GCP ASSET BACKED

GCP ASSET BACKED INCOME FUND LIMITED

Annual report and financial statements
for the year ended 31 December 2019

Gravis

CONTENTS

ABOUT THE COMPANY

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

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

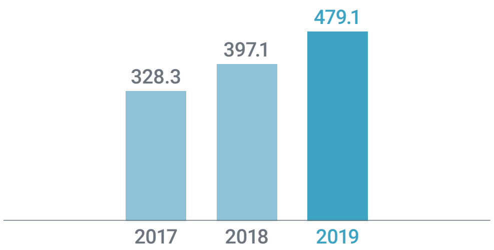
The Group is currently invested in a diversified portfolio of asset backed loans across the social infrastructure, property, energy and infrastructure, and asset finance sectors, located predominantly in the UK.

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

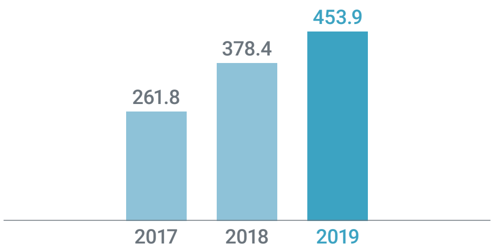
At 31 December 2019, its market capitalisation was £479.1 million. The Company is a constituent of the FTSE All-Share Index.

AT A GLANCE – 31 DECEMBER 2019

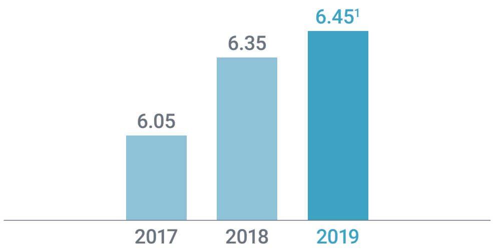
MARKET CAPITALISATION £m



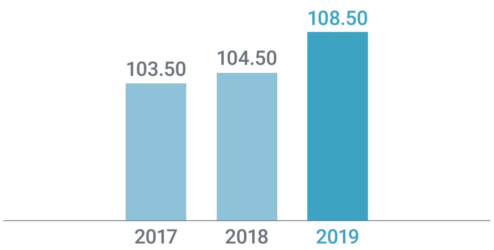
VALUE OF INVESTMENTS £m



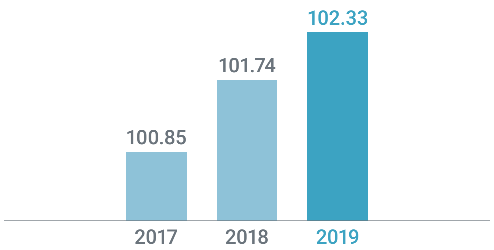
DIVIDENDS FOR THE YEAR p



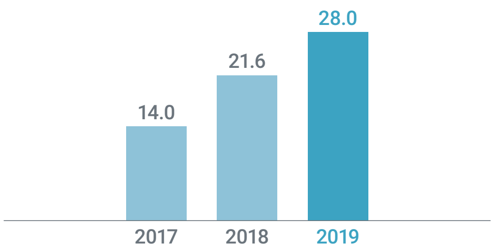
ORDINARY SHARE PRICE p



NAV PER ORDINARY SHARE p



PROFIT FOR THE YEAR £m



HIGHLIGHTS FOR THE YEAR

- Dividends of 6.45[1] pence per share in respect of the year, including a special dividend of 0.25 pence, ahead of the target of 6.20 pence per share. The dividend was fully covered by basic EPS of 6.81 pence.
- Total shareholder return[2] for the year of 10.2% (31 December 2018: 9.1%) and an annualised total shareholder return since IPO[2] of 8.3%.
- Profit for the year of £28.0 million, up from £21.6 million in the prior year.
- NAV per ordinary share of 102.33 pence at 31 December 2019 increasing from 101.74 pence in the prior year.
- Gross proceeds of £63.3 million were raised during the year through a placing of ordinary shares in June 2019.
- Exposure to a diversified, partially inflation and/or interest rate-protected portfolio of 45 asset backed loans with a third party valuation of £453.4 million at 31 December 2019.
- Loans of £89.4 million advanced against 29 projects with a further £40.3 million secured against five projects, advanced post year end.

1. Includes a dividend of 1.55 pence per share for the quarter to 31 December 2019, which was paid post year end.
2. Alternative performance measure – refer to page 98 for definitions and calculation methodology.

INVESTMENT OBJECTIVES AND KPIs

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

ATTRACTIVE RISK ADJUSTED RETURNS

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

REGULAR, GROWING DISTRIBUTIONS

To provide shareholders with regular, growing dividend distributions.

CAPITAL APPRECIATION

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

KEY PERFORMANCE INDICATORS

The Company has generated an annualised total shareholder return[1] since IPO of 8.3%.

10.2%

Total shareholder return[1] for the year

31 December 2018: 9.1%

8.2%

Weighted average annualised yield[1] on investment portfolio

31 December 2018: 8.0%

The Company exceeded its dividend target of 6.20 pence for the year ended 31 December 2019 and has grown its dividend year-on-year.

6.45p

Dividends in respect of the year

31 December 2018: 6.35p

41%

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

31 December 2018: 46%

The Company's ordinary shares were trading at 108.50 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.

108.50p

Ordinary share price at 31 December 2019

31 December 2018: 104.50p

6.0%

Premium to ordinary share NAV at 31 December 2019

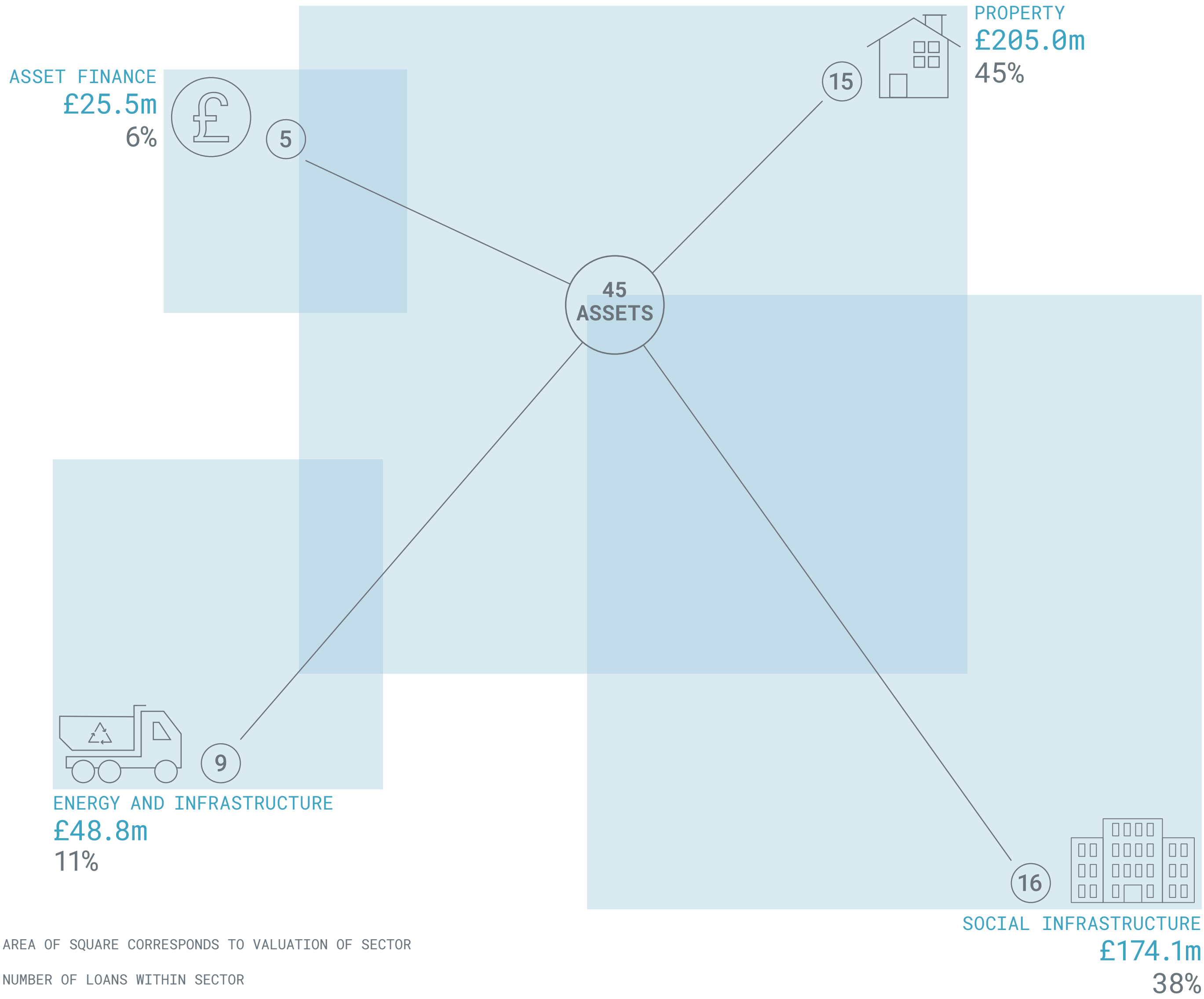
31 December 2018: 2.7%

Further information on Company performance can be found on page 29.

1. Alternative performance measure – refer to page 98 for definitions and calculation methodology.

PORTFOLIO AT A GLANCE

Portfolio of 45 asset backed loans with an average life of six years which are partially inflation and/or interest rate protected. The loans fall within the following sectors and are secured predominantly against assets and cash flows in the UK:



AREA OF SQUARE CORRESPONDS TO VALUATION OF SECTOR

(1) NUMBER OF LOANS WITHIN SECTOR

% PERCENTAGE OF PORTFOLIO BY VALUE

SENIOR RANKING SECURITY
61%

SECURED AGAINST PHYSICAL ASSETS
94%

UK EXPOSURE
85%

CHAIRMAN'S STATEMENT

The Company exceeded its dividend target for the fourth consecutive year by way of the payment of a fully covered dividend of 6.45 pence. The Company generated a total shareholder return[1] of 10.2%.

Alex Ohlsson
Chairman

Introduction

The Company's investment objective is to generate attractive risk-adjusted returns through regular, growing distributions and modest capital appreciation over the long term. Capital preservation is a fundamental part of this and a key investment driver of the Board and the Investment Manager. The sustainability of the Company depends on the ability to protect its capital base whilst delivering stable and attractive risk-adjusted returns. I am pleased to report that the Company has once again delivered against these objectives, growing its NAV and exceeding its dividend target for the fourth consecutive year.

The Investment Manager's focus on assets that are integral to society continues to deliver a strongly performing portfolio for the Group. The portfolio comprises 45 loans, 94% of which are secured against physical assets offering strong downside and capital protection. The remainder of loans are secured against contracted cash flows with robust underlying contractual protection in place.

The Board and Investment Manager remain highly vigilant to the risks of investing in asset backed loans, noting the issues experienced in the sector during the year and additionally that the Group had to address its first problem loan. The Investment Manager has retained its disciplined approach to investing and continually seeks to enhance its investment monitoring and reporting processes across all areas of the Group. The Board believes that these steps will ensure the Company is well placed to continue to deliver for investors.

Financing

The Company raised £63.3 million through a placing in June 2019. This issuance enabled the Group to repay its drawn RCF and take advantage of a range of attractive opportunities, whilst benefiting shareholders through greater portfolio diversification and enhancing the market liquidity of the Company's ordinary shares.

The valuation of investments increased during the year to £453.9 million from £378.4 million at 31 December 2018, with the largest single asset exposure reducing to 4.8% of total assets.

The Company has in place an RCF of £50 million with RBSI. This is used prior to the issuance of new shares, with funds being substantially invested prior to a capital raise to minimise any deployment risk and cash drag. The Board believes the use of the facility optimises the cash position and is a benefit of the maturity and strong track record of the Company.

Post year end, the £10 million short-term facility was extended to mature in August 2020 in line with the existing tranche of the RCF.

Investments

During the year, the Group advanced £89.4 million in the form of 29 investments, 19 new and ten follow-on transactions, improving the diversification and risk profile of the portfolio. All new investments were consistent with the Group's standard investment approach.

In March 2019, the Group experienced a default on a loan which was secured against specific assets in ringfenced companies and represented 0.7% of the portfolio at the time of default. The companies were part of a wider group which experienced financial difficulties. As a result of these issues, the loan was revalued downwards by £0.6 million. The Group has an exclusivity agreement in place for the sale of the Project Company and post period end it exchanged with the buyer on a sale and purchase agreement. It is anticipated that the sale will complete in Q2 2020 pending regulatory approval from Ofgem. The Group also intends to dispose of one other securitised asset, a grid entry unit, from the same group. The Investment Manager expects the recovery from the sale of both assets to be slightly higher than the current carrying value. In light of the lessons learned on this loan, the Investment Manager has updated its lending requirements.

Post period end, the Group received a repayment on two of its co-living investments, along with a prepayment fee of c.£1 million. The Group was able to immediately recommit £53 million to the same borrower group in a larger facility of up to £140 million alongside Deutsche Bank for a term of up to four years. This increased facility is to support the borrower's pipeline of projects and is the Group's first co-lending transaction, demonstrating the evolution of the Company as lender.

The focus remains on financing assets and contracted cash flows supported by a structural demand for the goods and services provided. The Group invests using a project finance, 'covenant-heavy' approach to debt (read more on pages 15 and 16). The Board believes this method along with a stringent borrower selection process contribute significantly to the strength of the 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 c.40% of investments by value.

NAV, share price performance and share repurchase

At the year end, the net assets of the Company were £451.8 million. The NAV per ordinary share increased from 101.74 pence at 31 December 2018 to 102.33 pence at 31 December 2019.

The Company's ordinary shares have traded at a premium to NAV throughout the year, with an average premium of 5.6%. At 31 December 2019, the ordinary share price was 108.50 pence, representing a premium to NAV of 6.0%.

Recent market volatility has had an impact on the Company's share price post year end, which the Board is monitoring closely. The Group currently has c.£9 million of cash available (excluding its RCF). As announced today, the Company has used some of these funds to repurchase shares as the share price discount to NAV offers value to shareholders.

Dividend policy

The Company paid dividends in respect of the financial year of 6.45 pence per ordinary share (including a special dividend of 0.25 pence), exceeding its target dividend of 6.20 pence for the year and continuing its stated aim of growing its dividend year-on-year.

Governance and compliance

The Board recognises the importance of a strong corporate governance culture and continues to maintain principles of good corporate governance as set out in the AIC Code. Refer to page 44 for further details.

Board appointment

The Directors are delighted to welcome Marykay Fuller to the Board, who was appointed as a non-executive Director of the Company on 6 November 2019. Marykay is a banking and finance professional with 30 years' experience in debt and equity markets.

Market outlook

The Board and Investment Manager note the impact of the Coronavirus (COVID-19) and the disruption that this outbreak is likely to have on supply chains and the overall economy. As a result of the impact of Coronavirus (COVID-19), the Investment Manager will be slowing down pipeline activities and ensuring investments are only made into new projects which are of a high quality and demonstrate significant downside protection. At the end of the year the Group had a significant pipeline with a value of c.£100 million. The Group will be working with the borrowers to extend the investment deadlines of these transactions where possible to ensure that investments occur at an optimal and more certain time.

Key risks

Political and regulatory risks are inherent in any UK focused business at present. At the time of writing, the full 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 for the free movement of labour from the EU to the UK.

Across the loan portfolio, the Group has exposure to UK house prices. The Board closely monitors activity in the market and its current view on the UK property market remains stable. 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.60%.

The Group has one fully hedged non-Sterling loan, representing less than 1% of the portfolio by value. Any increased volatility in currency markets should have a limited impact on the profitability of the Company.

The Board and the Investment Manager are cognisant of these risks and continue to carry out stress testing on loans during the structuring process to ensure they remain viable in a variety of possible scenarios. To date the Board and the Investment Manager have not seen any negative impact across the borrower portfolios.

At the time of writing, events continue to unfold in regards to Coronavirus (COVID-19) and the Investment Manager is maintaining close dialogue with borrowers to understand any impact on the portfolio. All borrowers, including the operators of the care home, nursery and student accommodation assets within the portfolio have been following the guidance issued by the UK Government and have put appropriate protections in place. To date there has been no impact on the Company's cash flows as a result of the spread of the virus. Further detail can be found on page 34.

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. The Group intends to continue supporting borrowers who have a positive impact on society. Fundamentally, the Investment Manager believes that such positive impact enhances the security of the portfolio and enables the Company to back transactions that are integral to society.

Alex Ohlsson
Chairman

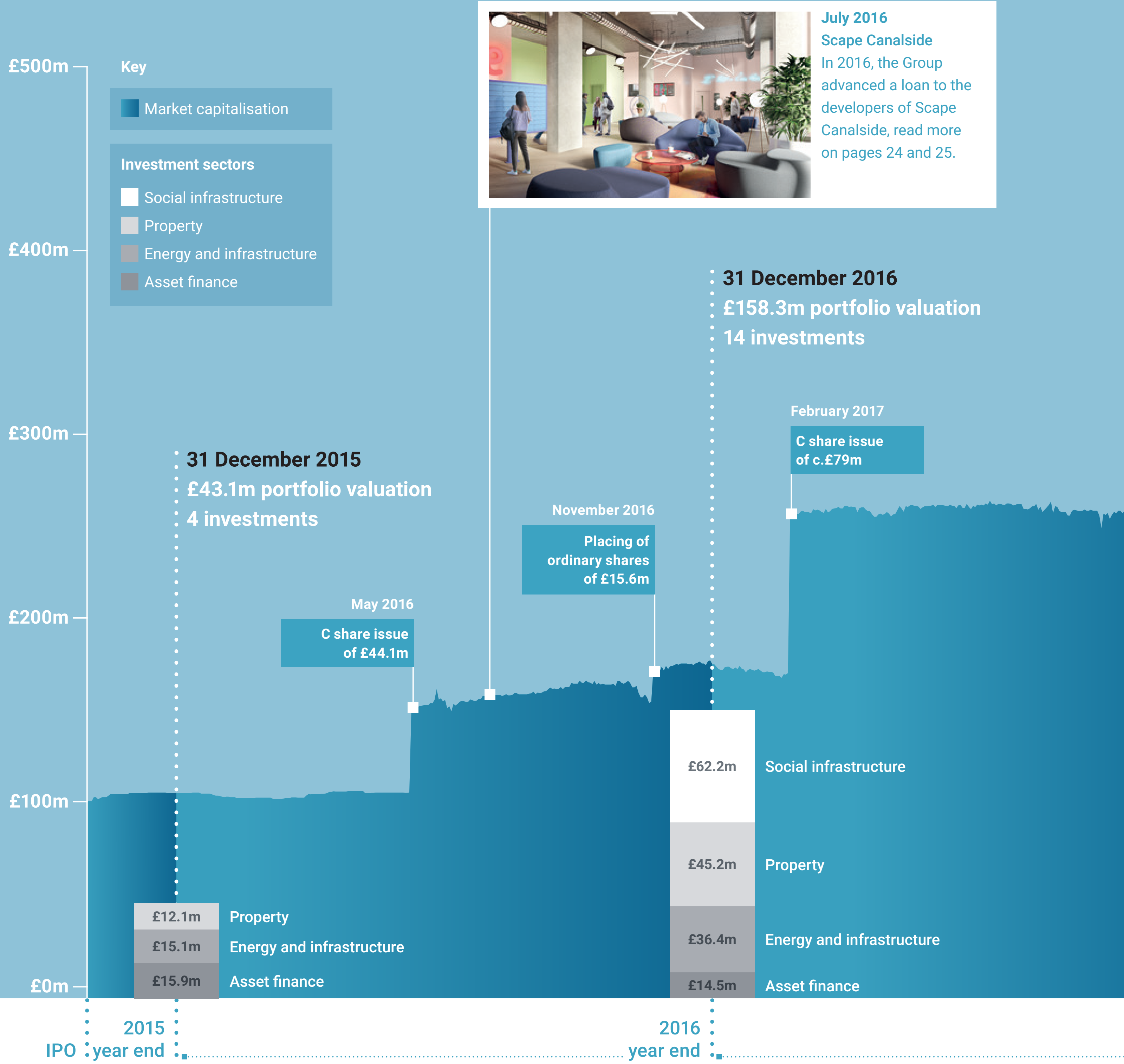
18 March 2020

FOR MORE INFORMATION, PLEASE REFER TO THE STRATEGIC REPORT ON PAGES 8 TO 37.

1. Alternative performance measure – refer to page 98 for definitions and calculation methodology.

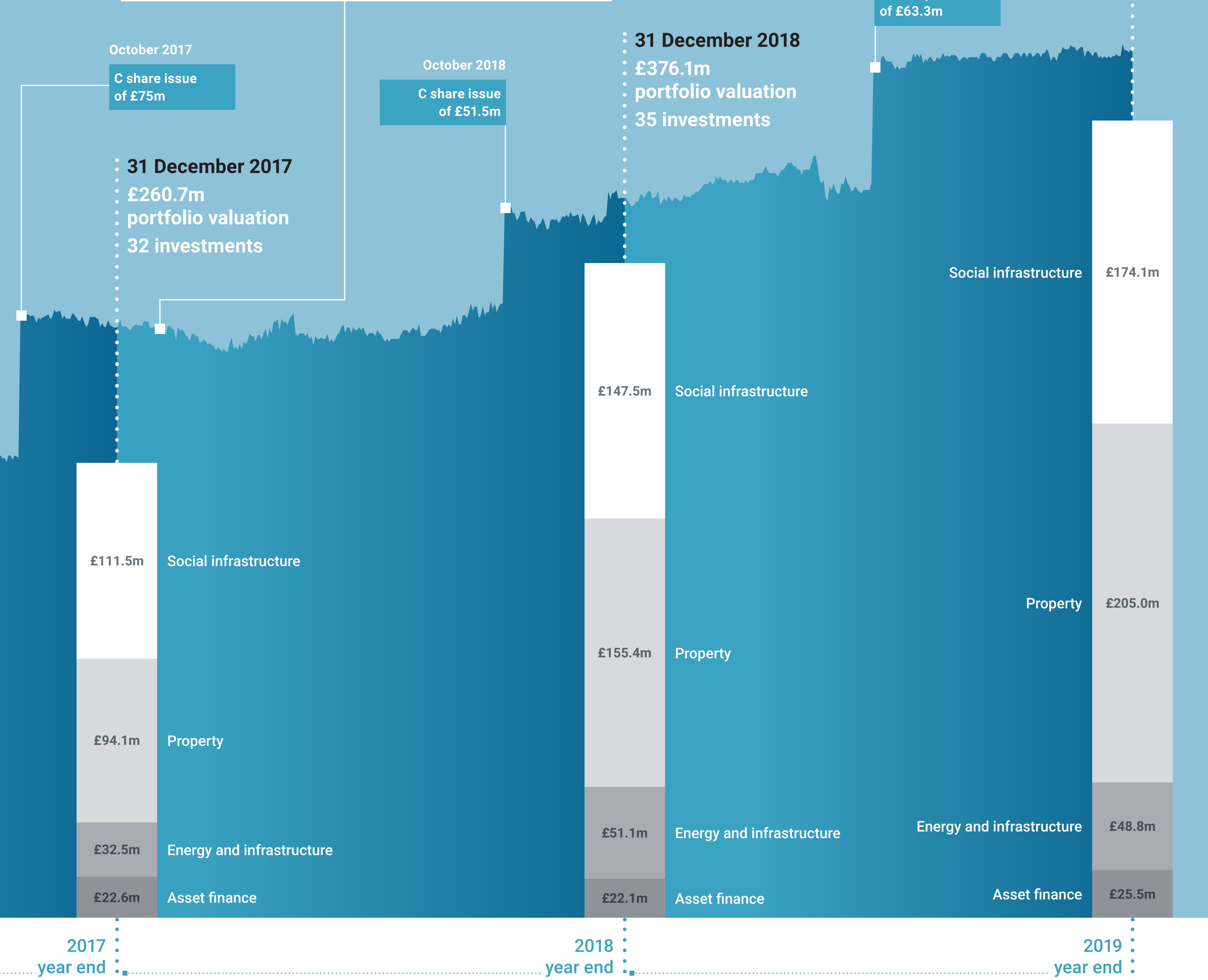
THE COMPANY'S GROWTH SINCE IPO

The Company was launched in October 2015 to focus primarily on investing in asset backed loans. Since 2015, it has grown to a market capitalisation of £479.1 million with a portfolio of 45 asset backed loans, valued at £453.4 million.



July 2016
Scape Canalside
In 2016, the Group advanced a loan to the developers of Scape Canalside, read more on pages 24 and 25.

January 2018
CNG Stations
In 2017, the Group advanced a loan to an operational CNG station, read more on pages 26 and 27.



STRATEGIC REPORT

WHAT'S IN THIS SECTION

STRATEGIC OVERVIEW

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

The 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 29.

BUSINESS MODEL

The Group invests in a diversified portfolio of asset backed loans to provide regular, growing distributions and modest capital appreciation over the long term.

INVESTMENT SECTOR

ASSET BACKED LOANS

PREDETERMINED, ASSET BACKED CASH FLOWS

INVESTMENT OBJECTIVES

ATTRACTIVE RISK ADJUSTED RETURNS

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

REGULAR, GROWING DISTRIBUTIONS

To provide shareholders with regular, growing dividend distributions.

CAPITAL APPRECIATION

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

IMPLEMENTATION OF INVESTMENT STRATEGY

INDEPENDENT BOARD

Investment Manager

LOAN ORIGINATION AND EXECUTION

The Group invests in asset backed loans utilising the Investment Manager's expertise and a proven track record in loan originating and monitoring. The Group is able to provide bespoke lending solutions where traditional lenders cannot due to reasons other than credit quality.

FINANCIAL MANAGEMENT

The Company operates a disciplined approach to capital raising, only increasing its capital when it has a highly executable pipeline of investments. The Company uses hedging where appropriate to manage foreign exchange exposure. The Company's dividends are fully covered by earnings for the year.

THIRD PARTY SERVICE PROVIDERS

STRONG GOVERNANCE

Read more on pages 38 to 63.

OPERATIONAL MANAGEMENT

The operations of the Company are delegated to the Investment Manager who maintains a robust control environment and undergoes an internal controls review from an external audit provider on an annual basis.

RISK MANAGEMENT

The Company operates a robust risk management and mitigation process along with active controls monitoring and stress testing procedures. The Investment Manager is appointed as AIFM to the Company and is responsible for the management of risk alongside the Board.

ADVISORY AND ADMINISTRATION

MEASUREMENT

Annualised total shareholder return[1] since IPO was 8.3%.

10.2%
Total shareholder return[1] for the year

The Company has exceeded its dividend target for the year and increased its dividend year-on-year.

6.45p
Dividends in respect of the year

The shares have traded at a premium to NAV throughout the year.

6.0%
Premium to ordinary share NAV at year end

SUSTAINABILITY

ENVIRONMENTAL AND SOCIAL

Read how the Company's activities benefit the environment and contribute to society in the sustainability section on pages 30 and 31.

GOVERNANCE

Read how the Company is governed and the activities of the Board during the year in the governance section on pages 38 to 63.

FINANCIAL

Read about the Company's financial performance and dividend cover in the financial review on pages 28 and 29 and its long-term viability on page 37.

1. Alternative performance measure – refer to page 98 for definitions and calculation methodology.

INVESTMENT MANAGER'S REPORT

The Company's target market remains underserviced by mainstream lenders and therefore presents an opportunity for generating attractive risk-adjusted returns.

THE MARKET

Asset backed lending

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

(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 that a Project Company's assets provide. Lenders implement a security structure that allows them to take control of the Project Company and its assets to optimise the monetisation of goods and/or services associated with such assets if the Project Company has difficulties complying with its financing terms.

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

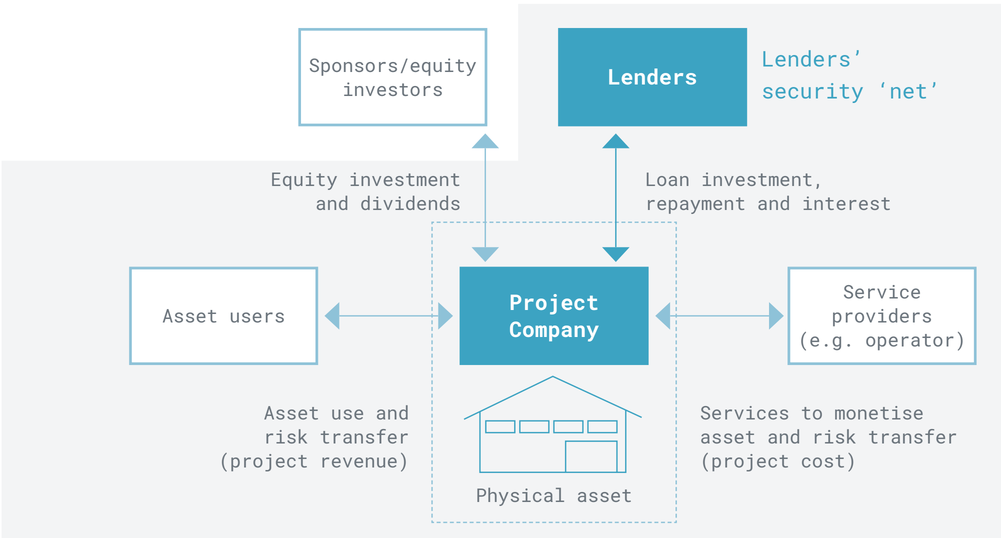
Investment in asset backed loans offers relatively secure and predictable returns to their lenders, when compared with general corporate or unsecured lending. Further, the reduction since 2007 in the availability of mainstream debt (primarily from banks) has created the potential for more attractive 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

'Covenant-heavy' loans

The Group enters into its asset backed loans using a 'covenant-heavy' approach to lending. This is an approach to structuring and documentation that focuses on borrower needs but requires borrowers to meet well defined and specific performance measurements. The covenants restrict how a special purpose vehicle can be operated and gives the lender a significant level of control over the business.

This structure differs from the 'cov-lite' loans, which are becoming more common in larger asset based lending transactions. A 'cov-lite' structure is more borrower friendly and will often allow the borrower to structure the business in a way it determines without consultation or consent from the lenders.

Some of the key differences in the two structures include:

Special purpose vehicle activity	'Cov-lite'	'Covenant-heavy'
Incur new debt	Borrower allowed automatically if certain conditions are met	Only with specific consent of lender
Pay dividends	Allowed once an EBITDA test or income test met	Only with consent and subject to look forward ratios
EBITDA add backs	Ability to add certain costs back to EBITDA to ensure profitability tests are met	No add back abilities
Dispose of assets	Ability to move assets outside the secured group	No ability to move assets without consent
Refinancing of debt	Often allowed to refinance	Limited refinance ability subject to consent and fees

The Group continues to see significant benefits in its project finance lending approach. These benefits can be achieved through the continuation of the Group's strategy of targeting asset classes that are sub-optimal for mainstream lenders, due to size and maturity of sector.

Outlook

The Investment Manager notes the current economic climate with regard to Coronavirus (COVID-19) and the impact that this will have on the wider economy, potential supply chains and ability of business to meet contractual obligations. With this in mind and after discussion with the Board, the Investment Manager will be looking to slow down its rate of deployment into new investments.

The Group has cash available at present as well as access to its RCF facility, which expires in August 2020 and can be extended for a further twelve months. The Group remains well capitalised and has the capacity to fund any attractive deals that may arise. However, the Investment Manager is mindful that these transactions would need to meet additional downside sensitivities to see them through the current environment.

The Investment Manager continues to work on an attractive pipeline of opportunities with both new and existing borrowers. The pipeline transactions mirror the current portfolio in terms of yield, size and sectors.

In the coming months, the Investment Manager will be working with existing and new borrowers to ensure deadlines on transactions are well managed and are met.

All potential borrowers working on pipeline transactions with the Group will be conscious of the risks involved in starting new projects given the disruption from the Coronavirus (COVID-19) outbreak. Therefore, whilst the Investment Manager is not anticipating significant deterioration in the pipeline overall, some transactions are likely to fall away or be delayed. The Investment Manager remains confident that new opportunities will become available and that the Group will be able to deploy available funds efficiently in the future once the market readjusts.

Investment pipeline

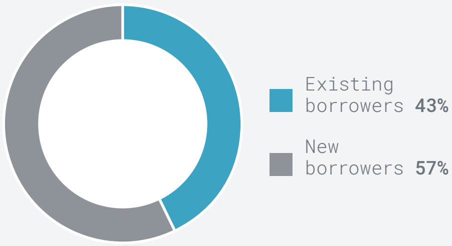
The Investment Manager maintains a pipeline of potential investments on behalf of the Group. At the end of the year, the pipeline represented c.£100 million of new opportunities.

The Investment Manager continues to focus on borrowers and sectors where there is potential to complete follow-on transactions. This enables the Investment Manager to obtain significant sector knowledge and enhanced confidence over the certainty of its pipeline, ensuring new capital raised and capital returned to the Company is deployed efficiently.

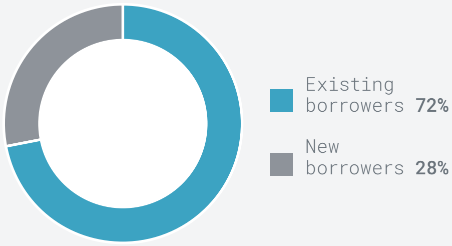
Currently c.70% of the pipeline consists of transactions with existing borrowers; these transactions can be scheduled to complete on a timetable which matches the repayment profile of existing loans, ensuring capital remains efficiently deployed.

INVESTMENT ANALYSIS

Investments made in the year



Pipeline



TARGET SECTOR UPDATES

SOCIAL INFRASTRUCTURE

Assets that include student accommodation, housing for vulnerable adults, homes for the elderly, nurseries and urban regeneration

38%
Percentage of portfolio by value

£174.1m
Valuation of sector within the portfolio

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.

The sector has continued to perform strongly for the Group, with the care homes that were under development now open, enjoying excellent reviews and being nominated and awarded several design awards. The performance and valuation uplift that has been achieved on these assets demonstrates that the Group's strategy of targeting experienced borrowers is key to building a portfolio of high-quality, performing loans.

The Investment Manager is delighted to have backed a high-quality nursery group in the year who have two operational assets and one asset under construction. Both operational assets are fully occupied with significant waiting lists. The nurseries themselves are best in class, as demonstrated by the outstanding rating given by Ofsted to the first nursery in the group.

The Investment Manager continues to target follow-on transactions with existing borrowers whilst capitalising on the accumulated knowledge and sectoral experience it has developed.

The Investment Manager continues to see significant opportunities in the student accommodation and nursery sectors. Over the coming year the Investment Manager expects to see a number of student accommodation facilities refinance as assets are completed. To date, developments in the UK are ahead of schedule and expected to open in the summer of 2020. The Australian borrower has emerged as the largest owner and operator of student accommodation in Australia, with c.£5 billion of assets and c.13,500 beds under operation.

This sector includes loans secured against assets located in the UK (28%), Europe (5%) and Australia (5%).

Structural characteristics

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

Current investments

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

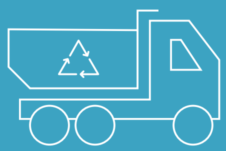
New investment asset classes

- 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

11%
Percentage of portfolio by value

£48.8m
Valuation of sector within the portfolio

The Investment Manager continues to seek out opportunities that have a strong sustainability angle, whilst providing core asset protection. This sector remains highly competitive, though to mitigate against this, the Investment Manager continues to seek to gain a foothold by taking smaller positions with borrowers who have growth potential.

The Group's investment in an operating CNG station business has been a big success, with demand substantially exceeding original projections. Although the loan remains small at c.£1.6 million, the Investment Manager is actively working with the business to refinance a number of their other facilities, as well as fund new facilities which meet the Company's financing criteria.

The existing CNG fuel station has displaced 5.4 million litres of diesel fuel over the last year with 100% renewable waste-derived biomethane. Biomethane emits 60% less CO_2 than diesel, meaning the trucks contribute significantly to lowering CO_2 emissions.

The recycling facility that the Group has lent to has continued to perform well, diverting over 90,000 tonnes of waste from landfill in 2019 and significantly contributing to the UK Government's resources and waste targets. This is approximately the average capacity of 7,000 rubbish trucks.

The Investment Manager is keen to complete further transactions with both of these borrowers, recognising the positive impact these investments are having on the environment.

The Investment Manager is actively looking at new asset classes and structures, including solutions for electric vehicle charging, which in the UK needs significant capital expenditure to meet the growth in demand.

This sector includes loans secured against assets in the UK only.

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

- Electric vehicle infrastructure

ASSET FINANCE

Assets that generate long-term, regular cash flows

6%
Percentage of portfolio by value

£25.5m
Valuation of sector within the portfolio

Asset finance continues to be the sector where there is less obvious need for the bespoke funding solutions offered by the Group. The core elements of the sector continue to be well serviced by specialist and mainstream lenders and often at rates lower than the Group's cost of capital.

Notwithstanding the above, the Group continues to seek opportunities for controlled deployment of capital. The Investment Manager continues to see value in securing long-term management contracts in sectors which are easily understood, simple to perform and generate strong underlying profits, such as boiler servicing.

The Investment Manager is looking at a number of new areas in this sector, including the financing of football transfer fees and royalties where there are strong contractual protections in place. The Investment Manager believes these areas have the ability to meet the Company's return and risk requirements and, therefore, the Investment Manager is looking to closely engage with the specialist arrangers in these areas. The opportunity is arising in these areas as the volumes are increasing and the traditional funders are struggling to keep up with demand.

This sector includes loans secured against assets located in the UK (5%) and Europe (1%).

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

- Football finance
- Royalty finance

INVESTMENT MANAGER'S REPORT CONTINUED

TARGET SECTOR UPDATES

PROPERTY

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

45%
Percentage of portfolio by value

£205.0m
Valuation of sector within the portfolio

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

The Investment Manager continues to have significant success in generating robust and secure property exposures. The bridging and development portfolio continues to perform strongly, with the Group's underlying arrangers originating high-quality transactions. The Group continues to fund co-living assets and the Investment Manager views these as a significant and attractive new asset class. The existing borrower's flagship site in London's Canary Wharf opened at the end of 2019, offering over 700 beds on either a short stay or long stay basis.

The Group benefited this year from a repayment of a mezzanine funding line provided to a buy-to-let warehousing facility which undertook its first successful securitisation during the period. The overall portfolio grew to £280 million prior to syndication. The Group entered two new warehousing lines during the year, both of which are expected to be syndicated in early 2020. The rates and quality of the security pool have been extremely high, with over c.82% of the initial book portfolio being rated AAA. The new portfolios are being built using the same lending limits and on the basis of being highly attractive to the syndication markets.

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 (42%), Europe (1%) and the US (2%).

Structural characteristics

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

Current investments

- Bridging loans
- Buy-to-let
- Co-living
- Land
- Warehousing of buy-to-let

New investment asset classes

- Subordinated bridging loans

PORTFOLIO SUMMARY

Portfolio

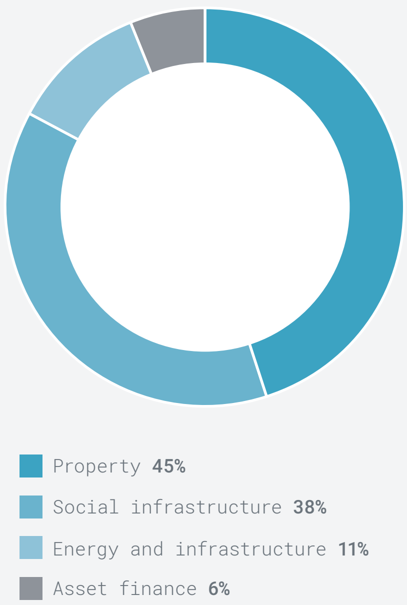
The Group's investments are supported by a diverse range of assets located predominantly in the UK. At 31 December 2019, the weighted average annualised yield[1] was 8.2% across the portfolio with a weighted average expected term of six years. In total, 38 loans have been advanced to companies with operating assets. The remaining seven loans have been advanced to companies with assets under construction.

Investment valuation

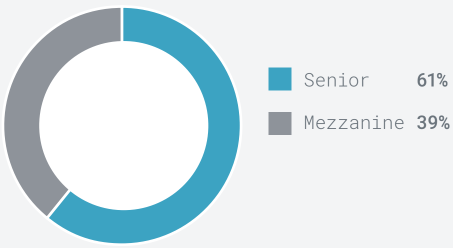
During the year, the Valuation Agent carried out a fair market valuation of the Group's investments on behalf of the Board on a semi-annual basis (previously, all valuations had been performed on a quarterly basis). Any assets which may be subject to discount rate changes continue to be valued on a quarterly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

The weighted average discount rate[1] across the portfolio at 31 December 2019 was 8.1%. The valuation of investments is sensitive to changes in discount rates applied. There were no investments subject to revaluations as a result of discount rate changes during the year. However, one investment was uplifted as a result of inflation. Sensitivity analysis detailing the impact of a change in discount rates is given in note 19.4.

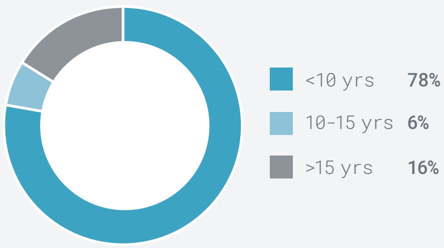
PORTFOLIO BY SECTOR TYPE



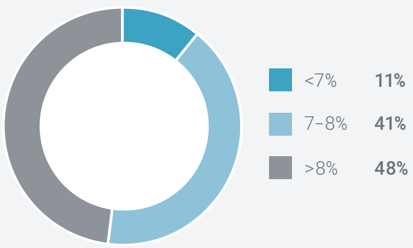
PORTFOLIO BY SECURITY RANKING



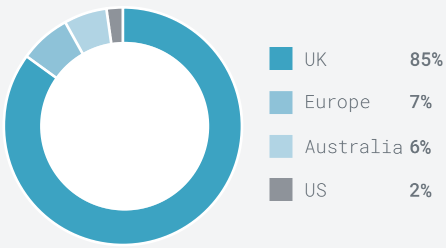
PORTFOLIO BY TERM PROFILE



PORTFOLIO BY INTEREST RATE PROFILE



PORTFOLIO BY LOCATION



1. Alternative performance measure – refer to page 98 for definitions and calculation methodology.

INVESTMENT MANAGER'S REPORT CONTINUED

INVESTMENT PORTFOLIO

TOP TEN INVESTMENTS BY VALUE

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

1 **Development Fin Co 6**
1 Property
2 8.9%
3 Residential property
4 Multi asset

2 **Co-living Co 1**
1 Property
2 8.6%
3 Residential property
4 Multi asset

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

4 **Student Accom 3**
1 Social infrastructure
2 4.8%
3 Student accommodation
4 Single asset

5 **Student Accom 1**
1 Social infrastructure
2 4.6%
3 Student accommodation
4 Single asset

6 **Bridging Co 1**
1 Property
2 4.4%
3 Residential property
4 Multi asset

7 **Student Accom 4**
1 Social infrastructure
2 4.3%
3 Student accommodation
4 Single asset

8 **Property Co 2**
1 Social infrastructure
2 3.8%
3 Social housing
4 Multi asset

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

10 **Property Co 7**
1 Property
2 3.2%
3 Residential property
4 Multi asset

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

Portfolio performance

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

During the year the Group experienced its first default on a loan. The loan was secured against combined heat and power ("CHP") engines accredited for ROCs and two grid entry units, in addition to the overarching Project Companies which held planning and development rights for an anaerobic digestion project. The Group has an exclusivity agreement in place for the sale of the Project Company and post period end it exchanged with the buyer on a sale and purchase agreement. It is anticipated that the sale will complete in Q2 2020 pending regulatory approval from Ofgem. The Company also intends to dispose of one other securitised asset, a grid entry unit, from the same Group. The Investment Manager expects the recovery from the sale of both assets to be slightly higher than the current carrying value.

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. Two of the Group's larger student development loans are ahead of schedule and are expected to achieve practical completion in the second quarter of 2020. This will significantly reduce the Group's overall construction exposure.

Notwithstanding the problem loan mentioned above, the operational performance of the assets has been in line with, or better than, the Investment Manager's expectations and interest and principal payments have been received from the underlying investments in accordance with expectations.

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 average LTVs of c.60%, and the type of property investment in these structures mean that the Investment Manager does not expect these loans will be materially impacted by the UK's exit from the EU, as demonstrated by the continued stable performance since the EU referendum.

Group exposure

The Group's exposure to seven projects that have not yet completed construction with reference to total portfolio assets by value at 31 December 2019 was 17%.

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 to long term.

Key investment highlights

The Group made 29 advances during the year totalling £89.4 million, comprising ten new loans, and 19 extensions to existing facilities. From these advances, five were in the energy and infrastructure sector; two in asset finance; seven in property; and 15 in social infrastructure projects. The Group received capital repayments of £9.7 million, in line with expectations for the year. Post year end, the Group made a further five advances totalling £40.3 million and received four repayments totalling £60.9 million which included repayments on two of its co-living investments, along with prepayment fees of c.£1 million. The Group was able to immediately recommit up to £53 million to the same co-living borrower group in a larger facility of up to £140 million alongside Deutsche Bank for a term of up to four years.

INVESTMENTS MADE DURING THE YEAR[1]

SECTOR	AVERAGE TERM	SECURITY	STATUS	INVESTMENTS	REPAYMENTS
Asset finance	8 years	Senior	Operational	£8.4 million	£4.7 million
Energy and infrastructure	9 years	Senior	Operational/construction	£2.8 million	£4.3 million
Property[2]	3 years	Senior/subordinated	Operational	£50.3 million	£0.7 million
Social infrastructure	9 years	Senior/subordinated	Operational/construction	£27.9 million	–
			TOTAL	£89.4 MILLION	£9.7 MILLION

INVESTMENTS MADE POST YEAR END[1]

SECTOR	AVERAGE TERM	SECURITY	STATUS	INVESTMENTS	REPAYMENTS
Social infrastructure	14 years	Senior/subordinated	Operational/construction	£9.9 million	–
Property[2]	4 years	Subordinated	Operational/construction	£30.4 million	£60.9 million
			TOTAL	£40.3 MILLION	£60.9 MILLION

INVESTMENT COMMITMENTS AT THE DATE OF THE REPORT[1]

SECTOR	AVERAGE TERM	SECURITY	STATUS	INVESTMENTS
Property	3 years	Subordinated	Operational/construction	£22.7 million
Social infrastructure	18 years	Subordinated	Operational	£1.0 million
			TOTAL	£23.7 MILLION

1. The Company makes its investments through its wholly owned subsidiary. Refer to note 1 for further information.
2. Includes projects that were subject to review by the Board under the Company's investment approval process, refer to page 29.

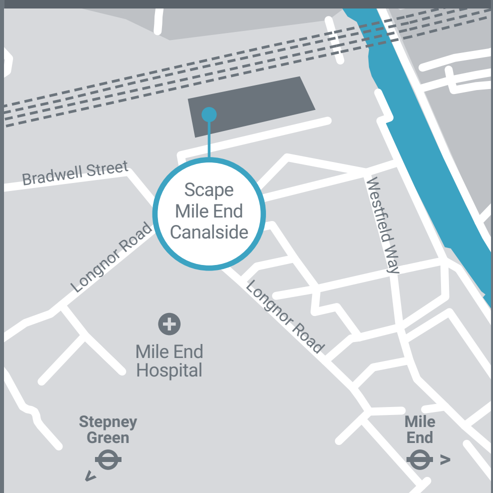
INVESTMENT MANAGER'S REPORT CONTINUED

FEATURED ASSET

SCAPE MILE END CANALSIDE

The Group provided mezzanine financing to support the construction of a new development of student accommodation in East London.

Asset location
Mile End, London



The asset

In July 2016, the Group financed the development of a 412-bed, purpose built, private student accommodation residence located adjacent to Queen Mary's University London ("QMUL"), in Mile End, London. As well as ensuite bedrooms, the project includes shared working areas, communal kitchens, a gym and a cinema room. The project builds on the success of the existing Scape building near the QMUL campus with both sites providing quick access to the university campus and local transport links at Mile End.

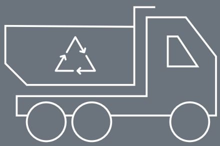
The developer, Scape, is a market leader in private student accommodation with operational assets in London and Australia. Scape has significant experience in acquiring sites and developing assets through planning, construction and operations.

The asset is operating at full capacity with students occupying the accommodation for the 2019/20 academic year. Scape is already seeing strong demand for the next academic year commencing in September 2020.

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

INVESTMENT MANAGER'S REPORT CONTINUED

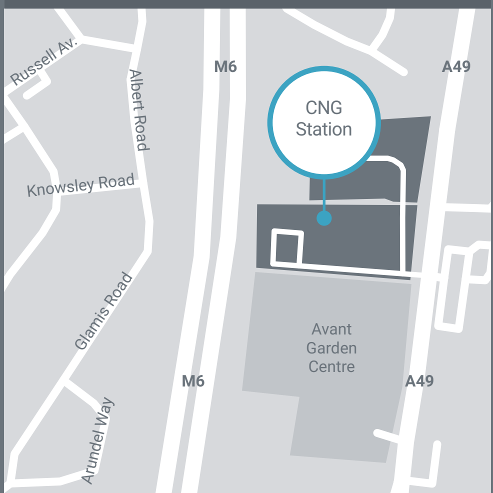
FEATURED ASSET



CNG STATIONS

The Group has financed a CNG station in Leyland, developed and operated by CNG Fuels, a leading operator of CNG stations in the UK.

Asset location
Leyland, Lancashire



The asset

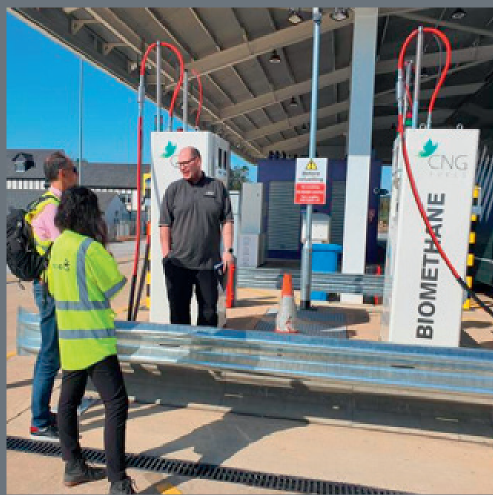
In January 2018, the Group financed its first CNG station, which is strategically located on the M6 to support major distribution depots in the region. It was the UK's first high pressure CNG station allowing vehicles to access CNG directly from the grid and reduce the energy required to compress the gas.

The project has experienced growth in the volumes dispensed through the site since first opening in 2016 as more diesel-powered fleets are replaced with CNG vehicles. Not only does the replacement provide an economic benefit, with CNG over 30% cheaper than fuelling with diesel, but the stations benefit from Renewable Transport Fuel Certificates ("RTFCs") through biomethane injected into the grid. The developer is actively working with biomethane producers to ensure that they can continue to provide RTFCs to their customers.

The developer is working on a further pipeline of stations to support networks of CNG-powered vehicles across the UK. Expanding this infrastructure will enable wider adoption of CNG as a fuel of choice for heavy goods vehicles and encourage decarbonisation throughout the supply chain, enabling companies to meet their environmental targets. The Group is actively working with the developer to support this project.

Diesel displacement

Vehicles at the site have displaced 5.4 million litres of diesel over the last year through fuelling at this station. CNG trucks emit 60% less CO_2 than diesel trucks, highlighting the significant positive impact this form of transportation has on air quality and the environment.



FINANCIAL REVIEW OF THE YEAR

The Company has generated total income of £34.0 million, paid dividends of 6.45 pence per share and generated a total shareholder return[1] for the year of 10.2%.

Financial performance

In the year to 31 December 2019, the Company's portfolio generated total income of £34.0 million (31 December 2018: £27.1 million). Total profit for the year was £28.0 million (31 December 2018: £21.6 million), with basic EPS of 6.81 pence (31 December 2018: 7.27 pence). The Company's ongoing charges ratio[1], calculated in accordance with the AIC methodology, was 1.2% (31 December 2018: 1.2%) for the year to 31 December 2019.

Dividends

The Company paid dividends totalling 6.45 pence per ordinary share in respect of the year (including a special dividend of 0.25 pence), thereby exceeding its dividend target of 6.20 pence per share. The dividend was fully covered by earnings per share of 6.81 pence. The Company has grown its dividend by 1.6% year-on-year (including the special dividend) from 6.35 pence.

Capital raised

In June 2019, the Company raised £63.3 million by way of a non-pre-emptive placing of 60,317,131 ordinary shares at an issue price of 105.00 pence per share.

NAV and share price performance

Net assets attributable to equity holders at 31 December 2019 were £451.8 million, up from £386.6 million at 31 December 2018. The Company's NAV per ordinary share has increased from 101.74 pence at 31 December 2018 to 102.33 pence per ordinary share at 31 December 2019.

The Company's ordinary shares have predominantly traded at a premium to the latest published prevailing NAV since IPO, with an average premium over the financial year of 5.6%. At 31 December 2019, there were 441,544,019 ordinary shares in issue.

Cash position

The Company received interest payments of £36.9 million and capital repayments of £10.8 million in the year, in line with expectations. The Company paid dividends of £25.1 million (excluding dividends settled in shares[2]) during the year and a further £6.3 million (excluding dividends settled in shares[2]) post year end. The Company raised £63.3 million of equity capital and made investments of £89.4 million. Post year end, the Group has made a further five advances totalling £40.3 million and received four repayments totalling £60.9 million. At the date of the report, investment commitments were £23.7 million. Total cash reserves at the year end were £8.7 million.

Conflicts of interest

During the year, the Group committed to make investments of up to £10 million to finance the development of graduate accommodation in Boston, Massachusetts and also continued to finance construction projects of a number of private student accommodation developments in Australia and in the UK.

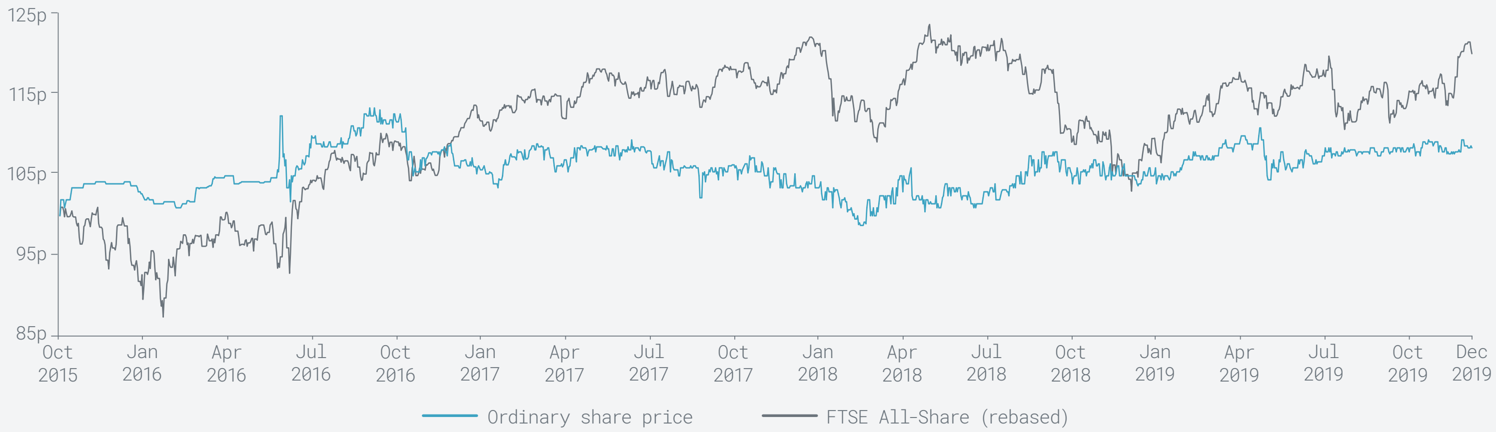
The directors of the Investment Manager directly or indirectly own an equity interest in these development projects. In accordance with the Company's investment approval process, these investments were reviewed and approved by the Board.

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

During the year, three investments were offered to GCP Infra under its right of first refusal; all were declined as a result of falling outside of the GCP Infra investment policy.

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

SHARE PRICE PERFORMANCE SINCE IPO



Source: Bloomberg.

1. Alternative performance measure – refer to page 98 for definitions and calculation methodology.
2. Dividends settled in shares are where shareholders have elected to take the scrip dividend alternative.

SUSTAINABILITY

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

Responsible investment

The Investment Manager is a signatory to the UN Principles for Responsible Investment ("UNPRI"). The UNPRI, established in 2006, is a global collaborative network of investors working together to put the six Principles for Responsible Investment into practice. The principles are a voluntary and aspirational set of investment principles for incorporating ESG issues into investment practice. More information can be found on the UNPRI website: www.unpri.org. The Investment Manager is in the process of integrating sustainability across its business, including the embedding of responsible investing policies in its investment management processes and the establishment of a dedicated sustainability committee.

Environmental

Greenhouse gas emissions reporting

The Company has no employees and does not own any property, and it does not purchase electricity, heat, steam or cooling for its own use. 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. Read more on pages 26 and 27.

The Company has also invested in a number of battery storage projects which support the deployment of renewable energy projects throughout the UK by providing flexible capacity and balancing services to the National Grid. In addition, the Company has invested in companies providing operation and maintenance services for rooftop solar panels, in turn contributing to increased renewable capacity in the UK.

Social

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

The Group provides benefits to society through its investing activities, by providing funding for assets, such as housing for vulnerable adults, care for the elderly and urban regeneration, in addition to assets that meet a structural demand for producing or managing energy and/or processing waste. The Group also provides finance for property purchases or developments which mainstream lenders cannot serve, for reasons other than credit quality.

Since IPO, the Group's investment activities have facilitated the creation of c.800 jobs, of which c.400 have been created at urban regeneration projects, c.250 at care homes, with the remainder at student accommodation schemes and nurseries. The Group intends to continue to support borrowers that have a positive impact on society, as it further enhances the security of the portfolio and enables the Company to back transactions that are integral to society.

GOVERNANCE

Read how the Company is governed and the activities of the Board during the year in the governance section on pages 38 to 63.

FINANCIAL

Read about the Company's financial performance and dividend cover in the financial review on pages 28 and 29 and its long-term viability on page 37.

GENERATING VALUE FROM WASTE

Oakleaf recycling facility

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. 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. In 2019, over 90,000 tonnes were diverted from landfill. The facility has been operational since April 2017.

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 Risk committee (previously carried out by 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 Risk committee report on page 57 for further information. This review covered the operational, compliance and financial risks facing the Company, including emerging risks. 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 11 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 model the aggregated impact of plausible scenarios, including:

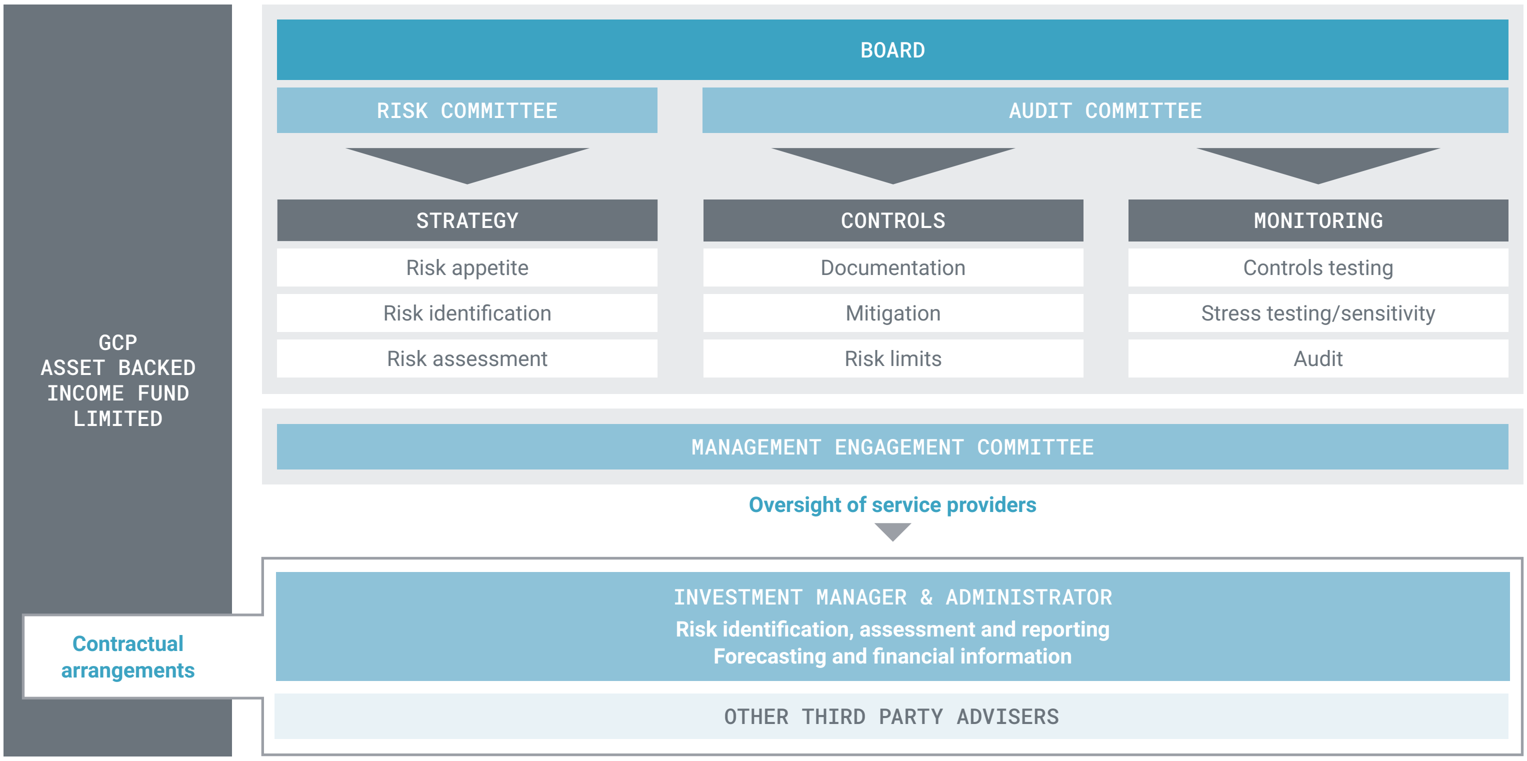
- significant reductions in interest income received;
- new and reinvested capital levels;
- borrower default and recovery rates;
- significant increases in the Company's operating expenses and debt financing costs; and
- the impact on the portfolio of downside stress tests on a sector-by-sector basis.

The Investment Manager has revisited these scenarios in light of the Coronavirus (COVID-19) outbreak and believes that they continue to represent a robust sensitivity analysis.

Further information is given in the going concern and viability statement on page 37.

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 continues to consider Brexit, as detailed below, to be a principal uncertainty for the Company. The Board also considers the outbreak of Coronavirus (COVID-19) to be a principal uncertainty at the date of publication.

UNCERTAINTY 1: BREXIT

The UK officially left the EU on 31 January 2020. There continues to be a considerable amount of uncertainty regarding the future relationship between the UK and the 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 focuses 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 any impact on the Company's principal risks and uncertainties, the Board 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 predominantly comprises migrants living in the UK. A reduction in the availability of a workforce with the required skills may have a negative impact on these investments. Further, a number of investments utilise plant and machinery manufactured by European companies. Whilst any foreign exchange risks during construction are usually hedged as part of any investment, where plant and machinery needs to be replaced during the operational life of assets, there is the risk that costs will increase 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.

UNCERTAINTY 2: CORONAVIRUS (COVID-19)

At the time of writing, the UK is experiencing an increase in the number of diagnosed cases of Coronavirus (COVID-19) which has now been classified as a pandemic by the World Health Organisation. The outbreak is causing disruption in the global and national economy.

Whilst there has been no impact on the Company's cash flows to date, the Board is continuing to monitor the situation and has considered:

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

— the reliance of the portfolio on materials and/or labour; and

— the impact of a prolonged period of lockdown.

The primary concern in the portfolio is the risk to care home residents who are statistically more vulnerable to viral infection. A widespread outbreak of the virus could cause a negative impact on the operations of these assets. However, no cases have been reported to date and all of the projects are operating best practice to minimise risk of infection. All of the borrowers with a potential impact from Coronavirus (COVID-19) are following UK Government guidance.

The Company has business continuity procedures ("BCPs") in place through its service providers. The Investment Manager and the Administrator have established BCPs to ensure they can continue to service their clients. The Investment Manager has enacted its BCPs and these are operating effectively. The Administrator's BCPs will be invoked as circumstances require.

The Board will continue to monitor the development of the Coronavirus (COVID-19) outbreak and any potential impact on the portfolio.

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 11.

RISK 1: CREDIT RISK

RISK	IMPACT	HOW THE RISK IS MANAGED	CHANGE IN RESIDUAL RISK OVER THE YEAR
Borrower default, loan non-performance and collateral risks Borrowers to whom the Group has provided loans default or become insolvent.	The success of the Group is dependent upon borrowers fulfilling their payment obligations when they fall due. Failure of the Group to receive payments or to recover part or all amounts owed together with potential additional costs incurred from the renegotiation and/or restructuring of loans can result in substantial, irrecoverable costs being incurred. This could have a material adverse effect on the NAV of the Company and its ability to meet its stated target returns and dividend.	The Investment Manager continuously monitors the actual performance of projects and their borrowers, taking action where appropriate, and reports on performance of the Group's portfolio to the Board each quarter.	**Stable** The Group's investment portfolio has continued to perform in line with expectations, with substantially all borrowers fulfilling their payment obligations since IPO. The Investment Manager and the Board continue to closely monitor the impact of the continued economic uncertainty as a result of the UK's exit from the EU and the impact of disruption due to Coronavirus (COVID-19). The significant majority of borrower businesses are incorporated and operate in the UK with minimal reliance on EU cross-border trading. All borrowers are following relevant guidance on the Coronavirus (COVID-19) outbreak and are putting contingency plans in place to minimise impact to their businesses. For further information on the performance of the Group's portfolio, refer to the Investment Manager's report on pages 14 to 27.

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 average LTV level. In addition, the credit risk associated with each Project Company is mitigated as the cash flows receivable are secured over the assets of the Project Company, which in turn has security over multiple assets at the underlying project level.	**Stable** The average LTV of the Group's property portfolio has remained broadly stable in the year and no losses have occurred at a borrower level. 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 provides a degree of support to the housing market. The Investment Manager and the Board continue to monitor the market. For further information on the Group's property investments refer to page 20.

RISK MANAGEMENT CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

RISK 2: ECONOMIC RISK CONTINUED

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 carry out the valuation of investments on a regular basis. In addition, the Investment Manager, as part of its due diligence process, uses market recognised professionals to provide initial valuations where possible.	**Stable** The Group's investment portfolio has continued to perform substantially in line with expectations with no material changes in valuations or realised amounts. However, during periods of uncertainty, valuations can be more difficult to estimate due to a reduction in the number of comparable market transactions. The Board continues to monitor the potential impact that the UK's exit from the EU and the Coronavirus (COVID-19) outbreak may have on some of the Group's investments.

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.	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. The Investment Manager has robust BCPs in place to enable it to continue to manage the Company if and when circumstances require.	**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 also upgraded systems to strengthen its control processes 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.	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, in the jurisdictions in which the Group invests, and listing and FCA marketing rules.	**Stable** There is continued uncertainty about the impact 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 on page 5.

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 continuously in contact with the market, seeking new deals, and builds a specific investment pipeline before recommending the raising of additional finance to ensure that capital is deployed in a timely manner.	**Stable** The Investment Manager continues to see attractive investment opportunities across a variety of sectors, including energy, social infrastructure, waste and specialist property. At the year end, the Group had a significant pipeline of investment opportunities. For further information refer to the Investment Manager's report on pages 14 to 27.

Emerging risks

Emerging risks include trends which are characterised by a high degree of uncertainty in terms of their occurrence, probability and their potential impact. As part of the Company's risk management processes, emerging risks are considered at the formal reviews of the Company's risks, described on page 33. The Board and the Risk committee have considered emerging risks in the following areas:

- climate change;
- global financial volatility;
- supply chain management; and
- Coronavirus (COVID-19).

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, uncertainty, as detailed on pages 34 to 37 and, through stress testing as described on page 33, 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. The weighted average term of the loans within the investment portfolio is six years and in the view of the Board and the Investment Manager, financial forecasts that support the analysis may be subject to further capital raises for which the impact beyond a five year term is difficult to assess. In addition, the extent to which macro-economic, political, social, technological and regulatory changes beyond a five year term may have a plausible impact on the Company are difficult to forecast. The assessment involved an evaluation of the potential impact on the Company of these risks occurring through the use of stress testing as detailed on page 33.

Based on this assessment and the stress testing performed on the Company's prospects, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment to 31 December 2024.

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

18 March 2020

GOVERNANCE

WHAT'S IN THIS SECTION

BOARD OF DIRECTORS

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

Alex Ohlsson

Chairman

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

Skills and experience:

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

Date of appointment:

14 September 2015

Joanna Dentskevich

Senior Independent Director and chair of the Risk committee and the 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. Mrs Dentskevich has a BSc (Hons) in Maths and Accounting. Mrs Dentskevich also serves on the board of two other LSE listed companies, EJF Investments Limited, where she is chair of the board, and Middlefield Canadian Income PCC.

Skills and experience:

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

Date of appointment:

7 September 2015

Colin Huelin FCA

Chair of the Audit committee

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

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

Date of appointment:
7 September 2015

Marykay Fuller

Chair of the Management Engagement committee

Marykay Fuller, a UK resident, is a banking and finance professional with 30 years' experience in debt and equity markets, working with a broad range of businesses across a variety of jurisdictions including the UK, USA, Europe, South America and Asia. Most recently, she was a senior deal advisory partner at KPMG LLP where she also represented the firm on the board of the trade group, British American Business. Ms Fuller is currently a non-executive director of the UK Civil Aviation Authority, where she is a member of the audit and remuneration committees. She is chair of the Air Travel Trust and also serves on the Alumni Advisory Board of Heinz College, Carnegie Mellon University in the USA.

Skills and experience:
Substantial business and debt experience across a variety of jurisdictions.

Date of appointment:
6 November 2019

THE INVESTMENT MANAGER

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

INVESTMENT TEAM

David Conlon

Director

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

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

David has an LLB in Law from Nottingham Trent University.

Antonia Vouraki

Senior portfolio manager

Antonia Vouraki is a senior portfolio manager of 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 this, 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 a Masters in Finance from London Business School.

Joanne Fisk

Associate

Jo Fisk is an associate of the Investment Manager, focusing on origination for the Company across all sectors.

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

Jo has a degree in Neuroscience from the University of Sussex.

PORTFOLIO ADMINISTRATION

Luther Ward-Faint
Portfolio manager

William Parry-Jones
Fund financial controller

Irsida Dhimarko
Portfolio administrator

Kate Arnold
Portfolio administrator

FINANCIAL AND CORPORATE ADVISORY

Saira Johnston
Chief financial officer

Dion Di Miceli
Head of investment companies

Chloe Marlow
Head of corporate reporting

Sarah Bowe
Compliance and risk officer

BOARD LEADERSHIP AND PURPOSE

CORPORATE GOVERNANCE STATEMENT

I am pleased to present the Company's corporate governance statement for the year ended 31 December 2019.

Alex Ohlsson
Chairman

Introduction from the Chairman

In this corporate governance statement the Company reports on its compliance with the AIC Code, sets out how the Board and its committees have operated during the year and describes how the Board exercises effective stewardship over the Company's activities for the benefit of its members as a whole.

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

The AIC Code

As a member of the AIC, the Company reports against the principles and provisions of the AIC Code.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FCA and supported by the JFSC, provides better information to shareholders as it addresses all the principles set out in the UK Code, as well as setting out additional principles on issues that are of specific relevance to investment companies.

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

Statement of compliance with the AIC Code

Pursuant to the Listing Rules, the Company is required to provide shareholders with a statement on how it has applied the provisions of, and complied with, the AIC Code.

The UK Code includes provisions relating to:

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

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 provisions of the AIC Code, except the appointment of a senior independent director. Post year end, on 21 January 2020, Joanna Dentskevich was appointed Senior Independent Director.

Board conflicts of interest

It is the responsibility of each individual Director to avoid a conflict of interest situation arising. The Director must inform the Board as soon as he or she is aware of the possibility of an interest that might possibly conflict with the interests of the Company. The Company's articles of association authorise the Board to approve such situations, where deemed appropriate. A register of conflicts is maintained by the Company Secretary and is reviewed at Board meetings, to ensure that any authorised conflicts remain appropriate. The Directors are required to confirm at these meetings whether there has been any change to their position.

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

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

Culture of the Board

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He demonstrates objective judgement, promotes a culture of openness and debate and facilitates constructive board relations and the effective contribution of all Directors. In liaison with the Company Secretary, he ensures that the Directors receive accurate, timely and clear information. The Directors are required to act with integrity, lead by example and promote this culture within the Company.

The Board seeks to ensure the alignment of its purpose, values and strategy with this culture of openness, debate and integrity through ongoing dialogue and engagement with its service providers, principally the Investment Manager. The culture of the Board is considered as part of the annual performance evaluation process which is undertaken by each Director and the culture of the Company's service providers, including their policies, practices and behaviour, is considered by the Board as a whole during the annual review of the performance and continuing appointment of all service providers.

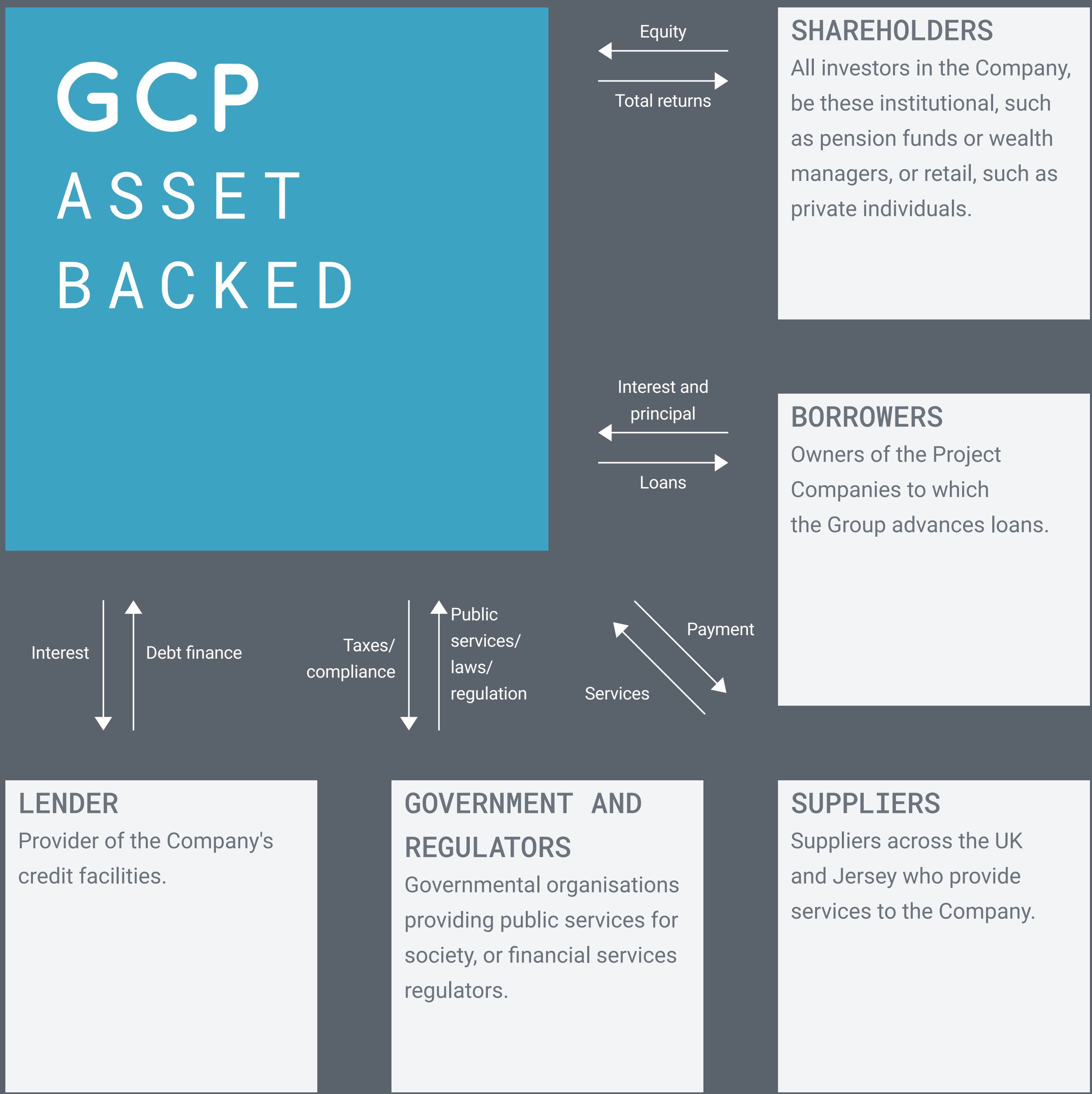
STAKEHOLDERS

CORPORATE GOVERNANCE STATEMENT

The Company's primary objective is to provide shareholders with attractive risk-adjusted returns through regular, growing distributions and modest capital appreciation in the long term. The stakeholder model below demonstrates how the Company interacts with all of its stakeholders.

SOCIETY

The Company positively impacts society through its investing activities, providing funding for assets which are integral to society.



STAKEHOLDERS CONTINUED
CORPORATE GOVERNANCE STATEMENT

The Company engages with its stakeholders in different ways and this section outlines the key stakeholder groups, the importance of engagement and how the Company interacts.

Section 172 of the Companies Act 2006

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.

Although it is not a requirement for a non-UK company to comply with section 172 of the Companies Act 2006, there are, however, related corporate governance disclosures in the AIC Code which apply to the Company on a comply or explain basis.

The Board of Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in section 172 of the Companies Act 2006) in the decisions taken during the year.

STAKEHOLDERS	WHY ENGAGE
Shareholders All investors in the Company, be these institutional, such as pension funds or wealth managers, or retail, such as private individuals.	Through the provision of capital, shareholders enable the Company to pursue its investment objective. In return, the Company generates earnings for shareholders as well as safeguarding and growing the capital value of the portfolio.
Borrowers Owners of the Project Companies to which the Group advances loans.	By engaging with borrowers and understanding their needs, the Group can offer bespoke lending solutions which reflect the contractual fundamentals and inherent risks of the underlying assets and cash flows.
Lender Provider of the Company's credit facilities.	The Company's lender, RBSI, provides a credit facility which is used in the making of investments in accordance with the investment policy, access to which creates an efficient method of investing capital and minimises the effect of cash drag.
Suppliers Suppliers across the UK and Jersey who provide services to the Company.	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.
Society The Company positively impacts society through its investing activities, providing funding for assets which are integral to society.	Through responsible investing the Company can ensure the long-term success of not only itself but also of the environments within which it operates.
Government and regulators Governmental organisations providing public services for society, or financial services regulators.	Good governance and compliance with applicable regulations is vital in ensuring the continued success of the Company and the regimes within which it operates.

HOW THE COMPANY ENGAGES	FURTHER LINKS
The Company, primarily through its Investment Manager and Broker, engages in ongoing communication with its shareholders via market interactions, webinars and shareholder, analyst and marketing presentations. Shareholder engagement by the Investment Manager and the Broker is reported to the Board on a quarterly basis. 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. Prior to the June 2019 equity raise, the Broker and the Investment Manager engaged with existing shareholders and other financial institutions to gauge interest of a possible equity fundraise, where they met with 35 institutional investors to discuss, amongst other matters, the Company's performance, investment portfolio and future growth.	– Page 1: Highlights for the year – Pages 8 to 37: Strategic report – Page 61: General meetings
The Investment Manager's designated portfolio monitoring team engages with borrowers on an ongoing basis. Engagement is in the form of regular interaction with the borrowers, including periodic site visits to the underlying assets held by Project Companies, which this year included a visit to two care communities in Hereford and Abergavenny and a newly opened co-living site in London. The regular monitoring of information and financial covenant obligations is also carried out to ensure compliance with financial covenants to ensure the early identification of potential issues. The Investment Manager reports to the Board on asset performance on a quarterly basis. As detailed in the Chairman's statement, the Group had a default on one of its small loans during the year. The Investment Manager has been working closely with the borrower to exit the loan on the best available terms for the Group. Post year end the Company exchanged on a sale and purchase agreement and is awaiting approval from Ofgem in order to complete the sale. The Board engages with the Investment Manager with regard to 'conflicted investments', where 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 the investment.	– Page 5: Chairman's statement – Page 22: Portfolio performance – Pages 22 and 23: Investment portfolio – Page 29: Conflicts of interest – Page 34: Principal risk – credit risk
The day-to-day management of the credit facility is delegated to the Investment Manager who engages with RBSI to ensure that it remains fully informed on all relevant business of the Company. This high level of engagement helps to support the relationship with RBSI. The Investment Manager reports to the Board on a quarterly basis on current and future financing requirements, as well as the quantum and duration of the RCF. On 16 April 2019, the Company entered into an agreement with RBSI to increase the existing RCF from £30 million to £50 million.	– Page 29: Financial review of the year – Page 34: Principal risk – credit risk – Page 82: Revolving credit facilities
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. To ensure suppliers meet the Company's high level of conduct, all suppliers are required to confirm on an annual basis, in the form of a questionnaire, that they have adequate policies and procedures in place. During the year, the Directors visited the offices of the Investment Manager for their annual review of the Investment Manager, refer to page 51. The annual Management Engagement committee meeting was held on 22 October 2019 where the committee reviewed the performance, and considered the continued appointment, of the Company's service providers.	– Page 35: Principal risk – key resource risk – Page 49: Management Engagement committee review of advisers
Indirectly, the Company engages with society through its social infrastructure investing providing funding for housing for vulnerable adults, care for the elderly and urban regeneration, in addition to funding assets that manage energy and/or process waste. Through its normal methods of shareholder engagement, the Company reports on the benefits to society. Since IPO, the Group's investment activities have facilitated the creation of c.800 jobs, of which c.400 have been created at urban regeneration projects, c.250 at care homes, with the remainder at student accommodation schemes and nurseries.	– Pages 24 to 27: Featured assets – Page 31: Sustainability – Page 37: Emerging risk – climate change
The Board encourages openness and transparency and promotes proactive compliance with new regulation. The Company, through its Investment Manager and Administrator, files AIFMD and Jersey regulatory statistics on a quarterly basis and assists the JFSC in collecting data to conduct a national risk assessment of money laundering and terrorist financing threats to Jersey. The Company has been engaging with local legal and tax advisers to ensure it meets the requirements of the new economic substance regulation, Taxation (Companies – Economic Substance) (Jersey) Law 2019.	– Page 36: Principal risk – regulatory risk – Page 51: Anti-bribery and tax evasion

DIVISION OF RESPONSIBILITIES

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

THE BOARD

PURPOSE:

Responsible for the long-term success of the Company.

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

Composition at 31 December 2019: Chairman: Alex Ohlsson, Colin Huelin FCA, Joanna Dentskevich, Marykay Fuller

BOARD COMMITTEES

Audit committee

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

Risk committee

PURPOSE:
Reviews and monitors the risks the Company is exposed to, its risk appetite and the effectiveness of the risk management framework.

Management Engagement committee

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

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 AT 31 DECEMBER 2019

Audit committee
Chair: Colin Huelin FCA
Alex Ohlsson
Joanna Dentskevich
Marykay Fuller
See Audit committee report on pages 54 to 56.

Risk committee
Chair: Joanna Dentskevich
Alex Ohlsson
Colin Huelin FCA
Marykay Fuller
See Risk committee report on page 57.

Management Engagement committee
Chair: Joanna Dentskevich
Alex Ohlsson
Colin Huelin FCA
Marykay Fuller

Remuneration and Nomination committee
Chair: Joanna Dentskevich
Alex Ohlsson
Colin Huelin FCA
Marykay Fuller
See Remuneration and Nomination committee report on pages 52 and 53.

Post year end, on 21 January 2020, Alex Ohlsson resigned as a member of the Audit committee and Marykay Fuller became chair of the Management Engagement committee. It is intended for Ms Fuller to replace Mrs Dentskevich as chair of the Remuneration and Nomination committee upon reaching one years membership of the committee.

The terms of reference of the Board committees can be found on the Company's website **www.gcpassetbacked.com**.

The Board

At 31 December 2019, the Board comprised four Directors, all of whom are non-executive and are considered independent. Marykay Fuller was appointed as a Director of the Company effective 6 November 2019. Biographical details of the Directors are shown on pages 40 and 41.

Under the leadership of the Chairman, the Board is responsible for the long-term success of the Company. It provides overall leadership, sets the strategic aims of the Company and ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls. The Board has overall responsibility for the Company's investment policy, investment strategy and activities, including the review of investment activity and performance and control of the Investment Manager.

Chairman

The Chairman, Alex Ohlsson, is deemed by his fellow independent Board members to be independent in character and judgement and free of any conflicts of interest.

He considers himself to have sufficient time to spend on the affairs of the Company. He has no significant commitments other than those disclosed in his biography on page 40. The Chairman's independence was noted by the Institutional Shareholder Services, a proxy adviser which publishes voting recommendations for its clients in respect of listed issuers, in their report for the Company's 2019 AGM due to his position as managing partner of Carey Olsen, the Company's advisers on Jersey law. The relationship between the Company and Carey Olsen is not material in nature and is not considered to present a conflict of interest.

The fees paid to Carey Olsen in the financial year ended 31 December 2019 represented 0.2% of the total expenses of the Company. Furthermore, the Company and Carey Olsen, a firm of over 50 partners, maintain procedures to ensure that the Chairman has no involvement in either the decisions concerning the engagement of Carey Olsen or the provision of legal services to the Company.

Joanna Dentskevich was appointed Senior Independent Director of the Company with effect from 21 January 2020. She acts as a sounding board for the Chairman, meets with major shareholders as appropriate, provides a channel for any shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman by the Directors. In the event the Company experiences a period of stress, the Senior Independent Director would work with the Chairman, the other Directors and/or shareholders to resolve any issues.

Matters reserved for the Board

The Board has approved a formal schedule of matters reserved for its approval which is available on the Company's website and upon request from the Company Secretary. The principal matters considered by the Board during the year included:

- the declaration of dividends;
- raising new capital;
- appointment of an additional Director;
- creation of a Risk committee;
- the Company's annual expenditure budget;
- the interim and annual financial statements;
- approval of investments where the Investment Manager or any directors, officers or employees of the Investment Manager were directly or indirectly interested in any entity or asset in relation to the investment proposal;
- increasing the RCF; and
- recommendations from its committees.

Committees

In October 2019, the Board separated the Audit and Risk committee to an Audit committee and a Risk committee to satisfy the recommendation of the 2018 independent performance evaluation.

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

Audit committee

The membership and activities of the Audit committee are described in its report on pages 54 to 56.

Risk committee

The membership and activities of the Risk committee are described in its report on page 57.

Management Engagement committee

The Management Engagement committee comprises all Directors. It 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 October 2019, the committee independently evaluated the performance and services provided by the Investment Manager. As with previous years, this took the form of a questionnaire completed by the Administrator and the Depositary rating the services provided by the Investment Manager and giving feedback where necessary.

DIVISION OF RESPONSIBILITIES CONTINUED

Committees continued

Management Engagement committee continued

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 94, and based on results, the continued appointment of the Investment Manager is considered to be in the best interests of the shareholders as a whole. 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.

During the year, the Board decided it would be in the best interests of shareholders to conduct a formal broker tender process in order to assist in assessing the performance of the existing broker against other providers in the market and to determine whether it was appropriate to seek a new firm as broker. As a result of this process, the Board found that the experience within the sector as well as the strength of the overall team demonstrated by Investec Bank plc would be more aligned to the Company. Therefore, Investec Bank plc was appointed as sole broker post year end, with effect from 28 January 2020.

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 scheduled 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	Marykay Fuller[1]
Quarterly Board	4	4	4	4	–
Audit committee	4	4	4	4	1
Risk committee	1	1	1	1	1
Management Engagement committee	1	1	1	1	–
Remuneration and Nomination committee	3	3	3	3	–
Total number of meetings attended	**13**	**13**	**13**	**13**	**2**

1. Appointed as a Director of the Company and became a member of all committees on 6 November 2019.

During the year, 15 additional Board meetings were held. These meetings were in respect of capital raises, increasing the RCF, approval of the interim and annual financial statements, allotment of shares, conflicted investments and the appointment of an additional Director.

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

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

During the year, the Directors visited the offices of the Investment Manager for their annual review of the Investment Manager. At this visit the Directors and the Investment Manager considered the following:

- the Company's strategy and investment objectives;
- the potential growth of the Company;
- portfolio monitoring;
- the principal and emerging risks and principal uncertainties;
- key controls to mitigate the principal risks and assurance work undertaken to test their effectiveness;
- shareholder engagement;
- the impact of the revised AIC Code published in February 2019;
- marketing;
- key findings and enhancements to AML/CFT controls; and
- the Investment Manager's current resources and resource planning.

Company Secretary

The Board has access to the Company Secretary to advise on governance and day-to-day administrative matters. The Company Secretary is also responsible to the Board for ensuring the timely delivery of the information and reports which the Directors require and that the statutory obligations of the Company are met.

Market Abuse Regulation

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

Anti-bribery and tax evasion

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

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

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 Apex Financial Services (Corporate) 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.

COMPOSITION, SUCCESSION AND EVALUATION

REMUNERATION AND NOMINATION COMMITTEE REPORT

I am pleased to present the Remuneration and Nomination committee report for the year ended 31 December 2019.

Joanna Dentskevich
Chair of the Remuneration and Nomination committee

Statement from the chair

At 31 December 2019, the committee comprised all four Directors of the Company, all of whom are considered independent.

The committee met three times during the year to consider, amongst other matters, the recommendations from the external Board evaluation, the appointment of an additional director to the Board and an increase in the Directors' remuneration.

The main duties of the 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, independent and effective board in the context of the requirements of the Company;
- to assist the Board in developing a fair and transparent framework for setting the levels of Directors' remuneration while having regard to the Company's financial position and performance, remuneration in other companies of comparable scale and complexity and market statistics generally; and
- to regularly review the policies of the Company on remuneration, appointments, diversity, succession planning and tenure.

A copy of the terms of reference within which the committee operates is available on the Company's website or from the Company Secretary upon request.

Board and committee composition

As a result of the external Board evaluation carried out in 2018 by Stephenson, a specialist consultancy firm independent of the Company, the Directors and the Investment Manager, the Board commenced the recruitment of a fourth director to complement and strengthen its existing skills and experience as it continues the implementation of the Company's strategy.

As Stephenson had performed the external Board evaluation they were engaged to assist with the recruitment. A number of potential candidates were identified. Further to which, Ms Fuller, having the desired background and expertise, was appointed to the Board and became a member of all committees with effect from 6 November 2019.

Additionally, as a result of the external Board evaluation, during the year a Risk committee was formed with its first meeting being held in December 2019. The members of the Risk committee at the year end comprised all Directors and its terms of reference are available on the Company's website and from the Company Secretary upon request.

Directors' attendance at all committee meetings held during the year and their relevant experience is detailed on pages 50, 40 and 41 respectively.

Independence

The committee has reviewed the conflicts, relationships, other positions and tenure of all the Board members and continues to be satisfied that no material interests exist which would materially impact the ability of each Director to exercise independent judgement.

Accordingly, the Board considers all Directors on the Board to be independent in character and judgement and entirely independent of the Investment Manager.

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

Tenure

The Board's policy regarding tenure of service, including in respect of the Chairman, is that any decisions regarding tenure will balance the need to provide and maintain continuity, knowledge, experience and independence, against the need to periodically refresh the Board composition in order to maintain an appropriate mix of the required skills, experience, age and length of service.

Succession

The Board does not consider that lengthy service in itself necessarily undermines a Director's independence nor that each Director, including the Chairman, should serve for a finite fixed period. However, based on the revised principles of the AIC Code, the committee reviewed and recommended to the Board, subject to re-election, the staged rotation of Directors to ensure the continuity and stability of experience remains.

Diversity

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

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

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

Overboarding

The Directors consider that as an investment company, the Company demands less time commitment than would be required of an executive director of an operating company. The Directors also believe that a formulaic approach to assessing whether a director is able to effectively discharge their duties is not appropriate given the nature of the Company and directorships. Prior to appointment to the Board, a Director must disclose existing significant commitments and confirm that they are able to allocate sufficient time to the business of the Company. In addition, a Director must consult with the Chairman or Senior Independent Director from time to time prior to taking on any new listed, conflicted, time consuming or otherwise material board appointments and promptly notify the Company Secretary of any new board appointments which they take on. On an annual basis, through the Board's internal evaluation, as described below, each Director's continuing ability to meet the time requirements of the role is assessed by considering, amongst other things, their attendance at Board, committee and other ad hoc meetings and events of the Company held during the year as well as the nature and complexity of other, both public and private, roles held.

Directors' attendance at all Board and committee meetings held during the year is detailed on page 50. None of the Directors hold an executive position of a public company or chair a public operating company.

The committee believes all the Directors have sufficient time to meet their Board responsibilities.

Performance evaluation

The Directors are aware that they need to continually monitor and improve performance and recognise that regular Board evaluation provides a valuable feedback mechanism for improving Board effectiveness.

An external evaluation is carried out every three years with intervening years seeing internal evaluations by means of a questionnaire. The questionnaire is specifically designed to assess the strengths and independence of the Board, the Chairman and the individual Directors, the performance and focus of Board and committee meetings, the need of additional information required to facilitate Board discussions and each Director's continuing capacity.

This year, all Directors apart from Marykay Fuller, due to date of her appointment, undertook an internal evaluation.

The results of the internal evaluation were presented to the Remuneration and Nomination committee, with the below recommendations being approved by the Board on 21 January 2020.

— Alex Ohlsson to resign as a member of the Audit committee;

— Marykay Fuller to become chair of the Management Engagement committee;

— Marykay Fuller to become chair of the Remuneration and Nomination committee;

— Marykay Fuller to receive an additional £5,000 for her appointment as chair of the Management Engagement committee and the Remuneration and Nomination committee to reflect the additional duties and responsibilities for these roles; and

— Joanna Dentskevich to be appointed as Senior Independent Director.

All the recommendations are with immediate effect except for the change to the chair of the Remuneration and Nomination committee which will become effective upon Marykay Fuller reaching one year's membership of the committee.

As a result of the evaluation, the Board considers that all Directors continue to make an effective contribution and have the requisite skills and experience to continue to provide able leadership and direction for the Company.

Re-election

Beyond the requirements of the Articles, and in accordance with the AIC Code, the Board has agreed a policy whereby all Directors will seek annual re-election at the Company's AGM. Any Director not re-elected would resign in accordance with applicable Jersey regulatory requirements.

Following her appointment as a Director during the year, Marykay Fuller will be standing for election at the forthcoming AGM.

Taking into account matters considered above, the Board strongly recommends the re-election/election of all Directors on the basis of their experience and expertise in investment matters, their independence, capacity and continuing effectiveness and commitment to the Company.

Remuneration

The Directors' remuneration report, on pages 58 to 60, details the remuneration policy and the Directors' remuneration during the year.

Joanna Dentskevich
Chair of the Remuneration and Nomination committee

18 March 2020

AUDIT, RISK AND INTERNAL CONTROL

AUDIT COMMITTEE REPORT

I am pleased to present the Audit committee report for the year ended 31 December 2019.

Colin Huelin FCA
Chair of the Audit committee

Statement from the chair

On 22 October 2019, the Audit and Risk committee was separated into an Audit committee and a Risk committee to satisfy the recommendation of the 2018 external Board evaluation. In December 2019, the committee met to review its terms of reference (a copy of which is available on the Company's website or upon request from the Company Secretary) to ensure effective operation in conjunction with the Risk committee. The terms of reference require the committee to monitor the Company's financial reporting, internal controls and external audit process.

The committee is responsible for making recommendations to the Board in respect of the appointment, re-appointment or removal of the Auditor and to approve its remuneration and terms of engagement. The committee met with the Auditor in December 2019 to review, challenge and agree their audit plan, and again in March 2020 to discuss their audit report and opinion, after the conclusion of the audit.

Composition

At 31 December 2019, the committee comprised all four of the Company's independent Directors. As detailed in the Remuneration and Nomination committee report on pages 52 and 53, the Chairman, Alex Ohlsson, resigned as a member of the Audit committee on 21 January 2020 in line with corporate governance best practice as set out in the AIC Code.

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

The committee formally met four times during the year ended 31 December 2019. Details of attendance at meetings held during the year under review are set out on page 50.

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

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

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

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 and 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.

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.

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 and challenging the results of the Investment Manager's stress tests for the purpose of the viability statement having confirmed that the assumptions applied were in accordance with those previously approved by the Board, and being satisfied with the rationale for selecting the duration of five years for the viability period;
- reviewing, in conjunction with the Risk committee, the effectiveness of the internal control environment of the Company and the Company's compliance with its legal and 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 included 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 during the year were accepted by the Board.

Significant issues considered

After discussions with the Investment Manager and the Auditor, the committee determined that the key 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 2019 was £453.9 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 to the financial statements, as further explained in note 19.

The Valuation Agent performs semi-annual financial asset valuations and provides semi-annual valuation reports to the Board (previously, all valuations had been performed on a quarterly basis). Any assets which may be subject to discount rate changes continue to be valued and reported to the Board on a quarterly basis. 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 2019 and January 2020 respectively. The chair of the committee and one other committee member also met with the Valuation Agent in January 2020 to discuss the valuation process and methodology.

In December 2019, the committee met with the Auditor to review and agree their plan for the audit of the financial statements and in particular their approach for the audit of valuation and their proposal to include a sample of investments that were classified as conflicted and therefore, by their nature, approved by the Board. Following discussions with the Auditor in March 2020 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 to the financial statements.

The committee discussed the material estimates and judgements applied in the valuation process 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, the Group had its first default on a loan. The loan was revalued downward by £0.6 million, or 13 bps of NAV, by the Valuation Agent. The Group has an exclusivity agreement in place for the sale of the Project Company and post period end it exchanged with the buyer on a sale and purchase agreement. It is anticipated that the sale will complete in Q2 2020 pending regulatory approval from Ofgem. The Group also intends to dispose of one other securitised asset, a grid entry unit, from the same business. The Investment Manager expects the recovery from the sale of both assets to be slightly higher than the current carrying value. The committee considered in detail the downward revaluation applied to this asset and were satisfied with the Valuation Agent's approach.

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.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT COMMITTEE REPORT

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 and viability assessment by the Directors is set out in the strategic report on page 37.

External audit

Mr Karl Hairon is the partner from PwC responsible for the audit. The first audit performed by Mr Hairon and PwC was in respect of the annual report and financial statements for the period ended 31 December 2016.

Mr Hairon is subject to mandatory rotation at the end of the 2020 audit process.

In March 2020, 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 committee considered:

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

The Audit committee reviews the scope and nature of all proposed non-audit services before engagement, to seek to ensure that the independence and objectivity of the Auditor is safeguarded. The committee has agreed a policy whereby, in order to avoid any potential impact on the independence and objectivity of the Auditor, the Company will not seek to obtain any non-audit services from the Auditor, with the exception of the review of the half-yearly report and financial statements.

During the year under review, the Auditor carried out a review of the half-yearly report and financial statements for the period ended 30 June 2019. 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 following table summarises the remuneration paid to PwC for audit and non-audit services during the year ended 31 December 2019:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Audit fees		
Annual audit of the Company	**75**	59
Non-audit services		
Review of half-yearly report	**24**	15
Total	**99**	74

The committee reviewed the effectiveness of the audit process during the year, considering performance, fees, 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 the Administrator evaluating the performance of the audit team.

Following this review, the Audit committee has recommended the re-appointment of PwC as the Company's Auditor at the 2020 AGM.

Colin Huelin FCA
Chair of the Audit committee

18 March 2020

RISK COMMITTEE REPORT

I am pleased to present the Risk committee report for the year ended 31 December 2019.

Joanna Dentskevich
Chair of the Risk committee

Statement from the chair

The Risk committee was established on 22 October 2019 to satisfy the recommendation of the 2018 external Board evaluation. In December 2019, the committee held its inaugural meeting to approve its terms of reference to ensure effective operation in conjunction with the Audit committee, a copy of which is available on the Company's website or from the Company Secretary upon request.

Purpose

The purpose of the committee is to assist the Board in its oversight and assessment of the risks that the Company is exposed to, its risk appetite, the effectiveness of the risk management framework and ensuring the external reporting of the Company gives a fair, balanced and understandable reflection of risk having due regard to the Company's investment objective and policy and prospectus.

Composition

The committee comprises all four Directors of the Company, all of whom are considered independent. Details of attendance at meetings held during the year are set out on page 50.

Responsibilities

The committee's key responsibilities, amongst others, are to:

- review the risks the Company is exposed to and consider their likelihood and impact if they were to materialise;
- review, in conjunction with the Audit committee, the effectiveness of the internal controls;
- review the risk management framework;
- carry out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity and ability to deliver its strategy;
- review the report of the risk officer of the AIFM prior to consideration of the principal and emerging risks and the principal uncertainties to be included in the half-yearly and annual financial statements; and
- include in the annual report of the Company a description of the principal and emerging risks along with explanations on how they are being managed or mitigated and any change from previous years.

Risk monitoring and management

The Company has in place a risk register to manage and track identified risks and uncertainties and potential emerging risks that the committee believes the Company is exposed to. For each risk, the committee considers, inter alia, their impact on the Company achieving its investment policy along with the nature and extent of the risk, their mitigants and any driving factors which may increase the risk.

The level of residual risk determined as part of this analysis assists the Board (on the committee's recommendation) to determine whether it is within the Company's appetite and any actions needed to be taken. The register is reviewed at least twice a year by the committee and serves as a useful component in tracking the principal and emerging risks of the Company. The risk matrix was reviewed and updated by the committee in December 2019 and subsequently approved by the Board.

Details of the Company's risk management framework, including the role of the AIFM, are set out on page 33.

Principal risks, emerging risks and principal uncertainties

Post year end, the Risk committee met, with the Investment Manager present, to consider and recommend for approval by the Board the principal risks, emerging risks and the principal uncertainties; descriptions of which, along with explanations on how they are being managed and mitigated where applicable and any change from previous years, are detailed on pages 34 to 37.

More recently, and in light of the emergence and spread of Coronavirus (COVID-19), the Group's portfolio was reviewed to consider the potential impact of the virus. The Chairman's commentary on this can be found on page 5 and further analysis in the risk management section on page 34.

Joanna Dentskevich
Chair of the Risk committee

18 March 2020

REMUNERATION

DIRECTORS' REMUNERATION REPORT

The Directors are pleased to present their remuneration report for the year ended 31 December 2019.

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

A resolution will be put to shareholders at the forthcoming AGM to be held on 21 May 2020 to receive and approve the Directors' remuneration report.

This report is not subject to audit.

Voting at AGM

The Directors' remuneration reports for the year ended 31 December 2018 and the year ended 31 December 2019 were approved by shareholders at the respective AGMs held on 6 June 2018 and 23 May 2019. The votes cast by proxy were as follows:

	Directors' remuneration report			
	2019		2018	
	Number of votes cast	**% of votes cast**	Number of votes cast	% of votes cast
For	**131,653,375**	**99.604**	127,858,984	99.99
Against	**—**	**—**	4,750	0.01
At Chairman's discretion	**523,935**	**0.396**	—	—
Total votes cast	**132,177,310**	**100**	127,863,734	100
Number of votes withheld	**15,427,330**	**—**	—	—

Performance of the Company

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

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

Cumulative performance to 31 December 2019

Period	Three months	Six months	One year	Two years	Four years	Since launch
GCP Asset Backed Income Fund Limited	1.7%	4.6%	10.2%	20.2%	33.9%	34.8%
FTSE All-Share	4.2%	5.5%	19.1%	7.7%	42.3%	41.2%

Annual performance to 31 December 2019

Year	**Year ended 31 December 2019**	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016
GCP Asset Backed Income Fund Limited	**10.2%**	9.1%	4.4%	6.7%
FTSE All-Share	**19.1%**	(9.5)%	13.1%	16.8%

Source: Bloomberg. Basis: percentage growth, shareholder total return with net income reinvested.
Past performance is not a guide to future performance.

Directors' remuneration for the year ended 31 December 2019

The Remuneration and Nomination committee met in July 2019 to review Directors' remuneration levels in the context of the scale of the Company's operations, the level of involvement and time commitment required by the Directors and the remuneration of other companies of comparable scale and complexity. The Remuneration and Nomination committee recommended to the Board that, with effect from 1 July 2019, each Director receives £40,000, the Chairman receives an additional amount of £15,000 and the chairs of the Audit committee and the Risk committee receive an additional amount of £10,000. All recommendations were approved by the Board.

Post year end, the Board approved the recommendation of the Remuneration and Nomination committee for the chair of the Management Engagement committee and the Remuneration and Nomination committee to receive an additional £5,000.

The fees paid to the Directors in the year ended 31 December 2019 are set out below.

	Directors' fee £'000		C share issue fee £'000		Audit committee fee £'000		Risk committee fee £'000		Total £'000	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Alex Ohlsson	**46**	37	**—**	5	**—**	—	**—**	—	**46**	42
Colin Huelin	**35**	30	**—**	5	**7**	5	**—**	—	**42**	40
Joanna Dentskevich	**35**	30	**—**	5	**—**	—	**5**	—	**40**	35
Marykay Fuller[1]	**6**	—	**—**	—	**—**	—	**—**	—	**6**	—
Total	**122**	97	**—**	15	**7**	5	**5**	—	**134**	117

1. Appointed as a Director of the Company on 6 November 2019.

Directors' expenses for the year ended 31 December 2019 totalled £2,000 (31 December 2018: £1,000).

Relative importance of spend on pay

The table below sets out, in respect of the year ended 31 December 2019:

a) the remuneration paid to the Directors; and

b) the distributions made to shareholders by way of dividend.

Period	**31 December 2019 £'000**	31 December 2018 £'000	Change %
Directors' remuneration	**134**	117	14.53
Dividends paid to shareholders (including dividends settled in shares[1])	**26,461**	18,991	39.33

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

Directors' interests

There is no requirement under the Company's Articles for Directors to hold shares in the Company. At 31 December 2019, the interests of the Directors in the ordinary shares of the Company are set out below[1]:

Period	**31 December 2019 Number of shares**	31 December 2018 Number of shares
Alex Ohlsson	**50,000**	50,000
Colin Huelin	**34,142**	34,142
Joanna Dentskevich	**40,379**	39,800
Marykay Fuller	**—**	—

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 2019 and the date of this report.

REMUNERATION CONTINUED

DIRECTORS' REMUNERATION POLICY

A resolution to approve the Directors' remuneration policy was proposed and passed at the Company's AGM held on 23 May 2019. The remuneration policy provisions set out below will apply until they are next put to shareholders for renewal of that approval.

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

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

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

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

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

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

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

The Company is committed to ongoing shareholder dialogue and any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' remuneration policy and in the annual review of Directors' fees.

Directors' fee levels

The Board has set fee levels as detailed below. Fees are reviewed annually in accordance with the above policy. The fee for any new Director appointed will be determined on the same basis.

At the beginning of the year each Director received £30,000, with an additional £7,000 paid to the Chairman and an additional £5,000 paid to the chair of the Audit committee.

As noted earlier in this Remuneration and Nomination committee report, Directors' remuneration was increased with effect from 1 July 2019 so that each Director receives £40,000, with an additional £15,000 paid to the Chairman and an additional £10,000 paid to the chairs of the Audit committee and the Risk committee.

In respect of the year ending 31 December 2020, it is expected that Directors' remuneration will remain the same, except for the chair of the Management Engagement committee and Remuneration and Nomination committee who will receive an additional £5,000 to reflect the additional duties and responsibilities for these roles.

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

18 March 2020

DIRECTORS' REPORT

The corporate governance statement set out on pages 44 to 53 forms part of this report.

Directors

The Directors in office during the year and at 31 December 2019 are shown on page 40 and 41.

The terms and conditions of the appointment of the Directors are formalised in letters of appointment, copies of which are available for inspection at the Company's registered office. None of the Directors has a contract of service with the Company nor has there been any other contract or arrangement between the Company and any Director at any time during the year.

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

2019 general meetings

The 2019 AGM of the Company was held on 23 May 2019. Resolutions 1 to 10 related to ordinary business. Resolutions 11 and 12 related to special business as follows:

- that the Company be authorised to purchase up to 14.99% of its own ordinary shares; and
- that the Directors be authorised to allot and issue up to 38,027,209 ordinary shares (representing approximately 10% of the ordinary shares in issue as at the latest practicable date), as if the pre-emption rights in the Articles did not apply.

An EGM of the Company was also held on 23 May 2019 where the following resolution was put to shareholders:

- that in addition to Resolution 12 passed at the AGM (if passed) the Directors be authorised to allot and issue up to 38,027,209 ordinary shares (representing approximately 10% of the ordinary shares in issue as at the latest practicable date), as if the pre-emption rights in the Articles did not apply.

All resolutions put to shareholders at the AGM and EGM were passed with in excess of 90% of votes cast in favour.

2020 Annual General Meeting

The 2020 AGM will be held on 21 May 2020 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 7 April 2020, which includes an explanation of the items of business to be considered at the meeting. A copy of the notice will also be published on the Company's website.

Share capital

As detailed above, at the general meeting held on 23 May 2019, the Company was granted the authority to allot ordinary shares up to 20% of its total issued share capital at that date on a non pre-emptive basis, amounting to 76,054,418 ordinary shares.

On 27 June 2019, the Company issued 60,317,181 ordinary shares of no par value at a price of 105.00 pence per share, raising gross proceeds of £63.3 million. The placing price represented a 2.3% discount to the closing share price of 107.50 pence per ordinary share on 22 May 2019 and a 3.0% premium to the Company's last published NAV as at 31 March 2019 per ordinary share of 101.99 pence. These shares were issued under the then existing shareholder authority 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.

At the date of this report, the Company may allot a further 15,737,237 shares under its existing authority.

The Company will be seeking shareholder approval at general meetings of the Company scheduled to be held on 21 May 2020 to renew its authority 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.

Details of the movements in share capital during the period are set out in the statement of changes in equity on page 72 and in note 18.

At 31 December 2019, the Company's issued share capital comprised 441,544,019 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

As previously mentioned, at the AGM held on 23 May 2019, the Company was granted the authority to purchase up to 14.99% of the Company's ordinary share capital in issue at the date on which the notice of the AGM was published, amounting to 57,002,786 ordinary shares. No ordinary shares have been bought back under this authority. This authority will expire at the conclusion of, and renewal will be sought at, the AGM to be held on 21 May 2020.

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.

DIRECTORS' REPORT CONTINUED

Dividends

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.

A resolution will be put to shareholders at the forthcoming AGM to renew the Company's 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.

Significant voting rights

At 31 December 2019, 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	40,310,494	9.13%
Valu-Trac Investment Management	35,261,927	7.99%
Close Asset Management	32,571,847	7.38%
EFG Harris Allday	21,177,218	4.80%
Foresight Group	21,078,454	4.77%
West Yorkshire Pension Fund	17,421,098	3.95%
Brooks MacDonald Asset Management	17,154,118	3.89%
BMO Global Asset Management	14,510,071	3.29%
Canopius	13,398,393	3.03%

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

The Company has not been informed of any changes to the interests between 31 December 2019 and the date of this report.

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 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.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include specified information in a single identifiable section of the annual report or a cross reference table indicating where the information is set out. The information required under Listing Rule 9.8.4(7) in relation to allotments of shares is set out on page 61. The Directors confirm that there are no other disclosures required in relation to Listing Rule 9.8.4.

Approved by the Board

Alex Ohlsson
Chairman

18 March 2020

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 40 and 41, 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

18 March 2020

FINANCIAL STATEMENTS

WHAT'S IN THIS SECTION


ESTABLISHED
GING
NUT
BISCUITS
BOOT POLISH
BROWN
LIMITED.
PASTE
HING CREAM
Salt
THE WORLD-FAMED
INVIGORATING,
EFFERVESCENT SALINE

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 2019, 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 2019;
- 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.

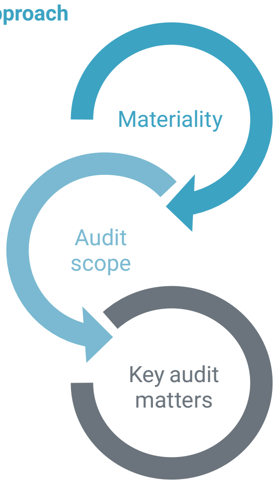
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 £11.3 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

£11.3 million (2018: £9.6 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 Committee that we would report to them misstatements identified during our audit above £565,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of investments in the Subsidiary **Refer to Audit 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.	We performed the following procedures: Discussions were held with the directors and Investment manager, as appropriate, to ascertain the controls over valuations and gain understanding of the portfolio and movements during the year. 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 engaged valuation experts from PwC UK London to assess the reasonableness of the methodology applied by management's expert with regards to a sample of investments and the reasonableness of key assumptions used. 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 valuation models. We considered the adequacy of the company's disclosures in respect of the fair value of the unlisted investments, specifically the estimates and judgements taken by the company in arriving at the fair value of the unlisted investments. We also considered the disclosure of the degree of sensitivity when a reasonably possible change in a key assumption could give rise to a change in the fair value of the unlisted investments. Based on the above procedures 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 in the Subsidiary **Refer to note 12 to the financial statements** During the year, the company has acquired new secured loan notes to the value of £89.5 million through the Subsidiary. The acquisition of the new secured loan notes were the most prominent investment activity for the company during the year and represents a significant balance on the statement of financial position, as a result was an areas of audit focus.	Our audit procedures with respect to the acquisition of the new underlying loans included understanding the controls over the process and approval of the new loan notes. For a sample of new secured loan notes advanced during the year, we tested the movement to facility agreements, note certificates and cash payments. For a sample of secured loan notes repaid during the year, we tested the movement to facility agreements and cash payments. We tested the existence of the loans to independent confirmations from the entities to which the loan has been advanced to confirm the outstanding balance at year end on a sample basis. 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 all the information included in the Annual report and financial statements ("the Annual Report") but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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 over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern. For example, the terms of the United Kingdom's withdrawal 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.

Use of this report

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

Report on other legal and regulatory requirements

Company Law exception reporting

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

— we have not received all the information and explanations we require for our audit;

— proper accounting records have not been kept; or

— the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Listing Rules of the Financial Conduct Authority (FCA)

The company has reported compliance against the 2019 AIC Code of Corporate Governance (the "Code") which has been endorsed by the UK Financial Reporting Council as being consistent with the UK Corporate Governance Code for the purposes of meeting the company's obligations, as an investment company, under the Listing Rules of the FCA.

We have nothing material to add or draw attention to in respect of the following matters which we have reviewed based on the requirements of the Listing Rules of the FCA:

— The directors' confirmation that they have carried out a robust assessment of the principal and emerging risks facing the company, including a description of the principal risks, what procedures are in place to identify emerging risks, and an explanation of how those risks are being managed or mitigated.

— The directors' explanation as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal and emerging 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 Code; and considering whether the statements are consistent with the knowledge and understanding of the company and its environment obtained in the course of the audit.

Additionally, we have nothing to report in respect of our responsibility to report when:

— The directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

— The statement given by the directors that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company obtained in the course of performing our audit.

— The section of the Annual Report describing the work of the Audit committee does not appropriately address matters communicated by us to the Audit committee.

— The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

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

18 March 2020

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
Income			
Net changes in fair value of financial assets at fair value through profit or loss	3	**33,675**	26,506
Fee income	3	**274**	541
Deposit interest income		**12**	11
Total income		**33,961**	27,058
Expenses			
Investment management fees	21	**(3,715)**	(2,896)
Operating expenses	4	**(1,198)**	(1,217)
Directors' remuneration	6	**(136)**	(103)
Total expenses		**(5,049)**	(4,216)
Total operating profit before finance costs		**28,912**	22,842
Finance costs			
Finance income	7	**–**	787
Finance expense	8	**(875)**	(1,992)
Total finance costs		**(875)**	(1,205)
Total profit and comprehensive income		**28,037**	21,637
Basic earnings per share (pence)	11	**6.81**	7.27
Diluted earnings per share (pence)	11	**6.81**	6.54

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

The accompanying notes on pages 74 to 96 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	At 31 December 2019 £'000	At 31 December 2018 £'000
Assets			
Financial assets at fair value through profit or loss	12	**453,877**	378,350
Other receivables and prepayments	13	**63**	1,796
Derivative financial instruments	19	**4**	33
Cash and cash equivalents	14	**8,687**	9,206
Total assets		**462,631**	389,385
Liabilities			
Other payables and accrued expenses	17	**(1,473)**	(2,795)
Revolving credit facilities	15	**(9,312)**	–
Total liabilities		**(10,785)**	(2,795)
Net assets		**451,846**	386,590
Equity			
Share capital	18	**443,915**	380,235
Retained earnings		**7,931**	6,355
Total equity		**451,846**	386,590
Ordinary shares in issue	18	**441,544,019**	379,962,298
NAV per ordinary share (pence per share)		**102.33**	101.74

The financial statements were approved and authorised for issue by the Board of Directors on 18 March 2020 and signed on its behalf by:

Alex Ohlsson
Chairman

Colin Huelin FCA
Director

The accompanying notes on pages 74 to 96 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Notes	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2019		**380,235**	**6,355**	**386,590**
Total profit and comprehensive income for the year		**—**	**28,037**	**28,037**
Equity shares issued	18	**64,690**	**—**	**64,690**
Share issue costs	18	**(1,010)**	**—**	**(1,010)**
Dividends paid	10	**—**	**(26,461)**	**(26,461)**
Balance at 31 December 2019		**443,915**	**7,931**	**451,846**

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

The accompanying notes on pages 74 to 96 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
Cash flows from operating activities			
Total operating profit before finance costs		**28,912**	22,842
Adjustments for:			
Net changes in fair value of financial asset at fair value through profit or loss	3	**(33,675)**	(26,506)
Realised gains/(losses) on forward foreign exchange contracts	3	**352**	(106)
(Decrease)/increase in other payables and accrued expenses		**(137)**	410
Decrease/(increase) in other receivables and prepayments		**240**	(1,187)
Total		**(4,308)**	(4,547)
Interest received from Subsidiary		**36,929**	22,656
Investment in Subsidiary		**(89,865)**	(130,605)
Capital repayments from Subsidiary	12	**10,761**	16,041
Net cash flow used in operating activities		**(46,483)**	(96,455)
Cash flows from financing activities			
Proceeds from revolving credit facilities	15	**48,808**	14,000
Repayment of revolving credit facilities	15	**(39,332)**	(14,000)
Proceeds from issue of ordinary shares	18	**63,333**	13,000
Share issue costs		**(1,033)**	(231)
Proceeds from issues of C shares		**—**	51,500
Finance costs paid		**(708)**	(1,652)
Dividends paid	10	**(25,104)**	(18,050)
Net cash flow generated from financing activities		**45,964**	44,567
Net decrease in cash and cash equivalents		**(519)**	(51,888)
Cash and cash equivalents at beginning of the year		**9,206**	61,094
Cash and cash equivalents at end of the year		**8,687**	9,206
Net cash flow used in operating activities includes:			
Interest received from bank deposits		**12**	11
Interest received from Subsidiary		**36,929**	22,656
Non-cash items:			
Purchase of financial assets: indexation		**(420)**	(504)
Interest received from Subsidiary		**420**	504
Scrip dividend	10	**(1,357)**	(941)
Equity issue in respect of scrip dividend	18	**1,357**	941

The accompanying notes on pages 74 to 96 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. General information

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

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

The Company makes its investments through its wholly owned Subsidiary, by subscribing for the Secured Loan Notes issued by the Subsidiary, the majority of which are listed on the TISE. The Subsidiary subsequently on-lends the funds to borrowers. At 31 December 2019, the Company had one wholly owned Subsidiary, GABI UK (31 December 2018: one), incorporated in England and Wales on 23 October 2015 (registration number 9838893). 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 wholly owned by the Company. The Company, GABI UK and GABI GS comprises the Group. The registered office address for GABI UK and GABI GS is 24 Savile Row, London W1S 2ES. The Company, through its Subsidiary, seeks to meet its investment objective through a diversified portfolio of investments which are secured against, or comprise, contracted, predictable medium to long-term cash flows and/or physical assets. The Group's investments will predominantly be in the form of medium to long-term fixed or floating rate loans which are secured against cash flows and/or physical assets which are predominantly UK based.

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

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

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

GABI GS 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 agreement 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. Post year end, the loan was refinanced and GABI GS is now a dormant company.

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 2019 have been prepared on a going concern basis and in accordance with IFRS, which includes standards and interpretations approved by the IASB, and as applied in accordance with the 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 proportionately by the NAV of each share class. Refer to note 16 for further information.

New standards, amendments and interpretations adopted in the year

In the current period, the Company has applied a number of amendments to IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements. The adoption of these updates has not had any material impact on these or prior years' financial statements.

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

Going concern

The 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 of authorisation of these financial statements. 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 37 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 judgements that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and judgements could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future. There are no changes in estimates reported in prior financial statements that require disclosure in these financial statements.

(a) Critical accounting estimates and assumptions

Fair value of instruments not quoted in an active market

The Company's investments are made by subscribing for the Secured Loan Notes issued by the Subsidiary. The Subsidiary's assets consist of investments held by the Subsidiary, which represent secured loan facilities issued to the Project Companies. The Subsidiary's assets are not quoted in an active market, therefore, the fair value is determined using a discounted cash flow methodology, adjusted as appropriate for market, credit and liquidity risk factors (refer to note 19.4 for further information). This requires assumptions to be made regarding future cash flows and the discount rate applied to these cash flows. The Subsidiary's investments are valued by a third party Valuation Agent on a semi-annual basis. Investments which may be subject to discount rate changes are valued on a quarterly basis (previously, all valuations had been performed on a quarterly basis).

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

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

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

The value of the investment in the Subsidiary is based on the aggregate of the NAV of the Subsidiary and the value of the Secured Loan Notes issued by the Subsidiary. Refer to note 12 for further details.

(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 capital appreciation; and

— the Company investments are held at fair value through profit or loss with the performance of its portfolio is evaluated on a fair value basis.

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

Accounting for C share class

(i) Classification as financial liability or equity instrument

The Directors have assessed the characteristics of the C share class and concluded that the C shares while in issue meet the definition of a liability under IAS 32 Financial Instruments: Presentation. The C shares are non-derivatives that include a contractual obligation under the terms of the issue to deliver a variable number of an issuer's own ordinary shares. The C shares (under IAS 32) therefore meet the definition of a financial liability, and are classified as such while in issue. At 31 December 2019, there were no C shares in issue.

(ii) Recognition and measurement of the financial liability

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

(c) Functional and presentation currency

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

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

(d) Segmental information

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

Significant shareholders are disclosed in the Directors' report on page 62.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2019

3. Operating income

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Loan interest realised (cash received)[1]	**36,516**	23,149
Unrealised (loss)/gain on financial assets at fair value through profit or loss[2]:		
Debt – Secured Loan Notes up to £1,000,000,000	**(3,525)**	3,223
Equity – representing one ordinary share in the Subsidiary	**362**	190
Unrealised gain on forward foreign exchange contracts	**—**	50
Unrealised loss on forward foreign exchange contracts	**(30)**	—
Realised gain on forward foreign exchange contracts	**544**	103
Realised loss on forward foreign exchange contracts	**(192)**	(209)
Total	**33,675**	26,506

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 under IFRS.
2. Refer to note 12 for further information.

The table below analyses the fees and other income earned from borrowers of the Company by type:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Arrangement fee income	**200**	431
Commitment fee income	**44**	5
Early repayment fees	**30**	105
Total	**274**	541

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 and loan interest realised.

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 in respect of all but three of the Group's investments has been met and paid by borrowers. To the extent any arrangement fee negotiated by the Investment Manager with a borrower exceeds 1%, the benefit of any such excess is paid to the Company.

Commitment fees are accounted for on an accruals basis and are paid by the borrowers.

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

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

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

4. Operating expenses

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Corporate administration and Depositary fees	**606**	531
Registrar fees	**48**	49
Audit fees	**75**	59
Legal and professional fees	**97**	80
Valuation Agent fees	**162**	222
Other	**210**	276
Total	**1,198**	1,217

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 Apex Financial Services (Alternative Funds) Limited (formerly known as 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 and administrative matters. The fee for the provision of administration and company secretarial services during the year was £475,000 (31 December 2018: £430,000) of which £123,000 remains payable at year end (31 December 2018: £108,000).

Depositary
Depositary services are provided to the Company by Apex Financial Services (Corporate) Limited (formerly known as 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 £131,000 (31 December 2018: £101,000) of which £34,000 remains payable at year end (31 December 2018: £28,000).

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

5. Auditor's remuneration

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

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Audit fees		
Annual audit of the Company	**75**	59
Non-audit services		
Review of the half-yearly report	**24**	15
Total	**99**	74

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2019

6. Directors' remuneration

The Directors of the Company were remunerated as follows:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Alex Ohlsson	**46**	37
Colin Huelin	**42**	35
Joanna Dentskevich[1]	**40**	30
Marykay Fuller[2]	**6**	–
	134	102
Directors' expenses	**2**	1
Total	**136**	103

1. Appointed as Risk committee chair with effect from 1 July 2019.
2. Appointed as a Director of the Company on 6 November 2019.

Increases to Directors' remuneration during the year are detailed in the Directors' remuneration report on page 59.

7. Finance income

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Return on C share financial liability[1]	**–**	787
Total	**–**	787

1. C shares issued in October 2018, converted in December 2018. There were no C shares issued during 2019.

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.

8. Finance expenses

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Return on C share financial liability[1]	**–**	518
Amortisation of C share issue costs[2]	**–**	1,022
Arrangement fees relating to the RCF	**262**	181
Commitment fees relating to the RCF	**254**	156
Interest expense relating to the RCF	**359**	115
Total	**875**	1,992

1. C shares issued in October 2017, converted in April 2018.
2. 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 RCF (refer to note 15) incurred in connection with the borrowing of funds. Arrangement fees are amortised over the life of the RCF.

Included in finance expenses, when C shares are in issue, are the C share amortisation fees, which are expensed in the year they occur. The C shares issued represent contracts for conversion into a variable number of ordinary shares and therefore the C shares are classified as liabilities under IAS 32. 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 2019 are subject to tax at the standard rate of 0% (31 December 2018: 0%) in accordance with the Income Tax (Jersey) Law 1961, as amended.

10. Dividends

Quarter ended	Dividend	Pence per share	**Year ended 31 December 2019 Dividends paid £'000**	Year ended 31 December 2018 Dividends paid £'000
Current year dividends				
31 December 2019[1]	2019 fourth interim dividend	1.550	**–**	–
30 September 2019	special dividend	0.250	**1,103**	–
30 September 2019	2019 third interim dividend	1.550	**6,837**	–
30 June 2019	2019 second interim dividend	1.550	**6,833**	–
31 March 2019	2019 first interim dividend	1.550	**5,894**	–
Total		6.450	**20,667**	–
Prior year dividends				
31 December 2018	2018 fourth interim dividend	1.525	**5,794**	–
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	**5,794**	15,286
31 December 2017	2017 fourth interim dividend	1.525	**–**	3,705
Dividends in statement of changes in equity			**26,461**	18,991
Dividends settled in shares[2]			**(1,357)**	(941)
Dividends in the statement of cash flows			**25,104**	18,050

On 22 January 2020, the Company announced a fourth interim dividend of 1.55 pence per ordinary share amounting to £6,844,000 (including dividends settled in shares[2]) which was paid on 28 February 2020 to ordinary shareholders on the register at 31 January 2020.

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 2019

11. Earnings per share

Basic earnings per ordinary share are calculated by dividing profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per ordinary share are calculated by dividing the profit attributable to ordinary shareholders by the diluted weighted average number of ordinary shares 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 2019			
Basic earnings per ordinary share	**28,037**	**411,559,294**	**6.81**
Diluted earnings per ordinary share	**28,037**	**411,559,294**	**6.81**
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

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 comprise its investment in the Subsidiary, which represents amounts advanced to finance the Group's investment portfolio in the form of Secured Loan Notes and equity, in addition to derivatives (see note 19.1) utilised for the purpose of hedging foreign currency exposure. The Company's investment in the Subsidiary at 31 December 2019 comprised:

Debt – Secured Loan Notes up to £1,000,000,000	**31 December 2019 £'000**	31 December 2018 £'000
Opening balance	**377,916**	261,507
Purchase of financial assets	**89,451**	129,227
Repayment of financial assets	**(10,761)**	(16,041)
Unrealised (loss)/gain on investments at fair value through or profit or loss:		
Unrealised valuation (loss)/gain	**(1,001)**[1]	889
Unrealised foreign exchange (loss)/gain	**(386)**	163
Other unrealised movements on investments[2]	**(2,138)**	2,171
Total unrealised (loss)/gain on investment at fair value through profit or loss	**(3,525)**	3,223
Total[3]	**453,081**	377,916

1. Comprises downward revaluation in respect of defaulted loan of £0.6 million and unwinding of premia associated with the historic reduction in discount rates.
2. Other unrealised movements on investments at fair value through profit or loss are attributable to the timing of the debt service payments and principal indexation applied.
3. 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 2019 £'000	31 December 2018 £'000
Opening balance	**434**	244
Unrealised gains on investment at fair value through profit or loss	**362**	190
Total	**796**	434

Financial assets at fair value through profit or loss	**453,877**	378,350

The above represents a 100% interest in the Subsidiary at year end 31 December 2019 (31 December 2018: 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 majority of 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 part of 'financial assets at fair value through profit or loss'. The investment in the Subsidiary is included initially at fair value, which is taken to be its cost (excluding expenses incidental to the acquisition which are written off in the statement of comprehensive income).

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2019

13. Other receivables and prepayments

	31 December 2019 £'000	31 December 2018 £'000
Arrangement fees	**2**	59
Intercompany receivable	**7**	101
Loan arrangement fees unamortised	**–**	290
Loan interest receivable	**–**	1,302
Other income debtors	**6**	–
Prepayments	**48**	44
Total	**63**	1,796

Accounting policy
Other receivables and prepayments are recognised and carried at the lower of their original invoiced value and recoverable amount or, where the time value of money is material, at amortised cost. The Company recognises a loss allowance for expected credit losses on other receivables where necessary.

14. Cash and cash equivalents

	31 December 2019 £'000	31 December 2018 £'000
Cash and cash equivalents	**8,687**	9,206
Total	**8,687**	9,206

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. Revolving credit facilities

	31 December 2019 £'000	31 December 2018 £'000
Opening balance	**–**	–
Proceeds from amounts drawn on the RCF	**48,808**	14,000
Repayment of amounts drawn on the RCF	**(39,332)**	(14,000)
Loan arrangement fees unamortised	**(164)**	–
Total	**9,312**	–

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

The tables below show the amounts drawn under the RCF during the year:

Date of drawdown	Amount of drawdown £'000
20 February 2019	**20,000**
29 March 2019	**3,000**
11 April 2019	**5,000**
29 April 2019	**4,000**
9 May 2019	**1,932**
21 May 2019	**4,000**
20 June 2019	**1,400**
Total amount repayable at 30 June 2019[1]	**39,332**
Loan arrangement fees unamortised	**(300)**
Total	**39,032**

The Company repaid the balance of £39.3 million on 1 July 2019, resulting in early repayment breakage costs of £19,000.

Date of drawdown	Amount of drawdown £'000
26 September 2019	**1,200**
16 October 2019	**2,100**
31 October 2019	**6**
7 November 2019	**500**
5 December 2019	**2,440**
6 December 2019	**2,730**
20 December 2019	**500**
Total amount repayable at 31 December 2019[1]	**9,476**
Loan arrangement fees unamortised	**(164)**
Total	**9,312**

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

The amounts drawn down, as described in the tables above, are all related to the tranche A facility. The tranche B facility was undrawn during the year. Total drawdowns of tranche A of £9.5 million were repayable at 31 December 2019 (31 December 2018: £nil).

On 16 April 2019, the Company entered into an agreement with RBSI to increase the existing RCF from £30 million to £50 million, comprising tranche A of £40 million and tranche B of £10 million. The Company incurred additional arrangement fee costs of £110,000 (split tranche A: £75,000, and tranche B: £35,000) and legal costs of £7,000 (split 50:50 between the two tranches) which will be amortised over the life of the facilities.

In December 2019, a utilisation request for the sum of £358,000 (31 December 2018: £612,000) 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 RCF to £49.6 million.

A total of £262,000 (2018: £182,000) of costs were amortised as loan arrangement fees during the year and charged through the statement of comprehensive income.

At 31 December 2019, the Company is in full compliance with all loan covenants in the RCF agreement.

Interest on amounts drawn under the RCF is charged at LIBOR plus 2.10% per annum on the tranche A facility and LIBOR plus 1.70% per annum on the tranche B facility. A commitment fee is payable on undrawn amounts at a rate of 0.84% per annum on the tranche A facility and 0.68% per annum on the tranche B facility.

The RCF with RBSI is secured against the investment in the Subsidiary. The £40 million tranche A facility is due to terminate in August 2020, extendable to August 2021 if required. The £10 million tranche B facility was initially due to terminate in January 2020 but has, post year end, been extended to terminate in August 2020.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2019

15. Revolving credit facilities continued

Post year end, the Company drew down an aggregate amount of £9.9 million on the RCF with RBSI, resulting in a total drawn amount of £19.4 million, not including the amount drawn down as an alternative to cash cover for the forward foreign exchange contracts. The Company repaid the balance of £19.4 million on 17 February 2020, incurring early repayment breakage costs of £1,850.

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 2019; figures are as follows:

Leverage

Leverage exposure	Maximum limit	Actual exposure
Gross method	1.25	1.00
Commitment method	1.25	1.02

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	453,877	453,877
Cash and cash equivalents	—	8,687
Total exposure under the AIFMD	453,877	462,564
Total shareholders' funds	451,846	451,846
Leverage	1.00	1.02

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.

16. Financial liabilities at amortised cost: C shares

C shares were issued during and converted in the prior year ended 31 December 2018. There were no C shares issued or converted in the current year. Further details of these C shares are disclosed in the 2018 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).

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. On conversion, each holder of C shares receives such number of ordinary shares as equals the number of C shares held multiplied by the NAV per C share and divided by the NAV per ordinary share, in each case at a date shortly prior to conversion.

17. Other payables and accrued expenses

	31 December 2019 £'000	31 December 2018 £'000
Accruals	**356**	446
Amounts due to Subsidiary	**15**	232
Loan commitment fee accrued	**74**	52
Loan interest accrued	**20**	–
Investment in Subsidiary[1]	**–**	1,203
Investment management fees	**1,008**	838
Share issue costs	**–**	24
Total	**1,473**	2,795

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 2019		31 December 2018	
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	**379,962,298**	**380,235**	242,966,606	241,326
Equity shares issued through:				
Placing and offer for subscription	**60,317,181**	**63,333**	12,440,190	13,000
Dividends settled in shares[1]	**1,264,540**	**1,357**	911,857	941
Ordinary shares issued upon conversion of C shares	**–**	**–**	123,643,645	125,210
Total shares issued in the year	**61,581,721**	**64,690**	136,995,692	139,151
Share issue costs	**–**	**(1,010)**	–	(242)
Total	**441,544,019**	**443,915**	379,962,298	380,235

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

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

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

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. Refer to note 2.2(b). At the year end there were no C shares in issue (31 December 2018: no 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2019

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

	31 December 2019 £'000	31 December 2018 £'000
Financial assets		
Cash and cash equivalents	**8,687**	9,206
Other receivables and prepayments	**63**	1,796
Financial assets at amortised cost	**8,750**	11,002
Derivative financial instruments	**4**	33
Investment in the Subsidiary	**453,877**	378,350
Financial assets at fair value through profit or loss	**453,881**	378,383
Total	**462,631**	389,385
Financial liabilities		
Other payables and accrued expenses	**(1,473)**	(2,795)
Revolving credit facilities	**(9,312)**	–
Financial liabilities at amortised cost	**(10,785)**	(2,795)
Total	**(10,785)**	(2,795)

19.1 Derivative financial instruments
Derivative financial assets and liabilities comprise forward foreign exchange contracts for the purpose of hedging foreign currency exposure of the Company to a Euro denominated loan investment made by the Subsidiary (for which the final repayment date is 1 June 2025), the investment represents c.1% of the portfolio by value at the year end. The Company intends to utilise the forward foreign exchange contract on a rolling three month basis for the term of the investment.

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

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

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

Accounting policy
Recognition of derivative financial assets and liabilities takes place when the hedging contracts are entered into. They are initially recognised and subsequently measured at fair value; transaction costs, where applicable, are included directly in finance costs. The Company does not apply hedge accounting and consequently all gains or losses are recognised in the statement of comprehensive income in net change in fair value of financial assets and financial liabilities through profit or loss.

19.2 Capital management
The Company's capital is represented by share capital comprising issued ordinary share capital and ordinary shares issued upon 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 RCF.

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 comprise the investment in the Subsidiary and derivatives used for the purpose of hedging foreign currency exposure. The Subsidiary is a holding vehicle existing solely to hold the Company's investments and, therefore, exposure to market risk, interest rate risk, credit risk, liquidity risk and credit and counterparty risk are highly dependent on the performance of the Subsidiary's investments.

19.4 Market risk
The value of the investment in the Subsidiary is based on the aggregate of the NAV of the Subsidiary and the value of the Secured Loan Notes issued by the Subsidiary.

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 semi-annual basis by the Valuation Agent. Investments subject to discount rate changes are valued on a quarterly basis. The Company's assets are stable with predictable cash flows and are not exchange traded.

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

The valuation principles used are based on a discounted cash flow methodology. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2019

19. Financial instruments continued

19.4 Market risk continued

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

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

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, future cash flows and borrowings.

Interest rate risk has the following effect:

Fair value of financial assets

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

Future cash flows

The Company primarily invests, via its Subsidiary, in a diversified portfolio of 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 during the year, or in the prior year.

Borrowings

During the year the Company made use of its RCF, which was used towards the making of investments in accordance with the Company's investment policy. Details of the RCF are given in note 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 £462.6 million (31 December 2018: £389.4 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 investments are debt and equity securities in the Subsidiary and, therefore, the credit risk of the Company's investments is highly dependent on the performance of the Subsidiary's investment portfolio, which is valued on a semi-annual basis by the Valuation Agent. Investments which may be subject to discount rate changes are valued on a quarterly basis. The Valuation Agent takes into account the credit risk associated with these investments in their valuation.

Credit risk is considered by the Valuation Agent both during the origination process and at valuation updates. The Company's investments are stable with predictable cash flows and are not exchange traded. Depending on the nature of the underlying projects, residual credit risk is considered by reference to a number of factors including, but not limited to: relative benchmark analysis, comparable bond pricing, market analysis such as the capital asset pricing model, and fundamental credit analysis of a borrower's underlying performance by reference to any applicable loan covenants.

After an investment is made, the forecasts are regularly updated with information provided by the borrowers in order to monitor ongoing financial performance. In addition, the credit risk associated with each borrower is mitigated by way of the assets of the Project Company, being secured on either a senior or subordinated basis. At year end, the concentration of credit risk to any one counterparty did not exceed 20% (31 December 2018: <20%) of the Company's total assets, in line with its investment restrictions.

The Directors currently consider the fair value of the financial instruments at par plus accumulated interest to be reasonable. The impact 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 2019 are denominated in Sterling, save for one investment which is denominated in Euros (31 December 2018: one Euro-denominated investment) and secured against Euro-valued contracted cash flows. The Company's only currency exposure is through the trading activities of its investee companies. The Company engages in currency hedging, in the form of 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 RCF, as disclosed in note 15.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2019

19. Financial instruments continued

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 2019, all investments made by the Group were funded by proceeds from issuance of shares and utilisation of the RCF.

The table below analyses all of the Company's assets and liabilities into relevant maturity groupings based on the remaining period from 31 December 2019 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 2019	Less than one month £'000	One to three months £'000	Three to twelve months £'000	Greater than twelve months £'000	Total £'000
Financial assets					
Financial assets at fair value through profit or loss	**16**	**34,637**	**70,616**	**508,092**	**613,361**
Other receivables and prepayments	**15**	**6**	**42**	**–**	**63**
Derivative financial instruments	**–**	**4**	**–**	**–**	**4**
Cash and cash equivalents	**8,687**	**–**	**–**	**–**	**8,687**
Total financial assets	**8,718**	**34,647**	**70,658**	**508,092**	**622,115**
Financial liabilities					
Other payables and accrued expenses	**(21)**	**(1,395)**	**(57)**	**–**	**(1,473)**
Revolving credit facilities	**(9,312)**	**–**	**–**	**–**	**(9,312)**
Total financial liabilities	**(9,333)**	**(1,395)**	**(57)**	**–**	**(10,785)**
Net exposure	**(615)**	**33,252**	**70,601**	**508,092**	**611,330**

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 or 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)
Total financial liabilities	(1,528)	(1,088)	(179)	–	(2,795)
Net exposure	9,377	13,138	42,553	514,212	579,280

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

19.9 Fair values of financial assets

Valuation of financial instruments

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

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

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

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

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

The table below sets out fair value measurements of financial instruments 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 measured at fair value through profit or loss:					
Assets:					
Investment in Subsidiary	31 December 2019	**—**	**—**	**453,877**	**453,877**
Derivative financial instruments	31 December 2019	**—**	**4**	**—**	**4**
Investment in Subsidiary	31 December 2018	—	—	378,350	378,350
Derivative financial instruments	31 December 2018	—	33	—	33

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

The Directors have classified the financial instruments relating to 'Investments in Subsidiary' as Level 3 due to the limited number of comparable and observable market transactions in this sector. The current input for Level 3 at 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 2019 £'000	31 December 2018 £'000
Opening balance	**378,350**	261,751
Investment in Subsidiary	**89,451**	129,227
Capital repayments from Subsidiary	**(10,761)**	(16,041)
Unrealised (loss)/gain on financial assets at fair value through profit or loss[1]:		
Debt – Secured Loan Notes up to £1,000,000,000	**(3,525)**	3,223
Equity – representing one ordinary share in the Subsidiary	**362**	190
Closing balance	**453,877**	378,350

1. Refer to note 12 for further information.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2019

19. Financial instruments continued

19.9 Fair values of financial assets continued

Valuation of financial instruments continued

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 value of the investment in the Subsidiary is based on the aggregate of the NAV of the Subsidiary and the value of the Secured Loan Notes issued by the Subsidiary. At 31 December 2019, the NAV was as follows:

	31 December 2019 £'000	31 December 2018 £'000
GABI UK	**796**	434

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

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

	Fair value[1] £'000	Valuation technique	Key unobservable inputs	Discount rate
Financial assets at fair value through profit or loss – 31 December 2019	**453,877**	**Discounted cash flow**	**Discount rate**	**8.1%**
Financial assets at fair value through profit or loss – 31 December 2018	378,350	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 6-10% (31 December 2018: 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.

20. Note to the cash flow statement

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

	Interest bearing loans and borrowings £'000	**Total £'000**
Balance at 1 January 2019	–	**–**
Changes from cash flows		
Proceeds from revolving credit facilities	48,808	**48,808**
Repayment of revolving credit facilities	(39,332)	**(39,332)**
Total changes from cash flows	9,476	**9,476**
Balance at 31 December 2019	9,476	**9,476**

	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 revolving credit facilities	–	14,000	14,000
Repayment of revolving credit facilities	–	(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)
Total non-cash changes	(124,458)	–	(124,458)
Balance at 31 December 2018	–	–	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2019

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 £136,000 (31 December 2018: £103,000). At 31 December 2019, liabilities in respect of these services amounted to £42,000 (31 December 2018: £25,000).

At 31 December 2019, the Directors of the Company held directly or indirectly, and together with their family members, 124,521 ordinary shares (31 December 2018: 123,942).

Alex Ohlsson is the managing partner of Carey Olsen, the Company's Jersey legal advisers. Carey Olsen has provided legal services to the Company during the year. Carey Olsen maintains procedures to ensure that the Chairman has no involvement in the provision of legal services to the Company. The Company maintains procedures to ensure that the Chairman takes no part in any decision to engage the services of Carey Olsen. During the year, the aggregate sum of £10,000 (2018: £27,000) was paid to Carey Olsen in respect of legal work undertaken, of which £nil (31 December 2018: £10,000) is outstanding at year end.

During the year, Joanna Dentskevich was a non-executive director and chair of the risk committee of RBSI, the lender under the RCF. In her role as a non-executive director, Mrs Dentskevich was not involved in the day-to-day services or operational aspects of the business. Mrs Dentskevich resigned from RBSI on 31 July 2019.

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 £25,000 in relation to its role as the Company's AIFM, which has been increased annually at the rate of the RPI since IPO.

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

During the year, the Company incurred £3,899,000 (2018: £3,102,000) in respect of the services outlined above: £3,715,000 (2018: £2,896,000) in respect of investment management and advisory services, £158,000 in relation to the issuance of ordinary shares (2018: £180,000 in relation to C and ordinary shares) and £26,000 (2018: £26,000) in respect of AIFM services provided by the Investment Manager. At 31 December 2019, liabilities in respect of these services amounted to £1,014,000 (31 December 2018: £845,000).

The Investment Manager, at its discretion, is entitled to an arrangement fee of up to 1% of the value of each investment made by the Company. The Investment Manager typically expects the cost of any such fee to be covered by the borrowers, and not the Company. To date, such fee in respect of all but three of the Group's investments has been met and paid by borrowers. During the year, the Investment Manager received £358,000 (2018: £968,000) from arrangement fees which had been met by the borrowers and £90,000 (2018: £40,000) from arrangement fees which had been met by the Company. To the extent any arrangement fee negotiated by the Investment Manager with a borrower exceeds 1%, the benefit of any such excess is paid to the Company.

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

At 31 December 2019, the key management personnel of the Investment Manager held directly or indirectly, and together with their family members, 1,450,961 ordinary shares in the Company (31 December 2018: 1,777,577 ordinary shares).

At 31 December 2019, the directors of the Investment Manager, and their family members, directly or indirectly own an equity interest in five of the Subsidiary's student accommodation investments. These investments are valued by the Valuation Agent in line with the remaining portfolio and were approved by the Board at the time of acquisition.

Subsidiary

At 31 December 2019, the Company owns a 100% (31 December 2018: 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 as part of the same group; for further information refer to note 1.

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

Transactions	**31 December 2019 £'000**	31 December 2018 £'000
Intercompany income received		
Other income	**74**	110
Arrangement fee income	**200**	431
Loan interest income received	**36,516**	23,149
Total	**36,790**	23,690

Balances	**31 December 2019 £'000**	31 December 2018 £'000
Intercompany balances payable	**(15)**	(1,435)
Intercompany balances receivable	**9**	1,462
Principal value of intercompany holdings within financial assets at fair value through profit or loss	**451,722**	373,031

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
For the year ended 31 December 2019

22. Reconciliation of NAV

This note reconciles the NAV reported in the financial statements to the published NAV.

	Total £'000	Per share pence
NAV at 31 December 2019 as published on 16 January 2020 (unaudited)	**451,846**	**102.33**
NAV at 31 December 2019 as per the financial statements	**451,846**	**102.33**

	Total £'000	Per share pence
NAV at 31 December 2018 as published on 17 January 2019 (unaudited)	386,590	101.74
NAV at 31 December 2018 as per the financial statements	386,590	101.74

23. Subsequent events after the report date

On 16 January 2020, the Company extended its RCF in respect of the £10 million tranche, such that it will now mature in August 2020 alongside the rest of the credit facilities. Refer to note 15 for further details.

On 22 January 2020, the Company announced a fourth interim dividend of 1.55 pence per ordinary share amounting to £6,844,000 (including dividends settled in shares[1]) which was paid on 28 February 2020 to ordinary shareholders on the register at 31 January 2020.

Post year end, the Company drew down an aggregate amount of £9.9 million on the RCF with RBSI, resulting in a total drawn amount of £19.4 million, not including the amount drawn down as alternative to cash cover for the forward exchange contracts. The Company repaid the balance of £19.4 million on 17 February 2020, incurring early repayment breakage costs of £1,850.

On 28 February 2020, 489,499 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 22 January 2020.

Post year end, the Group made five advances totalling £40.3 million and received four repayments totalling £60.9 million which included repayments on two of its co-living investments, along with prepayment fees of c.£1 million. The Group was able to immediately recommit £53 million (of which £30.3 million has been drawn) to the same borrower group in a larger facility of up to £140 million alongside Deutsche Bank for a term of up to four years.

On 18 March 2020, the Company repurchased 100,000 ordinary shares in the capital of the Company at a price of 76.76 pence. Following this transaction, the Company has in issue 442,033,518 ordinary shares of which 100,000 are held in treasury. The total voting rights of the Company at the date of the report is 441,933,518.

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 2020

February	Payment of fourth interim dividend
March	Annual results announced
May	Annual General Meeting
June	Payment of first interim dividend Company's half year end
August	Payment of second interim dividend
September	Interim results announced
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 users of this report

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

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ALTERNATIVE PERFORMANCE MEASURES

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

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

Annualised total shareholder return since IPO

Total shareholder return expressed as a time weighted annual percentage.

Average LTV

The ratio of a loan or mortgage to a property valuation, averaged across the Company's property investments, expressed as a percentage. This ratio demonstrates the headroom in the underlying asset values to absorb negative movements in property valuations.

Dividend cover

Ratio of the Company's earnings per share under IFRS to the dividend per share.

IRR

IRR is the interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero.

The internal rate of return is used to evaluate the attractiveness of a project or investment.

Ongoing charges ratio

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

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

Total shareholder return

A measure of the performance of a company's shares over time. It combines share price movements and dividends to show the total return to the shareholder expressed as a percentage.

It assumes that dividends are reinvested in the shares at the time the shares are quoted ex dividend.

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

Source: Bloomberg

Weighted average annualised yield

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

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

GLOSSARY

AGM
The Annual General Meeting of the Company

AIC
Association of Investment Companies

AIC Code
AIC Code of Corporate Governance

AIF
Alternative Investment Fund

AIFM
Alternative Investment Fund Manager

AIFMD
Alternative Investment Fund Managers Directive

APM
Alternative performance measure

Articles
The articles of association of the Company

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

Carey Olsen
Carey Olsen Jersey LLP

CIF Law
Collective Investment Funds (Jersey) Law 1988

CNG
Compressed natural gas

Companies Law
Companies (Jersey) Law 1991, as amended

Company
GCP Asset Backed Income Fund Limited

CPI
Consumer price index

DTRs
Disclosure Guidance and Transparency Rules of the FCA

EBITDA
Earnings before interest, taxes, depreciation and amortisation

EGM
Extraordinary general meeting

EPS
Earnings per share

FCA
Financial Conduct Authority

GABI GS
GABI GS Limited

GABI UK
GCP Asset Backed Income (UK) Limited

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

Group
The Company, GABI UK and 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

IPO
Initial public offering

IRR
Internal rate of return

JFSC
Jersey Financial Services Commission

Listing Rules
FCA Listing Rules

LSE
London Stock Exchange

LTV
Loan-to-value

MAR
EU Market Abuse Regulation

Market capitalisation
Value of a company traded on the LSE, calculated as total number of shares multiplied by closing share price

MiFID II
Markets in Financial Instruments Directive II

NAV
Net asset value

O&M
Operations and maintenance

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

RBSI
Royal Bank of Scotland International Limited

RCF
Revolving credit facility

RPI
Retail price index

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

UK Code
UK Corporate Governance Code

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

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

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

Administrator, secretary and registered office of the Company
Apex Financial Services (Alternative Funds) Limited
(Formerly Link Alternative Fund Services (Jersey) Limited)
12 Castle Street
St Helier
Jersey JE2 3RT

Advisers on English law
Gowling WLG (UK) LLP
4 More London Riverside
London SE1 2AU

Advisers on Jersey law
Carey Olsen Jersey LLP
47 Esplanade
St Helier
Jersey JE1 0BD

Broker
Cenkos Securities plc
(resigned 28 January 2020)
6, 7, 8 Tokenhouse Yard
London EC2R 7AS

Investec Bank plc
(appointed 28 January 2020)
30 Gresham Street
London EC2V 7QP

Depositary
Apex Financial Services (Corporate) Limited
(Formerly Link Corporate Services (Jersey) Limited)
12 Castle Street
St Helier
Jersey JE2 3RT

Independent Auditor
PricewaterhouseCoopers CI LLP
37 Esplanade
St Helier
Jersey JE1 4XA

Investment Manager and AIFM
Gravis Capital Management Limited
24 Savile Row
London W1S 2ES

Principal banker and lender
Royal Bank of Scotland International Limited
71 Bath Street
St Helier
Jersey JE4 8PJ

Registrar
Link Market Services (Jersey) Limited
12 Castle Street
St Helier
Jersey JE2 3RT

Security Trustee
Gravis Capital Partners LLP
24 Savile Row
London W1S 2ES

Valuation Agent
Mazars LLP
Tower Bridge House
St Katharine's Way
London E1W 1DD

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GCP ASSET BACKED INCOME FUND LIMITED
12 Castle Street
St Helier
Jersey JE2 3RT
Company number: 119412