Annual Financial Report

TOC PROPERTY BACKED LENDING TRUST PLC
Released 17:55:04 31 March 2021

RNS Number : 2049U
TOC Property Backed Lendng Tst PLC
31 March 2021

To:	RNS
From:	TOC Property Backed Lending Trust plc
LEI:	213800EXPWANYN3NEV68
Date:	31 March 2021
Subject:	Annual Financial Report

Chairman's Statement

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 is set out below.

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 £3.8million, to a project supported by the private equity firm Maven Capital Partners LLP provided in December 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 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 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 in the Annual 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

31 March 2021

Investment Adviser's Review

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 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.

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.

	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
31 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.

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 withdrawal from the UK 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.

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.

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 in the Annual Report (together with the sections of the Annual Report and Accounts incorporated by reference) and the Directors' Report in the Annual Report. 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 in the Annual Report, 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, 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

Statement of Comprehensive Income

		Year ending 30 November 2020			Year ended 30 November 2019		
	Notes	Revenue £'000	Capital £'000	Total £'000	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	3	(57)	-	(57)	-	-	-

Investment adviser fee							
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,l82)
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

As at As at

30

November

2020

30 November 2019

	Notes	£'000	£'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 below form an integral part of the financial statements.
The financial statements below 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	Share premium	Special distributable reserve	Capital reserve	Revenue reserve	Total

	£'000	£'000	£'000	£'000	£'000	£'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 2020

	Share capital	Share premium	Special distributable reserve	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'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

Year ending 30 November 2020 | Year ending 30 November 2019

	Notes	£'000	£'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

Notes to the Financial Statements

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 in 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 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.

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

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.

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 of the Annual Report.

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 £'000	30 November 2019 £'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	-	-

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

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 above.

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 below.

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

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 in the Annual Report. 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 in the Annual Report.

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. 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.

as at 30 November 2019				
	Financial net assets on which no interest is paid	Fixed rate Financial Assets	Variable rate financial net assets £'000	Total £'000

	£'000	£'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 above. 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.

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

For further information please contact:
Faith Pengelly
For and on behalf of Maitland Administration Services (Scotland) Limited, Secretary
31 March 2021

ENDS

Annual Report and Financial Statements
The Annual Report and Financial Statements will be posted to shareholders and will shortly be available on the Company's website (www.tocpropertybackedlendingtrust.co.uk) or in hard copy format from the Company's Registered Office.

A copy of the annual report will be submitted to the FCA's National Storage Mechanism and will be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism

The annual report is also available on the Company's website at www.tocpropertybackedlendingtrust.co.uk