Report & Financial Statements

TOC PROPERTY BACKED LENDING TRUST

FOR THE YEAR TO 30 NOVEMBER 2020

Contents

Chairman's Statement

John Newlands, Chairman

Highlights

- Net Asset Value increase from 83.8 pence per share to 83.9 pence per share.
- Net Asset Value total return of +3.9%.
- Dividend distributions totalling 3.0p (2019: 6.0p) for the financial year.
- Redeployment of funds across the North East and Scotland.
- Acceleration of phased exit from legacy loans.
- Strategic Review of the Company completed.
- Shareholder Circular placed before shareholders, proposing revised investment policy, continuation of the Company, new articles of association, and authority to allot shares on a non-pre-emptive basis; all resolutions passed 29 March 2021.

Objective; Managerial Arrangements

The Company seeks to achieve its investment objective primarily through a diversified portfolio of fixed rate loans predominantly secured over land and/or property in the UK and managed by its Investment Adviser, Tier One Capital Ltd ('TOC'). The Investment Adviser's Report may be found on pages 10 to 15.

Introduction

I am pleased to present the Company's results for the financial year ended 30 November 2020, albeit encompassing a notably challenging period.

The Company passed the fourth anniversary of its launch on 24 January 2021. The backdrop for this milestone has been a year of unprecedented economic and societal turmoil following the Covid-19 pandemic and, at the time of writing, despite the rollout of the new vaccine, this has not yet come to an end.

The actions taken globally by governments in response to the pandemic have also caused volatility not just in equity markets but in the functioning of businesses of all sizes. These events, which in the UK have included periods of lockdown, furloughed workforces and restrictions on the operation of non-essential activities have had an effect on the day-to-day operations of virtually every company involved with the real estate sector. Government initiatives such as Stamp Duty relief, on the other hand, have provided a useful stimulus to the house buying market and an encouraging number of sales have been achieved despite the economic backdrop.

As to Brexit, the die is cast at last. A seemingly endless saga that began with the UK Referendum on 23 June 2016 – some eight months before your Company was launched – reached its conclusion, or at least the beginning of a new era, at 11pm on 31 December 2020, a few weeks into our new financial year. For financial markets, full clarity has yet to emerge. A good deal of work needs to be done to resolve both the regulatory backdrop and the need for compliance with, for example, the EU's AIFM Directive. We shall work with our managers and our legal and corporate advisers to address these matters as and when they arise.

Over its early years, the Company has financed a number of socially beneficial real estate projects, from the building of low-cost housing to the conversion of Victorian and Edwardian buildings such as former council offices and banks into multi-use office and retail spaces.

The majority of these developments have been successfully concluded. At the same time, as is likely with any diversified portfolio of individual higher risk investments, there have been a small number of cases of loss, which are described in the Investment Adviser's Report, and to which I will make further reference below. In addition, given the protracted nature of the Covid-19 lockdown, including a temporary slowdown in many construction projects, the Board and the Investment Adviser considered it appropriate

to maintain increased levels of liquidity within the fund during 2020. The decision was therefore made not to declare what would have under more normal conditions been the second and third quarterly dividends for the financial year.

As intimated in the announcement made by the Company on 30 November 2020, it was decided that a final balancing dividend would be made that would be at least sufficient for the Company to meet the requirement to distribute at least 85% of its eligible income in accordance with The Corporation Tax Act 2010, in order to retain its investment trust status. The said final balancing dividend payment of 1.5p was declared on 1 March 2021, to be paid on 1 April 2021. This makes a total dividend of 3p paid with respect to the financial year under report.

This figure represents a reduction in dividend distributions from the previous financial years, partly as a result of income shortfalls from certain portfolio holdings as described in the Investment Adviser's Report and partly because of the Board's decision to maximise the Company's strength by retaining a proportion of distributable earnings as the Covid-19 crisis played out.

While this may be a disappointing outcome for some investors, it leaves the Company in a more robust position than otherwise. In addition, following the implementation of the Board's Strategic Review, which I will turn to in a moment, shareholders have the prospect of the resumption of quarterly dividend payments going forward, albeit at a lower rate than before. It is worth noting, too, that including the 1.5p per share payable on 1 April 2021, founding investors have been entitled to dividend distributions totalling 19.5 pence per share since the trust's launch.

Net Asset Value

The Company's net asset value ('NAV') increased marginally to 83.9 pence at the financial year end (2019: 83.8 pence), a satisfactory outcome given the testing economic environment in 2020. This equates to an NAV total return for the financial year of approximately +3.9%, including dividends received.

This figure may be placed into context by the total return figures over the same period of the Association of Investment Companies' (AIC's) 'Property-Debt' sector, of which PBLT is a component member, of +2.9% and of the AIC's 'Debt-Loans' sector of +2.3%. Meanwhile in a much broader context the FTSE 100 and FTSE All-Share indices (total return) rose respectively by 12.0.% and 10.3% over the same period. (source: AIC) The total value of the Company's portfolio now stands at £22.6 million.

Gearing

Borrowings during the year consisted of a £6.5 million credit facility with Shawbrook Bank Limited of which £1.2 million was drawn down at the year end. Since the year end the loan has been repaid in full. The facility provided by Shawbrook Bank Limited was extended from October 2019 to May 2021 and it is intended that it will be renewed. Taking into account borrowings, net of cash balances held, the Company ended the year approximately 5.1% geared.

Investment Portfolio; New Investments; Project Impairments

Turning to the investment portfolio, the most significant new position is a facility of £3.8m, to a project supported by the private equity firm Maven Capital Partners LLP provided in December 2020 to fund the building of a modern and environmentally efficient crematorium at East Renfrewshire, Glasgow.

Exits: successful redemptions were concluded with Aquesta Ltd, Dinosauria Ltd and with Rare Earth Medburn Ltd, the seventh, eighth and ninth loans to be repaid from the portfolio. These were repaid in September 2020, December 2020 and January 2021 respectively and both generated an Internal rate of Return (IRR) of 7.43%, 8.23% and 8.24% respectively.

Impairments: during the 2020 financial year, three projects were unable to meet their interest requirements in full. These were Gatsby Homes, Ryka Developments and West Auckland. In accordance with the relevant International Financial Reporting Standard, IFRS 9, the Company is required to apply an impairment charge when such interest is not paid by the borrower, and there is not a clear expectation that this can be recovered subsequently.

Gatsby Homes repaid capital of £474,000 during the year, with further repayments post year-end. The

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remainder of the houses in this project are expected to be sold during 2021, with a return of the residual loan balance held on balance sheet. Ryka Developments, a student accommodation facility near Durham, was sold in May 2020 at a figure below the level of the outstanding loan and interest, and the difference was not recovered from Ryka. However, given the uncertainty in outlook at the time of this sale, at a critical phase during the Covid-19 outbreak, the decision was made to allow the sale to proceed, so as to improve the Company's liquidity and financial headroom.

Finally, the West Auckland portfolio holding, which requires a more detailed analysis. The West Auckland project is a loan in relation to the intended construction of circa. 100 two, three and four bedroom homes near Bishop Auckland, County Durham. This project is one of a number of loans brought into the Company when it was created in 2017.

A substantial impairment was taken against the value of the loan in the previous financial year, as it was apparent that the proceeds from building the homes and selling them would, net of costs, be insufficient to pay the interest and recover the full amount of the loan.

While the original loan predates the Company, the Board and Investment Adviser nonetheless assessed the reasons behind the losses on this loan with the assistance of an independent accounting firm. In essence, though the sales value of the homes built have largely been achieved, the properties took longer to sell than had originally been anticipated. In addition, the building costs were higher than had been originally assumed. This fundamentally changed the economics of the project, meaning finance costs built up over a far greater period. The point was reached, following an independent RICS survey, that the project would not be able to return all the remaining loan capital and pay the interest owed. An impairment charge was therefore taken again in 2020 for interest that is not considered recoverable. We are hopeful that the remaining carrying value of the loan will be fully realised during the current financial year ending on 30 November 2021.

Similarly, albeit on a much smaller scale, there is an impairment to the Gatsby Homes loan, in relation to unpaid interest. It is anticipated that this loan will close out within the next few months. The loan is recorded at its estimated recoverable value, (based on an independent RICS valuation). We do not anticipate receiving any further interest on this loan.

In each of the above cases, up to 100% of the capital required (including amounts required to pay interest on the loan) was lent to the borrower. This type of lending allows an attractive (i.e. high) rate of interest to be charged, and, in some cases, a profit share equal to 25% of the upside once the loan and interest has been repaid.

The decision has been made to move away from this approach. The risks associated with default, where the borrower has no moral hazard, with no personal capital commitment to a project, have resulted in losses, and the Board and Investment Adviser believe that the risk of further such losses is not outweighed by the higher returns available.

The Company's revised strategy is one of a stretch senior lender, in which senior and junior debt is placed in a single package, and typically to lend only to a maximum proportion of Gross Development Value ("GDV"), so the borrower has equity in a project, and the risk of default is substantially lowered. The trade-off to adopting this more prudent approach is that investment return expectations are naturally going to be somewhat lower. Typical returns to investors in Development Finance are between 4% and 7%, depending on the specifics of a project, similar to the expected returns on a diversified stock portfolio. The Company retains the capacity to lend in excess of this maximum GDV threshold in certain circumstances where it is believed the balance of risk and return is sufficiently attractive.

Lastly, the Board has completed a full Strategic Review covering what has been achieved so far, what has gone well and what has gone less well, as described below.

Strategic Review

In preparation for the next phase of the Company's life, the Board and Investment Adviser have undertaken a full review of the Company, during which the following strategic objectives were identified:

- Defining a clear investment strategy, while removing certain historic restrictions.
- Targeting NAV growth.

- Maintaining an attainable and consistent stream of quarterly dividends.
- Reducing operating costs at all levels of the Company.
- Improving liquidity, i.e. the ability to buy and sell shares easily, by introducing discount control mechanisms such as share buy-backs and share issues.
- Bringing forward the Continuation Vote scheduled to take place at the Company's fifth Annual General Meeting ("AGM").
- Increasing assets under management via share issuance and via an active marketing campaign to promote the Company's merits.

Shareholder Circular; General Meeting

Following the above Strategic Review, a General Meeting of the Company was held on 29 March 2021 (the "2021 GM") at which the changes listed below were proposed and approved by shareholders.

In addition, pursuant to the Company's articles of association, the Directors were required to propose an ordinary resolution that the Company continue its business as presently constituted (the "Continuation Resolution") at the fifth annual general meeting of the Company (which would be the 2021 annual general meeting) and at each third annual general meeting of the Company thereafter. The Continuation Resolution was brought forward and was put to shareholders at the 2021 GM and I am pleased to report that this resolution was also supported and approved by shareholders. As the Continuation Resolution was proposed early, the Company also amended its articles of association accordingly so that the next Continuation Resolution will be proposed at the annual general meeting to be held in 2024 and at each third annual general meeting thereafter . I would like to thank shareholders for their continuing support for the Company.

Changes to Investment Policy

The changes to the investment policy listed below were approved by shareholders and are intended to allow for greater flexibility to allocate capital to sectors that the Board, as advised by the Investment Adviser, has assessed as potentially more attractive within existing risk management parameters. These changes:

- reduce restrictions on sector caps imposed by the previous investment policy. The previous sector caps required a heavier exposure to lending to the commercial property sector than the Board, as advised by the Investment Adviser, considered favourable in the current economic climate. The Board, as advised by the Investment Adviser, anticipates more attractive opportunities in small and medium-sized enterprise (SME) housebuilding and has observed latent demand for the Company's lending in the local market. Commercial property opportunities will nevertheless continue to be examined on merit;
- remove reference to profit share agreements in the investment policy, including that the Directors, as advised by the Investment Adviser, anticipate that the Company will have the benefit of associated profit shares for approximately 80% of its future loan advances, as the anticipated evolution of the portfolio toward lower LTV loans is likely to result in fewer situations where an equity position can reasonably be achieved; and;
- increase the maximum exposure to bridging loans, selected loan financings and other debt instruments so as to increase the flexibility available to the Investment Adviser for adding new secured loans to the portfolio that meet their risk adjusted return criteria/objectives.

The Company intends to maintain the existing policies that provide for risk management through diversification, in particular maintaining the current maximum exposure level of 20% of the Net Asset Value in respect of any one borrower or related borrowers or developer or related developer entities (calculated at the time of investment).

Articles of Association

As a result of the Continuation Resolution being proposed early at the 2021 GM (see above), shareholder approval was also sought and obtained to amend the Company's existing articles of association so that the Directors are not required to propose another Continuation Resolution at the annual general meeting

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to be held later this year in May. The Company also took the opportunity to update the existing articles of association in order to reflect changes to market practice since its initial public offering. The amended articles of association that were approved at the 2021 GM are now effective.

Dividend Policy

The Board has considered the appropriate dividend policy for the Company both for the current and for future financial years. Since June 2019, the Company has had the objective of paying dividends on a quarterly basis at the rate of 1.5 pence per quarter per share. In the current environment, however, not only have underlying base rates and LIBOR dropped, but the Company is reducing the risk of its loans by requiring a higher equity component from its borrowers, and this will have the effect of lowering interest earnings from the loans.

As a consequence, the Board and the Investment Adviser have considered the likely dividend capacity of the Company. Bearing in mind that the Company intends to distribute at least 85 per cent. of its eligible income in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010 in order to retain its investment trust status, the Board resolved to adopt a new dividend policy for the Company. It is anticipated that the new policy will first take effect in respect of the dividend due to be declared in respect of the first quarter of the current financial year (expected to be declared in May 2021).

Our analysis indicates that anticipated returns from typical development finance portfolio projects of approximately 5-6% may be achieved, going forward, in the current interest rate environment. We believe this is a suitable benchmark for the Company to at least achieve and ideally beat, whilst recognising that in the financial year to 30 November 2021, returns will be lower because of the drag effect of legacy impairments on net returns.

Under this revised policy, the Company expects to pay dividends at a rate of 1 penny per share per quarter, equivalent to 4 pence per share per year in aggregate. The Company intends to continue to distribute at least 85 per cent. of its eligible income or such other percentage which may be prescribed by HMRC in accordance with Chapter 4 of Part 24 Corporation Tax Act 2010. Accordingly, to the extent required, at the end of each financial year, the Board will consider whether payment of an additional dividend (to be paid alongside the final fourth quarter dividend for that year) is appropriate and/or required for the Company to maintain its investment trust status.

Interest rates are now at historically low levels in the UK, with the Bank of England base rate at 0.1% and LIBOR now close to zero. This has had an impact on the rates we are able to charge newer borrowers, with a consequent impact on the Company's profitability and thus its annual dividend capacity. It is anticipated that interest rates will be slow to rise in the UK. As and when interest rates do rise in the UK, however, these increases will be reflected in market rates for the type of commercial lending the Company offers. These increases would be expected to pass through to profits, and thus, in due course, to the Company's ability to pay an increased dividend.

Capital Management

The Board has the discretion to seek to manage, on an ongoing basis, the premium or discount at which the shares may trade to their Net Asset Value through further issues and buy-backs, as appropriate.

When the Company's shares trade at a premium to NAV, it may issue new shares as long as no shares are issued at a price below NAV per share. Issue of new shares would enable the Company to seek to manage the premium to Net Asset Value at which the shares may trade. Shareholder approval was therefore sought and obtained at the 2021 GM that the Directors to may allot shares representing up to approximately 20 per cent. of the issued share capital of the Company on a non-pre-emptive basis. This means that the Directors will not be obliged to offer such new shares to shareholders pro rata to their existing holdings. The reason for this is to allow flexibility to take advantage of opportunities to issue new shares to investors and grow the Company. Unless previously authorised by shareholders, no shares will be issued at a price less than the prevailing NAV per share at the time of the issue unless they are offered pro rata to existing shareholders. The authority to issue shares on a non-pre-emptive basis will expire on 31 May 2021 or, if earlier, on the conclusion of the annual general meeting to be held in 2021. Going forward, the Directors

intend to seek authority to issue shares on a non-pre-emptive basis annually at the Company's annual general meeting, including the annual general meeting to be held in 2021. The Directors have no present intention to exercise the authority to issue shares on a non-pre-emptive basis. Investors should note that the issuance of new shares is entirely at the discretion of the Board, and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions.

At the general meeting of the Company held on 11 August 2020, the Board obtained a discretionary share buyback authority for the purposes of managing the discount to NAV per share at which the shares trade. This authority will expire on the earlier of the conclusion of the annual general meeting to be held in 2021 and 15 months from the passing of the resolution. It is the intention of the Directors to renew this authority, to make market purchases of up to 14.99% of the shares in issue, at the annual general meeting to be held in 2021. Shareholders should note that the purchase of shares by the Company is at the absolute discretion of the Directors and is subject, amongst other things, to the amount of cash available to the Company to fund such purchases. Accordingly, no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.

The Board anticipates utilising the Company's share issuance and buyback authority as necessary to effectively manage the Company's share capital.

Outlook

The Company has evolved as experience has been gained and lessons learned. Early projects, some pre-dating the formation of the Company, have all either been completed and left the portfolio or are in the process of doing so. In all cases, for potential new lending projects, a credit committee of TOC undertakes a rigorous appraisal of every investment opportunity presented and only supports those which pass a range of screening checks, including physical site visits.

The Company and Investment Adviser now have a track record of project finance that is attracting business pitches not just from local but from regional enterprises, allowing the best prospects to be selected for the Company's investment portfolio.

What this means, in summary, is that the investment portfolio has become less and less dependent upon older, higher risk and potential return projects. While maintaining a diversified base, it will ultimately comprise a range of loans that have been arranged based upon the Company's modified investment criteria in the wake of the above Strategic Review. The implication for shareholders is that while the overall investment return targets may be lower, so will the potential for volatility and downside risk.

With interest rates elsewhere close to zero, and with the country only on the first steps towards the end of the pandemic and national lockdown, we believe this cautious approach offers the best way ahead for the Company.

Board of Directors

In accordance with the AIC Code of Corporate Governance requirements, all Directors will stand for re-appointment at the forthcoming AGM.

Annual General Meeting

The Company's Annual General Meeting will be held on Wednesday 5 May 2021 at 12 noon.

In light of the current Covid-19 pandemic and associated restrictions, the AGM will be run as a closed meeting and shareholders will not be permitted to attend in person.

As a result, the Board strongly encourages all shareholders to exercise their votes in respect of the meeting in advance, by completing and returning their proxy forms. This will ensure that the votes are registered. In addition, shareholders are encouraged to raise any questions with the Company Secretary via email to **cosec@maitlandgroup.com** or by post to the Company Secretary at the address set out on page 78 of this report. I would ask shareholders to submit their questions well in advance of the AGM, and in any event by no later than Friday, 23 April 2021. Any questions received will be replied to by the Company after the meeting.

In the event that the situation changes the Company will update shareholders through an announcement to the London Stock Exchange and on the Company's website.

John Newlands, Chairman

31st March 2021

Investment Adviser's Report

About the Adviser

Tier One Capital Ltd is a Newcastle upon Tyne based wealth management and property lending firm providing financial advice services and bespoke tailored lending to the property development market.

Investment Adviser's Report Review of the 12 Months to 30 November 2020

This Annual Report and Accounts covers the third full year of performance and fourth audit review of the Company, following its Listing in January 2017.

The Company's primary purpose is to provide debt finance to the property sector. The Company also benefits from a number of equity positions attained at nil cost in a number of the borrowing entities which it supports.

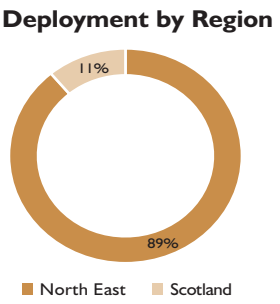
Highlights

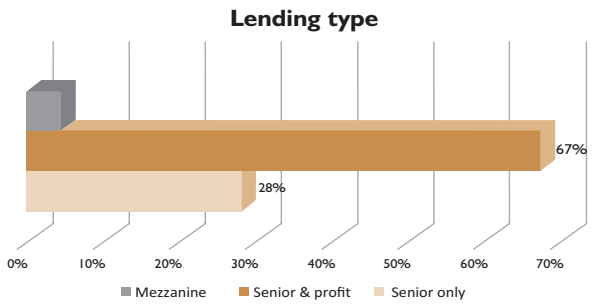
The trading period covered by this report has been extremely difficult with arguably two of the greatest challenges the UK economy has ever seen coming together. Firstly, the Brexit transition period starting in January 2020 negatively impacted on investor confidence throughout the period. There remained a No Deal scenario at the Company's year end, meaning the Company traded during its full financial year in a period of significant political and economic Brexit uncertainty. Added to that was the unprecedented and hugely damaging impact of the Covid-19 pandemic, which again hit investor confidence, transaction volumes and the pace of project development within the Company's portfolio (amongst all other related pandemic issues).

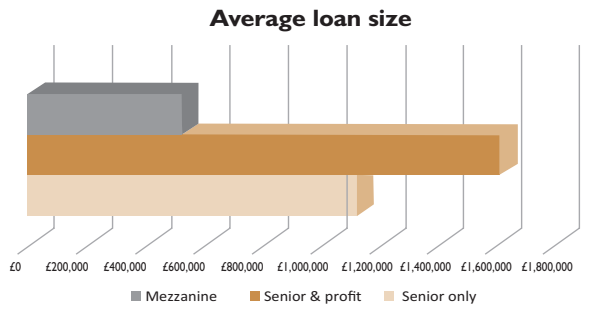
Against this backdrop, the Company acted swiftly to protect shareholder value and we are pleased to report the investment highlights below:

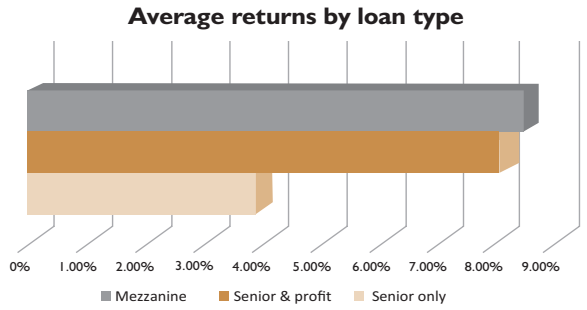
- NAV Total Return of 3.9%.
- A focus on liquidity, creating fund headroom of £6.5m at the period end.
- The profitable exit of two significant portfolio projects, in higher risk economic sectors, to minimise the impact of Covid-19 and Brexit.
- Redeployment of funds across the North East and Scotland, meaning the Company's now focussed on regions and market economies that we know best.
- The collection of 78.12% of contractual Net Interest Income due, despite exposure to non-performing sectors and assets. This figure increases to 94.55% when impaired assets are excluded
- Payment of a total dividend of 3.0p during the year, whilst at a reduced level was still significantly more than many peers and FTSE listed entities.

Having addressed the portfolio to deliver those investment highlights, our geographic focus and lending type is as follows:









Deployment

Despite the economic challenges faced, we are pleased to report an active year for new transactions, deployments to existing projects together with full and partial exits.

The Company agreed three new facilities during the year:

- Coalsnaughton - £2.2m 18-month facility
- Oswald Street - £0.38m 18-month facility
- Newlands - £0.33m 18-month facility

There were further deployments of capital as follows:

Deployments – Live Deals

Project	£k
Bill Quay	2,550
Chilton Moor	1,602
Springs	575
West Auckland	435
Newgate Street	290
Whitefield Farm	170
Pendower Hall	150
Charlton's Bonds	36

Post year end, we were delighted to announce a £3.8m facility with Horizon Cremation (East Renfrewshire) Ltd. The three year facility will facilitate the building of a modern and environmentally efficient crematorium at East Renfrewshire, Glasgow. The borrower is backed by private equity firm Maven Capital Partners LLP, and demonstrates the Company's ongoing commitment to supporting both residential and commercial developments.

Portfolio Exits

In May 2020 the sixth exit within the loan book occurred with the repayment of the Ryka project. The £2.3m loan was to support the acquisition of a 34 bed student accommodation building in Durham. Whilst not all the capital has been repaid, the project generated a positive internal rate of return ('IRR') of 3.9%.

The Willows became the seventh successful exit in September having been a project within the portfolio since the Company's inception. The facility was a trading wedding venue based near Ilford in Essex that had been unable to operate for much of the year due to Covid-19 restrictions. We were pleased to report full capital repayment and with all interest covered by the borrower, a strong project IRR overall of 7.4%.

Post year end Gateshead Town Hall was the eighth exit from the portfolio. All capital and interest was paid in full in December 2020 generating an IRR of 8.23% since June 2018.

The ninth exit occurred in January 2021. Rare Earth Medburn, which has been in the portfolio since listing, repaid all of its capital and interest, generating an IRR of 8.24%.

Partial Redemptions Update

Project	£k
Newgate St	1,204
Springs	1,146
Rare Earth Medburn	793
Gatsby Homes	474
IHL	400
Coalsnaughton	200
Charlton's Bonds	104
Chilton Moor	83

Impairments

The Company, in accordance with IFRS 9, recognises the gross interest receivable on all its loans, and then recognises an impairment charge when that interest is not paid by the borrower, and there is not a clear expectation that this can be recovered subsequently. During 2020 the three projects unable to meet their

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interest requirements were Gatsby Homes, Ryka Developments and West Auckland.

We note that Gatsby Homes have repaid capital of £474,000 during the year, with further such repayments subsequent to year end. We anticipate that the remainder of the houses in this project will be sold during 2021, with a return of the residual loan balance held on balance sheet. We anticipate that the residual interest on this loan will be subject to impairment in 2021.

In May 2020 the year the property owned by Ryka Developments (student accommodation near Durham) was sold. The proceeds were below the level of the outstanding loan and interest, and the difference was not recovered from Ryka. However, given the uncertainty in outlook at the time of this sale, we agreed to allow the sale to proceed to lock in the liquidity and headroom this event created.

IFRS 9 also requires the Company to consider various credit loss scenarios and assign a risk weighting to these. This calculation generates a provision which is taken as a further impairment for the year. This year the Company has recognised £74,000 (2019: £187,000) and this provides a provision (£261,000, 2019: £187,000) based on look-forward statements to withstand market-related shocks including those caused by the ongoing Covid-19 pandemic.

Gearing

In May 2020, the Company refreshed a committed revolving credit facility with Shawbrook Bank for a further year. Again the key driver was headroom and liquidity and the increase in the facility from £6.0m to £6.5m demonstrates the support that the Company has from its lender, and the growing confidence in future deployment given the current strength of pipeline.

Profit Share Projects

There are currently ten Profit Share projects in the portfolio (2019: nine).

Since the listing of the Company we have recognised an uplift in the equity value of five of the twelve facilities (2019: three), The remaining Profit Share holdings are recognised as nil value, given where we are in the lifecycle of each project. We monitor and review this on an ongoing basis.

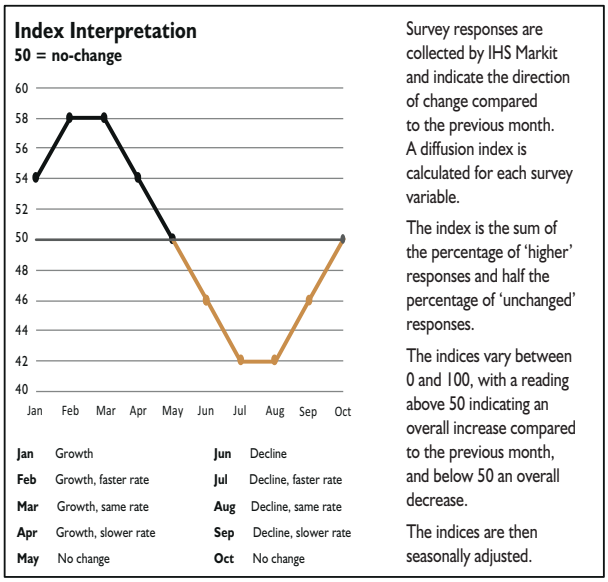
OUTLOOK

Economic Outlook

As at 30 November 2020 details had emerged about a successfully certified Covid-19 vaccine that saw an uplift in investment markets such as the 14% rise in the FTSE 250 during November.

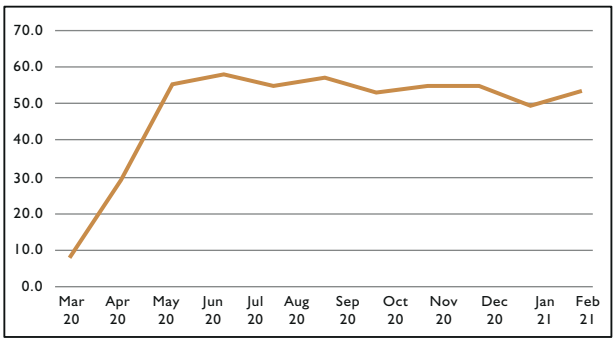
UK Economy and the Construction Sector

Lloyds Bank reports a continued improvement in the UK Economic Growth prospects generally and their periodic temperature check of clients continues to show an upward curve.



Using the Purchasing Managers Index ('PMI') outputs as a lead indicator, UK Construction output has returned to growth following the outbreak of the Pandemic.

The construction sector is also recovering more strongly than the UK economy generally and forecasting to remain more positive.



Source: Lloyds Bank UK Recovery Tracker, November 2020. Incorporating HIS Markit data.

The North East, because of its prevalence to both higher than average public sector employment and its broad manufacturing base is in the top 2 regions nationally showing prospects of a strong "v" shaped recovery.

Economic headwinds from Brexit, the second lockdown and the resultant impact of unemployment over winter months, particularly from within the hospitality sector, are still expected.

We were particularly encouraged to see further and substantial government initiatives to support property and construction in the medium term, particularly the National Home Building Fund ('NHBF') unveiled by the Chancellor in the Autumn Spending Review on 25 November 2021.

It is estimated that NHBF will support up to 650,000 additional jobs and unlock up to 860,000 homes.

Relevant to the Company, NHBF includes funding for:

- £2.2bn of loans for SMEs and innovative housebuilders to support new housing in areas where it is needed most.
- Additional £100m of grant funding in 2021-22 for unlocking brownfield sites, support house building on land that may be less attractive such as ex-industrial sites.
- Aim to encourage modern methods of construction which, at the moment, are not being widely used by national housebuilders.

The NHBF is in addition to the £12.2bn Affordable Homes Programme which has previously been announced.

There are also plans to establish a new UK infrastructure bank to be headquartered in the north of England with the aim to start financing major new investment projects in spring 2021.

We recognise that significant government initiatives may take time to mobilise and our sector views in the meantime are summarised as follows:

Residential

Savills view has historically been closest to our own findings and is again used as our basis for predictions.

Broadly, a prediction for the North East and Scotland of nil inflation and a 20% growth in transaction volumes over 2020 is what we expect to see.

Our view on this is that growing economic output, coupled with mortgage rates remaining low for the foreseeable future supports that transaction volume uplift. Tempered though by the prospects of higher unemployment, albeit partly mitigated by expected manufacturing growth and clean-energy sector job creation in the North East and Scotland.

We have a policy of not forecasting house price inflation in project appraisals and are therefore comfortable with the nil forecast. Whilst strong growth is predicted from 2022 once again, all sites in the portfolio at November 2020 are expected to be fully built and mainly sold within the next 12 months.

Other factors informing our views are:

Average House Prices. The North East and Scotland see transaction values well beneath UK averages highlighting greater affordability and value for money. Price growth/decline has less impact in our target regions.

Availability and affordability of Mortgages. Interest rates are historically low and are not forecast to increase substantially over the next 5 years. There is no evidence of a contraction in bank liquidity or in mortgage lenders seeking to exit the market in the North. Some reaction to falling house prices was seen during the course of 2020, with some RICS valuations and the resultant quantum of mortgage offers downgraded, but there has been less pressure from Q3 onwards. Our view is that has now stabilised as evidenced by transactions at Gatsby Homes and West Auckland.

First time buyers and newbuilds. Some sites are more reliant than others on the Government's Help-to-buy scheme. Should that scheme ('HTB') be ended, then Housebuilding would see weaker demand factors. Our view is that the push for new homes would continue to address the UKs housing shortage and that the Government would continue this successful scheme to support first time buyers to achieve a more level playing field. Again the project lifecycle and exposure to new builds across sites where first time buyers are seen sees our loan book in a comfortable position. Therefore we view the risk of HTB withdrawal as low.

UK five-year outlook

Unemployment and interest rate assumptions critical to our revised forecasts.

Continued

	2020	2021	2022	2023	2024	Five years to 2025
GDP* (whole year)	-9.7%	+8.5%	+3.5%	+2.0%	+1.8%	+5.2%
Income* (whole year)	-3.6%	+3.5%	+3.9%	+3.3%	+3.2%	+10.5%
Unemployment* (at Q4)	6.5%	5.2%	4.2%	3.7%	3.6%	n/a
Base rate* (at Q4)	0.10%	0.10%	0.10%	0.10%	0.25%	n/a
Average mortgage rate	1.80%	1.73%	1.65%	1.72%	1.92%	n/a
New house price forecast (September)	**+4.0%**	**0.0%**	**+4.0%**	**+6.5%**	**+4.5%**	**+20.4%**
Previous forecast (June)	-7.5%	+5.0%	+8.0%	+5.0%	+4.5%	+15.1%
New UK transaction forecast (September)	**1,059k**	**1,209k**	**1,187k**	**1,187k**	**1,186k**	**n/a**
Previous forecast (June)	775k	1,083k	1,330k	1,187k	1,186k	n/a

Sources: *Oxford Economics, Savills Research.

Commercial

The Company's exposure to specific commercial sectors was deliberately wound down during 2020 whilst major uncertainty was prevalent. We do remain though focussed on maintaining a diversified portfolio and will be looking to grow the commercial book, selectively, during 2021.

Our view of the various commercial sectors will inform future transactions, which we see as follows:

We expect the commercial property space to offer both challenges and opportunities in 2021. Initially, following the expected roll-out of three Covid-19 vaccines, we expect a return of some significant lost confidence seen this year.

In market trends we are planning for an uptick in demand and pricing for flexible office rental at the expense of traditional leased units.

The manufacturing base in the North East has been relatively resilient to the Covid-19 impact and has supported the regional economy to be one of the quickest in the UK to-date to recover. We therefore expect industrial space to continue to see higher demand.

On the flip side, hospitality and retail property assets will continue to be hardest hit although good operators will refresh and likely extend their portfolios.

We also continue to explore sectors that are not necessarily impacted by Covid-19 and we previously announced we have supported the development of a new-build crematorium development on the outskirts of Glasgow.

As a specialist funding partner to the property market our key objective is to identify and support professional, experienced and reliable management teams who have a clear vision and robust plans. We are going into 2021 with a stable platform to deliver, together with a healthy outlook and pipeline for carefully chosen parts of the commercial property sector.

PIPELINE

We continue to see strong deal flow, reflective of the lack of finance options available to developers in the regions. In addition to the new projects the Company funded, we are currently reviewing £15.9m of potential funding opportunities across seven projects with 70% in the North East and the remainder across Scotland.

While this is an unprecedented time, with the priority being to ensure all of our stakeholders continue to remain safe and well, we remain confident that our robust relationship led approach with our borrowers will give the Company the best opportunity to minimise disruption to daily operations. The Company's strategy of focusing on a smaller volume of higher valued loans allows us to stay close to the borrowers, and to remain in constant contact with them throughout this period. By ensuring that we maintain our regular communication with our borrowers, and by working together and building on the existing relationships we have with them, we are well placed to navigate through the coming months.

IAN MCELROY,
TIER ONE CAPITAL LTD
31ST MARCH 2021

THE INVESTMENT PORTFOLIO AS AT 30 NOVEMBER 2020

Project	Sector	Maturity Date	Profit Share	Security	% of Portfolio	LTV* (Nov 20)	Loan Value (Nov 20) £'000s	Loan Value (Nov 19) £'000s
Bill Quay	Residential	Feb 2022	Yes - 25.1%	Senior	13.7%	95.90%	3,236	500
Springs	Residential	Nov 2021	Yes - 25.1%	Senior	12.5%	90.23%	2,952	3,567
Chilton Moor	Residential	Aug 2021	Exit fee taken	Senior	10.4%	63.08%	2,459	891
Newgate Street	Residential	Aug 2020	Yes - 25.1%	Senior	8.2%	98.83%	1,941	2,905
Coalsnaughton	Commercial	Jul 2021	Yes - 25.1%	Senior	7.2%	111.93%	1,688	–
West Auckland	Residential	Jun 2022	No	Senior	7.0%	100.00%	1,649	1,182
Whitefield Farm	Residential	Jan 2020	Exit fee taken	Senior	6.2%	73.25%	1,450	1,280
Gatsby Homes	Residential	Jun 2020	Yes - 25.1%	Senior	5.7%	100.00%	1,333	1,802
Pendower Hall	Commercial	Mar 2023	No	Senior	4.9%	88.43%	1,150	958
Rare Earth Medburn	Residential	Nov 2019	No	Senior	4.6%	75.79%	1,072	1,865
IHL	Residential	Sep 2021	No	Subordinate	3.3%	68.04%	776	1,175
Charlton's Bonds	Residential/Commercial	Nov 2021	No	Senior	2.7%	133.12%	628	697
Fernhill	Residential	Jul 2019	No	Subordinate	2.5%	58.66%	598	598
Gateshead Town Hall	Commercial	Jun 2020	Yes - 25.1%	Senior	2.3%	33.47%	550	550
Oswald St	Commercial	Feb 2022	Yes - 25.1%	Senior	1.6%	65.00%	382	–
Newlands	Commercial	Mar 2022	Exit fee taken	Senior	1.4%	67.35%	330	–
Glenfarg	Residential	Oct 2020	No	Subordinate	1.3%	23.51%	300	300
Marley Hill**	Residential	Exited	Yes - 25.1%	Senior	0.3%	–	60	438
Exits								6,685
General Impairment							(261)	(187)
Cash					4.2%		1,002	523
Total/Weighted Average					**100.0%**		**23,295**	**25,729**

*LTV has been calculated using the carrying value of the loans as at the balance sheet date.
**Completed in December 2019; equity share held on balance sheet.

Strategic Report

The Directors present their Strategic Report for the year to 30 November 2020.

STRATEGIC REPORT

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. The Strategic Report contains a summary of the Company's business model, a statement of its objectives and policy, a review of performance and a description of the principal and emerging risks it faces. Please refer to the Chairman's Statement and the Investment Adviser's Report for an analysis of the Company's performance during the financial year and a summary of the future prospects. Pages 4 to 15, together with the sections of this Annual Report and Accounts incorporated by reference, consist of a Strategic Report that has been prepared in accordance with Section 414A of the Companies Act 2006 (the 'Act').

PRINCIPAL ACTIVITY AND PURPOSE

The Company's principal activity is that of an investment company, with a primary purpose providing debt finance to the property sector.

INVESTMENT OBJECTIVE

The Company's investment objective is to provide shareholders with a consistent and stable income and the potential for an attractive total return over the medium to long term.

INVESTMENT POLICY

Changes to the investment policy and restrictions were approved at a General Meeting of the Company held on 29 March 2021 and the details of the updated policy are set out below:

The Company seeks to achieve its investment objective through a diversified portfolio of fixed rate loans predominantly secured over land and/or property in the UK.

The Company attempts to reduce downside risk by focusing on secured debt with both quality collateral and contractual protection. The Company makes investments primarily through senior secured loans although other loans such as bridging loans, subordinated loans, selected loan financings and other debt instruments may be considered if appropriate.

The typical loan term is between one and five years. The Company retains absolute discretion to make investments for either shorter or longer periods.

Loan to Value

The Company typically seeks to originate debt where the effective loan to real estate value ratio of any investment is between 40% and 100% at the time of origination. The Company typically seeks to achieve a blended loan to value ('LTV') across the portfolio of no more than 75% (based on the initial valuations at the time of loan origination) once fully invested.

Sector

The Company's portfolio is appropriately diversified by sector and predominantly split between:

- Regional residential housebuilding across the UK, with a preliminary focus on non-London based property;
- Small to medium commercial property development across the UK primarily focusing on small serviced office space, hotel developments and wedding and conferencing venues; and
- Direct sale and leaseback vehicles primarily operating in the professional sectors of dentists, accountants, solicitors and finance professionals.

INVESTMENT RESTRICTIONS

The Company observes the following investment restrictions:

- The Company derives its income from a portfolio of not less than five loans;
- No more than 100% of the Gross Asset Value will be exposed to the regional residential housebuilding sector, calculated at the time of investment;
- No more than 100% of the Gross Asset Value will be exposed to the small to medium commercial property development sector, calculated at the time of investment;
- No more than 30% of the Net Asset Value will be exposed to direct sale and leaseback vehicles, at the time of investment;
- No more than 50% of the Net Asset Value will be exposed to subordinated loans, calculated at the time of investment and/or subsequent subordination;
- No more than 50% of the Net Asset Value will be exposed to bridging loans, selected loan financings and other debt instruments, calculated at the time of investment;
- No more than 5% of the Net Asset Value will be exposed to unsecured loans, calculated at the time of investment;
- No single investment, or aggregate investments secured on a single property or group of properties or connected with related borrowers, will exceed 20% of the Net Asset Value, calculated at the time of investment;
- No more than 20% of the Net Asset Value will be exposed to any one borrower or related borrowers or developer or related developer entities calculated at the time of investment;
- No more than 10% of the Net Asset Value will be exposed to any sector other than regional residential housebuilding and, small to medium commercial property development and direct sale and leasehold vehicles; and
- The Company will not invest in other listed closed-ended investment companies.

Borrowing

The Company may use gearing if it believes it will enhance shareholder returns over the longer term. It will limit the Company's borrowings to a maximum of 30% of the Net Asset Value at the time of drawdown.

On 22 October 2019 the Company entered into a one-year £6.0 million committed revolving facility with Shawbrook Bank Limited. In May 2020, the facility was increased to £6.5m and extended until May 2021. £1.15 million was drawn down at the year end and has been fully repaid since the year end. At 30 November 2020 the Company's effective gearing was 5.1%. The facility matures in May 2021 and it is intended that it will be renewed.

Cash Management

The Company may from time-to-time have surplus cash. It is expected that any surplus cash will be temporarily invested in cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency or gilts or otherwise approved by the Board.

Use of derivatives and hedging

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

Continued

In accordance with the requirements of the FCA Listing Rules, any material changes in the principal investment policies and restrictions of the Company would only be made with the approval of Shareholders by ordinary resolution.

BUSINESS MODEL, CULTURE AND VALUES

The Company invests in accordance with the investment objective.

The Board is the Company's governing body and is collectively responsible to shareholders for the long term success of the Company. It is responsible for the overall strategy of the Company, including its investment objective and policy, decisions regarding corporate governance, asset allocation, risk and internal control assessment and determining the overall limits and restrictions for the portfolio. In addition, it appoints and monitors the performance of its service providers and seeks to secure the Company's success by engaging reputable third-party service suppliers with established track records to deliver its day to day operations. The culture of the Company is embodied in the Board of Directors whose values are trust and fairness.

The management of the Company's investment, is delegated to the Investment Adviser, Tier One Capital Ltd ('TOC'), and there is a clear division of responsibilities between the Board and the Investment Adviser. The Board maintains a close working relationship with the Investment Adviser as its principal service provider.

All the Directors seek to discharge their responsibilities and meet shareholder expectations in an open and transparent manner. The Board seeks to recruit Directors who have diverse working experience including managing the types of companies in which the Company invests.

The industry experience on the Board ensures there is detailed knowledge and constructive challenge in the decision-making process. This helps the Company achieve its overarching aim of enhancing shareholder value. The Directors are mindful of costs and seek to ensure that the best value for money is achieved in managing the Company.

The Board seeks to employ third-party providers who share the Company's culture and importantly will work with the Directors openly and transparently to achieve the Company's aims. As mentioned below, the Board expects and seeks assurance at least annually that the companies it works with adopt working practices that are of a very high standard.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY ('ESG')

The Company has no employees and all of its Directors are non-executive. The day to day activities are carried out by third parties. There are therefore no disclosures to be made in respect of social, community, employee or environmental matters.

The Company has an investment advisory contract with Tier One Capital Ltd.

In asking the Company's Investment Adviser to deliver against set objectives, the Directors have also requested that the Investment Adviser take into account the broader social, ethical and environmental issues of counterparties within the Company's portfolio, acknowledging that companies failing to manage these issues adequately run a long term risk to the sustainability of their businesses. More specifically, they expect companies to demonstrate ethical conduct, effective management of their stakeholder relationships, responsible management and mitigation of social and environmental impacts, as well as due regard for wider societal issues.

The Investment Adviser actively seeks to invest in companies that adopt good ESG practices and, where possible, uses its influence to encourage companies to adopt best practice on environmental, social and corporate governance matters.

MODERN SLAVERY ACT 2015 ('MSA')

The MSA required companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company does not provide goods or services in the normal course of business, the Board considers that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015. In relation to this matter the Company's supply chain is thought to be low risk by the Board.

PRINCIPAL AND EMERGING RISKS

The Board of Directors has overall responsibility for risk management and internal control within the context of achieving the Company's objectives.

The Directors confirm that they have carried 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, as they operated during the year and up to the approval of the Annual Report.

The Board agrees the strategy of the Company taking into consideration the Company's risk appetite. With the assistance of the Investment Adviser, the Board has drawn up a risk matrix, which identifies the key risks to the Company, as well as emerging risks. In assessing the risks and how they can be mitigated, the Board has given particular attention to those risks that might threaten the viability of the Company. These key risks fall broadly under the following categories:

- **Investment and strategy risk**

The Company's targeted returns are targets only and are based on estimates and assumptions about a variety of factors including, without limitation, yield and performance of the Company's investments, which are inherently subject to significant business, economic and market uncertainties and contingencies, all of which are beyond the Company's control and which may adversely affect the Company's ability to achieve its targeted returns. Accordingly, the actual rate of return achieved may be materially lower than the targeted returns, or may result in a partial or total loss, which could have a material adverse effect on the Company's profitability, the Net Asset Value and the price of Ordinary shares.

Borrowers under the loans in which the Company invests may not fulfil their payment obligations in full, or at all, and/or may cause, or fail to rectify, other events of default under the loans.

The Board is responsible for setting the investment strategy to achieve the targeted returns and for monitoring the performance of the Investment Adviser and the implementation of the agreed strategy.

An inappropriate strategy could lead to poor capital performance and lower than targeted income yields.

This risk is mitigated through regular reviews and updates with the Investment Adviser, monitoring of the portfolio sectors against the investment restrictions on a quarterly basis and tracking of loan to value ratios of the underlying property projects.

- **Market risk**

The Company's investment strategy relies in part upon local credit and real estate market conditions. Adverse conditions may prevent the Company from making investments that it might otherwise have made leading to a reduction in yield and an increase in the default rate. The Board has considered and continues to keep under review the political, economic and investment risks to the Company associated with the UK's withdrawal from the EU at the beginning of 2021 and the UK's future relations with the EU. This withdrawal might lead to a reduced or increased demand for the Company's shares as a result of investor sentiment which may be reflected in a widening or narrowing of the discount.

The Company holds 100% of its assets in the United Kingdom. The Board considers that an unforeseeable global event has emerged, with the COVID-19 pandemic resulting in turmoil in the financial markets and economies.

The impact of the spread of the virus on the residential property market is monitored continuously.

To mitigate the market risks, the Board receives quarterly updates from the Investment Adviser containing information on the local market conditions and trends. This information is reviewed alongside the sector split of the portfolio to ensure the portfolio is aligned to meet future challenges.

- **Financial risk**

The Company's activities expose it to a variety of financial risks that include interest rate risk, liquidity risk and credit risk. Further details on these risks and the way in which they are mitigated are disclosed in the notes to the financial statements.

- **Operational risk**

The Company has no employees and relies upon the services provided by third parties. It is primarily dependent on the control systems of the Investment Adviser and Administrator who respectively maintain the assets and accounting records.

Failure by any service provider to carry out its obligation in accordance with the terms of their appointment could have a detrimental effect on the Company.

Continued

To mitigate these risks, the Board reviews the overall performance of the Investment Adviser and all other third party service providers on a regular basis and has the ability to terminate agreements if necessary. The business continuity plans of key third parties are subject to Board scrutiny.

- **Legal and Regulatory risk**

In order to qualify as an investment trust, the Company must comply with section 1158 of the Corporation Tax Act 2010. The Company has been approved by HM Revenue & Customs as an investment trust. The Company is listed on the London Stock Exchange. Non-compliance with the taxes act or a breach of listing rules could lead to financial penalties and reputational loss.

These risks are mitigated by the Board's review of quarterly financial information and the compliance with the relevant rules.

PROMOTING THE SUCCESS OF THE COMPANY

Under section 172(1) of the Companies Act 2006 the Directors have a duty to act in good faith and to promote the success of the Company for the benefit of its shareholders as a whole. This includes taking into consideration the likely consequences of their decisions over the long term and on the Company's stakeholders, employees and suppliers, while acting fairly between shareholders. The Directors must also consider the impact on the community and its reputation for maintaining high standards of business conduct.

Set out below is an explanation of engagement with stakeholders:

Stakeholder Group	Engagement in the year
Investors	Shareholders play an important role in monitoring and safeguarding the governance of the Company and have access to the Board via the Company Secretary throughout the year and are encouraged to attend the Annual General Meeting. The Board engaged extensively with shareholders throughout the year in particular in relation to the proposals put to shareholders at a General Meeting in March relating to the strategic review and which included the continuation resolution for the Company.
Suppliers	Key suppliers report to the Board on a regular basis. The Company employs a collaborative approach and looks to build long term partnerships based on open terms of business and fair payment terms.
Borrowers	The Investment Adviser meets with the management of all companies to which the Company lends money and reports its findings to the Board on a quarterly basis.
Regulators	We ensure compliance with the necessary rules and regulations relevant to the Company in order to build trust and a good reputation in the market.

- **Factoring our Shareholders and Stakeholders into our Principal Decisions**

We define principal decisions as both those that are material to the Company but also those that are significant to any of our key stakeholders as identified above. In making the following principal decisions, the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company.

Principal Decision 1	**Dividend Policy** Directors continue to pay a consistent and stable income. An updated policy is set out in the Chairman's Statement on page 8.
Principal Decision 2	**Lending Strategy** The Board's focus on the loans provided ensures that the sustainability of the Company and its ability to pay dividends is not compromised.
Principal Decision 3	**Share Capital** Methods to expand the shareholder base and grow the Company are regularly considered.

Principal Decision 4	Investment Policy Changes to the investment policy to allow greater flexibility to allocate capital to sectors that are considered to be potentially more attractive. An updated policy is set out in the Strategic Report on pages 17 to 18.

LONG TERM VIABILITY STATEMENT

In accordance with Provision 36 of the AIC Code the Directors are required to assess the prospect of the Company over a longer period than the twelve months referred to in the going concern guidance and statement. The Board conducted this viability review for a period of three years principally because it believes that any investment in the shares of the Company should be made on a medium to long-term basis. The Board considers the Company, with no fixed life, to be a long term investment vehicle. It has decided this is an appropriate time period over which to report, reflecting the long term objectives of the Company and the typical loan term whilst taking into account the impact of uncertainties in the markets.

The Board regularly considers a detailed cash flow model which does not indicate any matters which would give concern over the Company's longer term viability. The debt portfolio held by the Company is however not expected to remain unchanged over the longer term. The Investment Adviser is expected to provide new loans and receive repayments, in line with the Company's investment objective and policy throughout the year. At 30 November 2020 17 loans had been made with an average value of £1.24 million and average time to loan maturity of 0.3 years. The longer the time horizon which is considered, the higher the degree of uncertainty over the constituents of the Company's debt portfolio and, on balance, the Board considers that a period of three years is an appropriate length of time over which a detailed sensitivity analysis can be conducted whilst retaining a reasonable level of accuracy regarding forecast interest rate movements.

In making this statement the Board carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. These risks and their mitigations are set out above.

The principal risks identified as most relevant to the assessment of the viability of the Company were those relating to potential impairment of loans in the portfolio and its effect on capital value of the Company and its ability to pay dividends.

When considering the risk of under-performance, the Board carries out a series of stress tests to understand the effects of any substantial future increases in interest rates and future worsening of the property and development markets on the value of the underlying security leading to potential breaches of loan covenants by the borrowers.

The results of these stress tests have given the Board comfort over the viability of the Company and its ability to maintain capital value and dividend levels. The Board has also considered the impact of potential regulatory change for future periods and the controls in place surrounding significant third party providers, including the Investment Adviser.

The Directors have considered the potential and continuing impact of Covid-19 and the mitigation measures which key service providers, including the Investment Adviser, have in place to maintain operational resilience, particularly in light of Covid-19. Although the total cost of Covid-19 is currently hard to predict with any certainty the Directors do not believe that it calls into question the long term viability of the Company.

Based on the Company's processes for monitoring revenue and costs, the Manager's compliance with the investment objective and policies and the passing of the continuation resolution for a further three years on 29 March 2021, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of approval of this Report.

KEY PERFORMANCE INDICATORS

The below key performance indicators (KPIs) are used by the Board to assess the Company's success in meeting its objectives. The KPIs and related Alternative Performance Measures are described in the Glossary on page 76.

Continued

- **Dividends**

The payment of dividends is important to the Company as part of the investment objective. The Board monitors the Company's ability to provide shareholders with a consistent and stable income on a continuing basis. Further details on the Board's policy is set out in the Chairman's Statement on page 8.

Details of the dividends declared and paid are set out on page 58.

- **Net Asset Value Total Return (NAV total return)**

The Board regards the growth of the Company's NAV total return as inherent to the successful delivery of value to the shareholders over the longer term.

Since listing in January 2017, the Company has generated a NAV total return of 7.6% (including launch costs) as at 30 November 2020. The NAV total return for the year to 30 November 2020 was 3.9%.

- **Ongoing charges**

The ongoing charges are a measure of the total expenses incurred by the Company expressed as a percentage of the average net assets over the year. The Board regularly reviews the ongoing charges. The Board seeks to ensure the expenses incurred by the Company are kept to a minimum whilst not impacting the services obtained.

The ongoing charges ratio as at 30 November 2020 was 2.6%.

- **Discount/Premium to NAV**

The Board monitors the level of the Company's discount/premium to NAV. The annualised average premium to the NAV for the Company is 9.0%.

CRIMINAL CORPORATE OFFENCE

In line with the requirements of The Criminal Finances Act 2017, the Directors confirm that the Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

THE BRIBERY ACT

In order to ensure compliance with the UK Bribery Act 2010, the Directors confirm that the Company has a zero tolerance policy towards the provision of illegal services, bribery and corruption acts and a commitment to carry out business openly, honestly and fairly.

GREENHOUSE GAS EMISSIONS

The Company has no greenhouse gas emissions to report from its operations for the year ended 30 November 2020 nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 (including those within the underlying investment portfolio).

BOARD DIVERSITY

At 30 November 2020 there were four male Directors. The Board believes that the current Directors have the appropriate range of skills and experience required by the Company. Diversity will continue to be considered as an important factor in any future appointments.

On behalf of the Board

JOHN NEWLANDS, CHAIRMAN

31ST MARCH 2021

Board of Directors

John Newlands
Non-executive chairman

John has served more than twenty years in the City, most recently with Brewin Dolphin Limited as Head of Investment Companies Research from 2007 to 2017. He was a member of the Association of Investment Companies Statistics' Committee from 2000 to 2017. He has an MBA from Edinburgh University Business School and is a Chartered Engineer. He is a member of the Investment Committee of Durham Cathedral. He has written four books about financial history, the most recent charting the history of Dunedin Income Growth Investment Trust. John is currently Director of Gabelli Merger Plus+ Trust PLC and CQS New City High Yield Fund Limited.

Shareholding as at 30 November 2019: 5,000 ordinary shares.

Shareholding as at 30 November 2020: 5,000 ordinary shares.

Date of appointment: 14 November 2017.

Matthew Harris ('Matt')
Independent non-executive director and audit committee chairman

Matt is a Chartered Accountant, with a career background as an auditor and in the provision of due diligence advice to private equity firms and corporates. He has advised on numerous transactions across Europe and around the world. Matt started his career at Arthur Andersen in New Zealand, but has spent the majority of his career in London, including as a Partner in the KPMG Private Equity Group. He sits on a number of boards and provides deal related and ongoing advice to PE buyers and portfolio companies.

Shareholding as at 30 November 2019: 50,000 ordinary shares.

Shareholding as at 30 November 2020: 50,000 ordinary shares.

Date of appointment: 19 December 2016.

Ian McElroy
Non-independent non-executive director

Ian is the Chief Executive of Tier One Capital Ltd, a wealth management and property lending specialist based in Newcastle upon Tyne and the Investment Adviser to the Company. Ian has a wealth of experience in financial services, with specific expertise in investment management, financial planning, corporate finance and credit structuring. Ian has worked within the high net worth investment market throughout his career, spending time at institutions including Barclays Wealth, Coutts and Kleinwort Benson before founding Tier One Capital Ltd in 2013. He is a Chartered Fellow of the CISI and a Chartered Wealth Manager.

Shareholding as at 30 November 2019: 38,660 ordinary shares.

Shareholding as at 30 November 2020: 79,960 ordinary shares.

Date of appointment: 18 April 2018.

Douglas Noble
Independent non-executive director

Douglas has over 25 years' private banking experience. He is currently a Director of Jigsaw Lending and also holds the position of Associate Director with Hallcroft Finance where he is assisting Hallcroft in launching their business in Scotland. Previous to this he has held Senior Executive roles in the Banking Industry including the Scottish Head of Private Banking for Barclays, Adam & Company and HBOS. He also launched Bank of Scotland's first ever private banking operation. Douglas holds a law degree from Dundee University, as well as achieving the PCIAM and IMC from the CFA. He is a member of the Chartered Institute of Bankers, Scotland and holds Chartered Banker status.

Shareholding as at 30 November 2019: 8,600 ordinary shares.

Shareholding as at 30 November 2020: 8,600 ordinary shares.

Date of appointment: 19 December 2016.

Directors' Report

Horizon Cremation Clyde Coast

The Directors present their Annual Report and Financial Statements of the Company for the year to 30 November 2020.

INFORMATION DISCLOSED IN THE STRATEGIC REPORT

The following matters required to be disclosed in this Report under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are covered in the Chairman's Statement, Investment Adviser's and the Strategic Report on pages 4 to 22: the Company's objectives, policies and financial risk management, the Company's exposure to risks and its prospects, as well as important events affecting the Company since the year end.

STATUS

The Company was incorporated in England and Wales as a public limited company under the Companies Act 2006 (number 10395804). It is an investment company as defined by Section 833 of the Companies Act 2006. The Company is a member of the Association of Investment Companies ('AIC').

The Company has been confirmed by HM Revenue & Customs as having approved investment trust status under the Investment Trusts (Approved Company) (Tax) Regulations 2011, subject to it continuing to comply with those regulations. The Directors conduct the affairs of the Company with a view to maintaining this approved investment trust status in order to preserve the Company's exemption from UK capital gains tax. The Directors have no reason to believe that approval will not continue to be obtained. The Company is not a close company for taxation purposes.

MANAGEMENT OF THE COMPANY

The Investment Adviser is Tier One Capital Ltd ('TOC'). TOC undertakes portfolio management services for the Company, subject to overall control and supervision by the Board. TOC is employed under a contract which can be terminated on 12 months' notice. If the Company wishes to terminate the contract on shorter

notice, the balance of remuneration is payable by way of compensation.

TOC is entitled to receive from the Company an investment advisory fee which is calculated and paid quarterly in arrears at an annual rate of 0.25% per annum of the prevailing Net Asset Value if less than £100m, or 0.50% per annum of the prevailing Net Asset Value if £100m or more.

In previous years TOC agreed to waive its fee until the Net Asset Value was at least £50m. From 24 January 2020, with the agreement of the Board, TOC no longer waives the fee.

The Board has reviewed the performance of the Investment Adviser and believes that its continued appointment is in the interests of the Company and shareholders. Such a review is carried out on an annual basis.

ALTERNATIVE INVESTMENT FUND MANAGER'S DIRECTIVE ('AIFMD')

During the year it has been decided that the Company should become a Small Registered UK Alternative Investment Fund Manager AIFM ('AIFM') replacing R & H Fund Services (Jersey) Ltd. In the course of reviewing the arrangements, it came to the Company's attention that, although the Company has been operating in effect as an internally managed AIFM, an application to apply to become the AIFM still needed to be made. This situation is in the process of being rectified, and an AIFM application has been made to the FCA.

The Alternative Investment Managers' Directive requires certain disclosures to be made in respect of any remuneration policy of the AIFM, leverage, risk disclosures and pre-investment disclosures. The Board, as AIFM, receives no remuneration in this regard. The Company makes sufficient disclosures in relation to gearing and risk within the Annual Report. Changes to the investment policy and guidelines were approved at a General Meeting on 29 March 2021 and the current investment policy and guidelines are set out in this Strategic Report on pages 16 to 18. Therefore, no further separate disclosures are required.

INVESTMENT POLICY AND OBJECTIVE

Details of the Company's Investment Policy and Objective are set out in the Strategic Report on pages 16 to 18.

RESULTS AND DIVIDENDS

The revenue return for the financial year ended 30 November 2020 after taxation amounted to £1,026,000 (2019; £1,363,000). An interim dividend of 1.5p per Ordinary share (2019: 1.5p) has been declared to be paid on 1 April 2021 to shareholders on the register at the close of business on 12 March 2021 (ex-dividend date 11 March 2021).

The post balance sheet events of the Company are described in detail in Note 18 on page 67.

FUTURE DEVELOPMENTS

The outlook for the Company is described in the Chairman's Statement on page 9 and in the Investment Adviser's Report on pages 12 to 14.

USE OF FINANCIAL INSTRUMENTS

The Company's use of financial instruments is disclosed in note 17 to the Financial Statements.

CAPITAL STRUCTURE AND VOTING RIGHTS

Capital Structure and Voting Rights

As at 30 November 2020 the Company's share capital comprised 26,924,063 Ordinary shares of 1p each. There were no shares held in Treasury. The Ordinary shares have a premium listing on The London Stock Exchange.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note (xvi) to the Notice of Meeting on page 73.

Substantial Interests in Voting Rights

As at the end of the financial year the following had

Continued

a declared notifiable interest in the Company's voting rights in accordance with the FCA's Disclosure Guidance and Transparency Rules:

Number of Shares		% held*
Tier One Capital Ltd	8,025,929	29.8
Liontrust Investment Partners LLP	5,019,597	18.6
Mr B Thompson	2,125,000	7.9
Preston Transport Ltd	1,700,000	6.3
Peter Harley Jasper	1,433,790	5.32

*Based on 26,924,063 ordinary shares in issue as at 30 November 2020.

As at 30 March 2021 Liontrust Investment Partners LLP had a notifiable interest in 17.1% of the voting rights of the Company and Tier One Capital Ltd no longer had a notifiable interest in the Company. No further changes have been notified since the year end to the date of this report.

There are no restrictions on the transfers of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that affect its control following a takeover bid; and no agreement between the Company and its Directors concerning compensation for loss of office.

DIRECTORS

Biographical details of the Directors who held office throughout the year can be found on pages 24 and 25. All are non-executive and, save for Ian McElroy, are independent of the Investment Adviser and the other service providers. Details of the Directors' beneficial shareholdings can be found on page 38.

Mr McElroy has agreed to waive his Director's fee for so long as he has an interest in the Company's Investment Adviser.

All Directors will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment. The Board having considered their qualifications, performance and contribution to the Board and its committees, confirms that each Director continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that they be reappointed.

The rules concerning the appointment, reappointment and replacement of Directors, amendment of the Articles of Association and powers to repurchase the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNIFICATION

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

As permitted by the Company's Articles of Association, each Director has the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. These indemnities were in place during the year and as at the date of this Report.

CORPORATE GOVERNANCE

The Statement of Corporate Governance is set out on pages 31 to 33 and forms part of this Report.

EMPLOYMENT, SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

The Company has no employees and the day to day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees.

DISCLOSURE ON GREENHOUSE GAS EMISSIONS

The Company itself has no greenhouse gas emissions to report from its activities.

STREAMLINED ENERGY AND CARBON REPORTING

The Company is categorised as a lower energy user under the HMRC Environmental Report Guidelines

March 2019 and is therefore not required to make the detailed disclosures of energy and carbon information set out within the guidelines. The Company's energy and carbon information is therefore not disclosed in this Report.

LISTING RULE 9.8.4R

Listing Rule 9.8.4R requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. Other than Listing Rule 9.8.4 (10), under which Ian McElroy who is an employee of the Investment Adviser and is deemed to be interested in the Company's investment management agreement, the Directors confirm that there are no disclosures to be made in respect of Listing Rule 9.8.4R.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors confirm that, so far as each of them are aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The above confirmation is given and should be interpreted in accordance with the provision of section 418 (2) of the Companies Act 2006.

AUDITOR

The Independent Auditor's Report can be found on pages 41 to 47. BDO LLP has indicated its willingness to continue in office with the Company and a resolution will be proposed at the Annual General Meeting to re-appoint it (resolution 9).

DIRECTORS' REMUNERATION POLICY AND REPORT

It is mandatory for listed companies to put their Directors' Remuneration Report to an advisory shareholder vote on an annual basis. Resolution 2 seeks to approve the Directors' Remuneration Report.

The Company's remuneration policy was last approved by shareholders at the AGM in 2019 in accordance with the provisions of the Companies Act 2006. There have been no changes to the policy since that approval. It has been decided that the policy will be approved by shareholders annually. Resolution 3 seeks to approve the Directors' Remuneration Policy.

GOING CONCERN

The Company does not have a fixed wind-up date and, therefore, unless shareholders vote to wind-up the Company, shareholders will only be able to realise their investment through the market. In addition, the Articles of Association require shareholders to approve a resolution to continue the Company at three yearly intervals. At a General Meeting of the Company held on 29 March 2021 a resolution was approved by shareholders to continue the Company for a further three years.

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. In addition, and in particular, the Board has considered the impact of Covid-19 and believes that this will have a limited impact on the Company's operational resources and existence. For this reason, they continue to adopt the going concern basis.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting of the Company to be held on 5 May 2021 is set out on pages 68 and 69. The full text of the resolutions is set out in the notice of meeting. Resolutions relating to the following items of special business will be proposed at the meeting:

Continued

(i) Dividend Policy (resolution 8)

Subject to market conditions and the Company's performance, financial position and financial outlook it is the Directors' intention to pay consistent and stable income to shareholders on a quarterly basis. The Company intends to continue to pay all dividends as interim dividends.

Recognising that this means that shareholders will not have the opportunity to vote on a final dividend, the Company will instead propose a resolution to approve the Company's dividend policy at the AGM (resolution 8). The Directors expect that this resolution to approve the Company's dividend policy will be approved annually.

The Company intends to distribute at least 85 per cent. of its eligible income or such other percentage which may be prescribed by HMRC in accordance with Chapter 4 of Part 24 ICTA 2010.

(ii) Authority to allot new shares and to disapply pre-emption rights (resolution 11)

It is advantageous for the Company to be able to issue new shares for cash to investors when the Directors consider that it is in the best interests of shareholders to do so. The proceeds of any such issue will be available for investment in line with the Company's investment policies. The Board is seeking authority to issue up to 20% of the Company's issued share capital (excluding Treasury shares) in order to provide flexibility to issue shares at a premium and manage share price volatility to NAV. The authority to be conferred by Resolution 11 will expire at the conclusion of the Annual General Meeting to be held in 2022 unless renewed at a prior general meeting.

Resolution 12 will enable the allotment of new ordinary shares, pursuant to Resolution 11 otherwise than by way of a pro-rata issue to existing shareholders. The authority will also expire at the conclusion of the Annual General Meeting to be held in 2022 unless renewed at a prior general meeting.

The full text of resolutions 11 to 12 is set out in the Notice of Meeting on pages 68 and 69.

(iii) Authority to repurchase the Company's shares (resolution 13)

The authority to repurchase up to 14.99% of the Company's issued share capital will expire on 31 May 2021 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewal is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares. Resolution 13 will be proposed as a special resolution and seeks to provide the Directors with the authority to purchase up to 4,035,917 ordinary shares or, if less, the number representing approximately 14.99 per cent. of the Company's ordinary shares in issue at the date of the passing of resolution 13 The Company may either cancel any ordinary shares it purchases under this authority or hold them in Treasury. This authority will expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 15 months from the passing of this resolution unless it is previously renewed, varied or revoked.

RECOMMENDATION

The Directors consider the passing of the Resolutions to be proposed at the Annual General Meeting to be in the best interest of the Company and its shareholders as a whole and likely to promote the success of the Company for the benefit of its shareholders as a whole.

Accordingly, the Directors unanimously recommend that shareholders should vote in favour of the resolutions, as they intend to in respect of their own beneficial shareholders amounting to 143,560 ordinary shares.

On Behalf of the Board

JOHN NEWLANDS, CHAIRMAN

31ST MARCH 2021

Statement of Corporate Governance

Bill Quay - street scene

STATEMENT OF CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance. The Board has considered the Principles and Provisions of the AIC Code of Corporate Governance, published in February 2019 (AIC Code). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council provides more relevant information to shareholders.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Company has complied with the Principles and Provisions of the AIC Code but the Board has not elected to designate a senior independent non-executive Director, as it considers that each Director has different strengths and qualities on which they may provide leadership.

THE BOARD

Composition

The Board consists of four Directors. Three are independent non-executive Directors, including the Chairman John Newlands. These Directors are considered by the Board to be independent in character and judgment of the Investment Adviser. Ian McElroy is considered not to be independent on the basis of his role at the Investment Adviser. The independence of the Directors is determined with reference to the AIC Code and is reviewed annually.

Biographical details of the Directors and their experience is disclosed on pages 24 and 25.

Induction and Training

On appointment, the Investment Adviser and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies.

Regular reviews of the Directors' training needs are carried out by the Chairman by means of the Board and Committee evaluation process.

Role of the Board

The basis on which the Company agrees to generate value over the longer term is set out in its objective and investment policy as contained within the Strategic Review.

The Company has no executive Directors or employees. An Investment Management Agreement between the Company and its Investment Adviser sets out the matters over which the Investment Adviser has authority and the limits beyond which Board approval must be sought. All other matters, including

Continued

strategy, investment and dividend policies, gearing and corporate governance procedures, are reserved for the approval of the Board.

Tenure and Reappointment of Directors

Directors are initially appointed until the following Annual General Meeting, when under the Articles of Association they are required to be elected by shareholders.

Although the Articles require that Directors submit themselves for re-election at least every three years the Board has resolved to adopt corporate governance best practice and all of the Directors are subject to re-election on an annual basis. In addition, the Board has agreed that any Director with more than nine years' service will be required to stand for re-election at each annual general meeting.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Directors who are not members of committees may attend at the invitation of the Chairman of the relevant committee.

Directors have attended scheduled Board and Committee meetings during the year ended 30 November 2020 as follows (with their eligibility to attend the relevant meeting in brackets):

	Board	AC	NC	MEC
M Harris	4 (4)	3 (3)	1 (1)	1 (1)
I McElroy	4 (4)	N/A	1 (1)	1 (1)
J Newlands	4 (4)	3 (3)	1 (1)	1 (1)
D Noble	4 (4)	3 (3)	1 (1)	1 (1)

The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on these matters is communicated directly to the Investment Adviser. In addition to the scheduled meetings above, committee meetings were held to discuss matters including strategy, borrowings, investment decisions and dividend payments.

Full and timely information is provided to the Board to enable the Directors to function effectively and to discharge their responsibilities. The Board also reviews the financial statements, performance and revenue budgets.

THE AUDIT COMMITTEE

Matthew Harris is the Chairman of the Company's Audit Committee which comprises all independent Directors, with the exception of Ian McElroy.

The report of the Audit Committee is set out on pages 34 to 36.

THE MANAGEMENT ENGAGEMENT COMMITTEE

John Newlands is the Chairman of the Company's Management Engagement Committee which comprises the full Board. The Management Engagement Committee reviews the appropriateness of the Investment Adviser's continuing appointment, together with the terms and conditions thereof on a regular basis. The Management Engagement Committee meets at least annually.

THE NOMINATION COMMITTEE

John Newlands is the Chairman of the Company's Nomination Committee which comprises the full Board, with the exception of Ian McElroy, and is responsible for Director appointments and succession planning.

The Company's affairs are overseen by a Board currently comprising four non-executive Directors – all of whom are men. In terms of progress in achieving diversity, the Company is committed to ensuring that vacancies arising are filled by the best qualified candidates and recognises the value of diversity in the composition of the Board. When the Board goes through its next recruitment process, improving the Board's diversity will be a priority.

The Directors are broad in their experience, bringing knowledge of investment markets, business, financial services, accounting and regulatory expertise to discussions on the Company's business. The Directors regularly consider the leadership needs and specific skills required to achieve the Company's investment objective. While appointments are based on skills

and experience, the Board is conscious of diversity of gender, social and ethnic backgrounds, cognitive and personal strengths and experience. All appointments are based on objective criteria and merit, and are made following a formal, rigorous and transparent process.

The Board has put in place necessary procedures to conduct, on an annual basis, an appraisal of the Chairman of the Board as well as a performance evaluation of the Board as a whole, the individual Directors and the Board Committees. This was conducted through completion of evaluation questionnaires.

REMUNERATION COMMITTEE

In late 2020, the Board established a Remuneration Committee for the purposes of considering the Directors' remuneration. The committee is chaired by Douglas Noble and meets at least annually.

The Company's policy on remuneration is discussed in the Directors' Remuneration Report on pages 37 to 38.

TERMS OF REFERENCE

The Audit Committee, Nomination Committee, Remuneration Committee and Management Engagement Committee all have written terms of reference which define clearly their respective responsibilities, copies of which are available for inspection on the Company's website at **www.tocpropertybackedlendingtrust.co.uk** on request at the Company's registered office and at the Company's Annual General Meeting.

RELATIONS WITH SHAREHOLDERS

The Directors place a great deal of importance on communication with shareholders. The Annual Report and Accounts are distributed to other parties who have an interest in the Company's performance. Shareholders and investors may obtain up to date information on the Company through the Investment Adviser's website. The Company responds to questions from shareholders on a wide range of issues.

A regular dialogue is maintained with the Company's shareholders.

The Notice of the General Meeting included within the Annual Report and Accounts is sent out 20 working days in advance of the meeting. The Company Secretary is available to answer general shareholder queries at any time throughout the year.

On Behalf of the Board

MAITLAND ADMINISTRATION SERVICES LIMITED

31ST MARCH 2021

Report of the Audit Committee

I am pleased to present my report to shareholders as Chairman of the Audit Committee for the year ended 30 November 2020.

Composition of the Audit Committee

An Audit Committee (the 'Committee') has been established with written terms of reference and comprises three non-executive Directors, Matthew Harris (Chairman), Douglas Noble and John Newlands. The Committee meets on at least two occasions each year. In addition the Committee meets the Auditors at least annually.

The members of the Committee consider that they have the requisite skills and experience to fulfill the responsibilities of the Committee. As a Chartered Accountant I have recent and relevant financial experience, and the Committee, as a whole, has competence relevant to the sector.

Role of the Audit Committee

A summary of the Committee's main audit review functions is shown below:

- To monitor and review the principles, policies, and practices adopted in the preparation and audit of the accounts of the Company;
- To review and monitor the effectiveness of the internal control systems and risk management systems on which the Company is reliant;
- To consider annually whether there is a need for the Company to have its own internal audit function;
- To monitor the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Investment Adviser, the Company Secretary and Administrator;
- To meet with the external Auditor to review their proposed audit programme of work and their findings. The Committee also uses this as an opportunity to assess the effectiveness of the audit process;
- To make recommendations in relation to the appointment of the external Auditor and to approve the remuneration and terms of engagement of the external Auditor;
- To monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification; and
- To consider and approve all non-audit services.

FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING MATTERS

The Board of Directors is responsible for preparing the Annual Report and Financial Statements. The Committee advises the Board on the form and content of the Annual Report and financial statements, any issues which may arise and any specific areas which require judgement.

The valuation of investments in the form of loans and profit shares, the building projects given as guarantee for the loans, and the loan recoverability and interest receipt were areas of focus given their significance to the financial statements as a whole and these were specifically reviewed by the Committee.

Following discussion with the Investment Adviser, the Committee gained comfort over the valuation of the loans as included in the Annual Report and financial statements.

AUDITOR

As part of its review of the scope and results of the audit, during the year the Committee considered and approved BDO's plan for the audit of the financial statements for the year ended 30 November 2020. At the conclusion of the audit BDO did not highlight any issues to the Committee which would cause it to qualify its audit report nor did it highlight any fundamental internal control weaknesses. BDO issued an unqualified audit report which is included on pages 41 to 47.

Non-audit services

There were no fees paid to the auditor in respect of non-audit services during the year ended 30 November 2020 (2019: £Nil).

Auditor Independence

As part of the review of auditor independence and effectiveness, BDO has confirmed that it is independent of the Company and has complied with relevant auditing standards. In evaluating BDO, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Audit Committee, from direct observation and enquiry of the Investment Adviser and the Administrator, remains satisfied that BDO continues to provide effective independent challenge in carrying out its responsibilities.

The main areas of accounting risk considered by the Committee during the year in relation to the Company's financial statements were the valuation and ownership of investments held by the Company.

The valuation of investments is undertaken in accordance with the accounting policies as set out in note 1 to the financial statements. Details of the fair value hierarchy are set out in note 8.

The Committee reviews detailed information on the loan book and its value on a quarterly basis. A full portfolio analysis is prepared for each Board meeting, including a detailed update on development works, collateral given and loan to value ratios, which is reviewed in detail and considered by the Directors.

The Company also receives regular reporting on internal controls (as detailed below).

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. Following publication of the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (the "FRC Guidance") the Board confirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and is regularly reviewed by the Board to ensure it and accords with the FRC Guidance.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the Company and policies by which these risks are managed. The significant risks faced by the Company are as follows:

Continued

- Investment and strategy;
- Market;
- Financial;
- Operational; and
- Legal and regulatory

The key components designed to provide effective internal control are outlined below:

- Maitland Administration Services (Scotland) Limited acts as Administrator and Company Secretary and, together with the Investment Adviser, prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance;
- the Board and Investment Adviser have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including concentration limits and loan to value ratios, are regularly submitted to the Board and there are meetings with the Investment Adviser in between as appropriate;
- as a matter of course the Investment Adviser's Credit and Compliance teams continually review the Investment Adviser's operations and will report to the Board on any breaches;
- written agreements are in place which specifically define the roles and responsibilities of the Investment Adviser, Company Secretary, Administrator and other third party service providers; and
- the Board has considered the need for an internal audit function but, due to the compliance and internal control systems in place at the Investment Adviser, the Company Secretary and Administrator, has decided to place reliance on their systems and internal audit procedures.

At its February 2021 meeting, the Committee carried out an annual assessment of internal controls for the year ended 30 November 2020 and subsequent events by considering documentation from the Investment Adviser, the Company Secretary and Administrator. The results of the assessment were reported to, and considered by, the Board its next meeting.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against mis-statement and loss.

The principal risks and uncertainties affecting the Company are disclosed in the Strategic Report on pages 19 to 20.

FAIR, BALANCED AND UNDERSTANDABLE

As a result of the work performed, the Committee has concluded that the Annual Report and Financial Statements for the year ended 30 November 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Director's Responsibilities on page 39.

MATTHEW HARRIS
CHAIRMAN OF AUDIT COMMITTEE
31ST MARCH 2021

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 30 November 2020, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 41 to 47.

All of the Directors are non-executive. In late 2020 the Board established a Remuneration Committee with Douglas Noble as Chairman. This Committee reviews Director's fees on a regular basis and makes recommendations to the Board as and when appropriate.

Policy on Directors' Remuneration

The Company's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, the time commitment required, and be fair and comparable with that of other similar companies. The remuneration of Directors has been set in order to attract individuals of a calibre appropriate to the future development of the Company. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances.

The fees for the Directors are determined within the limit set out in the Company's Articles of Association. The present limit is an aggregate of £400,000 per annum and may not be changed without seeking shareholder approval at a general meeting. Directors are not eligible for bonuses, pension benefits, share options long-term incentive schemes or other benefits. No element of the Directors' remuneration is performance-related.

It is the Board's policy that Directors do not have service contracts, but each new Director is provided with a letter of appointment. The term of Directors' appointments provide that Directors should retire and be subject to re-election at the first Annual General Meeting after their appointment annually thereafter.

Although the Company's Articles of Association provide that Directors shall not remain in office for longer than three years without submitting themselves for re-election, the Board has resolved that all of the Directors should be subject to re-election on an annual basis.

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. There is no notice period and no provision for compensation upon early termination of appointment. Details of the Board's policy on tenure are set out on page 32.

Continued

ANNUAL REPORT ON DIRECTORS' REMUNERATION

The Directors who served in the year received the below fees:

	2020	2019
John Newlands (Chairman)	£30,000	£30,000
Matthew Harris	£30,000	£30,000
Douglas Noble	£30,000	£30,000
Ian McElroy*	£nil	£nil
Stephen Coe**	£nil	£22,000
Total	£90,000	£102,000

*Ian McElroy is entitled to Directors fees of £30,000 per annum. He has waived this entitlement in respect of the years ended 30 November 2020 and 2019.

**Retired on 19 April 2019.

RELATIVE IMPORTANCE ON SPEND ON PAY

The table below sets out in respect of the financial year ended 30 November 2020 and the preceding financial year:

a) the remuneration paid to Directors; and

b) the distribution made to shareholders by way of interest dividend

	2020 £'000	2019 £'000
Total remuneration	90	102
Dividend	808	1,683
Expenses	513	598
National Insurance Contributions	5	7

Directors' fees as a percentage of:

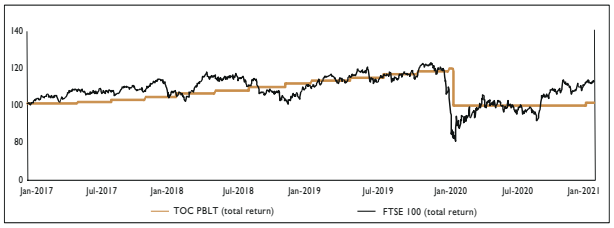
	2020 %	2019 %
Dividend	11.1	6.1
Expenses	15.8	17.1

DIRECTORS' INTERESTS

The Directors, including connected parties who held office at the year end and their interests (all beneficial) in the Ordinary Shares of the Company were as follows:

	At 30 November 2020 Ordinary shares	At 30 November 2019 Ordinary Shares
John Newlands	5,000	5,000
Matthew Harris	50,000	50,000
Ian McElroy	79,960	38,660
Douglas Noble	8,600	8,600

The graph below illustrates the total shareholder return for a holding in the Company's shares as compared to the FTSE 100 for the period from Listing to 30 November 2020. The Company considers this to be an appropriate index against which to measure the Company's performance, in the absence of a meaningful benchmark index.



VOTING AT AGM

At the Company's General Meeting, held on 11 August 2020, shareholders approved the Directors' Remuneration Policy and Report in respect of the year ended 30 November 2019. 100% of the votes cast were in favour of this resolution.

An ordinary resolution for the approval of this Directors' Remuneration Policy and Report will be put to a shareholder vote at the forthcoming Annual General Meeting.

For and on behalf of the Board

DOUGLAS NOBLE, CHAIRMAN

31ST MARCH 2021

Management Report and Directors' Responsibility Statement

Management report

Listed companies are required by the DTRs to include a management report in their Financial Statements. The information is included in the Strategic Report on pages 4 to 22 inclusive (together with the sections of the Annual Report and Accounts incorporated by reference) and the Directors' Report on pages 26 to 30. Therefore, a separate management report has not been included.

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and Financial Statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('EU').

Under Company law the Directors must not approve the financial statements unless they are satisfied that, taken as a whole, they are fair, balanced and understandable report and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In order to provide these confirmations and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards, as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business and the Directors confirm that they have done so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006, where applicable. They are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The financial statements are published on www.tocpropertybackedlendingtrust.co.uk which is a website maintained by the Company's Investment Adviser. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Under applicable UK law and regulations, the Directors are also responsible for preparing a Strategic Report, a Directors' Report, Statement of Corporate Governance and Directors' Remuneration Report that complies with that law and those regulations.

Directors' confirmation statement

Each of the Directors, whose names and functions appear on page 24 and 25, confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable International Financial Reporting Standards as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU, give a true and fair view of the assets, liabilities and financial position and total return or loss of the Company; and
- The Management Report, referred to herein, which comprises the Chairman's Statement,

Continued

the Investment Adviser's Report, Strategic Report (including risk factors) and note 17 of the Financial Statements includes a fair review of the development and performance of the business and position of the Company, together with the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy.

On Behalf of the Board

JOHN NEWLANDS, CHAIRMAN

31ST MARCH 2021

Independent Auditor's Report

Independent Auditor's Report to the Members of TOC Property Backed Lending Trust plc

OPINION

We have audited the financial statements of TOC Property Backed Lending Trust Plc (the 'Company') for the year ended 30 November 2020 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which

Continued

the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the Directors' confirmation in the annual report that they have carried out a robust assessment of the Company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation in the annual report 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.

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 and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. 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 we addressed the key audit matter in the audit
Going concern: **(Pages 21, 29, 41 and Note 1 on page 52)** As detailed in note 1 of the financial statements, the going concern assumption requires Management judgement to ensure that the Company will continue in operation and meet its financial commitments over the next 12 months and has the necessary levels of liquidity and capital available to support their assessment and enable the Directors to prepare the financial statements on the going concern basis. Taking into account the impact of COVID-19 on the property industry and the fact that the Company has a loan facility due for renewal within twelve months of the reporting date we identified going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.	In this area our audit work included, but was not restricted to, the following: • We assessed the cash flow forecasts for the Company, which covered a period of at least 12 months from the date of approval of these financial statements by corroborating key input data where available. This included comparing the level of forecasted expenses to historical amounts to check the reasonableness thereof, checking for evidence of exchange of contracts on property sales and using our knowledge of the progress of property developments obtained during the course of the audit to challenge Management's assumptions in respect of the timing and quantum of cash receipts and payments. • We discussed with Management the plans for refinancing the existing loan agreement and the impact on the cash flow forecast. • We performed sensitivity analysis on the key inputs into the stressed cashflow forecast which included timing of significant capital repayments, quantum of interest revenue and dividends. Key observation: Our key observations are set out in the conclusions relating to principal risks, going concern and viability statement section of our audit report.

Valuation of loans:
(Notes 1, 8 and 9 on pages 52, 58 and 59 respectively)
Loans are held at amortised cost or fair value through profit or loss, depending on the loan classification in accordance with IFRS 9.
As such a key issue for the Company is estimating the expected credit losses on loans at amortised cost and estimating the fair value of loans at fair value through profit or loss.
In addition, judgement is required in determining the classification of loans under IFRS 9.
For loans at amortised cost, management carry out an assessment of the staging of each loan under IFRS 9 by reference to whether there has been a significant increase in credit risk or whether the loan has become credit impaired.
	In this area our audit work included, but was not restricted to, the following:
	• For all loans recognised at amortised cost we performed the following:
	  ○ checked Management's assessment of the classification of each loan by reviewing the terms of underlying loan agreements and any other evidence of contractual cash flows, such as profit share agreements;
	  ○ checked Management's staging assessment including criteria for determining significant increase in credit risk and when a loan is considered to be credit impaired, to supporting documentation such as loan to value ('LTV') data, property valuation reports, interest payment history and progress reports on property developments;
	  ○ assessed and challenged the reasonableness of the key assumptions used to estimate 12 month ECL, such as probability of default and loss given default, with reference to industry data and the Company's lending experience;
	  ○ assessed and challenged the reasonableness of the key assumptions used to estimate lifetime ECL, including forecasted value and timing of sales for the underlying development project;

Continued

Key audit matter	How we addressed the key audit matter in the audit
Management then estimate expected credit losses ("ECL") according to the staging of each loan, with reference to matters such as the progress of the development and underlying value of the properties. The assessment as to the staging of each loan and of the ECL involves a significant degree of judgement and is therefore potentially subject to Management bias. Therefore, this was considered to be an area of focus for our audit. For loans at fair through profit or loss, Management estimate the fair value of the loan using techniques such as estimating future cash flows and discounting them at an appropriate discount rate. The estimation of future cash flows and the choice of discount rate involves a significant degree of judgement and is therefore subject to Management bias. Therefore, this was considered to be an area of focus for our audit.	○ compared estimated sales values to actual sales to date where relevant, and agreed actual sales to underlying evidence. This applies to the underlying development project; ○ performed a sensitivity analysis of the estimated impairment provision with reference to the key assumptions to assess the reasonableness thereof. • For a selection of loans recognised at fair value through profit or loss we assessed the reasonableness of Management's fair value assessment by performing the following: ○ assessed and challenged the reasonableness of the key assumptions in the DCF calculation, including the discount rate, build costs and forecasted timing and value of sales for the underlying development project; ○ compared estimated sales values to actual sales to date, and agreed actual sales to underlying evidence; ○ performed sensitivity analysis with reference to the key assumptions. • For both loans at amortised cost and fair value through profit or loss we: ○ reviewed the most recent RICS valuations of the underlying property as security for the loans; ○ for a selection of properties, held discussions with surveyors and challenged the key assumptions used in the valuation based on our expectation built up from knowledge of the industry and available benchmarks; **Key observation:** Based on the outcome of the above procedures, we have not identified any indicators that the valuation of loans is unreasonably estimated in consideration of the key assumptions and judgements made.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, and in evaluating the effect of misstatements and omissions on our audit and on the financial statements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

We determined materiality for the financial statements as a whole to be £298,000 (2019: £330,000) which was determined by reference to a benchmark of 1.25% (2019: 1.25%) of total assets. Total assets is considered the most appropriate benchmark given that the Company's principal activity is to make loans and to generate returns from these loans.

Performance materiality for the financial statements as a whole was set at £194,000 (2019: £214,000), which was based on 65% (2019: 65%) of financial statement materiality. This lower level of materiality is applied in the performance of the audit when determining the extent of testing to be performed. In setting performance materiality, we had regard to our risk assessment and our assessment of the Company's overall control environment.

A lower level of materiality, specific materiality, was used for performing testing of items that have an impact on revenue profit. This lower level was set at £52,000 (2019: £72,000), being based on a benchmark of 5% (2019: 5.3%) of revenue profit before tax.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £6,000 (2019: £9,000) that we identified through the course of our audit, together with any qualitative matters that, in our view, warranted reporting.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of loans which have a high level of estimation uncertainty involved in determining impairment provisions.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the AIC SORP and applicable accounting standards. We also considered the Company's qualification as an investment trust under UK tax legislation as any breach of this would lead to the Company losing various deductions and exemptions from corporation tax. We understood how the Company is complying with these laws and regulations through discussions with the Company Secretary and the Administrator and review of Company policies and procedures.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- A review and verification of large and unusual journal entries made in the year, agreeing the journals to supporting documentation.

Risk of fraud primarily linked to the key audit matter of the valuation of the loans. The risk was addressed as set out in the key audit matter section above.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 and, in doing so, consider whether the other information is materially inconsistent with the

Continued

financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 40** – the statement given as to why the annual report does not include a statement by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 34 to 36** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 31** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' responsibilities set out on page 39, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 related 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 (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

We were appointed as auditors for the year ending 30 November 2016 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 30 November 2016 to 30 November 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

TIMOTHY WEST
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF BDO LLP
STATUTORY AUDITOR
LONDON
UNITED KINGDOM

31ST MARCH 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income

	Notes	Year ending 30 November 2020 Revenue £'000	Capital £'000	Total £'000	Year ending 30 November 2019 Revenue £'000	Capital £'000	Total £'000
Revenue							
Investment interest	2	2,346	-	2,346	2,222	-	2,222
Total revenue		2,346	-	2,346	2,222	-	2,222
Losses on investments held at fair value through profit of loss	8	(325)	(127)	(452)	-	136	136
Total income		2,021	(127)	1,894	2,222	136	2,358
Expenditure							
Investment adviser fee	3	(57)	-	(57)	-	-	-
Impairments on investments held at amortised cost	4	(194)	(43)	(237)	(206)	(2,651)	(2,857)
Other expenses	4	(513)	-	(513)	(567)	(30)	(597)
Total expenditure		(764)	(43)	(807)	(773)	(2,681)	(3,454)
Profit/(loss) before finance costs and taxation		1,257	(170)	1,087	1,449	(2,545)	(1,096)
Finance costs							
Interest payable		(231)	-	(231)	(86)	-	(86)
Profit/(loss) before taxation		1,026	(170)	856	1,363	(2,545)	(1,182)
Taxation	5	-	-	-	-	-	-
Profit/(loss) for the year and total comprehensive profit/(loss) for the year		1,026	(170)	856	1,363	(2,545)	(1,182)
Basic earnings per share	7	3.81p	(0.63)p	3.18p	5.06p	(9.45)p	(4.39)p

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

There is no other comprehensive income as all income is recorded in the statement above.

Statement of Financial Position

	Notes	As at 30 November 2020 £'000	As at 30 November 2019 £'000
Non-current assets			
Investments held at fair value	8	3,948	1,441
Loans at amortised cost	9	2,799	5,623
		6,747	7,064
Current assets			
Investments held at fair value	8	12,861	12,778
Loans at amortised cost	9	3,247	5,414
Other receivables and prepayments	10	21	618
Cash and cash equivalents		1,002	523
		17,131	19,333
Total assets		23,878	26,397
Current liabilities			
Loan facility	11	(1,150)	(3,750)
Other payables and accrued expenses	12	(131)	(98)
Total liabilities		(1,281)	(3,848)
Net assets		22,597	22,549
Share capital and reserves			
Share capital	13	269	269
Share premium	14	9,094	9,094
Special distributable reserve	14	13,497	16,455
Revenue reserve	14	-	(291)
Capital reserve	14	(263)	(2,978)
Equity shareholders' funds		22,597	22,549
Net asset value per ordinary share		83.93p	83.75p

The notes on pages 52 to 67 form an integral part of the financial statements.
The financial statements on pages 48 to 51 were approved by the Board of Directors of TOC Property Backed Lending Trust plc (a public limited company incorporated in England and Wales with company number 10395804) and authorised for issue on 31 March 2021. They were signed on its behalf by:

John Newlands
Chairman

Statement of Changes in Equity

For the year ending 30 November 2020	Share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At beginning of the year	269	9,094	16,455	(2,978)	(291)	22,549
Total comprehensive profit for the year:						
Profit for the year	-	-	-	(170)	1,026	856
Transfer of realised loss on loans	-	-	(2,885)	2,885	-	-
Transactions with owners recognised directly in equity:						
Dividends paid	-	-	(73)	-	(735)	(808)
At 30 November 2020	269	9,094	13,497	(263)	-	22,597

For the year ending 30 November 2019	Share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At beginning of the year	269	9,094	16,455	(433)	29	25,414
Total comprehensive loss for the year:						
Loss for the year	-	-	-	(2,545)	1,363	(1,182)
Transactions with owners recognised directly in equity:						
Dividends paid	-	-	-	-	(1,683)	(1,683)
At 30 November 2019	269	9,094	16,455	(2,978)	(291)	22,549

Cash Flow Statement

	Notes	Year ending 30 November 2020 £'000	Year ending 30 November 2019 £'000
Operating activities			
Profit/(loss) after taxation		856	(1,182)
Impairments		121	2,657
Fair value uplifts		(14)	(136)
Decrease/(increase) in loan interest receivable		14	(112)
Decrease/(increase) in other receivables		21	(33)
Increase/(decrease) in other payables		33	(105)
Interest paid		227	86
Net cash inflow from operating activities before interest and after taxation		1,258	1,175
Net cash inflow from operating activities		1,258	1,175
Investing activities			
Loans given		(8,455)	(7,614)
Loans repaid		11,311	7,319
Net cash inflow/(outflow) from investing activities		2,856	(295)
Financing			
Equity dividends paid		(808)	(1,683)
Bank loan drawn down	15	3,050	3,806
Repayment of bank loan	15	(5,650)	(3,000)
Interest paid		(227)	(86)
Net cash outflow from financing		(3,635)	(963)
Increase/(decrease) in cash and cash equivalents		479	(83)
Cash and cash equivalents at the start of the year		523	606
Cash and cash equivalents at the end of the year		1,002	523

There are no non-cash changes arising from financing activities.

Notes to the Financial Statements

1. ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements were also prepared in accordance with the Statement of Recommended Practice ("SORP") for investment trusts issued by the AIC (as issued in October 2019), where this guidance is consistent with IFRS.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for investment valuations which are measured at fair value.

The notes and financial statements are presented in pounds sterling (being the functional currency and presentational currency for the Company) and are rounded to the nearest thousand except where otherwise indicated.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The disclosures on going concern on page 29 of the Directors' Report form part of these financial statements.

SEGMENTAL REPORTING

The decision maker is the Board of Directors. The Directors are of the opinion that the Company is engaged in a single segment of business, being the investment of the Company's capital in financial assets comprising loans. All loan income is derived from the UK. The Company derived revenue totalling £897,000 (2019: £983,000) where the amounts from three (2019: four) individual borrowers each exceeded more than 10% of the Company's revenue. The individual amounts were £365,000, £286,000, £246,000 (2019: £305,000, £254,000, £222,000 and £202,000).

USE OF SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenue and expenses during the year. The nature of the estimation means that actual outcomes could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key driver to determine whether loans are classified as fair value through profit or loss or amortised cost is if the facility has an exit fee or equity stake attached. Where

these are present the loan is classified as fair value through profit or loss.

The following are areas of particular significance to the Company's financial statements and include the use of estimates or the application of judgement:

CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING THE COMPANY'S ACCOUNTING POLICIES – INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS:

The Company owns profit share holdings or has exit fees mechanism in relation to 11 of the borrowers in place as at the year end. The loans held have been designated at fair value through profit and loss. The determination of the fair value requires the use of estimates. A sensitivity analysis is included in note 16. The key uncertainties are around the timings and amounts of both drawdown and repayments as these are determined by construction progress and the timing of sales.

CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING THE COMPANY'S ACCOUNTING POLICIES – LOANS AMORTISED COST CLASSIFICATION AND IMPAIRMENTS:

The Company uses critical judgements to determine whether it accounts for its loans at either amortised cost using the effective interest rate method less impairment provisions or at fair value through profit and loss. The determination of the required impairment adjustment requires the use of estimates. The key uncertainties are around the timings and amounts of both drawdown and repayments as these are determined by construction progress and the timing of sales. See notes 8 and 9 on pages 56 and 57 of Impairment for further details.

ACCOUNTING STANDARDS ADOPTED BY THE COMPANY

IFRS 16 – Leases

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The Company has no leases as lessor or lessee so there has been no impact to the financial statements.

INTEREST INCOME

For financial instruments measured at amortised cost, the effective interest rate method is used to measure the carrying value of a financial asset or liability and to allocate associated interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. In calculating the effective interest rate, the cash flows are estimated considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all fees received and paid and costs borne that are an integral part of the effective interest rate.

On an ongoing basis the Investment Adviser assesses whether there is evidence that a financial asset is impaired. The basis of calculating interest income on the three stages of impairment (detailed below) are as follows:

Stage 1 Interest is calculated on the gross outstanding principal

Stage 2 Interest is calculated on the gross outstanding principal

Stage 3 Interest is calculated on the principal amount less impairment

EXPENSES

Expenses are accounted for on an accruals basis. The Company's administration fees, finance costs and all other expenses are charged through the Statement of Comprehensive Income and are charged to revenue. Fees incurred in relation to operational costs of the loan portfolio, such as legal fees, are charged through the Statement of Comprehensive Income and are charged to capital.

DIVIDENDS TO SHAREHOLDERS

Dividends are accounted for in the period in which they are paid, except for dividends requiring shareholder approval which will be recognised when approved by shareholders.

Continued

TAXATION

Taxation on the profit or loss for the period comprises current and deferred tax. Taxation is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised as direct movements in equity, in which case it is also recognised as a direct movement in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The financial assets and financial liabilities are classified at inception into the following categories:

Amortised cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI and that are not designated at fair value through profit and loss are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance as described in the impairment note below.

The Company's cash and cash equivalents, other receivables and payables, other payables and accruals, and the company's loan facility are included within this category.

Fair value through profit and loss:

The Company have a number of borrower facilities in which they received a minority equity stake or exit fee mechanism in conjunction with providing those loan facilities. These loans are recognised at fair value through profit and loss. The fair value of the contracts is monitored and reviewed quarterly using discounted cash flow forecasts based on the estimated cash flows that will flow through from the underlying development project. A sensitivity analysis is included in note 17.

IMPAIRMENT

Impairment

At initial recognition, an impairment allowance is required for expected credit losses (ECL) resulting from possible default events within the next 12 months. When an event occurs that increases the credit risk, an allowance is required for ECL for possible defaults over the term of the financial instrument.

The key inputs into the measurement of ECL are probability of default (PD), loss given default (LGD), and exposure at default (EAD). These inputs are then considered and applied against residential and commercial facilities in the loan book. ECL are calculated by multiplying the PD by LGD and EAD.

PD has been determined by considering the local market where the underlying assets are situated, economic indicators including inflationary pressures on build costs, government policy, and market sentiment. For residential loans this has been further broken down into two scenarios; where only sales risk is still present, and where both construction risk and sales risk still exist. LGD is the magnitude of the likely loss if there is a default. The LGD models consider the structure, collateral, seniority of the claim, and recovery costs of any collateral that is integral to the financial asset. LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for lending collateralised by property, to reflect possible changes in property prices. EAD represents the expected exposure in the event of a default. The company derives the EAD from the current exposure to the borrower. The EAD of a financial asset is its gross carrying amount at the time of default. EAD for residential facilities has been further broken down into two scenarios; where the build is complete, and where construction is ongoing.

A financial asset is credit-impaired when one or more events that have occurred have a significant impact on the expected future cash flows of the financial asset. It includes observable data that has come to our attention regarding one or more of the following events:

- delinquency in contractual payments of principal and interest;
- cash flow difficulties experienced by the borrower;
- initiation of bankruptcy proceedings;
- the borrower being granted a concession that would otherwise not be considered;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio; and
- a significant decrease in assets values held security.

Impairment of financial assets is recognised on a loan-by-loan basis in stages:

- **Stage 1:** A general impairment covering what may happen within the next 12 months, based on the adoption of BIS standards as outlined below.
- **Stage 2:** Significant increase in credit risk, where the borrower is in default, potentially in arrears, where full repayment is expected and the underlying asset value remains robust. The ECL calculation recognises the lifetime of the loan.
- **Stage 3:** Credit impaired, where the borrower is in default of their loan contract, in arrears, full loan repayment is uncertain and there is a shortfall in underlying asset value. The ECL calculation recognises likely failure of the borrower.

As at 30 November 2020, there were seventeen loans in the portfolio. Ten of those projects supported included either an equity stake of 25.1% for Company or an exit fee mechanism. Please see note 8 for details on these eleven projects.

The Board has deemed that three loans; Gatsby Homes, Pendower Hall and West Auckland; are currently impaired and specific additional provisions have been made against these facilities in these financial statements.

The other fourteen loans have been assessed as not impaired.

The Company's response to IFRS 9 requirements has been based on the Bank for International Settlements (BIS) Basel Supervisory Committee liquidity risk tool recommendations.

FAIR VALUE HIERARCHY

Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

- Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Examples of such instruments would be investments listed or quoted on any recognised stock exchange.
- Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be forward exchange contracts and certain other derivative instruments.
- Level 3 – External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument.

All loans are considered Level 3.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and short-term deposits in banks with an original maturity of three months or less.

OTHER RECEIVABLES

Other receivables do not carry interest and are short-term in nature. They are initially stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts, if deemed appropriate. There were no irrecoverable amounts accounted for at the year end or the prior period end.

RESERVES
SHARE PREMIUM

The surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account.

Continued

CAPITAL RESERVE

The following are accounted for in the capital reserve:

- Capital charges;
- Increases and decreases in the fair value of and impairments of loan capital held at the year end

As at year end the Capital Reserve comprises only unrealised gains and losses and so does not contain distributable reserves.

REVENUE RESERVE

The net profit/(loss) arising in the revenue column of the Statement of Comprehensive Income is added to or deducted from this reserve which is available for paying dividends.

SPECIAL DISTRIBUTABLE RESERVE

Created from the Court of Session cancellation of the initial launch share premium account and is available for paying dividends.

CAPITAL MANAGEMENT

The Company's capital is represented by the Ordinary Shares, share premium, capital reserves, revenue reserve and special distributable reserve. The Company is not subject to any externally imposed capital requirements.

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective. Capital management activities may include the allotment of new shares, the buy back or re-issuance of shares from treasury, the management of the Company's discount to net asset value and consideration of the Company's net gearing level.

There have been no changes in the capital management objectives and policies or the nature of the capital managed during the year.

2. INCOME

	30 November 2020 £'000	30 November 2019 £'000
Interest from loans	2,287	2,212
Other income	59	10
Total income	2,346	2,222

3. INVESTMENT ADVISER'S FEES

INVESTMENT ADVISER

In its role as the Investment Adviser, Tier One Capital Ltd is entitled to receive from the Company an investment adviser fee which is calculated and paid quarterly in arrears at an annual rate of 0.25 per cent. per annum of the prevailing Net Asset Value if less than £100m; or 0.50 per cent. per annum of the prevailing Net Asset Value if £100m or more.

In previous years the Investment Adviser agreed to waive its fee until the Net Asset Value was at least £50 million. From 24 January 2020, with the agreement of the Board, the Investment Adviser no longer waives the fee. There is no balance accrued for the Investment Adviser for the period ended 30 November 2020 (year to 30 November 2019: £nil).

There are no performance fees payable.

	30 November 2020 £'000	30 November 2019 £'000
Investment Adviser fee	57	-

4. OPERATING EXPENSES

	30 November 2020		30 November 2019	
	Revenue	Capital	Revenue	Capital
	£'000	£'000	£'000	£'000
Legal & professional	28	-	17	30
Directors' fees	90	-	102	-
Audit fees related to the audit of the financial statements	79	-	85	-
Fund Administration and Company Secretarial	79	-	82	-
Brokers' fees	30	-	33	-
Marketing fees	42	-	77	-
Valuation fees	9	-	(4)	-
AIFM fee	15	-	(28)	-
Impairments on loans amortsied at cost *	194	43	-	2,496
Other expenses	141	-	203	-
Total other expenses	707	43	567	2,526

* Loan impairments consist of impairments to interest on loans of £194,000 and a capital impairment on the loan of £43,000.

All expenses are inclusive of VAT where applicable. Further details on Directors' fees can be found in the Directors' Remuneration Report on page 38.

5. TAXATION

As an investment trust the Company is exempt from corporation tax on capital gains. The Company's revenue income from loans is subject to tax, but offset by any interest distribution paid, which has the effect of reducing the corporation tax. The interest distribution may be taxable in the hands of the Company's shareholders.

	30 November 2020	30 November 2019
	£'000	£'000
Current corporation tax at 19% (2019:19%)	-	-
Deferred taxation	-	-
Tax on profit on ordinary activities	-	-
RECONCILIATION OF TAX CHARGE		
Profit/(loss) on ordinary activities before taxation	856	(1,182)
Taxation at standard corporation tax rate 19% (2019: 19%)	163	(225)
EFFECTS OF:		
Expenses not deductible for tax purposes	32	484
Interest distributions	(195)	(259)
Tax charge for the year	-	-

Continued

6. ORDINARY DIVIDENDS

	30 November 2020		30 November 2019	
	Pence per share	£'000	Pence per share	£'000
Interim dividend for the quarter ended February	1.50	404	1.50	404
Interim dividend for the quarter ended May	-	-	1.50	404
Interim dividend for the quarter ended August	-	-	1.50	404
Total dividends paid during and relating to the year		404		1,212
Interim dividend for the quarter ended November	1.50	404	1.50	404
Total dividend declared in relation to the year		808		1,616

The Company intends to distribute at least 85% of its distributable income earned in the form of dividends.

7. EARNINGS PER SHARE

The revenue, capital and total return per ordinary share is based on each of the profit after tax and on 26,924,063 ordinary shares, being the weighted average number of ordinary shares in issue throughout the year. During the year there were no dilutive instruments held, therefore the basic and diluted earnings per share are the same.

8. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company's investment held at fair value through profit or loss represents its profit share arrangements whereby the Company owns 25.1% or has an exit fee mechanism for ten companies.

	30 November 2020 £'000	30 November 2019 £'000
Opening Balance	14,219	104
IFRS 9 transfer from Amortised cost	-	10,812
Loans deployed	7,805	5,611
Principal repayments	(5,516)	(2,520)
Interest receivable	753	–
Unrealised losses on investments held at fair value through profit or loss	(452)	212
Total investments held at fair value through profit and loss	16,809	14,219
Split:		
Non-current assets: Investments held at fair value through profit and loss due for repayment after one year	3,948	1,441
Current assets: Investments held at fair value through profit and loss due for repayment under one year	12,861	12,778

Please refer to note 17 for details of the approach to valuation and sensitivity analysis.

9. LOANS AT AMORTISED COST

	30 November 2020 £'000	30 November 2019 £'000
Opening balance	11,037	27,378
IFRS 9 transfer to fair value through profit and loss	-	(10,812)
Loans deployed	670	1,953
Principal repayments	(5,795)	(4,799)
Interest receivable	371	-
Movement in impairments	(237)	(2,683)
Total loans at amortised cost	6,046	11,037
Split:		
Non-current assets: Loans at amortised cost due for repayment after one year	2,799	5,623
Current assets: Loans at amortised cost due for repayment under one year	3,247	5,414

The Company's loans held at amortised cost are accounted for using the effective interest method. The carrying value of each loan is determined after taking into consideration any requirement for impairment provisions during the year, allowances for impairment losses amounted to £237,000 (2019: £2,683,000). Further details on impairment can be found within the accounting policies note on pages 54 and 55.

Movements in allowances for impairment losses in the year

	Nominal value £'000
at 1 December 2019	3,021
Provisions for impairment losses	-
at 30 November 2020	**3,021**
Stage 1 provisions at 1 December 2019	187
Provisions for impairment losses	74
Stage 1 provisions at 30 November 2020	**261**
Stage 2 provisions at 1 December 2019	-
Provisions for impairment losses	-
Stage 2 provisions at 30 November 2020	**-**
Stage 3 provisions at 1 December 2019	2,834
Provisions for impairment losses	(74)
Stage 3 provisions at 30 November 2020	**2,760**

Stage 1, 2, and 3 are referenced in more detail on page 55.

Continued

10. RECEIVABLES

	30 November 2020 £'000	30 November 2019 £'000
Prepayments	21	42
Loan interest receivable	-	576
Total receivables	21	618

Interest receivable is reported within loans held at fair value and loans held at amortised cost for the current year. This is a presentational change in 2020; the interest receivable was previously presented within a separate line item as interest receivable.

11. LOAN FACILITY

	30 November 2020 £'000	30 November 2019 £'000
Bank loan	1,150	3,750

On 29 May 2020 the Company entered into a £6.5m revolving borrowing facility with Shawbrook Bank Limited, expiring on 28 May 2021. £1.2m was drawn down at the year end, at an interest rate of 5.04469%. The facility is secured against a debenture over the assets of the Company. Post year end, the outstanding balance of the loan was repaid, and the facility remains in place.

12. OTHER PAYABLES

	30 November 2020 £'000	30 November 2019 £'000
Accruals	131	98
Total other payables	131	98

13. SHARE CAPITAL

	Nominal value £'000	Number of Ordinary shares of 1p
At 30 November 2019	269	26,924,063
Issued and fully paid as at 30 November 2020	269	26,924,063

The ordinary shares are eligible to vote and have the right to participate in either an interest distribution or participate in a capital distribution (on a winding up).

14. RESERVES

	Share premium	Special distributable reserve	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000
At 30 November 2019	9,094	16,455	(2,978)	(291)	22,280
Profit for the year	-	-	(170)	1,026	856
Transfer of realised loss on loans	-	(2,885)	2,885	-	-
Dividend paid	-	(73)	-	(735)	(808)
At 30 November 2020	9,094	13,497	(263)	-	22,328

Dividends can be paid from the special distributable reserve and the revenue reserve.

15. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 30 November 2019 £'000	Cash flows £'000	Non-cash flows £'000	At 30 November 2020 £'000
Short term borrowings	3,750	(2,600)	-	1,150
Total liabilities from financing activities	3,750	(2,600)	-	1,150

	At 30 November 2018 £'000	Cash flows £'000	Non-cash flows £'000	At 30 November 2019 £'000
Short term borrowings	2,944	806	-	3,750
Total liabilities from financing activities	2,944	806	-	3,750

Continued

16. RELATED PARTIES

Fees payable during the year to the Directors and their interests in shares of the Company are considered to be related party transactions and are disclosed within the Directors' Remuneration Report on pages 37 to 38. The balance of fees due to Directors at the year end was £nil (30 November £nil).

The Company has an agreement with Tier One Capital Ltd for the provision of investment advisory services and details of that agreement are set out in the Directors' Report on pages 26 and 27.

Tier One Capital Ltd received £57,000 in respect of the investment advisory contract during the year (30 November 2019: £nil) and £nil was payable at the year end (30 November 2019: £nil). Tier One Capital Ltd receives up to a 20% margin and an arrangement fee for all loans it facilitates as part of its management of the Company's portfolio and these are paid by the underlying borrower.

Ian McElroy is chief executive of Tier One Capital Ltd and is a founding shareholder and director of that company.

There are various related party relationships in place with the borrowers as below:

Thursby Homes (Charlton's Bonds)

Tier One Capital Ltd sold 25.1% of Thursby Homes Ltd on 20 March 2019. The loan amount outstanding as at 30 November 2020 was £628,000 (30 November 2019: £697,000). Transactions in relation to loans repaid during the year amounted to £68,000 (30 November 2019: £271,000). Interest due to be received as at 30 November 2020 was £8,000 (30 November 2019: £9,000). Interest received during the year amounted to £54,000 (30 November 2019: £61,000).

The following related parties arise due to the opportunity taken to advance the 25.1% profit share contracts:

- **Ryka Developments**

  The Company owned 25.1% of the borrower Ryka Developments Ltd, a project which was exited during the year. The loan amount outstanding as at 30 November 2020 was £nil (30 November 2019: £2.3m). Transactions in relation to loans made during the year amounted to a repayment of £2.12m (30 November 2019: £nil). Interest due to be received as at 30 November 2020 was £nil (30 November 2019: £83,000). Interest received during the year amounted to £82,000 (30 November 2019: £184,000).

- **Gatsby Homes**

  The Company owns 25.1% of the borrower Gatsby Homes Ltd. The loan amount outstanding as at 30 November 2020 was £1.3m (30 November 2019: £1.8m). Transactions in relation to loans (repaid)/made during the year amounted to (£474,000) (30 November 2019: £250,000). Interest due to be received as at 30 November 2020 was £nil (30 November 2019: £nil). Interest received during the year amounted to £nil (30 November 2019: £nil).

- **Bede and Cuthbert Developments**

  The Company owns 25.1% of the borrower Bede and Cuthbert Developments Ltd. The loan amount outstanding as at 30 November 2019 was £3.2m (30 November 2019: £900,000). Transactions in relation to loans made/(repaid) during the year amounted to £2.5m (30 November 2019: (£1.8m)). Interest due to be received as at 30 November 2020 was £36,000 (30 November 2019: £16,000). Interest received during the year amounted to £100,000 (30 November 2019: £108,000).

- **Thursby Homes (Springs)**

  The Company owns 25.1% of the borrower Thursby Homes (Springs) Ltd. The loan amount outstanding as at 30 November 2020 was £2.95m (30 November 2019: £3.53m). Transactions in relation to loans (repaid)/made during the year amounted to (£580,000) (30 November 2019: £2.15m). Interest due to be received as at 30 November 2020 was £168,000 (30 November 2019: £81,000). Interest received during the year amounted to £365,000 (30 November 2019: £222,000).

- **Northumberland**

  TOC Property Backed Lending Trust plc owns 25.1% of the borrower Northumberland Ltd. The loan amount outstanding as at 30 November 2020 was £1.94m (30 November 2019: £2.85m). Transactions in relation to loans (repaid)/made during the year amounted to (£910,000) (30 November 2019: £1.35m). Interest due to be received as at 30 November 2020 was £27,000 (30 November 2019: £47,000). Interest received during the year amounted to £209,000 (30 November 2019: £166,000).

- **Dinosauria**

  TOC Property Backed Lending Trust plc owns 25.1% of the borrower Dinosauria Ltd which was disposed of post year end. The loan amount outstanding as at 30 November 2020 was £550,000 (30 November 2019: £550,000). Transactions in relation to loans made during the year amounted to £nil (30 November 2019: £nil). Interest due to be received as at 30 November 2020 was £18,000 (30 November 2019: £7,000). Interest received during the year amounted to £44,000 (30 November 2019: £44,000).

- **Coalsnaughton**

  TOC Property Backed Lending Trust plc owns 25.1% of the borrower Kudos Partnership. The loan amount outstanding as at 30 November 2020 was £1.69m (30 November 2019: £nil). Transactions in relation to loans made during the year amounted to £1.69m (30 November 2019: £nil). Interest due to be received as at 30 November 2020 was £88,000 (30 November 2019: £nil). Interest received during the year amounted to £194,000 (30 November 2019: £nil).

- **Oswald Street**

  TOC Property Backed Lending Trust plc owns 25.1% of the Riverfront Property Limited Partnership. The loan amount outstanding as at 30 November 2020 was £382,000 (30 November 2019: £nil). Transactions in relation to loans made during the year amounted to £382,000 (30 November 2019: £nil). Interest due to be received as at 30 November 2020 was £5,000 (30 November 2019: £nil). Interest received during the year amounted to £9,000 (30 November 2019: £nil).

17. FINANCIAL INSTRUMENTS

Consistent with its objective, the Company holds a diversified portfolio of fixed rate loans secured with collateral in the form of; land or property in the UK, charges held over bank accounts and personal or corporate guarantees. The benefit of a related profit share or exit fee mechanism may also be agreed. In addition, the Company's financial instruments comprise cash and receivables and payables that arise directly from its operations. The Company does not have exposure to any derivative instruments.

The Company is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, liquidity risk, interest rate risk and market price risk. There is no foreign currency risk as all assets and liabilities of the Company are maintained in pounds sterling.

The Board reviews and agrees policies for managing the Company's risk exposure. These policies are summarised below:

CREDIT RISK

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

In the event of default by a borrower if it is in financial difficulty or otherwise unable to meet its obligations under the agreement, the Company will suffer an interest shortfall and potentially a loss of capital. This potentially will have a material adverse impact on the financial condition and performance of the Company and/or the level of dividend cover. The Board receives regular reports on concentrations of risk and the performance of the projects underlying the loans, using loan to value percentages to help monitor the level of risk. The Investment Adviser monitors such reports in order to anticipate, and minimise the impact of, default.

There were financial assets which were considered impaired at 30 November 2020, with impairments amounting to £237,000 (30 November 2019: £2,721,000).

All of the Company's cash is placed with financial institutions with a long-term credit rating of A or better.

Continued

Bankruptcy or insolvency of such financial institutions may cause the Company's ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, cash holdings would be moved to another bank.

Loans held at amortised cost as at 30 November 2020

	Total £'000
Stage 1	3,096
Stage 2	657
Stage 3	2,293
	6,046

Loans held at amortised cost as at 30 November 2019

	Total £'000
Stage 1	8,481
Stage 2	588
Stage 3	1,968
	11,037

LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The Company's investments comprise loans.

Property and property-related assets in which the Company invests via loans are not traded in an organised public market and are relatively illiquid assets, requiring individual attention to sell in an orderly way. As a result, the Company may not be able to liquidate quickly its investments in these loans at an amount close to their fair value in order to meet its liquidity requirements.

The Company's liquidity risk is managed on an ongoing basis by the Investment Adviser and monitored on a quarterly basis by the Board. In order to mitigate liquidity risk the Company has a comprehensive three-year cash flow forecast that aims to have sufficient cash balances, taking into account projected drawdowns on the live facilities to meet its obligations for a period of at least 12 months. At the reporting date, the maturity of the financial assets and liabilities was:

Financial assets as at 30 November 2020

	In one year £'000	In two or more years £'000	Total £'000
Cash and cash equivalents	1,002	-	1,002
Loans at amortised cost	3,247	2,799	6,046
Investments held at fair value	12,861	3,948	16,809
Loan interest receivable	-	-	-
	17,110	**6,747**	**23,857**

Financial assets as at 30 November 2019

	In one year £'000	In two or more years £'000	Total £'000
Cash and cash equivalents	523	-	523
Loans at amortised cost	5,414	5,623	11,037
Investments held at fair value	12,778	1,441	14,219
Loan interest receivable	576	-	576
	19,291	**7,064**	**26,355**

Financial liabilities as at 30 November 2020

	In one year £'000	In two or more years £'000	Total £'000
Bank loan	1,150	-	1,150
	1,150	**-**	**1,150**

Financial liabilities as at 30 November 2019

	In one year £'000	In two or more years £'000	Total £'000
Bank loan	3,750	-	3,750
	3,750	**-**	**3,750**

INTEREST RATE RISK

The interest rate profile of the Company was as follows:

as at 30 November 2020

	Financial net assets on which no interest is paid £'000	Fixed rate Financial Assets £'000	Variable rate financial net assets £'000	Total £'000
Other receivables and prepayments	21	-	-	21
Loan Interest receivable	562	-	-	562
Other payables and accrued expenses	(131)	-	-	(131)
Cash and cash equivalents	-	-	1,002	1,002
Loan facility	-	-	(1,150)	(1,150)
Investments held at fair value	-	16,381	-	16,381
Loans at amortised cost	-	5,912	-	5,912
Total	**452**	**22,293**	**(148)**	**22,597**

Continued

as at 30 November 2019

	Financial net assets on which no interest is paid £'000	Fixed rate Financial Assets £'000	Variable rate financial net assets £'000	Total £'000
Other receivables and prepayments	42	-	-	42
Loan Interest receivable	576			576
Other payables and accrued expenses	(98)	-	-	(98)
Cash and cash equivalents	-	-	523	523
Loan facility	-	-	(3,750)	(3,750)
Investments held at fair value	-	14,219	-	14,219
Loans at amortised cost	-	11,037	-	11,037
Total	**520**	**25,256**	**(3,227)**	**22,549**

MARKET PRICE RISK

The management of market price risk is part of the investment management process and is typical of an investment company. The portfolio is managed with an awareness of the effects of adverse valuation movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Investments in property and property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Such risk is minimised through the appointment of external property valuers. The basis of valuation of the loan portfolio is set out in detail in the accounting policies. The inputs into the DCF models are the forecast monthly cashflows including sales values and build costs, the discount rate which is the inputed interest rate at the time the facility was entered into adjusted for any movements in the risk free rate as at current year end, and a 30% discount rate for the equity element to reflect the higher level of uncertainty. Any changes in market conditions will directly affect the profit and loss reported through the Statement of Comprehensive Income. Details of the Company's investment portfolio held at the balance sheet date are disclosed in the Investment Adviser's Review on page 15. A 10% fall in the sales value of the residential development projects and a 10% reduction in asset value of commercial and investment property assets for those loans held at fair value would have resulted in a further impairment to the portfolio of £615,246 as at 30 November 2020 (30 November 2019: £839,123). The calculations are based on the property valuations at the respective balance sheet date and are not representative of the year as a whole, nor reflective of future market conditions.

VALUATION OF FINANCIAL INSTRUMENTS

Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

- **Level 1** – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Examples of such instruments would

be investments listed or quoted on any recognised stock exchange.

- **Level 2** – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be forward exchange contracts and certain other derivative instruments.
- **Level 3** – External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument.

30 November 2020

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value	-	-	16,809	16,809
Total	-	-	16,809	16,809

30 November 2019

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value	-	-	14,219	14,219
Total	-	-	14,219	14,219

18. POST BALANCE SHEET EVENTS

- The Shawbrook bank loan of £1,150,000 was fully repaid on 4 December 2020.
- On 18 December 2020, Gateshead Town Hall repaid its loan in full to the amount of £550,000.
- On 2 December 2020, a new facility of £3.8m was agreed with Horizon Cremation with an initial drawdown of £286,000.
- On 15 January 2021, Rare Earth Medburn repaid its loan in full to the amount of £1.07m.

Notice of General Meeting

Notice is hereby given that the annual general meeting ("AGM") of TOC Property Backed Lending Trust PLC (the "Company") will be held on Wednesday 5 May 2021 at 12 noon as a closed meeting for the purposes of considering and, if thought fit, passing the resolutions below. Resolutions 1 to 11 (inclusive) will be proposed as ordinary resolutions and resolutions 12 to 14 will be proposed as special resolutions.

ORDINARY BUSINESS

Ordinary Resolutions

1. To receive the Company's annual report and accounts for the financial year ended 30 November 2020 (the "Annual Report and Accounts"), together with the Directors' report and the auditors' report on those accounts.
2. To approve the Directors' Remuneration Report (excluding the Directors' remuneration policy) for the year ended 30 November 2020.
3. To approve the Directors' Remuneration Policy.
4. To re-elect Ian McElroy as a Director of the Company.
5. To re-elect Matthew Harris as a Director of the Company.
6. To re-elect John Newlands as a Director of the Company.
7. To re-elect Douglas Noble as a Director of the Company.
8. To approve the dividend policy of the Company.
9. To re-appoint BDO LLP as the Company's Auditor to hold office until the conclusion of the next Annual General Meeting of the Company.
10. To authorise the Audit Committee to determine the Auditor's remuneration.

SPECIAL BUSINESS

11. Authority to allot shares

    THAT, in accordance with section 551 of the Companies Act 2006 (the "CA 2006"), the board of directors of the Company (or a duly constituted committee of the directors of the Company) (the "Directors") be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £53,848.13 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on 31 May 2022 or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require shares in the Company to be allotted or rights to subscribe for or to convert any security into shares in the Company to be granted and the Directors may allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Special Resolutions

12. Disapplication of pre-emption rights

    THAT, subject to the passing of resolution 11 and in accordance with section 570 of the CA 2006, the Directors be authorised to allot equity securities (as defined in section 560 of the CA 2006) for cash under the authority conferred by resolution 11 and/or to sell ordinary shares of one pence each in the capital of the Company held by the Company as treasury shares as if section 561 of the CA 2006 did not apply to any such allotment or sale, provided that such authority shall be limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £53,848.13. The authority granted by this resolution will, unless renewed, varied or revoked by the Company, expire at the conclusion of the Company's next annual general meeting after this resolution is passed or, if earlier, at the close of

business on 31 May 2022, save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the Directors may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired. This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities or sell treasury shares as if section 561 of the CA 2006 did not apply but without prejudice to any allotment of equity securities or sale of treasury shares already made or agreed to be made pursuant to such authorities.

13. That the Company be authorised generally and unconditionally, in accordance with Section 701 of the Companies Act 2006 (the "Act"), to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of £0.01 each ("Ordinary Shares") provided that:

    a. the maximum number of Ordinary Shares authorised to be purchased is 4,035,917;

    b. the minimum price which may be paid for an Ordinary Share is £0.01; and

    c. the maximum price which may be paid for an Ordinary Share must not be more than the higher of: (i) 5 per cent. above the average of the mid-market value of the Ordinary Shares for the five business days before the purchase is made; or (ii) the higher of the last independent trade and the highest current independent bid for Ordinary Shares.

    The authority conferred by this resolution will expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 15 months from the passing of this resolution save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority.

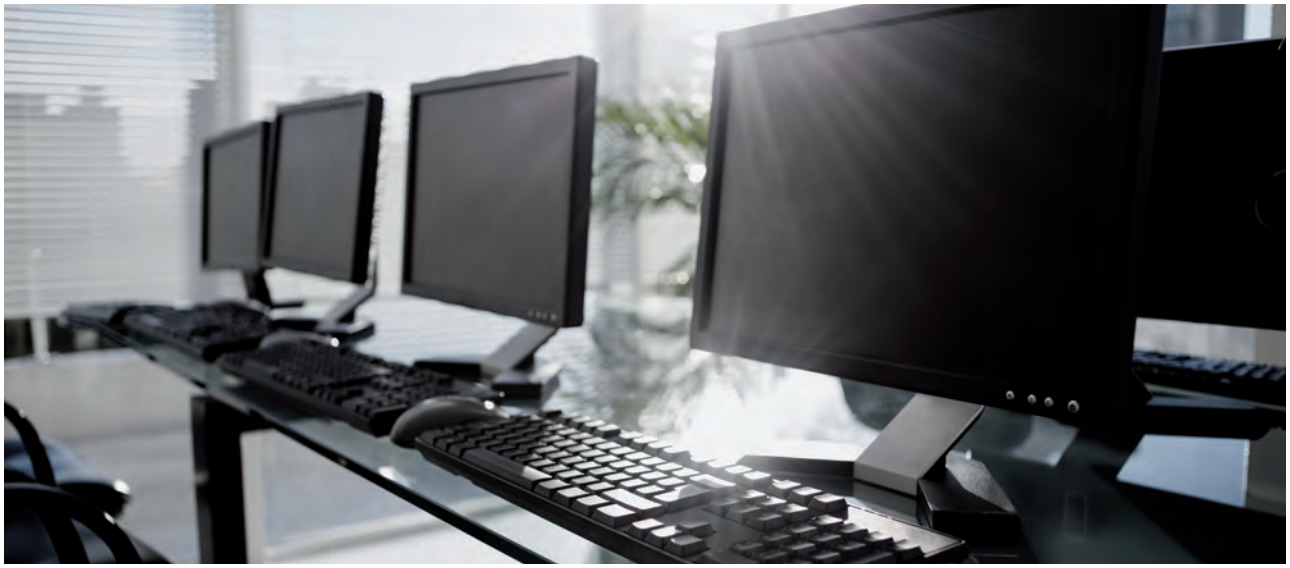
14. That a general meeting of the Company, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

By order of the Board
Maitland Administration Services Limited
Company Secretary

Registered office:
Keel House, Garth Heads
Newcastle-upon-Tyne NE1 2JE

9th April 2021

Notes



These notes should be read in conjunction with the notes on the Form of Proxy.

Please note that in light of the current COVID-19 pandemic and the associated restrictions on travel and public gatherings the AGM will be run as a closed meeting and shareholders will not be able to attend in person. Shareholders attempting to attend the AGM will be refused entry.

Only shareholders on the Register of Members (the "Register") at close of business on 30 April 2021 are entitled to vote at the AGM in respect of the number of Ordinary Shares registered in their name at such time. In the event of any adjournment of the AGM, the time by which a person must be entered on the Register in order to have the right to attend and vote at the adjourned AGM is the close of business 48 hours (excluding non-business days) before the time of the adjourned meeting. Such shareholders can vote in respect of the number of shares registered in their names at that time, but any subsequent changes to the Register shall be disregarded in determining rights to attend and vote

(i) A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his place. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the AGM, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member.

(ii) To appoint a proxy you may use the Form of Proxy enclosed with this notice. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned in accordance with the instructions printed thereon to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY to be received as soon as possible and in any event by not later than 12 noon on 30 April 2021. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy..

(iii) Completion of the Form of Proxy will not prevent you from attending and voting in person.

(iv) Any person receiving a copy of this notice as a person nominated by a member to enjoy information rights under section 146 of the Act (a "Nominated Person") should note that the provisions in note (ii) above concerning the appointment of a proxy or proxies to attend the AGM in place of a member, do not apply

to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the AGM.

(v) Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

(vi) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

(vii) Shareholders who hold their Ordinary Shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's registrar not later than 48 hours before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: www.euroclear.com/CREST. Shareholders are advised that CREST is the only method by which completed proxies can be submitted electronically.

(viii) If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare Investor Services PLC (ID number 3RA50) not later than 48 hours before the time appointed for holding the AGM excluding non-business days. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare Investor Services PLC is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(ix) Any corporation which is a member may appoint one or more corporate representative(s) who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is, therefore, no longer necessary to nominate a designated corporate representative. Representatives should bring to the AGM evidence of their appointment, including any authority under which it is signed.

(x) If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's

Continued

securities already held by the Chairman, result in the Chairman holding such number of voting rights that she has a notifiable obligation under the Disclosure Guidelines and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3 per cent or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidelines and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority

(xi) Any question relevant to the business of the AGM may be asked at the AGM by anyone permitted to speak at the AGM. A holder of shares may alternatively submit a question in advance by a letter addressed to the Company's registered office. Under section 319A of the Act, the Company must answer any question a shareholder asks relating to the business being dealt with at the AGM, unless, (i) answering the question would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (ii) the answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

(xii) Under section 527 of the Act, a shareholder or shareholders meeting the criteria set out in note (xiv) below, have the right to request the Company to publish on its website a statement setting out any matter that such shareholders propose to raise at the AGM relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM. Where the Company is required to publish such a statement on its website: (i) it may not require the shareholder making the request to pay any expense incurred by the Company in complying with the request; (ii) it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and (iii) that statement may be dealt with as part of the business of the AGM. The request: (a) may be in hard copy form or in electronic form; (b) either set out the statement in full or, if supporting a statement sent by another shareholder, clearly identify the statement which is being supported; (c) must be authenticated by the person or persons making it; and (d) be received by the Company at least one week before the AGM.

(xiii) In order to be able to exercise the shareholders' right to require the Company to publish audit concerns in accordance with note (xiii) above, the relevant request must be made by: (i) a shareholder or shareholders having a right to vote at the AGM and holding at least 5 per cent. of total voting rights in the Company (please see note (xvii) below in relation to total voting rights); or (ii) at least 100 shareholders having a right to vote at the AGM and holding, on average, at least £100 of paid up share capital.

(xiv) Where a shareholder or shareholders wishes to request the Company to publish audit concerns in accordance with note (xiii) above, such request must be made by either sending:

(a) a hard copy request which is signed by the relevant shareholder or shareholders, states such persons' full name(s) and address(es) and sent to the Company Secretary, Maitland Administration Services (Scotland) Limited; or

(b) a request which states the shareholder or shareholders' full name and address(es), and sent by email to CoSec@maitlandgroup.co.uk. Please state "TOC AGM" in the subject line of the e-mail.

(xv) Further information regarding the AGM which the Company is required by section 311A of the Act to publish on a website in advance of the GM can be accessed at www.tocpropertybackedlendingtrust.co.uk.

(xvi) As at 30 March 2021 (being the latest practicable date prior to the printing of this notice) the Company's issued share capital consisted of 26,924,063 Ordinary Shares carrying one vote each.

(xvii) You may not use any electronic address provided either in this notice or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

(xvii) A copy of the letters of appointment of the Directors will be available for inspection during normal business hours at the Company's registered office and at the place of the meeting from at least 15 minutes prior to the meeting until the end of the meeting.

EXPLANATION OF RESOLUTIONS

Resolutions 1 to 11 (inclusive) are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 12 to 14 (inclusive) are to be proposed as special resolutions. This means that for the resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolutions.

1. Resolution 1 – The Directors are required to lay before the meeting the Audited Financial Statements of the Company for the year ended. 30 November 2020 including the Strategic Report, Report of the Directors, the Independent Auditor's report and the Director's Remuneration Report.

2. Resolution 2 – The shareholders are asked to approve the Directors' Remuneration Report for the year ended 30 November 2020, as set out on pages 37 to 38 of the Annual Report. The vote is advisory and does not affect the remuneration payable to any individual Director.

3. Resolution 3 – Is a resolution subject to a binding vote. The Company is seeking approval for its remuneration policy as set out on pages 37 and 38 of the Directors' Remuneration Report. The

Continued

remuneration policy will take effect immediately on approval by shareholders and will continue to apply for the next three years, unless amended by the Company in general meeting at an earlier date.

4. Resolutions 4 to 7 – the Directors to be reappointed.

5. Resolution 8 – The Directors' present the Company's dividend policy on an annual basis recognising that shareholders will not have the opportunity to vote on a final dividend.

6. Resolution 9 and 10 – Shareholders are required to approve the appointment of the Company's auditor each year and to give the Audit Committee the authority to determine the auditor's remuneration. BDO LLP have indicated their willingness to continue in office. Resolution 9 covers their re-appointment for the year ending 30 November 2020 and resolution 10 authorises the Audit Committee to determine their remuneration.

7. Resolution 11 – allotment of shares

8. Resolution 12 – disapplication of pre-emption rights

9. Resolution 13 – The Directors are requesting authority for the Company to make market purchases of Ordinary Shares up to a maximum nominal amount of £4,035,917 (representing 14.99 per cent. of the issued Ordinary Share capital of the Company as at 30 March 2021 (the latest practicable date prior to the publication of this document)). There is no present intention to exercise such general authority. Any repurchase of Ordinary Shares will be made subject to the Act and within guidelines established from time to time by the Directors (which will take into account the income and cash flow requirements of the Company) and will be at the absolute discretion of the Directors, and not at the option of shareholders. Subject to shareholder authority for the proposed repurchases, general purchases of the Ordinary Shares in issue will only be made through the market. Such purchases may only be made provided the price to be paid is not more than the higher of: (i) five per cent. above the average of the middle market quotations for the Ordinary Shares for the five Business Days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase.

10. Resolution 14 – The Act provides that the notice period required for general meetings of the Company must be at least 21 clear days unless shareholders approve a shorter notice period, which cannot be less than 14 clear days (annual general meetings will continue to be held on at least 21 clear days' notice). This resolution seeks shareholder approval to hold general meetings after giving notice of 14 or more clear days. The approval will be effective until the next annual general meeting, when it is intended that a similar resolution will be proposed. The Act provides that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

Shareholder Information

Share Register Enquiries

For shareholder enquiries, please contact the registrar, Computershare +44 (0) 370 707 1019.

Share Capital and Net Asset Value Information

Ordinary £0.01 Shares	26,924,063
SEDOL Number	BD0ND66
ISIN Number	GB00BD0ND667
Ticker	PBLT

Share Prices

The Company's shares are listed on the London Stock Exchange.

Annual and Interim Reports

Copies of the Annual and Interim Reports are available from the Company Secretary on telephone 01245 398950 and are also available on the Company's website www.tocpropertybackedlendingtrust.co.uk.

Provisional Financial Calendar

5 May	Annual General Meeting
31 May 2021	Interim period end
June 2021	Payment of interim dividend
October 2021	Payment of interim dividend
30 November 2021	Year end
January 2022	Payment of interim dividend
March 2022	Year end results announced
April 2022	Payment of interim dividend

Glossary

AIC Association of Investment Companies
This is the trade body for Closed-end Investment Companies (www.theaic.co.uk).

AIFMD Alternative Investment Fund Managers Directive
Issued by the European Parliament in 2012 and 2013, the Directive requires the Company to appoint an Alternative Investment Fund Manager (AIFM). The Board of Directors of a Closed-ended Investment Company, nevertheless, remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations.

AIFM Alternative Investment Fund Manager
The entity that provides portfolio management and risk management services to the Company and which ensures the Company complies with the AIFMD.

Basic Total Earnings per Share Total profit after taxation divided by the weighted average number of Ordinary Shares in issue during the period.

C share This is a class of share issued by investment trusts. It allows the increase in number of shares in issue and funds under management without reducing the value of the existing ordinary shares. 'C' shares are quoted separately from the ordinary shares until the money raised from their issue has been fully invested. After that, they are converted to ordinary shares at a value based on the trust's net asset value.

Closed-end Investment Company
A company with a fixed issued ordinary share capital which is traded on a stock exchange at a price not necessarily related to the Net Asset Value of the company and where shares can only be issued or bought back by the company in certain circumstances.

Discount (or Premium) of Share Price to NAV
If the share price is less than the Net Asset Value per share, the shares are trading at a discount. If the share price is greater than the Net Asset Value per share, the shares are trading at a premium. The discount (or premium) is calculated by reporting the difference between the Net Asset Value per share and the Share Price as a percentage of the Net Asset Value per share.

Dividend Yield
Calculated using the annual dividend as a percentage of the share price at the year end.

Dividends per Share
Dividends declared for the year.

Gearing
Total Assets less all cash divided by shareholders' funds.

Increase/decrease in NAV
The movement in NAV in the period, shown in total and as a movement per share. Expressed in whole numbers and as a percentage.

Loan to Value
Debt outstanding and drawn at the period end, net of any cash held in the Lender deposit account, expressed as a percentage of the market value of all property assets.

Net Assets (or Shareholders' Funds)
This is calculated as the value of the investments and other assets of an Investment Company, plus cash and debtors, less borrowings and any other creditors. It represents the underlying value of an Investment Company at a point in time.

Net Asset Value (NAV) per Ordinary Share
This is calculated as the net assets of the Company calculated under its accounting policies as set out in the Financial Statements on pages 52 to 67 divided by the number of shares in issue. This is the number disclosed at the foot of the Statement of Financial Position on page 49.

NAV Total Return
The growth in NAV plus dividends reinvested, and this can be expressed as a percentage of NAV per share at the start of the year.

Ongoing Charges
All operating costs incurred by the Company, expressed as a proportion of its average Net Assets over the reporting year.

Share Price Total Return
The percentage change in the Share Price assuming dividends are reinvested to purchase additional Ordinary Shares at the prevailing share price.

SORP

Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the AIC.

Total Assets

This is calculated as the value of the investments and other assets of the Company, plus cash and debtors.

Total Return

The return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets.

UK Corporate Governance Code

A code issued by the Financial Reporting Council which sets out standards of good practice in relation to Board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the Code in their annual report and accounts.

Alternative Performance Measures (APMs)

The Company uses the following APMs (as described in the glossary) to present a measure of profitability which is aligned with the requirements of our investors and potential investors, to draw out meaningful data around revenues and earnings to provide additional information not required for disclosure under accounting standards. All APMs relate to past performance.

- Dividend yield
- Increase / decrease in NAV
- Loan to value
- NAV total return
- Ongoing charges
- Share price total return

Corporate Information

Directors

John Newlands
Chairman

Matthew Harris
Chairman of the Audit Committee

Ian McElroy

Douglas Noble
Chairman of the Remuneration Committee

Registered Office

Keel House
Garth Heads
Newcastle-upon-Tyne NE1 2JE

Investment Adviser

Tier One Capital Ltd
Keel House
Garth Heads
Newcastle-upon-Tyne NE1 2JE

Broker and Financial Adviser

finnCap Ltd
60 New Broad Street
London EC2M 1JJ

Solicitor

Gowling WLG (UK) LLP
4 More London
Riverside
London SE1 2AU

Administrator and Secretary

Maitland Administration Services (Scotland) Limited
Hamilton Centre
Rodney Way
Chelmsford
Essex CM1 3BY

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Registrar

Computershare Investor Services PLC
The Pavillions
Bridgwater Road
Bristol
BS99 6ZZ

Website

www.tocpropertybackedlendingtrust.co.uk

TOC PROPERTY BACKED
LENDING TRUST