electric vehicle infrastructure

ASSET FINANCE

Assets that generate long-term, regular cash flows.

6%
Percentage of portfolio by value

£22.1m
Valuation of sector

Asset finance continues to be a highly competitive sector with both new entrants and established finance houses competing for business. The core parts of this sector, vehicle finance, invoice factoring and hire purchase, are already well serviced and command yields significantly below the Group's cost of capital.

Notwithstanding this, the Group continues to seek value in less established, specialist areas requiring bespoke and adviser led analysis. By way of example, the Group has advanced a loan secured against long-term management contracts or servicing contracts. These are locked-in contracts with strong counterparties in simple operating areas, giving strong underlying profits. The asset types the Group has funded include boiler servicing and a fund management business.

The Investment Manager also looks for distinct standalone transactions, such as the Group's boiler transaction. This was the first loan the Group entered into in this sector and one which has performed well over time. The boiler provider continues to install and enter into new contracts, all within the security, whilst also amortising the loan. Therefore, since inception, the security has increased whilst the loan principal has decreased. This is one of the key drivers behind the independent Valuation Agent uplifting the par value of this loan.

The Investment Manager continues to see this sector as one where there are less opportunities as a result of significant new and existing lender presence with established models.

Notwithstanding the above, the Investment Manager continues to originate assets that show the same characteristics of the current loan portfolio and is in active discussion on a number of interesting new areas at present.

This sector includes loans secured against assets located in the UK (73%) and Europe (27%).

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

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

New investment asset classes
- Litigation bridging

INVESTMENT MANAGER'S REPORT CONTINUED

TARGET SECTOR UPDATES

PROPERTY

Assets that include financing for property purchases or development and co-living spaces.

41%
Percentage of portfolio by value

£155.4m
Valuation of sector

The Group has identified niche areas of the property market which remain underserved by mainstream lenders.

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

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

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

The Investment Manager continues to work with the specialist lenders where the Company has developed strong and successful relationships. Going forward, new transactions may be one-off opportunities or mezzanine products to retail bank offerings.

This sector includes loans secured against assets based in the UK (94%) and Europe (6%).

Structural characteristics

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

Current investments

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

New investment asset classes

- Subordinated bridging loans

PORTFOLIO SUMMARY

Portfolio

The Group's investments are supported by a diverse range of assets located predominantly in the UK. At 31 December 2018, the weighted average annualised yield was 8.0% across the portfolio with a weighted average expected term of eight years. In total, 26 loans have been advanced to companies with operating assets. The remaining nine loans have been advanced to companies with assets under construction.

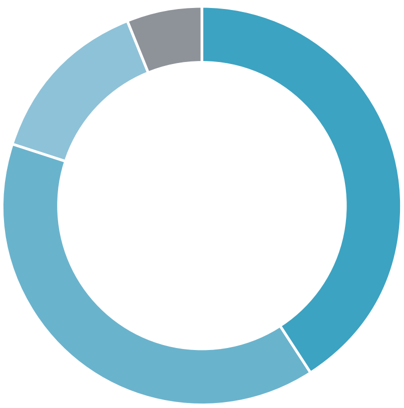
Investment valuation

During the year, the Valuation Agent carried out a fair market valuation of the Group's investments on behalf of the Board on a quarterly basis. The valuation principles used by the Valuation Agent are based on a discounted cash flow methodology. A fair value for each asset acquired by the Group is calculated by applying a discount rate (determined by the Valuation Agent) to the cash flow expected to arise from each asset.

Going forward, the Company's Valuation Agent will be carrying out valuations on a semi-annual basis. The Company's assets are stable with predicable cash flows and are not exchange traded. Any assets which may be subject to discount rate changes will continue to be valued on a quarterly basis.

The weighted average discount rate across the portfolio at 31 December 2018 was 8.1%. The valuation of investments is sensitive to changes in discount rates applied. Sensitivity analysis detailing the impact of a change in discount rates is given in note 19.4.

PORTFOLIO BY SECTOR TYPE

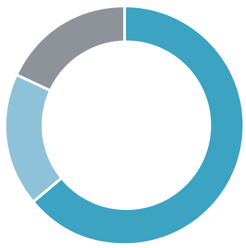


Property 41%
Social infrastructure 39%
Energy and infrastructure 14%
Asset finance 6%

PORTFOLIO BY SECURITY RANKING

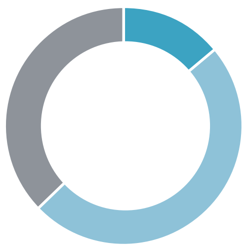
Senior 63%
Mezzanine 37%

PORTFOLIO BY TERM PROFILE



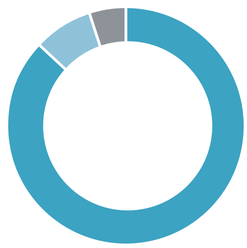
<10 yrs 64%
10-15 yrs 18%
>15 yrs 18%

PORTFOLIO BY INTEREST RATE PROFILE



<7% 14%
7-8% 49%
>8% 37%

PORTFOLIO BY LOCATION



UK 87%
Europe 8%
Australia 5%

INVESTMENT MANAGER'S REPORT CONTINUED

INVESTMENT PORTFOLIO

TOP TEN INVESTMENTS

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

#	Investment	1 Sector type	2 % of portfolio by value	3 Asset class	4 Multi/single asset exposure
1	Co-living Co 1	Property	9.6%	Residential property	Multi asset
2	Mortgage Co 2	Property	5.6%	Buy-to-let mortgages	Multi asset
3	Student Accom 3	Social infrastructure	5.4%	Student accommodation	Single asset
4	Bridging Co 1	Property	5.4%	Residential property	Multi asset
5	Development Fin Co 6	Property	5.3%	Residential property	Multi asset
6	Student Accom 1	Social infrastructure	5.1%	Student accommodation	Single asset
7	Bridging Co 2	Property	4.8%	Residential property	Multi asset
8	Property Co 2	Social infrastructure	4.7%	Social housing	Multi asset
9	Student Accom 2	Social infrastructure	4.6%	Student accommodation	Single asset
10	Waste Infra. Co	Energy and infrastructure	4.3%	Material recovery facility	Single asset

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

Portfolio performance

The portfolio is performing well and there are no material issues to report. All investments are closely monitored by the Investment Manager against strict reporting and information requirements as set out in the loan documentation.

Assets under construction are proceeding materially on time and budget, with a number of investments completing construction in the year, reducing the overall construction exposure across the portfolio as a percentage of portfolio by value. Construction exposure in absolute terms at the year end was £90.1 million (31 December 2017: £96.3 million).

The operational performance of the assets has been in line with, or better than, the Investment Manager's expectations. All interest and principal payments have been received from the underlying investments in accordance with expectations since IPO.

The third party suppliers that provide services associated with the assets continue to perform in accordance with the agreements in place between the Group and the Project Company.

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

Group exposure

The Group's exposure to nine projects that have not yet completed construction with reference to total portfolio assets by value at 31 December 2018 was 24%.

Elsewhere in the portfolio, the Group has exposure to the supply of commercial and industrial waste and the demand for high-end care homes. The Investment Manager believes that conservative assumptions have been used to generate the financial modelling on which the debt service of the Group's loans has been based, allowing for variation.

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

Key investment highlights

The Group made 25 advances during the year totalling £129.2 million: comprising ten new loans, and 15 extensions to existing facilities. From these advances, eight were in the energy and infrastructure sector; one in asset finance; eight in property; and eight in social infrastructure projects. The Group received capital repayments of £16.0 million, including four loan repayments in full and, further, the Group refinanced three loans, in line with expectations for the year. Post year end, the Group made a further twelve advances totalling £27.3 million and received seven repayments totalling £3.0 million.

INVESTMENTS MADE DURING THE YEAR

SECTOR	AVERAGE TERM	SECURITY	STATUS	INVESTMENTS	REPAYMENTS
Property	4 years	Senior/subordinated	Operational/construction	£69.9 million	£8.4 million
Social infrastructure	14 years	Senior/subordinated	Operational/construction	£34.9 million	£0.4 million
Energy and infrastructure	9 years	Senior	Operational/construction	£22.9 million	£5.1 million
Asset finance	8 years	Senior	Operational	£1.5 million	£2.1 million
			TOTAL	**£129.2 MILLION**	**£16.0 MILLION**

INVESTMENTS MADE POST YEAR END

SECTOR	AVERAGE TERM	SECURITY	STATUS	INVESTMENTS	REPAYMENTS
Social infrastructure	14 years	Senior/subordinated	Operational/construction	£14.0 million	–
Property	4 years	Senior/subordinated	Operational/construction	£11.5 million	£0.4 million
Energy and infrastructure	8 years	Senior/subordinated	Operational/construction	£1.8 million	£0.1 million
Asset finance	5 years	Senior	Operational	–	£2.5 million
			TOTAL	**£27.3 MILLION**	**£3.0 MILLION**

INVESTMENT COMMITMENTS AT THE DATE OF THE REPORT

SECTOR	AVERAGE TERM	SECURITY	STATUS	INVESTMENTS
Property	5 years	Subordinated	Operational/ construction	£5.0 million
Asset finance	3 years	Senior	Operational	£3.0 million
			TOTAL	**£8.0 MILLION**

INVESTMENT MANAGER'S REPORT CONTINUED

FEATURED ASSET

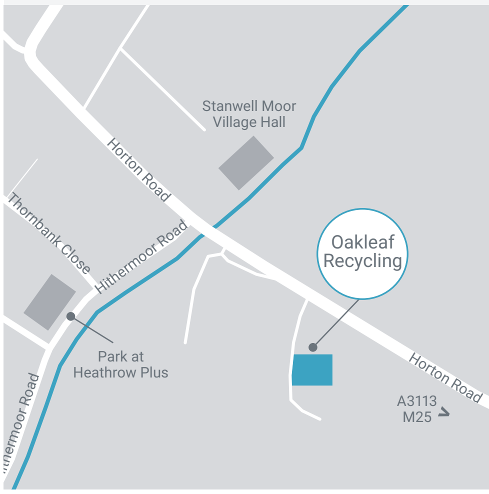
OAKLEAF RECYCLING FACILITY

Staines, Surrey

The Group has financed the construction and operation of a recycling facility near Heathrow Airport.

The facility consists of high-end plant and equipment which can separate and sort commercial and industrial waste. The facility sorts the waste received into designated streams through a combination of mechanical and manual sorting processes.

Asset location

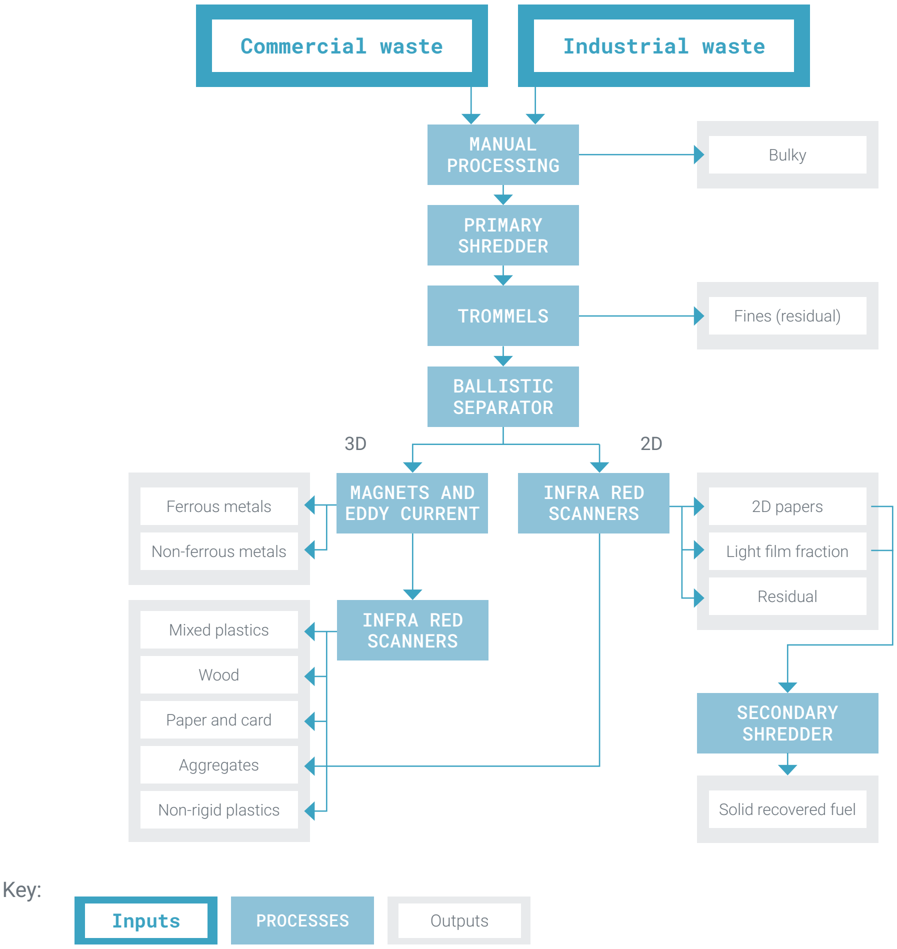


The purpose of the facility is to extract as much value from the waste it receives, by extracting the materials which have a value and can be resold. The residue is disposed of at a cost to a cement kiln, where it is used as fuel.

The process ensures that nearly all the input that arrives at the facility is either recycled or used as fuel, ensuring that there is a significant diversion of waste away from landfill. To date, over 180,000 tonnes has been diverted. The facility has been operational since April 2017.

During the year a further advance was made to the facility; this advance was used to purchase an additional waste shredder which will increase the operational capacity of the facility going forward.

THE RECYCLING PROCESS



INVESTMENT MANAGER'S REPORT CONTINUED

FEATURED ASSET

PECKHAM LEVELS

Peckham, London

The Group has financed the refurbishment and re-fit of a multi-storey car park located in Peckham, South-East London.

The site has been converted into a multi-use community centre in which separate units have been leased to sub-tenants.

Asset location

The project was originated in response to Southwark Council launching a competitive process in 2015 for a five year lease for the site, which was won by Make Shift Community Limited. The lease provides the space under a profit sharing arrangement, where rent is paid out of net profits and after repayment of funding costs.

Make Shift were appointed in November 2015 and achieved planning permission for the proposed scheme in July 2016. The scheme has subsequently had the planning and lease extended to eight years. It is hoped a further extension to 16 years will be secured for the project in 2019.

Peckham Levels provides affordable space for independent businesses, artists and local entrepreneurs. The aim of the project is to increase local employment, improve the local economy and create new opportunities through helping grassroots talent get off the ground. The project has created c.300 jobs for the local community.

The project consists of seven floors of space providing food and drink, co-working, design studios, yoga studios, recreational spaces and an indoor golf course. In the first year of opening, the site attracted c.650,000 visitors.

Community Investment Scheme

Members of Peckham Levels pledge a minimum of one hour of their time each week to take part in positive local projects. These include training, mentorship and charitable volunteering. The purpose of the scheme is to share the skills and energy of members to offer new opportunities to as many people in the local area as possible.

FINANCIAL REVIEW OF THE YEAR

The Company has generated total income of £27.1 million, paid dividends of 6.35 pence per share and generated a total shareholder return for the year of 9.1%.

CNG stations

Financial performance

The Company has prepared its annual report and financial statements in accordance with IFRS. In the year to 31 December 2018, the Company's portfolio generated total income of £27.1 million (2017: £18.7 million). Total profit for the year was £21.6 million (2017: £14.0 million), with basic EPS of 7.27 pence (2017: 7.10 pence). The Company's ongoing charges ratio, calculated in accordance with the AIC methodology, was 1.2% (2017: 1.2%) for the year to 31 December 2018.

Dividends

The Company paid dividends totalling 6.35 pence per share in respect of the year (including a special dividend of 0.25 pence), thereby exceeding its dividend target of 6.1 pence per share. This represents dividend growth of 5% year-on-year.

Capital raised

The Company raised £64.5 million during the year. In October 2018, the Company raised £51.5 million by way of an open offer, placing and offer for subscription of 51,500,000 C shares at an issue price of 100 pence per share. In December 2018, the Company raised a further £13 million by way of a non-pre-emptive placing of 12,440,190 ordinary shares at an issue price of 104.50 pence per share.

NAV and share price performance

Net assets attributable to equity holders at 31 December 2018 were £386.6 million, up from £245.0 million at 31 December 2017. The Company's NAV per ordinary share has increased from 100.85 pence at 31 December 2017 to 101.74 pence per ordinary share at 31 December 2018.

The Company's ordinary shares have predominantly traded at a premium to the latest published prevailing NAV since IPO, with an average premium over the financial year of 2.3%. At 31 December 2018, there were 379,962,298 ordinary shares in issue.

Cash position

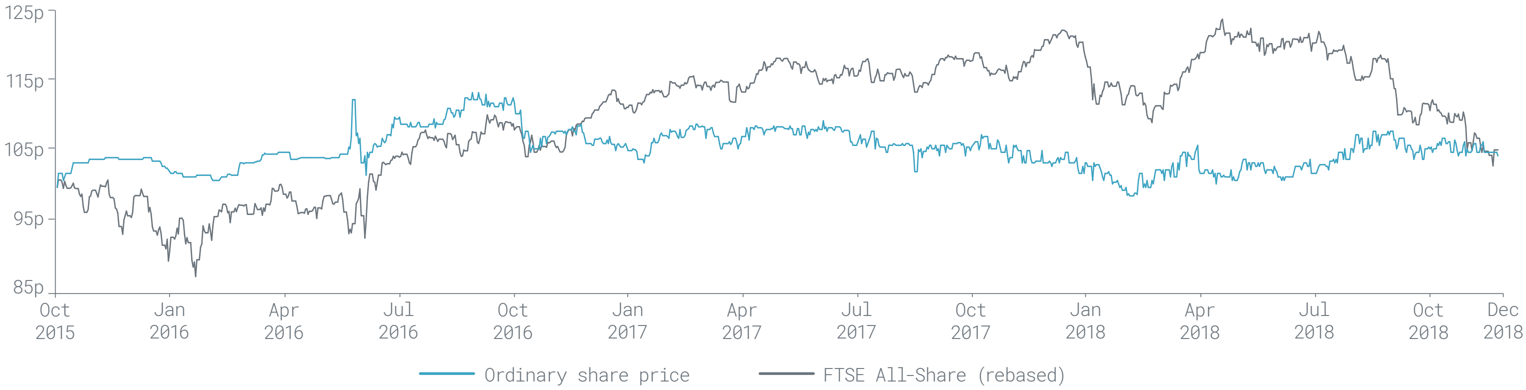
The Company received interest payments of £23.1 million and capital repayments of £16 million in the year, in line with expectations. The Company paid dividends of £19 million (including dividends settled in shares[1]) during the year and a further £5.8 million (including dividends settled in shares[1]) post year end. The Company raised £64.5 million of equity capital and made investments of £129.2 million. Post year end, the Group has made a further twelve advances totalling £27.3 million and received seven repayments totalling £3.0 million. At the date of the report, investment commitments were £8.0 million. Total cash reserves at the year end were £9.2 million.

Conflicts of interest

During the year, the Group committed to make investments of up to £18.5 million to finance the development of a mixed student and co-living accommodation scheme in Guildford, Surrey and also continued to finance construction projects of a number of private student accommodation developments in Australia and Dublin, Ireland.

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

SHARE PRICE PERFORMANCE SINCE IPO



Source: Bloomberg.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Company aims to operate a fully sustainable business model with a low carbon footprint for all its wider stakeholders.

Environmental

Greenhouse gas emissions reporting

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

Green energy projects

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

CNG heavy goods vehicles are significantly ahead of electric heavy goods vehicles in providing a cleaner form of transport compared to diesel. Use of CNG is more cost efficient over the life of the vehicle, whilst also allowing organisations to reduce their carbon emissions. This is attractive to customers and equally will become more important as changes to government policy regarding diesel engines and emissions come into force. CNG vehicles can generate overall lifetime savings of up to £100,000 and save around 100 tonnes of CO_2 each year, compared to diesel vehicles.

Social

Stakeholders

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

The Company's stakeholder relationships provide the foundation for the Group's sustainability, which in return provides benefits to all parties. The Board values the importance of maintaining a high standard of business conduct and stakeholder engagement and ensuring a positive impact on the environment in which the Group operates.

Shareholders

The Company creates earnings that benefit shareholders through dividend income. Further information on how the Company and the Board engages with shareholders can be found on page 57 and 58.

Borrowers

The Group values its relationships with borrowers, ensuring time is spent building and maintaining these relationships via the Investment Manager. The Group has been able to advance a further £71.1 million to current borrowers in the financial year under review by way of extensions to existing facilities.

Lender

The Company's lender is a financial institution that provides the Company with debt finance in the form of a revolving credit facility. The Company's credit facility is used in the making of investments in accordance with the investment policy.

Suppliers

The Company's suppliers include third party service providers engaged to provide corporate or administration services, in addition to the investment management services provided by the Investment Manager. These services are critical to the ongoing operational performance of the Company. The Board has a close working relationship with all its advisers and regularly engages with all parties. The Management Engagement Committee regularly monitors the performance and reviews the terms of each service contract. Further information can be found on page 44.

Society

The Group provides benefits to society through its investing activities, by providing funding for assets, such as housing for vulnerable adults, care for the elderly and urban regeneration, in addition to assets that meet a structural demand for producing or managing energy and/or processing waste. The Group also provides finance for property purchases or developments which mainstream lenders cannot serve, for reasons other than credit quality. Since IPO, the Company's investment activities have facilitated the creation of c.500 jobs, of which c.300 have been created at urban regeneration projects, c.150 at care homes, with the remainder at student accommodation schemes.

Governance

Anti-bribery and tax evasion

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

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

Diversity

The Board believes that its composition with respect to the balance of skills, gender, experience and knowledge, coupled with a mixed length of service, provides for a sound base from which the interests of investors will be served to a high standard.

Appointments to the Board continue to be based on merit, regardless of gender, ethnic group or background. The Board comprises two male Directors and one female Director. The Company has no employees. The Company's policy on diversity is set out in the Remuneration and Nomination Committee report on page 52.

RISK MANAGEMENT

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

Risk management strategy

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

Risk management process

During the year, the Board, with the assistance of the Audit and Risk Committee, reviewed the risks and assessed the effectiveness of the Company's risk management process and internal control systems. Refer to the Audit and Risk Committee report and page 48 for further information. This review covered the operational, compliance and financial risks facing the Company. As a result, the Board has not identified, nor been advised of, any failings or weaknesses which it has determined to be of a material nature.

Risk appetite

The Company's investment policy detailed on page 9 sets out the key components of its risk appetite. The Board and the Investment Manager seek to manage investment risk within set risk/return parameters.

Role of the AIFM

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

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

Stress testing

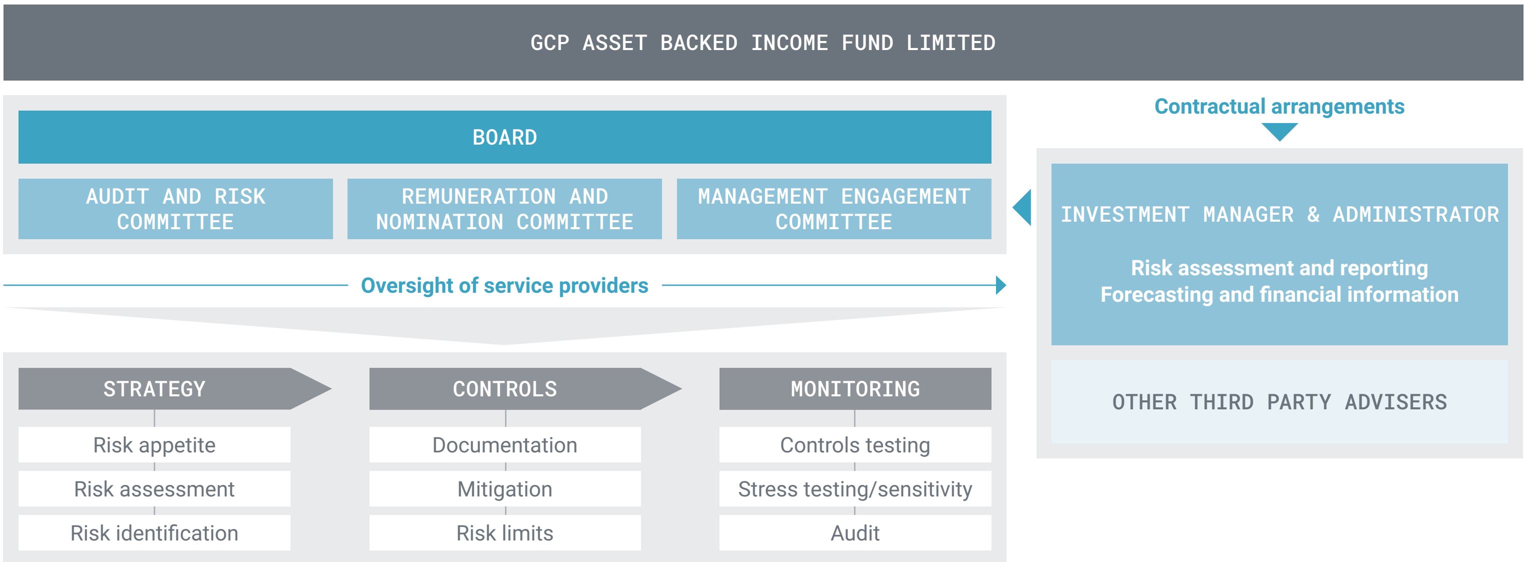
In order to analyse the effect of the principal risks and uncertainties on the Company's net cash flows, key financial ratios, viability and dividend cover, the Investment Manager has stress tested the Company's financial model by flexing a number of key assumptions used in order to attempt to model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

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

Further information is given in the going concern and viability statement on page 35.

RISK MANAGEMENT FRAMEWORK

The Board has established a risk management framework to ensure effective risk governance:



RISK MANAGEMENT CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

Principal uncertainties

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

UNCERTAINTY 1: BREXIT

The UK voted to leave the EU on 23 June 2016. There exists a considerable amount of uncertainty regarding the future relationship between the UK and EU.

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

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

- the AIC guidance note dated February 2019 'Impact of a "no deal" Brexit on investment companies';
- the portfolio's reliance on the EU for materials and/or labour; and
- an assessment of the impact on the Company's prospects including pipeline, availability of capital and share price.

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

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

Principal risks

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

RISK 1: CREDIT RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Borrower default, loan non-performance and collateral risks If borrowers to whom the Group has provided loans default or become insolvent, the Group may not be able to recover all or any of its investment advanced to them.	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 re-negotiation and/or re-structuring 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 constantly monitors the actual performance of projects and/or borrowers, taking action where appropriate, and reports on performance of the Group's portfolio to the Board each quarter.	**Stable** The Group's investment portfolio has continued to perform in line with, or exceed, expectations, with all borrowers fulfilling their payment obligations since IPO. The Investment Manager and the Board continue to closely monitor the impact of the increased economic uncertainty on the Group's borrowers. The significant majority of borrower businesses are incorporated and operate in the UK with minimal reliance on EU cross-border trading. For further information on the performance of the Group's portfolio, refer to the Investment Manager's report.

RISK 2: ECONOMIC RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Property Loans made by the Group to projects involved in property or the development of property, are indirectly exposed to the performance of the underlying real estate market in the relevant area.	If the market value of any property investments for which the 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 LTV level. In addition, the credit risk associated with each Project Company is mitigated as the cash flows receivable are secured over the assets of the Project Company, which in turn has security over the assets of the underlying projects.	**Stable** The average LTV of the Group's property portfolio has remained stable in the year and no losses have occurred at a borrower level across the portfolio. The portfolio has a low average LTV giving in-built headroom to allow for reductions in property prices in the future. The overall shortage of supply of housing in the UK may provide a degree of support to the housing market should these circumstances arise. The Investment Manager and the Board continue to monitor. For further information on the Company's property investments refer to page 18.

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
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 review the valuation of investments on a regular basis. In addition, the Investment Manager, as part of their due diligence process, uses market recognised professionals to provide initial valuations where possible.	**Stable** The Company's investment portfolio has continued to perform in line with expectations with no material changes in valuations or realised amounts. The Board continues to monitor the potential impact that Brexit may have on some of the Group's investments.

RISK MANAGEMENT CONTINUED
PRINCIPAL RISKS AND UNCERTAINTIES

RISK 3: KEY RESOURCE RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Reliance on key personnel at the Investment Manager The Company is dependent on key people within the Investment Manager to meet its investment objective.	The Company is heavily reliant on the Investment Manager to implement the Company's strategy and meet its investment policy and objective. An inability by the Investment Manager to retain and recruit the required level of personnel with the appropriate skills and experience may adversely impact its ability to service the needs of the Company.	The Company has entered into a contractual engagement with the Investment Manager. The performance of the Investment Manager is monitored by the Board along with the Company's other key service providers on an ongoing basis. The Investment Manager provides regular updates to the Board on its resourcing plans and has a competitive remuneration and retention plan focused on key employees.	**Stable** The Investment Manager continues to provide adequate resources and act with due skill, care and diligence in its responsibilities as Investment Manager and AIFM to the Company. The Investment Manager has recruited further dedicated resource during the year. For further information on the responsibilities of the Investment Manager refer to note 21.

RISK 4: REGULATORY RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Change in laws, regulation and/or policy The Company, its operations and the underlying Project Companies are subject to laws and regulations enacted by national and local governments, which may change.	Any change in the laws, regulations and/or government policy affecting the Company or the underlying Project Companies may have a material adverse effect on the ability of the Company to successfully pursue the investment policy, to meet its investment objective and therefore on the value of the Company.	The Company has a comprehensive compliance monitoring programme relevant to its operations that ensures compliance with developments and changes in legislation and regulation in the Channel Islands, the UK and any impact of Brexit, the jurisdictions in which the Group invests and listing and FCA marketing rules.	**Increase** There is continued uncertainty about the nature of the UK's exit from and future of its relations with the EU, which the Directors anticipate will continue to be the case in the short term. In the longer term, there may be opportunities to streamline regulation allowing business in the UK to be easier and more responsive to the needs of companies. For more information refer to the Chairman's statement.

RISK 5: EXECUTION RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Reinvestment risk and availability of suitable investments The Company is not able to deploy capital in a timely manner.	The decline or lack of availability of suitable investments meeting the risk and return profile of the Company's investment strategy within the required timescales may have a negative impact on the Company's returns as a result of holding uninvested cash balances.	The Investment Manager is constantly in contact with the market, seeking new deals and builds a specifically identified investment pipeline before recommending the raising of additional finance to ensure that capital is deployed in a timely fashion at the Company's target return level.	**Stable** The Investment Manager continues to see attractive investment opportunities across a variety of sectors, including energy, social infrastructure, waste and specialist property. At the year end, the Group had a significant pipeline of investment opportunities. For further information refer to the Investment Manager's report.

Financial risk

Financial risk (sufficiency of due diligence and assumptions) is no longer considered by the Board to be a principal risk. The Group's portfolio has continued to grow and diversify during the year. Historic assumptions in regard to the investment portfolio have on the whole, proven accurate, including cash flow forecasts and interest rate/inflation assumptions. In addition, a number of assets have come out of construction during the year and the Board are pleased to note that these assets are performing in line with, or exceeding expectations. The Investment Manager has also continued to strengthen its team, recruiting further dedicated resource during the year.

Going concern and viability statement

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

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

The Directors have carried out a robust assessment of each of the Company's principal risks, including those that would threaten its business model, future performance, solvency or liquidity, and uncertainty, as detailed on pages 32 to 35 and, through stress testing as described on page 31, have also assessed the prospects of the Company over a longer period than the twelve months required by the going concern provision of the AIC Code.

The Board has determined that a five year period constitutes an appropriate period over which to provide its viability statement. Whilst the weighted average term of the loans within the investment portfolio is eight years, the Company's experience is such that the financial forecasts that support the strategy will be subject to further capital raises for which the impact beyond a five year term is difficult to assess. In addition, the extent to which macroeconomic, political, social, technological and regulatory changes beyond a five year term may have a plausible impact on the Company are difficult to forecast. The assessment involved an evaluation of the potential impact on the Company of these risks occurring through the use of stress testing as detailed on page 31.

Based on this assessment and the aggregated stress testing performed on the Company's prospects, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment to 31 December 2023.

Approval of strategic report

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

Alex Ohlsson
Chairman

28 March 2019

GOVERNANCE

WHAT'S IN THIS SECTION

LEADERSHIP BOARD OF DIRECTORS

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

Alex Ohlsson
Chairman

Colin Huelin FCA
Chair of the Audit and Risk Committee

Joanna Dentskevich
Chair of the Management Engagement Committee and Remuneration and Nomination Committee

Alex Ohlsson

Chairman

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

Skills and experience:

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

Date of appointment:

14 September 2015

Colin Huelin FCA

Chair of the Audit and Risk Committee

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

Skills and experience:

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

Date of appointment:

7 September 2015

Joanna Dentskevich

Chair of the Management Engagement Committee and Remuneration and Nomination Committee

Joanna Dentskevich, a Jersey resident, has over 30 years of risk, finance and investment banking experience gained in leading global banks worldwide, alternative investments and the offshore funds industry. Previously, she was a director at Morgan Stanley heading up its Global Customer Valuation Group, a director of risk at Deutsche Bank and chief risk officer of a London-based hedge fund. Joanna has a BSc (Hons) in Maths and Accounting and is a Chartered Member of the Chartered Institute of Securities & Investments. She is also a non-executive director and chair of the risk committee of RBSI and chair of the London specialist fund sector listed company, EJF Investments Limited.

Skills and experience:

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

Date of appointment:

7 September 2015

LEADERSHIP THE INVESTMENT MANAGER

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

INVESTMENT TEAM

David Conlon
Director

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

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

David is a qualified chartered accountant and has an LLB in Law from Nottingham Trent University.

Antonia Vouraki
Senior portfolio manager

Antonia Vouraki is a senior portfolio manager for the Investment Manager and is responsible for monitoring the ongoing performance of the Company.

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

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

Joanne Fisk
Associate

Jo Fisk is an associate at the Investment Manager, focusing on a wide range of asset backed energy and infrastructure transactions.

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

Jo has a degree in Neuroscience from the University of Sussex and is a qualified lawyer.

Ben Williams
Associate director

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

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

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

PORTFOLIO ADMINISTRATION

Luther Ward-Faint
Credit risk manager

William Parry-Jones
Fund financial controller

Irsida Dhimarko
Loan administrator

FINANCIAL AND CORPORATE ADVISORY

Saira Johnston
Chief financial officer

Dion Di Miceli
Head of investment companies

Chloe Marlow
Head of fund financial control

LEADERSHIP CORPORATE GOVERNANCE STATEMENT

I am pleased to present the Company's corporate governance statement for the year ended 31 December 2018.

Alex Ohlsson
Chairman

The AIC Code of Corporate Governance

As a member of the AIC, the Company has been reporting against the principles and recommendations of the AIC Code and the accompanying AIC Guide.

The Board considers that reporting against the principles and recommendations of the AIC Code, as explained by the AIC Guide, provides better information to shareholders as it addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies, and is endorsed by the FRC. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide fully meet their obligations under the UK Code and the related disclosure requirements contained in the listing rules of the FCA.

On 5 February 2019, the AIC published the 2019 AIC Code. The AIC Code was updated to reflect the revised principles and provisions in the 2018 UK Code and applies to accounting periods beginning on or after 1 January 2019. The Board has agreed not to early adopt the 2019 AIC Code.

The 2019 AIC Code has been endorsed by the FRC and is supported by the Jersey Financial Services Commission. As the 2019 AIC Code closely reflects the principals and provisions of the 2018 UK Code, from 1 January 2019, there is no longer a need for the AIC Guide which previously mapped the recommendations of the UK Code to the AIC Code.

During the course of 2019, the Board, together with its advisers, will review its policies, procedures and the terms of reference of its committees to ensure they are in line with corporate governance best practice as set out in the 2019 AIC Code.

A copy of the AIC Code and AIC Guide can be found at www.theaic.co.uk. A copy of the UK Code is available at www.frc.org.uk.

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

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the Company, being an externally managed investment company. In particular, all of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees or internal functions and the Directors are non-executive. The Company has therefore not reported further in respect of these provisions.

During the year, the Company has complied with the recommendations of the AIC Code by reference to the AIC Guide, except the appointment of a senior independent director. Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and senior independent director. The Board considers that the independent Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

ROLE OF THE BOARD AND ITS COMMITTEES

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

THE BOARD

PURPOSE:

Responsible for the long-term success of the Company.

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

COMPOSITION:

Chairman: Alex Ohlsson

Colin Huelin FCA

Joanna Dentskevich

BOARD COMMITTEES

Audit and Risk Committee

PURPOSE:
Ensures that the Company's financial performance is properly monitored, controlled and reported, including engagement with the Company's external auditor, and reviews and monitors the Company's risks and internal controls.

COMPOSITION:
Chair: Colin Huelin FCA
Alex Ohlsson
Joanna Dentskevich

See Audit and Risk Committee report on pages 49 to 51.

Management Engagement Committee

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

COMPOSITION:
Chair: Joanna Dentskevich
Alex Ohlsson
Colin Huelin FCA

Remuneration and Nomination Committee

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

COMPOSITION:
Chair: Joanna Dentskevich
Alex Ohlsson
Colin Huelin FCA

See Remuneration and Nomination Committee report on pages 52 and 53.

LEADERSHIP CORPORATE GOVERNANCE STATEMENT CONTINUED

Board of Directors

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

At 31 December 2018, the Board comprised three Directors, all of whom are non-executive and are considered to be independent. Biographical details of the Directors are shown on pages 38 and 39.

Each Director has signed a letter of appointment which sets out the terms and conditions of their appointment. These letters are available for inspection at the Company's registered office. No Director has any contract or arrangement in place between themselves and the Company.

Board operation

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

At the AGM on 6 June 2018, the shareholders renewed the Board's authority to allot ordinary shares and to repurchase ordinary shares on behalf of the Company subject to certain limits. The maximum number of ordinary shares authorised to be repurchased pursuant to this authority was 47,458,292. Details of the authorities which the Board will be seeking at the 2019 AGM are set out in the 2019 notice of the AGM.

Matters reserved for the Board

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

Committees

In December 2018, the Board expanded the Audit Committee to an Audit and Risk Committee.

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

Audit and Risk Committee

The membership and activities of the Audit and Risk Committee are described in its report on pages 49 to 51.

It is planned to establish a separate risk committee during 2019 to satisfy the recommendation of the 2018 independent performance evaluation as set out on page 52.

Management Engagement Committee

Due to the size of the Board, the Management Engagement Committee comprises all Directors of the Company. The committee meets at least once a year to consider the performance of the Investment Manager and other third party service providers; the terms of their engagement and continued appointment. At the annual committee meeting held in July 2018, the committee independently evaluated the performance and services provided by the Investment Manager. As with the previous year, this took the form of a questionnaire completed by the Administrator and Depositary rating the services provided by the Investment Manager and giving feedback where necessary. The committee discussed the questionnaire, the overall performance of the Investment Manager and the terms of the investment management agreement, as set out in note 21 on page 95, and based on results, its continued appointment is considered to be in the best interests of the shareholders as a whole. It was recommended, and subsequently approved by the Board, that Gravis Capital Management Limited be retained as Investment Manager. In addition, the continued engagement of the third party service providers whom the committee independently evaluates was recommended to, and approved by, the Board.

Remuneration and Nomination Committee

The membership and activities of the Remuneration and Nomination Committee are described in its report on pages 52 and 53.

Meetings

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

		Number of meetings attended during the year		
Meetings	Number of meetings held	Alex Ohlsson	Colin Huelin	Joanna Dentskevich
Quarterly Board	4	4	4	4
Audit and Risk Committee	4	4	4	4
Management Engagement Committee	1	1	1	1
Remuneration and Nomination Committee	2	2	2	2
Total number of meetings attended	11	11	11	11

During the year, 16 additional Board meetings were held. These meetings were in respect of capital raises, the issue of a prospectus, increase to the revolving credit facility, approval of the interim report and financial statements, allotment of shares and conflicted investments.

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

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

Diversity

Diversity is an important consideration in ensuring that the Board and its committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The right blend of perspectives is critical to ensuring an effective Board and a successful company. The Company's policy on diversity is set out in the Remuneration and Nomination Committee report on pages 52 and 53.

Market Abuse Regulation

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

AIFMD

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

AIFM remuneration

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

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

MiFID II

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

Non-mainstream pooled investments

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

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

Significant voting rights

Details of shareholders with notifiable interests in the voting rights of the Company can be found in the Directors' report on page 60.

Amendment to the Articles of Association

Subject to the provisions of the Law and the Company's Articles, the Company's Articles can be amended by special shareholder resolution.

LEADERSHIP CORPORATE GOVERNANCE STATEMENT CONTINUED

During the year the Board provided oversight in respect of ten new investments, approved the issue of 51.5 million C shares and 12.4 million ordinary shares, and an extension to the Company's revolving credit facility.

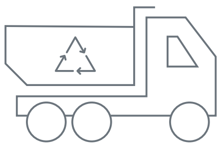
2018

February

— £11.2 million loan secured against UK residential property.

March

— £4.6 million loan secured against an operational battery storage facility in the UK.



April

— Approval of the conversion of 75,000,000 C shares into 73,403,850 new ordinary shares, in line with the prospectus dated 25 September 2017.

— Approval and publication of the Company's annual report and financial statements for the year ended 31 December 2017.

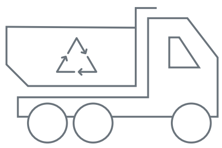
— Further drawdown of £3.8 million on a loan secured against UK residential property.

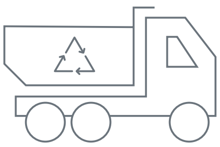
— £2.1 million asset backed lending loan against two grid entry units for anaerobic digestion plants in the UK.

June

— £3.3 million loan secured against contracted solar O&M revenue in the UK.

— Annual General Meeting.



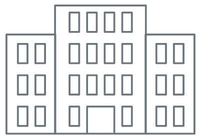


July
- Annual due diligence visit to the offices of the Investment Manager.
- Declaration of a special dividend of 0.25 pence per ordinary share in addition to the quarterly dividend, which was paid on 3 September 2018.
- Two loans of up to £9.3 million against the purchase of a new battery storage facility in the UK.

August
- Approval of borrowing arrangements with RBSI to increase the Company's existing £15 million revolving credit facility by a further £15 million. For further details on the Company's borrowing arrangements refer to note 15 to the financial statements.

September
- Approval and publication of a prospectus in respect of a fully pre-emptive offer of C shares.
- Approval and publication of the Company's half-yearly report and financial statements for the period ended 30 June 2018.

October
- Approval and issuance of 51,500,000 C shares, raising gross proceeds of £51,500,000.



December
- £3.0 million loan against UK property development assets.
- £14.8 million loan against a new student accommodation development in the UK.
- £4.0 million loan against a housing development in the UK.
- Completion of an external Board evaluation by Stephenson. Further information on the Board evaluation process is set out on page 52.
- Expansion of the Audit Committee into an Audit and Risk Committee.
- Approval and issuance of 12,440,190 ordinary shares, raising gross proceeds of £13.0 million, following a placing.
- Approval of the conversion of 51,500,000 C shares into 50,239,795 new ordinary shares, in line with the prospectus dated 7 September 2018.

2019

EFFECTIVENESS CORPORATE GOVERNANCE STATEMENT

Performance evaluation

During the year, the Company engaged Stephenson, a specialist consultancy firm independent of the Company and its Investment Manager, to carry out an independent review of the performance and effectiveness of the Board. Stephenson met with each Director to assess the performance of the individual Directors, the Chairman and the Board as a whole, and to assess the effectiveness of the Company's committees.

The results of the performance evaluation process were reported to, and discussed, by both the Remuneration and Nomination Committee and the Board in January 2019. Further details can be found in the Remuneration and Nomination Committee report on page 52.

Independence of the Directors

The Directors' conflicts of interest are detailed in note 21.

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

Appointment of Directors

The Board's policy regarding tenure of service is detailed in the Remuneration and Nomination Committee report on page 53.

The Board ensures that it has the appropriate balance of skills, experience, knowledge and independence in order to remain effective. Biographical details of the Directors are shown on pages 38 and 39.

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

Conflicts of interest

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

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

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

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

Further details of the Directors' conflicts of interest can be found in note 21 on page 94.

Key service providers other than the Investment Manager

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

Insurance and indemnity provisions

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

Relations with shareholders

Further information regarding the Company's relations with shareholders is set out on pages 57 and 58. Further information about the significant shareholders in the Company is set out on page 60.

Internal controls assessment process

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

- credit risk (borrower default, loan non-performance and collateral risks);
- economic risk (property and valuation risk);
- key resource risk (reliance on key personnel at the Investment Manager);
- regulatory risk (change in laws, regulation and/or policy); and
- execution risk (reinvestment risk and the availability of suitable investments).

Financial risk (sufficiency of due diligence) is no longer considered by the Board to be a principal risk. Refer to page 35 for further information.

ACCOUNTABILITY AUDIT AND RISK COMMITTEE REPORT

I am pleased to present the Audit and Risk Committee report for the year ended 31 December 2018.

Colin Huelin FCA
Chair of the Audit and Risk Committee

Summary

The committee operates within clearly defined terms of reference, a copy of which is available on the Company's website or upon request from the Company Secretary. The terms of reference require the committee to monitor the Company's financial reporting, internal controls, risk management and external audit process. In December 2018, the committee reviewed its terms of reference and approved changes to enhance its compliance with the AIC Code and to extend the scope of its activities to include risk management.

It is planned to establish a separate risk committee during 2019 to satisfy the recommendation of the 2018 independent performance evaluation as set out on page 52.

The committee is responsible for making recommendations to the Board in respect of the appointment and re-appointment of the Auditor and the Auditor's plan for the year.

Composition

At 31 December 2018, the committee comprised all three of the Company's independent Directors. In light of the size and nature of the Company, and the fact that there are three independent Directors, the Board believes it is appropriate for the Chairman of the Board to continue as a member of the Audit and Risk Committee.

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

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

The committee formally met four times during the year ended 31 December 2018. Details of attendance at meetings held during the year under review are set out on page 45.

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

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

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

The Directors engaged with a third party to perform an independent evaluation which included a review of the Audit and Risk Committee. The results are explained in the Remuneration and Nomination Committee report on page 52.

Financial reporting

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

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

ACCOUNTABILITY AUDIT AND RISK COMMITTEE REPORT CONTINUED

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

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

- reviewing the principal risks facing the Company and updating the Company's risk register, including the likelihood and impact of each risk and the residual value after mitigating controls;
- reviewing the effectiveness of the internal control environment of the Company and the Company's compliance with its regulatory requirements;
- reviewing and recommending to the Board significant accounting matters and accounting disclosures in the half-yearly and annual financial statements of the Company including matters of judgement in relation to valuation. This year, the areas examined include the discount rates applied in the valuation process, and the performance of the investments. The committee discussed these matters with the Valuation Agent and the Auditor, including the Auditor's valuation specialist; and
- overseeing the Company's relations with its Auditor including assessing the conduct and effectiveness of the audit process and the Auditor's independence and objectivity and recommending the Auditor's re-appointment.

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

Significant issues considered

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

Valuation of investments

As outlined in note 12, the total carrying value of financial assets at fair value at 31 December 2018 was £378.4 million. Market quotations are not available for these financial assets such that their valuation is undertaken using a discounted cash flow methodology. This requires a series of material judgements and estimates to be made, as further explained in note 19.

During the year, the Valuation Agent performed quarterly financial asset valuations and provided quarterly valuation reports to the Company. The fair value of the financial assets was discussed with the Investment Manager at each quarterly Board meeting. The committee discussed with the Valuation Agent their views of the market and relevant discount rates of individual investments in the portfolio as part of the half-year and year-end valuation process in July 2018 and January 2019.

In December 2018, the committee met with the Auditor to review and agree their plan for the audit of the financial statements and in particular their approach on the valuation. Following discussions with the Auditor in March 2019 regarding the findings and conclusion of their audit, the committee concluded that the methodology adopted was appropriate and in accordance with the terms of engagement of the Valuation Agent.

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

The discount rate assumptions and the sensitivity of the valuation of the investments to this discount rate are disclosed in note 19.4.

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

Performance of investments

The Board discusses with the Investment Manager the performance of individual investments within the portfolio each quarter. As explained in the Investment Manager's report, there have been two investments subject to upward revaluations as a result of discount rate changes during the year and three investments having been uplifted as a result of inflation. In particular, the committee considered in detail the reductions of the discount rate applied to these assets. The Valuation Agent explained this was principally as a consequence of a reduction in yields for similar assets in the wider market. No assets were revalued downwards during the year.

Accounting policies, narrative reporting, critical accounting estimates and key judgements

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

Going concern and viability statement

The committee considered the Investment Manager's forecasts of cash flows and net debt as well as the financing facilities available to the Company. Following this review and a discussion of the sensitivities, the committee confirmed that it continues to be appropriate to follow the going concern basis of accounting in the annual report and financial statements.

Further detail on the basis of the going concern assessment and viability by the Directors is set out on page 35 of the strategic report.

External audit

Mr Karl Hairon is the partner from PwC responsible for the audit. Mr Hairon and PwC were first appointed by the Company in September 2015.

In March 2019, the Auditor explained the results of their audit and that on the basis of their audit work, there were no adjustments proposed that were material in the context of the financial statements as a whole.

To fulfil its responsibility regarding the independence of the Auditor, the Audit and Risk Committee considered:

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

During the year, PwC provided non-audit related services in relation to the review of the half-yearly report. At a committee meeting in December 2018, PwC confirmed that this had not impacted their independence and outlined the reasons for this. The committee considered this and is satisfied that these non-audit related services had no bearing on the independence of the Auditor.

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

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

Following this review, the Audit and Risk Committee has recommended the re-appointment of PwC as the Company's Auditor at the 2019 AGM.

In order to maintain independence, the Board appointed BDO LLP as reporting accountant of the Company on 25 September 2017. Since BDO's appointment, no non-audit related services have been carried out by PwC, with the exception of the review of the half-yearly report. During the year, BDO provided reporting accountant services in respect of the C share issue in October 2018 and the conversion of C shares into new ordinary shares in April 2018 and December 2018.

The following table summarises the remuneration paid to PwC for audit and non-audit related services during the year ended 31 December 2018:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Audit fees		
Annual audit of the Company	**59**	55
Non-audit services		
Review of half-yearly report	**15**	15
Reporting accountant services – issuance of C shares	**—**	45
C share conversion	**—**	4
	15	64
Total	**74**	119

Risk management

During the year, the committee:

- met with the Investment Manager to conduct a review of the principal risks facing the Company, and to update the Company's risk register;
- met with the Investment Manager to review:
  - how the principal uncertainty of Brexit may impact the Company;
  - the results of the Investment Manager's stress tests for the purpose of the viability statement (on page 35) having confirmed that the assumptions applied were in accordance with those previously approved by the Board;
  - the rationale for selecting the duration of five years for the viability period; and
- considered the presentation of risk-related matters in the annual report and financial statements, to include the appropriateness of the financial risk disclosures in note 19.3.

Colin Huelin FCA
Chair of the Audit and Risk Committee

28 March 2019

REMUNERATION

REMUNERATION AND NOMINATION COMMITTEE REPORT

I am pleased to present the Remuneration and Nomination Committee report for the year ended 31 December 2018.

Joanna Dentskevich
Chair of the Remuneration and Nomination Committee

Committee report

Due to the size of the Board, the Remuneration and Nomination Committee currently comprises all Directors of the Company. The committee met twice during the year. Attendance at those meetings is shown on page 45. The main duties of the Remuneration and Nomination Committee are to:

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

Performance evaluation

During the year, the committee engaged Stephenson to carry out an independent review of the performance and effectiveness of the Board.

The review considered the current composition and diversity of the Board, succession planning, committee structures and remuneration. The review concluded with two actionable recommendations. Firstly, to consider appointing a fourth director, ideally a UK resident with board level sales and marketing experience gained in an investment management environment, and secondly to restructure the Audit and Risk Committee into two committees, with Colin Huelin chairing the Audit Committee and Joanna Dentskevich chairing a newly formed Risk Committee. The Directors approved the recommendations with a view to have both in place during the first half of 2019.

Board appointments and diversity

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

Board diversity, including, but not limited to, gender, professional and industry specific knowledge and expertise, understanding of geographic markets and different cultures, is taken into account when evaluating the skills, knowledge and experience desirable to fill vacancies on the Board as and when they arise. Board appointments are made based on merit, calibre and fit, with the most appropriate candidate, being nominated for appointment and as a result of this, no measurable targets in relation to Board diversity have been set.

The committee believes the Directors provide, individually and collectively, the breadth of skill and experience to manage the Company, which was confirmed by the independent review.

Succession planning and tenure of service

During the year, the committee reviewed its policy on tenure to reflect the recommendation of the AIC Code for FTSE 350 companies, although the Company currently does not fall into this category, regarding annual re-election of directors.

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

In accordance with the Articles, at each AGM of the Company one-third of the Directors shall retire from office, being the Directors who, at the date of the notice of the meeting, have been longest in office since their last appointment or re-appointment. Additionally, any Director who has been in office for three years or more since their appointment or their last re-appointment or who would have held office at not less than three consecutive AGMs of the Company without retiring, shall also retire from office. Beyond these requirements, the Board has agreed a policy whereby all Directors will seek annual re-election at the Company's AGM. Any Director not re-elected would resign in accordance with Jersey regulatory requirements.

Accordingly, resolutions for the re-election of all three Directors will be proposed at the forthcoming AGM.

The committee is also obliged to consider succession planning with particular attention paid to the challenges and opportunities facing the Company. Given that all three Directors were appointed in September 2015, the Directors consider that there is no imminent requirement to consider succession planning.

Joanna Dentskevich
Chair of the Remuneration and Nomination Committee

28 March 2019

REMUNERATION DIRECTORS' REMUNERATION REPORT

The Directors are pleased to present their report on remuneration for the year ended 31 December 2018.

The annual report on remuneration provides details on remuneration in the year. Although it is not a requirement under Companies Law to have the annual report on remuneration or the Directors' remuneration policy approved by shareholders, the Board believes that as a company whose shares are listed on the LSE, it is good practice for it to do so. The Directors' remuneration policy will be put to shareholder vote at least once every three years and in any year if there is to be a change in the Directors' policy. Accordingly, resolutions to approve the annual report on remuneration and the Directors' remuneration policy will be proposed at the forthcoming AGM.

Voting at AGM

The Directors' remuneration report for the year ended 31 December 2017 was approved by shareholders at the AGM held on 6 June 2018. The votes cast by proxy were as follows:

	Directors' remuneration report	
	Number of votes cast	% of votes cast
For	127,858,984	99.99
Against	4,750	0.01
At Chairman's discretion	—	0.00
Total votes cast	127,863,734	100
Number of votes withheld	—	—

Performance of the Company

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Manager through the investment management agreement, as referred to in note 21 on page 95.

The tables below illustrate the total shareholder return for a holding in the Company's shares as compared to the FTSE All-Share. The Company considers this to be an appropriate index against which to measure the Company's performance, in the absence of a meaningful benchmark index.

Cumulative performance to 31 December 2018

Period	Three months	Six months	One year	Two years	Three years	Since launch
GCP Asset Backed Income Fund Limited	(1.37%)	6.97%	9.11%	13.88%	21.48%	22.35%
FTSE All-Share	(10.22%)	(10.98%)	(9.51%)	2.35%	19.55%	18.61%

Annual performance to 31 December 2018

Period	**Year ended 31 December 2018**	Year ended 31 December 2017	Year ended 31 December 2016
GCP Asset Backed Income Fund Limited	**9.11%**	4.37%	6.68%
FTSE All-Share	**(9.51%)**	13.10%	16.81%

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

The fees paid to the Directors in the year ended 31 December 2018 are set out below. Based on the conclusion of the independent review of the Board, no changes to the fees paid to the Directors are proposed.

	Directors' fee £'000		C share issue fee £'000		Audit and Risk Committee fee £'000		Total £'000	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Alex Ohlsson	**37**	32	**5**	10	**—**	—	**42**	42
Colin Huelin	**30**	25	**5**	10	**5**	4	**40**	39
Joanna Dentskevich	**30**	25	**5**	10	**—**	—	**35**	35
Total	**97**	82	**15**	30	**5**	4	**117**	116

Directors' expenses for the year ended 31 December 2018 totalled £1,000 (31 December 2017: £2,000).

The amounts paid by the Company to the Directors were for services as non-executive Directors.

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

Fees are reviewed annually by the Remuneration and Nomination Committee in accordance with the remuneration policy. Directors' fees for the year under review were calculated based on the below:

	Total 2018 £'000	Total 2017 £'000
Chairman's fee	**37**	37
Director fee	**30**	30
Additional fee for chair of Audit and Risk Committee	**5**	5
Additional fee for C share issue	**5**	5

The independent review of the Board concluded that the current fee levels paid to the Directors were equitable and in line with market rates.

The table below sets out the Directors' fees for the Company in respect of the period ended 31 December 2018 as a relative proportion of the Company's total expenses for the year:

	31 December 2018	31 December 2017
Percentage of expenses	**2.8%**	3.9%

Directors' interests

These is no requirement under the Company's Articles for Directors to hold shares in the Company. At 31 December 2018, the interests of the Directors in the ordinary shares of the Company are set out below[1]:

	31 December 2018 Number of shares	31 December 2017 Number of shares
Alex Ohlsson	**50,000**	50,000
Colin Huelin	**34,142**	19,900
Joanna Dentskevich	**39,800**	39,800

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

There have been no changes to any of the above holdings between 31 December 2018 and the date of this report.

REMUNERATION DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' remuneration policy

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

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

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

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

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

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

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

The Directors' remuneration policy will be put forward for shareholder approval at the 2019 AGM.

Approval

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

Joanna Dentskevich
Chair of the Remuneration and Nomination Committee

28 March 2019

RELATIONS WITH SHAREHOLDERS

Dialogue with shareholders

The Board recognises the importance of maintaining a purposeful relationship with shareholders. The Company, primarily through its Investment Manager and Broker, engages in ongoing communication with its shareholders via market interactions and shareholder, analyst and marketing presentations. During the year, the chair of the Audit and Risk Committee also attended a number of shareholder meetings. The Board encourages shareholders to attend and vote at general meetings of the Company in order that they may discuss governance and strategy and to understand shareholders' issues and concerns. The Chairman of the Board and the chair of each of the committees attend general meetings of the Company to answer any questions posed by the shareholders.

Further dialogue with shareholders is achieved through the annual and half-yearly reports, news releases via the LSE and the Company's website. Further details are given below.

In the annual report and financial statements, the Directors seek to provide shareholders with information in sufficient detail to allow them to obtain a reasonable understanding of recent developments affecting the business and the prospects for the Company in the year ahead. The strategic report on pages 8 to 35 provides further information. Communication of up-to-date information is provided through the Company's website.

The shareholders may contact the Board by writing to the Company Secretary.

Investor publications

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

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

The Company's annual report is despatched to shareholders who elect to receive statutory documentation and information by post. Electronic copies of the annual report and half-yearly report are also available to download from the Company's website.

RELATIONS WITH SHAREHOLDERS CONTINUED

2018 Annual General Meeting

The 2018 AGM of the Company was held on 6 June 2018. Resolutions 1 to 8 related to ordinary business. Resolutions 9 and 10 related to special business as follows:

- to authorise the Company to purchase its own shares; and
- to amend the Company's Articles to make changes which are set out in the 2018 notice of AGM, a copy of which is available on the Company's website.

All resolutions put to the AGM were passed.

2019 Annual General Meeting

The 2019 AGM will be held on 23 May 2019 at the registered office of the Company: 12 Castle Street, St Helier, Jersey JE2 3RT.

A separate notice convening the AGM will be distributed to shareholders with the annual report and financial statements on or around 10 April 2019, which includes an explanation of the items of business to be considered at the meeting. A copy of the notice will also be published on the Company's website.

Statement of voting at general meeting

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where a significant proportion of votes have been cast against a resolution at the AGM, the Company will consider what, if any, actions it intends to take going forward, including holding discussions with shareholders. For these purposes, the AIC Code and the Investment Association consider 20% or more of votes cast against a resolution as being 'significant'.

PIRC is a proxy adviser which publishes voting recommendations for its clients in respect of listed issuers, including the Company. PIRC consider 10% (rather than 20%) or more of votes cast against a resolution as being significant. The Board notes that votes representing 13.74% of total votes cast were received against the resolution to approve the re-appointment of the Auditor at the AGM in 2018. Accordingly, the Company has sought feedback from the shareholder who voted against the resolution and understands the vote cast against the resolution was made following commentary provided to the shareholder by PIRC. In its voting recommendations for the AGM of the Company in 2018, PIRC published an 'abstain' recommendation in connection with the resolution to re-appoint PwC, noting concerns about the independence of PwC due to the then level of non-audit fees paid to them.

These concerns were addressed by the Board through the appointment of BDO LLP for the provision of reporting accountant services (refer to page 52 for further information). The current appointment of PwC is compliant with all existing relevant regulations and the Board and the Audit and Risk Committee agree that the Auditor remains independent.

At the last AGM, 99.99% of total votes cast were received in favour of the resolution to approve the Directors' remuneration report.

DIRECTORS' REPORT

The corporate governance statement set out on pages 42 to 48 forms part of this report.

Principal activity and business review

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

Directors

The Directors in office during the year and at 31 December 2018 are listed on pages 38 and 39.

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

Directors' interests

At the year end, none of the Directors or any persons connected with them have had a material interest in the Company's transactions or agreements during the period, other than those disclosed in note 21.

Details of the ordinary shares held by the Directors at 31 December 2018 can be found in the Remuneration and Nomination Committee report on page 55.

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

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

There has been no change to the interests of each Director between 31 December 2018 and the date of this report.

Share capital

During the year, the Company:

(i) converted 75,000,000 C shares into 73,403,850 ordinary shares in April 2018;

(ii) issued 51,500,000 C shares in October 2018 (which were converted to 50,239,795 ordinary shares in December 2018);

(iii) issued 12,440,190 ordinary shares in December 2018 through a placing; and

(iv) issued in total 911,857 ordinary shares through the scrip dividend alternative.

On 13 December 2018, the Company issued 12,440,190 ordinary shares of no par value at a price of 104.50 pence per share, raising gross proceeds of £13.0 million. The placing price represented a 3% premium to the Company's last published NAV per ordinary share, as at 30 September 2018. These shares were issued on a non pre-emptive basis and made pursuant to the exemptions to publishing a prospectus set out in the prospectus rules. The shares were issued to institutional investors and professionally advised private investors and were admitted to the Official List of the FCA and admitted to trading on the premium segment of the Main Market of the LSE.

Details of the movements in share capital during the period are set out in the statement of changes in equity on page 70 and in note 18.

At 31 December 2018, the Company's issued share capital comprised 379,962,298 ordinary shares of no par value, none of which were held in treasury. At general meetings of the Company, every ordinary shareholder shall have one vote in respect of every ordinary share and every C shareholder, if any, shall have one vote in respect of every C share.

Share repurchases

No shares have been bought back in the year. The latest authority to purchase ordinary shares for cancellation was granted to the Directors on 6 June 2018 and expires on the date of the next AGM. The Directors are proposing that their authority to buy back shares be renewed at the forthcoming 2019 AGM.

Treasury shares

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

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

Since July 2017, issuers, including the Company, have been permitted to issue up to 20% (previously 10%) of a class of share that is already in issue without being obliged to publish a prospectus document, subject to certain restrictions regarding public offerings. On 28 September 2015 the Company passed ordinary and special resolutions authorising the Directors to allot up to 300 million ordinary shares and 300 million C shares on a non-pre-emptive basis. These authorities will expire at the 2019 AGM. Accordingly, the Company will be seeking shareholder approval at general meetings of the Company in May 2019 in respect of the disapplication of pre-emption rights over 20% of its ordinary shares in issue which it may then be able to issue by way of placings. This is expected to achieve cost savings for the Company in respect of prospectus documentation, whilst continuing to provide it with the ability to take advantage of investment opportunities as they arise and further broaden its investor base over time.

Dividends

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

The annual scrip dividend circular for the financial year ended 31 December 2019, containing all relevant information for shareholders, including an expected timetable for the quarterly scrip dividends, will be published on the Company's website on or around 24 April 2019.

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

As the last dividend in respect of any financial period is payable prior to the relevant AGM, it is declared as an interim dividend and, accordingly, there is no final dividend payable. The Board is conscious that this means that shareholders will not be given the opportunity to vote on the payment of a final dividend. Accordingly, it has been decided that shareholders will be asked to confirm their approval of the Company's dividend policy, detailed on page 9.

DIRECTORS' REPORT CONTINUED

Significant voting rights

At 31 December 2018, the Company had been informed of the following holdings representing more than 3% of the voting rights of the Company:

Name	Shares held	Percentage of total voting rights
CCLA Investment Management	36,240,898	9.54%
Close Asset Management	29,561,925	7.78%
Premier Fund Managers Limited	26,657,974	7.02%
BMO Global Asset Management	15,726,335	4.14%
West Yorkshire Pension Fund	15,421,098	4.06%
Valu-Trac Investment Management	13,794,050	3.63%
EFG Harris Allday	12,566,864	3.31%
Brooks MacDonald Asset Management	11,710,234	3.08%
Investec Wealth & Investment	11,478,563	3.02%

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

The following changes have been notified to the Company between 31 December 2018 and the date of this report:

Name	Shares held	Percentage of total voting rights
Premier Fund Managers Limited	22,578,431	5.94%

Political donations

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

Auditor

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

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

Financial risk management

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

On behalf of the Board

Alex Ohlsson
Chairman

28 March 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the annual report and financial statements

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

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

The Directors are required to:

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

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

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

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

Directors' responsibility statement

In accordance with the FCA's DTRs, each of the Directors, whose names are set out on pages 38 and 39 confirms that to the best of his or her knowledge:

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

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

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

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

On behalf of the Board

Alex Ohlsson
Chairman

28 March 2019

FINANCIAL STATEMENTS

WHAT'S IN THIS SECTION

Oakleaf recycling plant

INDEPENDENT AUDITOR'S REPORT

To the members of GCP Asset Backed Income Fund Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of GCP Asset Backed Income Fund Limited (the "Company") as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The Company's financial statements comprise:

— the statement of financial position as at 31 December 2018;

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

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

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

— the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

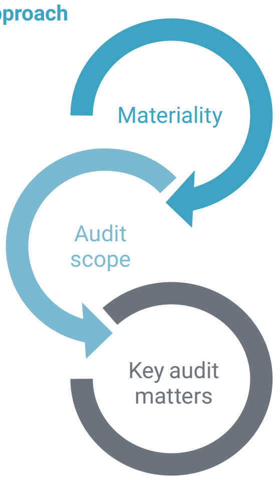
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Materiality

— Overall materiality was £9.6 million which represents 2.5% of net assets.

Audit scope

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

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

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

Key audit matters

— Valuation of investments in the Subsidiary

— Acquisition of investments in the Subsidiary

Audit scope

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

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Overall Company materiality

£9.6 million (31 December 2017: £5 million)

How we determined it

2.5% of net assets

Rationale for the materiality benchmark

We believe that net assets is the most appropriate benchmark because this is the key metric of interest to investors. It is also a generally accepted measure used for companies in this industry.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above 5% of overall materiality, being £483,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
Valuation of investments in the Subsidiary **Refer to Audit and Risk Committee Report, note 12 and 19 to the financial statements.** The valuation of investments in the Subsidiary drives a number of key performance indicators, such as Net Asset Value, which is of significant interest to investors and the market. The fair value of the investment in the Subsidiary is derived from the fair value of the underlying loans to the end borrower. The valuations are performed using contractual cash flows generated by each loan facility over a medium to long-term period and by selecting key assumptions such as the discount rate and macroeconomic assumptions such as inflation, interest and tax rates. The nature of the discounted cash flow ("DCF") is inherently subjective due to key assumptions used for the discount rate and the amount or timing of cash flows supporting the interest and capital repayments on debt positions held. The existence of significant estimation uncertainty, coupled with the fact that small percentage differences in assumptions to the valuations when aggregated could result in material misstatement, are the reasons for our specific audit focus and attention to this area.	Our audit procedures with respect to the valuation of underlying loans included, understanding the controls over the process and approval of the valuation. We evaluated the competency of the Company's external Valuation Agent in the context of their ability to generate a reliable estimate of the fair value, by assessing their professional qualifications, experience and independence from the Company. We held discussions with the external valuation expert and considered if findings are consistent with the results of the audit work we performed. We communicated directly with the Investment Manager to understand the monitoring process of the borrowers' payments and financial performance, in identifying circumstances that can materially impact the recoverability of the contractual cash flows. We agreed a sample of the contractual cash flows used in the DCF to the contractual payment schedule of the loan facility agreements and checked the mathematical accuracy of the DCF calculation. We challenged the assumptions used in the valuations model. We considered the adequacy of the Company's disclosures in respect of the fair value of the unlisted investments, specifically the estimates and judgements taken by the Company in arriving at the fair value of the unlisted investments. We also considered the disclosure of the degree of sensitivity when a reasonably possible change in a key assumption could give rise to a change in the fair value of the unlisted investments. We engaged valuation experts from PwC London to assess the reasonableness of the methodology applied by management's expert with regards to a sample of investments and assessed the reasonableness of key assumptions used. Based on the above procedures and the audit of the subsidiary we found the fair values adopted by the Company and the disclosures to be appropriate and the assumptions used to be supportable and within a reasonable range.
Acquisition of investments by the Subsidiary **Note 12 to the financial statements.** During the year, the Company has acquired new Secured Loan Notes to the value of £129.2 million through the Subsidiary. The acquisition of the new Secured Loan Notes was the most prominent investment activity for the Company during the year and represents a significant balance on the statement of financial position, and as a result was an areas of audit focus.	Our audit procedures with respect to the acquisition of the new underlying loans included understanding the controls over the process and approval of the new loan notes. For a sample of new Secured Loan Notes advanced during the year, we tested the movement to facility agreements, loan note certificates and cash payments. For a sample of Secured Loan Notes repaid during the year, we tested the movement to facility agreements and cash payments. We tested the existence of the loans to independent confirmations from the entities to which the loan has been advanced to confirm the outstanding balance at year end. Based on the above procedure, no differences were identified by our testing which required reporting to those charged with governance.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the members of GCP Asset Backed Income Fund Limited

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements but does not include the financial statements and our Auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Jersey Law and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

Report on other legal and regulatory requirements

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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

- the Directors' statement set out on page 61 in relation to going concern. As noted in the directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern;
- the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the Directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review.

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

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

28 March 2019

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**Year ended 31 December 2018 £'000**	Year ended 31 December 2017 £'000
Income			
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	3	**26,506**	18,136
Fee income	3	**541**	556
Deposit interest income		**11**	29
Total income		**27,058**	18,721
Expenses			
Investment management fees	21	**(2,896)**	(1,953)
Directors' remuneration	6	**(103)**	(103)
Operating expenses	4	**(1,217)**	(969)
Total expenses		**(4,216)**	(3,025)
Total operating profit before finance costs		**22,842**	15,696
Finance costs			
Finance income	7	**787**	1,705
Finance expense	8	**(1,992)**	(3,385)
Total finance costs		**(1,205)**	(1,680)
Total profit and comprehensive income		**21,637**	14,016
Basic earnings per share (pence)	11	**7.27**	7.10
Diluted earnings per share (pence)	11	**6.54**	5.61

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

The accompanying notes on pages 72 to 96 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	At 31 December 2018 £'000	At 31 December 2017 £'000
Assets			
Financial assets at fair value through profit or loss	12	**378,350**	261,751
Other receivables and prepayments	13	**1,796**	521
Derivative financial instruments	19	**33**	–
Cash and cash equivalents	14	**9,206**	61,094
Total assets		**389,385**	323,366
Liabilities			
Liability in respect of C share issue	16	**–**	(73,980)
Other payables and accrued expenses	17	**(2,795)**	(4,335)
Derivative financial instruments	19	**–**	(16)
Total liabilities		**(2,795)**	(78,331)
Net assets		**386,590**	245,035
Equity			
Share capital	18	**380,235**	241,326
Retained earnings		**6,355**	3,709
Total equity		**386,590**	245,035
Ordinary shares in issue	18	**379,962,298**	242,966,606
NAV per ordinary share (pence per share)		**101.74**	100.85

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2019 and signed on its behalf by:

Alex Ohlsson
Chairman

Colin Huelin
Director

The accompanying notes on pages 72 to 96 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Notes	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018		**241,326**	**3,709**	**245,035**
Total profit and comprehensive income for the year		**–**	**21,637**	**21,637**
Equity shares issued	18	**139,151**	**–**	**139,151**
Share issue costs	18	**(242)**	**–**	**(242)**
Dividends paid	10	**–**	**(18,991)**	**(18,991)**
Balance at 31 December 2018		**380,235**	**6,355**	**386,590**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

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

The accompanying notes on pages 72 to 96 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Cash flows from operating activities		
Total operating profit before finance costs	**22,842**	15,696
Net changes in fair value of financial asset at fair value through profit or loss	**(26,506)**	(18,136)
Realised losses on forward foreign exchange contracts	**(106)**	(88)
Increase in other payables and accrued expenses	**410**	306
Increase in other receivables and prepayments	**(1,187)**	(137)
Interest received from Subsidiary	**22,656**	16,576
Investment in Subsidiary	**(130,605)**	(104,907)
Capital repayments from Subsidiary	**16,041**	6,269
Net cash flow used in operating activities	**(96,455)**	(84,421)
Cash flows from financing activities		
Proceeds from interest bearing loans and borrowings	**14,000**	14,800
Repayment of interest bearing loans and borrowings	**(14,000)**	(14,800)
Proceeds from issue of ordinary shares	**13,000**	—
Share issue costs	**(231)**	(3,023)
Proceeds from issues of C shares	**51,500**	154,250
Finance costs paid	**(1,652)**	(434)
Dividends paid	**(18,050)**	(12,097)
Net cash flow generated from financing activities	**44,567**	138,696
Net (decrease)/increase in cash and cash equivalents	**(51,888)**	54,275
Cash and cash equivalents at beginning of the year	**61,094**	6,819
Cash and cash equivalents at end of the year	**9,206**	61,094
Net cash flow used in operating activities includes:		
Interest received from deposits	**11**	29
Interest received from Subsidiary	**22,656**	16,576
Non-cash items:		
Purchase of financial assets: indexation	**(504)**	(325)
Interest received from Subsidiary	**504**	325
Scrip dividend	**(941)**	(187)
Equity issue in respect of scrip dividend	**941**	187

The accompanying notes on pages 72 to 96 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. General information

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

The Company is a closed-ended investment company incorporated under the laws of Jersey. The ordinary and the C shares (whilst 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, which are listed on the TISE. The Subsidiary subsequently on-lends the funds to borrowers. The wholly owned Subsidiary is GABI UK, incorporated in England and Wales on 23 October 2015 (registration number 9838893), and together with its subsidiary, GABI GS, and the Company comprises the Group. 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 primarily be in the form of medium to long-term fixed or floating rate loans which are secured against cash flows and/or physical assets which are predominantly UK based.

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

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

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

At 31 December 2018, the Company had one (31 December 2017: one) wholly owned subsidiary, GABI UK. GABI GS is a wholly owned subsidiary of GABI UK and was incorporated in England and Wales on 4 January 2017 (registration number 10546087) and is indirectly owned by the Company. The registered office address for GABI UK and GABI GS is 24 Savile Row, London W1S 2ES.

GABI GS has been set up to hold Class A shares, as security, for a loan issued to an underlying borrower. This is intended to isolate the holding of shares as security (and any associated liabilities under the shareholder agreements associated with such shares from the Company). The Class A shares carry no economic or voting rights except in the event of default under the loan. In the event of default by the underlying borrower, the Class A shares become effective whereby GABI GS is entitled to control voting rights over the underlying borrower.

2. Significant accounting policies

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

2.1 Basis of preparation

The annual report and financial statements for the year ended 31 December 2018 have been prepared on a going concern basis and in conformity with IFRS, which include standards and interpretations approved by the IASB, and as applied in accordance with the Companies Law.

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

The 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. Refer to note 16 for further details.

New standards, amendments and interpretations adopted in the year

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

— IFRS 9 Financial Instruments; and

— IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards is set out below:

IFRS 9 Financial Instruments

Nature of change

IFRS 9 became effective for accounting periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets, and replaces the multiple classification and measurement models in IAS 39.

Impact

Financial assets such as 'investment in the Subsidiary' and 'derivative financial instruments' are measured at fair value. These financial assets (financial liabilities in the case of 'derivative financial instruments' when their fair value measurement at year end results in an unrealised loss) are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Company. This classification is still relevant under the new standard. Therefore there is no impact on the accounting for these financial assets and liabilities at fair value through profit or loss. The interest bearing loans and borrowings and other receivables and prepayments are accounted for at amortised cost and meet the criteria for classification at amortised cost under IFRS 9, hence there has been no change in the accounting for these assets and liabilities.

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as was the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. There was no material impact on adoption from the application of the new impairment model.

IFRS 15 Revenue from Contracts with Customers

Nature of change

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

Impact

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

- IFRS 15 has no impact on the recognition of bank interest income;
- fee income is recognised when amounts are due. Therefore, IFRS 15 has no impact on the recognition of fee income; and
- due to the current application of IFRS 9, the recognition and measurement of interest income received and changes in the fair value of the investments do not fall within the scope of IFRS 15; as such, the changes in this standard do not have a material impact on net changes in fair value of financial assets at fair value through profit or loss (which comprises the aforementioned).

Both standards outlined above have been applied retrospectively to the comparative period. The initial adoption of the standards noted above have not had a material impact.

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

Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future, being a period of at least twelve months from the date these financial statements were approved. Furthermore, the Directors are not aware of any material uncertainties that may cast doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis. In addition to a going concern statement, the Directors have undertaken a longer-term assessment of the Company, the result of which can be seen on page 35 in the viability statement.

2.2 Significant accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

Fair value of financial instruments not quoted in an active market

The Company's investments are made by subscribing for the Secured Loan Notes issued by the Subsidiary. The Subsidiary's assets consist of investments held by the Subsidiary, which represent secured loan facilities issued to the Project Companies. The Subsidiary's assets are not quoted in an active market and therefore, the fair value is determined using a discounted cash flow methodology which requires assumptions to be made regarding future cash flows and the discount rate applied to these cash flows. The Subsidiary's investments are valued by a third-party Valuation Agent on a quarterly basis (going forward, the Company's valuation agent will be carrying out valuations on a semi-annual basis). The valuation methodology for calculating the fair value of the Subsidiary's portfolio, including the valuation techniques, key estimates and sensitivity of the fair value of the investments to discount rate assumptions is included in note 19.4. Further details of the significant inputs to the fair value calculation is included in note 19.9.

The valuation of the investment in Subsidiary is derived from the valuation of the Secured Loan Notes issued by the Subsidiary.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

2. Significant accounting policies continued

2.2 Significant accounting estimates and judgements continued

(b) Critical judgements

Assessment as an investment entity

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

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

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

The Directors have concluded that the Company continues to meet the 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 21;
- invests in a portfolio of investments held by the Subsidiary for the purpose 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 is evaluated on a fair value basis.

In accordance with criteria set out in IFRS 10, the Company's investment in the Subsidiary is measured at fair value through profit or loss rather than consolidated. The investment that the Company holds in the Subsidiary is valued based on the NAV of the Subsidiary.

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 32.11(b)) therefore meet the definition of a financial liability, and are classified as such while 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 financial statements.

The C shares have historically traded at a premium to NAV, as was the case during the current year and at the prior year end, which when taken into account in a fair valuation is higher than the value of the assets held in the C share pool. All assets and liabilities, in addition to the results for the year, attributable to the C share pool are aggregated with the ordinary share pool. If the C shares were to be fair valued, the corresponding C share liability on the statement of financial position would not equal that of the sum of the assets and liabilities, creating an accounting mismatch, which would reduce net assets and create an artificial loss in fair value. When in issue, the amortised cost value of the C share pool equates to the NAV of the C shares, which the Directors consider is the most appropriate way to disclose the liability within the financial statements. See note 16 for further information.

Functional and presentation currency

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

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

Segmental information

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

Significant shareholders are disclosed in the Directors' report on page 60.

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:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Loan interest realised[1]	**23,149**	16,953
Unrealised gain on investments at fair value through profit or loss	**3,413**	1,243
Realised gain on investments at fair value through profit or loss[2]	**–**	44
Unrealised gain on forward foreign exchange contracts	**50**	–
Unrealised loss on forward foreign exchange contracts	**–**	(16)
Realised loss on forward foreign exchange contracts	**(106)**	(88)
Total	**26,506**	18,136

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

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Arrangement fee income	**431**	397
Commitment fee income	**5**	21
Early repayment fees	**105**	138
Total	**541**	556

Accounting policy

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

Net movements in fair value of financial assets at fair value through profit or loss includes changes in the fair value of the investment in the Subsidiary held at fair value through profit or loss.

Arrangement fee income comprises fees relating to the issue and set up of Secured Loan Notes. The Investment Manager, at its discretion, is entitled to an arrangement fee of up to 1% of the value of each investment made by the Group. The Investment Manager expects the costs of any such fee to be covered by the borrowers, and not the Company. To date, such fee has been met by the borrowers and had been paid in respect of all but two of the Group's investments (refer to note 21 for further information). To the extent any arrangement fee negotiated by the Investment Manager with a borrower exceeds 1%, the benefit of any such excess is paid to the Company.

Commitment fees are accounted for on an accruals basis.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

4. Operating expenses

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Corporate administration, Depositary and Registrar fees	**580**	466
Audit fees	**59**	55
Legal and professional	**80**	63
Valuation Agent fees	**222**	185
Other	**276**	200
Total	**1,217**	969

Key service providers other than the Investment Manager (refer to note 21 for disclosures of transactions with the Investment Manager)

Administrator and Company Secretary

The Company has appointed Link Alternative Fund Services (Jersey) Limited as Administrator and Company Secretary. Fund accounting, administration and company secretarial services are provided to the Company pursuant to an agreement dated 28 September 2015. All Directors have access to the Company Secretary, who provides guidance to the Board, through the Chairman, on governance matters. The fee for the provision of administration and company secretarial services during the year was £430,000 (31 December 2017: £346,000) of which £108,000 remains payable at year end (31 December 2017: £93,000).

Depositary

Depositary services are provided to the Company by Link Corporate Services (Jersey) Limited pursuant to an agreement dated 28 September 2015. The fee for the provision of these services during the year was £101,000 (31 December 2017: £75,000) of which £28,000 remains payable at year end (31 December 2017: £23,000).

Registrar

Registrar services are provided to the Company by Link Market Services (Jersey) Limited pursuant to an agreement dated 29 September 2015. The fee for the provision of these services during the year was £49,000 (31 December 2017: £45,000) of which £11,000 remains payable at year end (31 December 2017: £9,000).

Accounting policy

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

5. Auditor's remuneration

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Audit fees		
Annual audit of the Company	**59**	55
Non-audit services		
Review of half-yearly report	**15**	15
Reporting accountant services – issuance of C shares	**–**	45
Review of the C share conversion	**–**	4
	15	64
Total	**74**	119

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

6. Directors' remuneration

The Directors of the Company were remunerated as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Alex Ohlsson	**37**	37
Colin Huelin	**35**	34
Joanna Dentskevich	**30**	30
	102	101
Directors' expenses	**1**	2
Total	**103**	103

During the prior year, the Board approved to increase the remuneration of the Directors effective from 1 October 2017 and to pay each Director an additional £5,000 per C share issue from the issue in February 2017. Additional remuneration for C share issues is included in C share issue costs. The retrospective additional fees of £15,000 applicable to the C shares issued in February 2017, which had already been converted prior to the aforementioned Board decision, have been expensed as Directors' fees during the year ended 31 December 2017, and are included in the table above.

7. Finance income

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Return on C share financial liability[1]	**–**	685
Amortisation of C share financial liability[2]	**–**	1,020
Return on C share financial liability[3]	**787**	–
Total	**787**	1,705

1. C shares issued in February 2017, converted in July 2017.
2. C shares issued in October 2017, converted in April 2018.
3. C shares issued in October 2018, converted in December 2018.

Accounting policy

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2018

8. Finance expenses

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Amortisation of C share issue costs[1]	—	1,572
Amortisation of C share issue costs[2]	—	1,440
Return on C share financial liability[2]	518	—
Amortisation of C share issue costs[3]	1,022	—
Loan arrangement fees	181	179
Loan commitment fee	156	131
Loan interest	115	63
Total	1,992	3,385

1. C shares issued in February 2017, converted in July 2017.
2. C shares issued in October 2017, converted in April 2018.
3. C shares issued in October 2018, converted in December 2018.

Accounting policy

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

Also included in finance expenses are the C share amortisation fees which are expensed in the year they occur. The C shares issued during the year (and the prior year) represent contracts for conversion into a variable number of ordinary shares and therefore the C shares are classified as liabilities under IAS 32, whilst in issue. The classification results in the amortisation of the C share issue costs being presented as finance costs in the statement of comprehensive income.

9. Taxation

Profits arising in the Company for the year ended 31 December 2018 are subject to tax at the standard rate of 0% (2017: 0%) in accordance with the Income Tax Law.

10. Dividends

Quarter ended	Dividend	Pence per share	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Current year dividends				
31 December 2018[1]	2018 fourth interim dividend	1.525	**–**	–
30 September 2018	2018 third interim dividend	1.525	**4,835**	–
30 June 2018	special dividend	0.250	**792**	–
30 June 2018	2018 second interim dividend	1.525	**4,831**	–
31 March 2018	2018 first interim dividend	1.525	**4,828**	–
Total		6.350		
Prior year dividends				
31 December 2017	2017 fourth interim dividend	1.525	**3,705**	–
30 September 2017	2017 third interim dividend	1.525	**–**	3,704
30 June 2017	2017 second interim dividend	1.500	**–**	3,642
31 March 2017	2017 first interim dividend	1.500	**–**	2,469
Total		6.050		
31 December 2016	2016 fourth interim dividend	1.500	**–**	2,469
Dividends in statement of changes in equity			**18,991**	12,284
Dividends settled in shares[2]			**(941)**	(187)
Dividends in the statement of cash flows			**18,050**	12,097

On 23 January 2019, the Company announced a fourth interim dividend of 1.525 pence per ordinary share amounting to £5,794,000 (including dividends settled in shares[2]) which was paid on 1 March 2019 to ordinary shareholders on the register at 1 February 2019.

Accounting policy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2018

11. Earnings per share

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

	Profit £'000	Weighted average number of ordinary shares	Pence per share
Year ended 31 December 2018			
Basic earnings per ordinary share	**21,637**	**297,617,066**	**7.27**
Diluted earnings per ordinary share	**21,637**	**330,685,559**	**6.54**
Year ended 31 December 2017			
Basic earnings per ordinary share	14,016	197,413,333	7.10
Diluted earnings per ordinary share	14,016	249,711,963	5.61

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

The Company's financial assets at fair value through profit or loss consist of its investment in the Subsidiary, which represents amounts advanced to finance the Group's investment portfolio and derivatives utilised for the purpose of hedging foreign currency exposure (refer to note 19.1). The Company's investment in the Subsidiary at 31 December 2018 comprised:

Debt – Secured Loan Notes up to £1,000,000,000	31 December 2018 £'000	31 December 2017 £'000
Opening balance	**261,507**	158,224
Purchase of financial assets	**129,227**	108,317
Repayment of financial assets	**(16,041)**	(6,269)
Unrealised gains on investment at fair value through profit or loss	**3,223**	1,235
Total	**377,916**[1]	261,507[1]

1. 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.

Equity – representing one ordinary share in the Subsidiary	31 December 2018 £'000	31 December 2017 £'000
Opening balance	**244**	194
Unrealised gains on investment at fair value through profit or loss	**190**	6
Realised gains on investment at fair value through profit or loss	**—**	44[2]
Total	**434**	244
Financial assets at fair value through profit or loss	**378,350**	261,751

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

The above represents a 100% interest in the Subsidiary at year end 31 December 2018 (31 December 2017: 100%).

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

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

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

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

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

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

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

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

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

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 19.9.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

13. Other receivables and prepayments

	31 December 2018 £'000	31 December 2017 £'000
Arrangement fees	**59**	55
Intercompany receivable	**101**	101
Loan arrangement fees unamortised	**290**	192
Loan interest receivable	**1,302**	52
Other income debtors	**—**	99
Prepayments	**44**	22
Total	**1,796**	521

Accounting policy

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

14. Cash and cash equivalents

	31 December 2018 £'000	31 December 2017 £'000
Cash and cash equivalents	**9,206**	5,787
Cash and cash equivalents attributable to the C share pool	**—**	55,307
Total	**9,206**	61,094

Accounting policy

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

15. Interest bearing loans and borrowings

	31 December 2018 £'000	31 December 2017 £'000
Opening balance	**—**	—
Proceeds from interest bearing loans and borrowings	**14,000**	14,800
Repayment of interest bearing loans and borrowings	**(14,000)**	(14,800)
Total	**—**	—

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

During the year, the Company drew down £2.5 million on 17 July 2018 and £11.5 million on 27 July 2018, resulting in a total amount of £14.0 million drawn down, excluding the amount drawn down as an alternative to cash cover for the open forward foreign exchange contracts. The Company repaid the balance of £14.0 million on 31 October 2018 upon the issuance of the October 2018 C shares.

On 20 August 2018, the Company entered into an agreement with RBSI to increase the existing revolving credit facility from £15 million to £30 million.

In December 2018, a utilisation request for the sum of £612,000 (31 December 2017: £734,000) was submitted to RBSI in relation to the open forward currency contract at year end. This has restricted the amount available for drawdown on the revolving credit facility to £29.4 million.

Post year end, the Company drew down £20 million on the revolving credit facility with RBSI, resulting in a total drawn amount of £20 million, excluding the amount drawn down as an alternative to cash cover for the forward foreign exchange contracts.

A total of £182,000 (2017: £178,000) of costs were amortised during the year and charged through the statement of comprehensive income.

Interest on amounts drawn under the facility is charged at LIBOR plus 2.10% per annum, reduced on 20 August 2018 from 2.75%. A commitment fee is payable on undrawn amounts at a rate of 0.84% per annum, reduced on 20 August 2018 from 1.10%.

The facility with RBSI is secured against the investment in the Subsidiary. The facility is due to terminate in August 2020.

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

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD at 31 December 2018; figures are as follows:

Leverage

Leverage exposure	Maximum limit	Actual exposure
Gross method	1.25	0.98
Commitment method	1.25	1.00

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

Leverage exposure	Gross £'000	Commitment £'000
Investments at fair value through profit or loss	378,350	378,350
Cash and cash equivalents	—	9,206
Total exposure under AIFMD	378,350	387,556
Total shareholders' funds	386,590	386,590
Leverage	0.98	1.00

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

Accounting policy

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2018

16. Financial liabilities at amortised cost: C shares

There were C shares issued during and converted prior to the year ended 31 December 2017. Further details of these C shares are disclosed in the 2017 annual report and financial statements, a copy of which is available on the Company's website.

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

C shares, whilst in issue, are classified as a financial liability in line with the accounting treatment noted in note 2.2(b).

October 2018 C share issue

On 28 September 2018, the Company announced the issue of 51,500,000 C shares in the year, at a price of 100 pence per share. The shares were admitted to the Official List of the FCA and to trading on the premium segment of the Main Market of the LSE with dealing commencing on 2 October 2018.

The issue of C shares, as noted below, converted to 50,239,795 ordinary shares on 21 December 2018. The carrying amount of the C share liability prior to the conversion constituted of:

	31 December 2018 £'000
Proceeds from issue of C shares	51,500
C share issue costs	(1,022)
Net proceeds from issue of C shares	50,478
Amortisation of C share issue costs	1,022
Return on C share financial liability	(787)
Extinguishment of C share liability on conversion to ordinary shares	(50,713)
Value of October 2018 C shares at the year end	–

Results of the October 2018 C share issue are given below:

	31 December 2018 £'000
Net changes in fair value on financial assets at fair value through profit or loss	294
Other income	149
Company expenses allocated to the C share pool	(208)
Total profit and comprehensive income attributable to the October 2018 C shares during the year	235

Prior to conversion on 21 December 2018, the C share pool was represented by the following assets and liabilities:

	31 December 2018 £'000
Financial assets held at fair value through profit or loss	47,896
Cash and cash equivalents	2,949
Other receivables and prepayments	99
Other payables and accrued expenses	(231)
Extinguishment of October 2018 C share liability on conversion to ordinary shares	50,713

October 2017 C share issue

On 12 October 2017, the Company announced the issue of 75,000,000 C shares, at a price of 100 pence per share. The shares were admitted to the Official List of the FCA and to trading on the premium segment of the Main Market of the LSE and dealing commenced on 16 October 2017.

The issue of C shares, as noted below, converted to 73,403,850 ordinary shares on 17 April 2018. The carrying amount of the C share liability prior to the conversion constituted of:

	31 December 2018 £'000	31 December 2017 £'000
Opening balance in respect of the C share liability	**73,980**	–
Proceeds from issue of C shares	**–**	75,000
C share issue costs	**–**	(1,440)
Net proceeds from issue of C shares	**–**	73,560
Amortisation of C share issue costs	**–**	1,440
Amortisation of C share financial liability	**–**	(1,020)
Return on C share financial liability	**518**	–
Extinguishment of C share liability on conversion to ordinary shares	**(74,498)**	–
Liability in respect of the C share issue at year end	**–**	73,980

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

	31 December 2018 £'000	31 December 2017 £'000
Net changes in fair value on financial assets at fair value through profit or loss	**659**	392
Other income	**92**	148
Company expenses allocated to the C share pool	**(233)**	(120)
Total profit and comprehensive income attributable to October 2017 C shares during the year	**518**	420

Prior to conversion on 17 April 2018 the C share pool was represented by the following assets and liabilities:

	31 December 2018 £'000	31 December 2017 £'000
Financial assets held at fair value through profit or loss	**56,431**	21,838
Cash and cash equivalents	**22,230**	55,307
Other receivables and prepayments	**9**	112
Other payables and accrued expenses	**(4,172)**	(3,277)
Extinguishment of October 2017 C share liability on conversion to ordinary shares	**74,498**	73,980

Accounting policy

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

The C shares convert into ordinary shares once at least 90% of all the assets representing the net proceeds (or such other percentage as the Board and Investment Manager agree upon) have been invested in accordance with the Company's investment policy or, if earlier, nine months after the date of issue of the C shares. Amendments to the timescale concerning mechanics of C shares were approved at the 2018 AGM. This amended the timescale for conversion from six months to nine months in order to provide the Company with greater flexibility in the deployment of capital raised. On conversion, each holder of C shares receives such number of ordinary shares as equals the number of C shares held multiplied by the NAV per C share and divided by the NAV per ordinary share, in each case at a date shortly prior to conversion.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

17. Other payables and accrued expenses

	31 December 2018 £'000	31 December 2017 £'000
Accruals	**446**	295
Amounts due to Subsidiary	**232**	232
Loan commitment fee accrued	**52**	131
Investment in Subsidiary[1]	**1,203**	3,085
Investment management fees	**838**	580
Share issue costs	**24**	12
Total	**2,795**	4,335

1. Amounts due to the Subsidiary for the making of investments, which represents commitments outstanding by the Subsidiary to the Project Companies.

Accounting policy

Other payables and accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method where appropriate.

18. Authorised and issued share capital

	31 December 2018		31 December 2017	
Share capital	**Number of shares**	**£'000**	Number of shares	£'000
Ordinary shares issued at no par value and fully paid				
Shares in issue at beginning of the year	**242,966,606**	**241,326**	164,612,083	162,597
Equity shares issued through:				
Placing and offer for subscription	**12,440,190**	**13,000**	–	–
Scrip dividend	**911,857**	**941**	176,934	187
Ordinary shares issued upon conversion of C shares	**123,643,645**	**125,210**	78,177,589	78,565
Total shares issued in the year	**136,995,692**	**139,151**	78,354,523	78,752
Share issue costs	**–**	**(242)**	–	(23)
Total	**379,962,298**	**380,235**	242,966,606	241,326

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

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

On 17 April 2018, the Company issued 73,403,850 new ordinary shares following the conversion of the October 2017 C share issue on the basis of a conversion ratio of 0.978718 ordinary shares for every C share held.

On 2 October 2018, the Company issued 51,500,000 C shares at 100 pence per share, which were converted into 50,239,795 ordinary shares on 21 December 2018 on the basis of a conversion ratio of 0.975530 ordinary shares for every C share held.

On 13 December 2018, the Company issued 12,440,190 ordinary shares following a placing of ordinary shares.

At 31 December 2018, the Company's issued share capital comprised 379,962,298 ordinary shares, none of which were held in treasury.

The ordinary shares carry the right to dividends out of the profits available for distribution as determined by the Board. Each holder of an ordinary share is entitled to attend meetings of shareholders and, on a poll, to one vote for each share held.

The C shares, while in issue, are classified as a financial liability. At year end there were no C shares in issue (31 December 2017: 75,000,000 C shares in issue).

Accounting policy

Upon issuance of equity shares, the consideration received is included in equity.

Transaction costs incurred by the Company in issuing, acquiring or reselling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

No gain or loss is recognised in the statement of comprehensive income in respect of the purchase, sale, issuance or cancellation of the Company's own equity instruments.

19. Financial instruments

The table below sets out the classifications of the carrying amounts of the Company's financial assets and financial liabilities into categories of financial instruments in accordance with IFRS 9. The classification of the financial assets and liabilities held by the Company under IAS 39 Financial Instruments: Recognition and Measurement remains the same as applied by IFRS 9.

	31 December 2018 £'000	31 December 2017 £'000
Financial assets		
Cash and cash equivalents	**9,206**	61,094
Other receivables and prepayments	**1,796**	521
Financial assets at amortised cost	**11,002**	61,615
Derivative financial instruments	**33**	—
Investment in the Subsidiary	**378,350**	261,751
Financial assets at fair value through profit or loss	**378,383**	261,751
Total	**389,385**	323,366
Financial liabilities		
Other payables and accrued expenses	**(2,795)**	(4,335)
Liability in respect of the C share issue	**—**	(73,980)
Financial liabilities at amortised cost	**(2,795)**	(78,315)
Derivative financial instruments	**—**	(16)
Financial liabilities at fair value through profit or loss	**—**	(16)
Total	**(2,795)**	(78,331)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

19. Financial instruments continued

19.1 Derivative financial instruments

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

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

31 December 2018	Maturity	Hedged amount	Principal amount	Fair value £'000
Contract EUR/GBP	**21 March 2019**	**€7,733,467**	**(£6,977,774)**	**33**

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

19.2 Capital management

The Company's capital is represented by share capital comprising of issued ordinary share capital and ordinary shares issued following the conversion of C shares, as detailed in note 18, as well as credit facilities, as detailed in note 15.

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

The Company may borrow up to 25% of its NAV at such time any such borrowings are drawn down. Refer to note 15 for further information in relation to the revolving credit facility.

19.3 Financial risk management objectives

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

The Directors and the Investment Manager ensure that all investment activity is performed in accordance with investment guidelines. The Company's investment activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. Risk is inherent in the Company's activities and it is managed through a process of ongoing identification, measurement and monitoring. The financial risks to which the Company is exposed include market risk (which includes interest rate risk), credit risk, currency risk and liquidity risk.

As explained in note 12 and note 19.1, the Company's financial assets and liabilities at fair value through profit or loss are investments in the Subsidiary and derivatives used for the purpose of hedging foreign currency exposure. The Subsidiary is a holding vehicle existing solely to hold the Company's investments and, therefore, exposure to market risk, interest rate risk, credit risk and liquidity risk are highly dependent on the performance of the Subsidiary's investments.

19.4 Market risk

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

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

Going forward, the Company's Valuation Agent will be carrying out valuations on a semi-annual basis. The Company's assets are stable with predicable cash flows and are not exchange traded. Any assets which may be subject to discount rate changes will continue to be valued on a quarterly basis.

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

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

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

— Pound Sterling interest rates;

— movements of comparable credit markets; and

— observable yield on other comparable instruments.

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

— market activity and investor sentiment; and

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

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

The valuations are reviewed by the Investment Manager and the Directors and the subsequent NAV is reviewed by the Investment Manager and the Directors on a quarterly basis.

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

The table below shows how changes in discount rates affect the changes in the valuation of financial assets through profit or loss. The range of discount rate changes has been determined with reference to historic discount rate changes made by the Valuation Agent.

31 December 2018 **Change in discount rates**	**(0.50%)**	**0.00%**	**0.50%**
Value of financial assets at fair value (£'000)	**386,500**	**378,350**	**370,567**
Change in value of financial assets at fair value (£'000)	**8,150**	**—**	**(7,783)**

31 December 2017[1] Change in discount rates	(0.50%)	0.00%	0.50%
Value of financial assets at fair value (£'000)	268,972	261,751	254,871
Change in value of financial assets at fair value (£'000)	7,221	—	(6,880)

1. The basis of the calculation for the effect of the changes in discount rates has been amended for the inclusion of the NAV of the Subsidiary.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2018

19. Financial instruments continued

19.5 Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing level of market interest rates on the fair value of financial assets and liabilities, future cash flows and borrowings.

Interest rate risk has the following effect:

Fair value of financial assets and liabilities

Interest rates are one of the factors which the Valuation Agent takes into account when valuing the financial assets.

Future cash flows

The Company primarily invests, via its Subsidiary, in a diversified portfolio of projects which have contracted predictable medium to long-term cash flows and/or physical assets, such investments being asset backed. The Group's investments will predominantly be in the form of medium to long-term fixed or floating rate loans which are secured against cash flows and/or physical assets which are predominantly UK based.

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

Borrowings

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

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

19.6 Credit risk

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

The Company is exposed to differing levels of credit risk on all its assets. Per the statement of financial position, the Company's total exposure to credit risk is £389.4 million (31 December 2017: £323.4 million) represented by its cash, receivables and investment assets.

Cash is held at a number of financial institutions to spread credit risk. Cash awaiting investment is currently held on behalf of the Company at banks carrying a minimum rating of A-2, P-2 or F2 from Standard and Poor's, Moody's and Fitch respectively.

The Company's investment assets are debt and equity securities in the Subsidiary and, therefore, the credit risk of the Company's investment assets is highly dependent on the performance of the Subsidiary's investment portfolio, which was valued on a quarterly basis by the Valuation Agent during the year. Going forward, valuations will be performed on a semi-annual basis. The Valuation Agent takes into account the credit risk associated with these investments when valuing the financial assets.

Credit risk is considered by the Valuation Agent during both the origination process and at quarterly valuation updates. Going forward, the Company's Valuation Agent will be carrying out valuations on a semi-annual basis. The Company's assets are stable with predictable cash flows and are not exchange traded. Any assets which may be subject to discount rate changes will continue to be valued on a quarterly basis. Depending on the nature of the underlying projects and the extent to which due diligence was originally performed, residual credit risk is considered by reference to a number of factors including, but not limited to: relative benchmark analysis, comparable bond pricing, market analysis such as the capital asset pricing model, and fundamental credit analysis of a borrower's underlying performance by reference to any applicable loan covenants.

After an investment is made, the forecasts are regularly updated with information provided by the Project Companies in order to monitor ongoing financial performance. In addition, the credit risk associated with each Project Company is mitigated by way of the cash flows receivable being secured either on a senior or subordinated basis over the assets of the Project Company, which in turn have security over the assets of the underlying projects. At year end, the concentration of credit risk to any Project Company did not exceed 20% (31 December 2017: 20%) of the Company's total assets.

The Directors currently consider the fair value of the financial instruments at par plus accumulated interest to be reasonable. The impact of such fair value attributable to any change in credit risk will continue to be reviewed at each quarter end and specifically when investments mature and their ongoing performance can be assessed. Therefore, no additional sensitivity analysis to that disclosed in note 19 has been provided in this respect.

19.7 Currency risk

All of the Group's investments at 31 December 2018 are denominated in Sterling, save for one investment which is denominated in Euros (31 December 2017: one Euro-denominated investment) and secured against Euro-valued assets and cash flows. Accordingly, the Company's only currency exposure is through the trading activities of its investee companies. The Company engages in currency hedging, in the form of a forward foreign exchange contract, to reduce the risk of adverse movements in currency exchange rates in relation to its Euro-denominated investment. Realised and unrealised gains or losses on forward foreign exchange contracts are disclosed in note 3.

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

19.8 Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Company ensures it maintains adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. During the year ended 31 December 2018, all investments made by the Group were funded by proceeds from issuance of shares in the Company and utilisation of the revolving credit facility.

The table below analyses all of the Company's assets and liabilities into relevant maturity groupings based on the remaining period from 31 December 2018 to the contractual maturity date. The Directors have elected to present both assets and liabilities in the liquidity disclosure below to illustrate the net liquidity exposure of the Company.

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

31 December 2018	**Less than one month £'000**	**One to three months £'000**	**Three to twelve months £'000**	**Greater than twelve months £'000**	**Total £'000**
Financial assets					
Financial assets at fair value through profit and loss	**236**	**14,189**	**42,692**	**513,923**	**571,040**
Other receivables and prepayments	**1,463**	**4**	**40**	**289**	**1,796**
Derivative financial instruments	**–**	**33**	**–**	**–**	**33**
Cash and cash equivalents	**9,206**	**–**	**–**	**–**	**9,206**
Total financial assets	**10,905**	**14,226**	**42,732**	**514,212**	**582,075**
Financial liabilities					
Other payables and accrued expenses	**(1,528)**	**(1,088)**	**(179)**	**–**	**(2,795)**
Net exposure	**9,377**	**13,138**	**42,553**	**514,212**	**579,280**

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2018

19. Financial instruments continued

19.9 Fair values of financial assets and liabilities

Valuation of financial instruments

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

— Level 1 – valued using quoted prices unadjusted in active markets for identical assets or liabilities.

— Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in Level 1.

— 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 quarterly fair valuations of the financial assets of the Subsidiary. 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. Going forward, the Company's Valuation Agent will be carrying out valuations on a semi-annual basis. Any assets which may be subject to discount rate changes will continue to be valued on a quarterly basis. These valuations are reviewed by the Investment Manager and Directors.

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

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

	Date of valuation	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Financial assets/(liabilities) measured at fair value through profit or loss:					
Assets:					
Investment in Subsidiary	31 December 2018	—	—	378,350	**378,350**
Derivative financial instruments	31 December 2018	—	33	—	**33**
Investment in Subsidiary	31 December 2017	—	—	261,751	**261,751**
Liabilities:					
Derivative financial instruments	31 December 2017	—	(16)	—	**(16)**

The derivative financial instruments are classified as Level 2 as observable market data is used for valuation and pricing. Derivative financial instruments relate to forward foreign exchange contracts that are contractual obligations to buy or sell financial instruments on a future date at a specific price established over the counter. Forward foreign exchange contracts are valued based on the difference between the agreed price of selling or buying the financial instrument on a future date and the price quoted on the year end date for selling or buying the same or similar financial instruments.

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

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

	31 December 2018 £'000	31 December 2017 £'000
Opening balance	**261,751**	158,418
Investment in Subsidiary	**129,227**	108,317
Capital repayments from Subsidiary	**(16,041)**	(6,269)
Unrealised gains on investments at fair value through profit or loss	**3,413**	1,241
Realised gains on investments at fair value through profit or loss	**—**	44
Closing balance	**378,350**	261,751

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

The investment the Company holds in the Subsidiary is valued based on the NAV of the Subsidiary. At 31 December 2018, the NAV was as follows:

	31 December 2018 £'000	31 December 2017 £'000
GABI UK	**434**	244

The key driver of the NAV is the valuation of its portfolio of investments.

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

	Fair value[1] £'000	Valuation technique	Key unobservable inputs	Discount rate
Financial assets at fair value through profit or loss – 31 December 2018	**378,350**	Discounted cash flow	Discount rate	8.1%
Financial assets at fair value through profit or loss – 31 December 2017	**261,751**	Discounted cash flow	Discount rate	8.1%

1. Including the NAV of the Subsidiary.

The investments held by the Subsidiary are valued on a discounted cash flow basis, in line with the model used by the Valuation Agent. At the year end, discount rates ranged from 6-14% (2017: 6-14%).

The Directors review the valuation report provided by the Valuation Agent which includes reference to the inputs used in the valuation of investments and the appropriateness of their classification in the fair value hierarchy. In particular, the Directors are satisfied that the significant inputs into the determination of the discount rate adopted by the Valuation Agent are pursuant to the Valuation Agent engagement letter. Should the valuation approach change, causing an investment to meet the characteristics of a different level of the fair value hierarchy, it will be reclassified accordingly.

During the year, there were no transfers of investments between levels.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2018

20. Note to the cash flow statement

The table below sets out a reconciliation of the movement of liabilities arising from financing activities.

	Liability in respect of C shares £'000	Interest bearing loans and borrowings £'000	**Total £'000**
Balance at 1 January 2018	73,980	–	**73,980**
Changes from cash flows			
Proceeds from issue of C shares	51,500	–	**51,500**
C share issue costs	(1,022)	–	**(1,022)**
Proceeds from interest bearing loans and borrowings	–	14,000	**14,000**
Repayment of interest bearing loans and borrowings	–	(14,000)	**(14,000)**
Total changes from cash flows	50,478	–	**50,478**
Non-cash changes			
Net changes in fair value of financial assets at fair value through profit or loss	752	–	**752**
Extinguishment of C share liability on conversion to ordinary shares	(125,210)	–	**(125,210)**
Scrip dividend	–	–	**–**
Liability related changes	–	–	**–**
Total non-cash changes	(124,458)	–	**(124,458)**
Balance at 31 December 2018	–	–	**–**

21. Related party disclosures

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

Directors

The non-executive Directors of the Company are considered to be the key management personnel of the Company. Directors' remuneration for the year (including reimbursement of Company related expenses) totalled £103,000 (31 December 2017: £103,000). At 31 December 2018, liabilities in respect of these services amounted to £25,000 (31 December 2017: £36,000).

At 31 December 2018, the Directors of the Company held directly or indirectly, and together with their family members, 123,942 ordinary shares (31 December 2017: 109,700).

Alex Ohlsson is the managing partner of Carey Olsen, the Company's Jersey legal advisers. Carey Olsen has provided legal services to the Company during the year. Carey Olsen maintains procedures to ensure that Mr Ohlsson has no involvement in the provision of legal services to the Company.

During the year, the aggregate sum of £27,000 (2017: £42,000) was paid to Carey Olsen in respect of legal work undertaken, of which £10,000 (31 December 2017: £nil) is outstanding at year end.

Joanna Dentskevich is a non-executive director and chair of the risk committee of RBSI. In her role as a non-executive Director, Mrs Dentskevich will not be involved in the day-to-day services or operational aspects of the business; however, may still face a conflict of interest by reason of RBSI being the lender under the revolving credit facility. Refer to note 15 for further information in relation to the revolving credit facility.

Investment Manager

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

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

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

During the year, the Company incurred £2,955,000 (2017: £2,443,000) in respect of the services outlined above: £2,896,000 (2017: £1,953,000) in respect of investment management and advisory services, £180,000 (2017: £467,500) in relation to the issuance of C and ordinary shares and £26,000 (2017: £22,500) in respect of AIFM services provided by the Investment Manager. At 31 December 2018, liabilities in respect of these services amounted to £845,000 (31 December 2017: £586,000).

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 has been met by the borrowers and has been paid in respect of all but two of the Group's investments. During the year, the Investment Manager received £968,000 (2017: £1,043,000) from arrangement fees which had been met by the borrowers and £40,000 (2017: £65,000) 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. There are no performance fees payable.

A number of the directors of the Investment Manager also sit on the board of the Subsidiary. The Company has delegated to the Investment Manager through the investment management agreement, the day-to-day operations of the Subsidiary.

At 31 December 2018, the key management personnel of the Investment Manager held directly or indirectly, and together with their family members, 1,777,577 ordinary shares in the Company (31 December 2017: 2,147,873 ordinary shares).

The directors of the Investment Manager, and their spouses, directly or indirectly own an equity interest in four (31 December 2017: three) of the subsidiary's underlying investments and one (31 December 2017: one) development and facilities management company providing services to the aforementioned three entities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2018

21. Related party disclosures continued

Subsidiary

At 31 December 2018, the Company owns a 100% (31 December 2017: 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 GS; for further information refer to note 1.

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

Transactions	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Intercompany income received		
Other income	**110**	159
Arrangement fee income	**431**	397
Loan interest income received	**23,149**	16,953
Total	**23,690**	17,509

Balances	31 December 2018 £'000	31 December 2017 £'000
Intercompany balances payable		
GABI UK	**(1,435)**	(3,317)
Intercompany balances receivable		
GABI UK	**1,462**	208
Intercompany principal value of holdings within financial assets at fair value through profit or loss		
GABI UK – Secured Loan Notes	**373,031**	259,845

22. Reconciliation of NAV

	31 December 2018 £'000	31 December 2017 £'000
Valuation per NAV calculation	**386,590**	245,035
Adjustments	**—**	—
Valuation as per financial statements	**386,590**	245,035

23. Subsequent events after the report date

On 23 January 2019, the Company announced a fourth interim dividend of 1.525 pence per ordinary share amounting to £5,794,000 (including dividends settled in shares[1]) which was paid on 1 March 2019 to ordinary shareholders on the register at 1 February 2019.

On 23 January 2019, the Company announced that it was considering a possible equity raise during the first quarter of 2019. Any funds raised would be used to repay monies drawn down by the Company under its revolving credit facility as well as take advantage of a continued pipeline of attractive investment opportunities identified by the Investment Manager.

On 20 February 2019, the Company drew down £20 million on the revolving credit facility with RBSI, resulting in a total drawn down amount of £20 million, excluding the amount drawn down as an alternative to cash cover for the open forward foreign exchange contracts.

On 1 March 2019, 309,796 ordinary shares were admitted to the Official List of the FCA and to trading on the premium segment of the Main Market of the LSE, pursuant to the scrip dividend alternative in lieu of cash for the interim dividend declared on 23 January 2019.

Post year end, the Group made a further twelve advances totalling £27.3 million and received seven repayments totalling £3.0 million. Refer to page 21 for further details.

24. Ultimate controlling party

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

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

SHAREHOLDER INFORMATION

Key dates 2019

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

NAV publication

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

Further information

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

Warning to shareholders

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

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GLOSSARY

AGM
The Annual General Meeting of the Company

AIC
Association of Investment Companies

AIC Code
AIC Code of Corporate Governance

AIC Guide
Corporate Governance Guide for Investment Companies

AIF
Alternative Investment Fund

AIFM
Alternative Investment Fund Manager

AIFMD
Alternative Investment Fund Managers Directive

APM
Alternative Performance Measure

Annualised total return since IPO
Total shareholder return expressed as a time weighted annual percentage

Articles
The articles of association of the Company

C shares
The C shares of the Company

CIF Law
Collective Investment Funds (Jersey) Law 1988

CNG
Compressed natural gas

Companies Law
Companies (Jersey) Law 1991, as amended

The Company
GCP Asset Backed Income Fund Limited

CPI
Consumer price index

DTRs
Disclosure Guidance and Transparency Rules of the FCA

EEA
European Economic Area

EPS
Earnings per share

EU
European Union

FCA
Financial Conduct Authority

FRC
Financial Reporting Council

GABI GS
GABI GS Limited

GABI Housing
GABI Housing Limited

GABI UK
GCP Asset Backed Income (UK) Limited

GCP Infra
GCP Infrastructure Investments Limited

Group
The Company, the Subsidiary and its subsidiary GABI GS

Highland Capital
Highland Capital Partners Limited

IAS
International Accounting Standards

IASB
International Accounting Standards Board

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

Income Tax Law
Income Tax (Jersey) Law 1961, as amended

IPO
Initial public offering

IRR
Internal rate of return

LSE
London Stock Exchange

LTV
Loan-to-value

MAR
EU Market Abuse Regulation

MiFID II
Markets in Financial Instruments Directive II came into effect on 3 January 2018

NAV
Net asset value

O&M
Operations and maintenance

Ongoing charges ratio
Annual percentage reduction in shareholder return as a result of recurring operational expenses

Ordinary shares
The ordinary shares of the Company

PFI
Private Finance Initiative

PIRC
Pensions and Investment Research Consultants Limited

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

RBSI
Royal Bank of Scotland International Limited

RPI
Retail price index

RNS
Regulatory News Service

Secured Loan Notes
Loan notes issued to the Company

Stephenson
Stephenson Executive Search Limited

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

TISE
The International Stock Exchange

Total shareholder return
Share price growth with dividend deemed to be reinvested on the dividend payment date, assuming full take up of pre-emptive rights in respect of the C share issue.
Source: Bloomberg

UK
United Kingdom

Weighted average annualised yield
The yield on the investment portfolio calculated with reference to the relative size of each investment and is expressed as an annual percentage

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

CORPORATE INFORMATION

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