TOC Property Backed Lendng Tst PLC - PBLT Final Results
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TOC Property Backed Lending Trust plc

Annual Results

Audited results for the year ended 30 November 2017

The Chairman stated:

Chairman's Statement

Introduction

I am pleased to present the Company's Report and Financial Statements for the year to 30 November 2017.

With the dividend declaration of 1.75 pence in respect of the quarter to 28 February 2018 made on 22 February 2018, the Company has commenced payment at 1.75 pence per quarter or 7.0 pence per share per annum of annual dividends. As further funds have been raised and deployed, the Company's book of loans ("the portfolio") has grown to £21.8m and further growth is expected in 2018 as discussed below. Importantly as new loans have been made it has been possible for the Company to take profit shares in the underlying projects and at the date of this report three such loans with related profit shares are in place.

It appears that we are moving into a rising interest rate environment and that will put pressure on consumers and mortgage takers. The Investment Adviser discusses some of the associated issues surrounding this in their review.

Investments

The Company seeks to achieve its investment objective primarily through a diversified portfolio of fixed rate loans secured over UK property and land.

At 30 November 2017 13 loans had been made at an average rate of 8.29% and with an average value of £1.7m. The average time to loan maturity is now 0.95 years. The Company held cash balances of £316,000 at 30 November 2017. The Investment Adviser works to make sure that it maximizes returns by deploying capital from loan repayments and capital raises quickly and effectively.

The Watson and Sons loan of £75,000 had been fully repaid by 30 November 2017, and the Quartztec loan of £443,000 has similarly been fully repaid since the year end. These loans were repaid at carrying value and the capital repaid has already been deployed in new loans.

Interest and repayments are current on all loans in the portfolio and the Board does not consider that any provision is required against loans.

In its review, the Investment Adviser has described the markets in which we operate, which have a markedly regional emphasis, and the typical borrower, and has provided some practical examples so that shareholders and other interested parties can better understand our Company.

Investment Policy

The change in the pattern of investment opportunities that has become apparent over the last year is discussed in the Investment Adviser's review. In response to this change, the Board is refining the investment policy by increasing the proportion of the portfolio that can be exposed to the regional residential housebuilding sector and the small to medium commercial property development sector from 50% to 60%.

Dividends

A maiden dividend of 1.0 pence per share was paid in June 2017. A further dividend of 1.0 pence per share was paid in September 2017, and a dividend of 1.5 pence per share was paid in December 2017. A further dividend of 1.75 pence per share was declared on 22 February 2018 and will be paid on 29 March 2018. It is our intention to continue to pay dividends quarterly, targeting the payment of dividends totaling 7.0 pence per share in respect of the Company's current financial year, which commenced on 1 December 2017, and beyond.

Results

Earnings per share for the year to 30 November 2017 were 4.68 pence per share; this was effectively a 10 month period. The net asset value at 30 November 2017 was 98.11 pence per share, up from 96.11 pence following launch, giving a net asset value total return of 4.2%. The share price total return for the period was 5.5%.

Board Changes

John Newlands joined the Board of the Company on 14 November 2017. John has had more than twenty years of experience in the City, the last ten years of it with Brewin Dolphin Limited as Head of Research: Investment Companies. The experience that he brings has already proved its value and we look forward to that continuing.

Stephen Black is retiring at the conclusion of the forthcoming Annual General Meeting ("AGM") and it is proposed that he be replaced as a non-independent non-executive Director by Ian McElroy, the Managing Director of Tier One Capital Limited, the Company's Investment Adviser. It is intended that Ian McElroy will retire at the AGM in 2019 and that he and Stephen Black should alternate in the role of non-independent non-executive Director. Shareholders will be given the opportunity to vote on the election of the incoming Director each year.

Listing and Fund Raisings

At launch the Company issued 17,300,950 shares at £1 per share. Further funds were raised throughout the year and in December, with six issues, totaling 6,350,866 shares, all issued at £1.00, to satisfy continued investor demand.

Following discussions with existing and potential new shareholders and with the Company's Broker and Financial Adviser, finnCap Limited, the Board has concluded that there continues to be strong interest in and demand for the Company's shares, which continue to trade at a modest premium to net asset value. This is supported by a strong investment pipeline which the Investment Adviser comments on in its report. The Company has shareholder authority to issue up to 4.7m shares and further fundraisings are expected as the year progresses.

Conclusion

Progress to date demonstrates the strength of the Company's investment proposition, and the biggest obstacle it faces is having more opportunities than capital. The Board and Investment Adviser are committed to resolving this issue and believe that future fund raisings will go some considerable way towards accomplishing this.

Our biggest risk in what remain uncertain times is ensuring that our choice of loans and counterparties are correct. Our Investment Adviser operates careful selection processes, regularly monitors all such positions and, importantly, stays close to the borrowers.

As the Investment Adviser reports, there are no shortage of opportunities for your Company, which is providing exactly the sort of finance needed by developers in the regions who struggle to find it elsewhere. We face the future with confidence.

Stephen Coe

Chairman

28 February 2018

Investment Adviser's Review

ABOUT THE COMPANY

TOC Property Backed Lending Trust Plc (the "Company") was launched in January 2017 to provide shareholders with a consistent and stable income and the potential for an attractive total return over the medium to long term while managing downside risk through: (i) a diversified portfolio of fixed rate loans predominantly secured over land and/or property in the UK; and (ii) receiving, in many cases, the benefit of an associated profit share arrangement, usually obtained by acquiring (at nil cost) a minority equity stake in the relevant borrower project development vehicle ("Profit Shares").

These returns are expected to be delivered through the Investment Adviser's focus on high quality and experienced borrowing teams, a robust and tested credit process and the direct origination of deal flow. The Investment Adviser manages downside risk by focusing on secured debt with both collateral and contractual protection, with investments aimed primarily at secured loans.

The Investment Adviser sees huge value in only providing loan facilities to strong, experienced property teams who can evidence that they have the ability to deliver on a project. Often, these teams are led by individuals with a wealth of experience and a background working within large corporate property developments businesses and have subsequently decided to launch their own regional based property development offering. All loans are directly originated by the Investment Adviser utilising existing networks and relationships, providing further support to the robust credit process.

To further enhance investor returns, the Investment Adviser intends to assist in negotiating profit share arrangements for the benefit of the Company for approximately 80% of future loan advances. This provides the Company with the opportunity to not only benefit from the interest rate created by the secured loan, but to also benefit from any profit generated by the underlying projects.

The Company typically seeks to originate debt where the effective loan to gross development value ratio of any investment is between 40% and 100% at the time of origination. The Company aims to have a blended LTV across the portfolio of around 75% (based on initial valuations at the time of loan origination) once fully invested.

The Investment Adviser is following the Company's investment policy of allocating funds raised predominantly across three specific areas, with set allocation exposures:

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

ABOUT THE ADVISER

Tier One Capital Ltd, as Investment Adviser, provides bespoke wealth management and fund management services to high net worth private clients, charities and institutions. The business was founded in March 2012 by Stephen Black and Ian McElroy, each of whom had previously spent many years in the financial services sector working for Barclays Wealth, Kleinwort Benson and Coutts & Co.

After starting the business with four employees from a small office in Newcastle upon Tyne, Tier One Capital Ltd currently has a team of 14 highly competent individuals as at the end of the financial year. This includes the recent hire of Jess Swindells as managing director, having previously been a partner at Muckle LLP in banking and restructuring. The team has been further strengthened by the hire of Brendan O'Grady as corporate finance director and Paul Crawley as general counsel. Brendan is a chartered accountant and corporate treasurer, having previously worked for Silverfleet Capital Partners LLP and more recently at Gentoo Group Limited. Paul is a solicitor, with over ten years' experience most recently as Head of Commercial and Corporate services at Gordon Brown Law Firm LLP.

The expansion has also included the opening of two new offices, with one in the heart of Mayfair, London, and an international office in Lausanne, Switzerland. The Swiss office will be led by the Investment Adviser's chief investment officer, Tristan de Gabiole. The Newcastle based team are planning on relocating to a new state of the art redeveloped Grade II listed building located just outside the city centre in 2019.

INVESTMENT ADVISORS REPORT

PLACINGS, DEPLOYMENT AND DIVIDENDS

At 30 November 2017, the Company had 13 live facilities, three of which are a profit share arrangement for the benefit of the Company, with the deployment level sitting at £21,782,500. All of the loans in the portfolio are performing as expected with no deterioration in our borrower's financial standing.

The Investment Adviser has continued to facilitate an effective deployment program, with another new facility anticipated to go live in March 2018, taking the total number to 14. This new facility is expected to be a profit share arrangement, increasing the number to four within the portfolio.

Pleasingly, the current average interest rate being achieved on the combined loan book is 8.29%, with an average loan size having increased from £1.35m at 31 May 2017 to £1.676m at 30 November 2017. This reflects the natural progression of the Company's strategy of providing larger facilities as the AuM of the trust grows, rather than providing a higher volume of lower value loans.

PROFIT SHARE PROJECTS

During the year 30 November 2017, three Profit Share loans have deployed. The first was a £2.3m facility to Ryka Developments Limited, an investment company based in Newcastle upon Tyne. The funds were utilised to acquire a student accommodation building in St Hilds, Durham at a rate of 8% over a 3-year term. The facility has been secured with a first legal charge against the freehold building and the company's bank account. The building has full occupancy and the rents are subject to annual review.

The second facility was a £2m facility to Gatsby Homes Limited, a property development company based in Newcastle upon Tyne. The funds are being utilised to develop 14 residential properties to the north of the city, and have been loaned at a rate of 10% by the Company over a 2-year term. The facility has been secured with a first legal charge against the land, which has full planning permission, and the company's bank account. This business is led by individuals with a strong property background in the North East, with knowledge and experience of the residential housing market.

The third facility was a £3.265m loan to Bede and Cuthbert Developments Limited, a company led by two very experienced property development consultants. This facility is to be used to develop 20 residential properties 7 miles south west of Newcastle upon Tyne. The facility provides an interest return of 8% over a two-year term, with security being taken by a senior charge over the land, with full planning permission, and the company's bank account.

The Investment Adviser also has dual signatory status on the bank accounts of the projects, and sits on the board of each borrowing company where we have profit share arrangements to represent the interests of the Company as a minority shareholder.

EXITS

The Company had its first exit in October 2017, following the sale of the investment property managed by Watson & Sons. Watson & Sons is a sale and leaseback vehicle that looks to acquire office, industrial and retail properties with a strong income track record.

The £75,000 loan, at 6%, was provided to support the acquisition of an office space at St Peters Wharf, Newcastle in May 2016. The facility predated the formation of the Company and was brought into the Company on the date of listing.

Post year end, a second successful exit occurred with the refinance of Quartztec Holdings in January 2018 via traditional finance. The £443,000 loan, at 8%, was provided to support the acquisition of a stable and profitable facility with an established track record in October 2015. The facility also predated the formation of the Company and was brought into the Company on the date of listing. Both projects performed as anticipated and the funds returned have been quickly and efficiently redeployed in other projects.

PIPELINE

The Investment Adviser continues to see strong deal flow, reflective of the lack of finance options available to developers in the regions. As at the end of the year there was £30.2m of potential funding opportunities across 12 projects split as follows:

OUTLOOK

The Investment Adviser continues to see a greater balance of risk and return by providing loan facilities to high quality and experienced property development teams in the regions, as opposed to central London. The current geographical breakdown of the Company's deployment approach shows approximately 72% of the Company's loans being focused in the North East, reflecting the Investment Adviser's commitment to providing facilities based on a relationship led approach. The North-East property market also provides protection against a decline in London property markets, as traditionally the region does not see the boom and bust dynamic created by significantly inflated property prices.

Rightmove house price index for December 2017 now shows the average price for a property in the North East at £146,090 which is an annual increase of 4.7% from 2016. In comparison, the average price for a property in Greater London now stands at £605,203 in December 2017 which is a decrease of 1.8% from
December 2016. The North East was also the only region in England and Wales that had positive house price growth month on month (November to December).

Generally, Rightmove believe that house prices will increase due to the overall lack of supply of housing, the lack of existing stock coming to the market (especially in the north) and the cheap mortgage rates. They do however, also see house prices falling due to the stretched levels of affordability in some areas of the country, including London.

While evidence is starting to emerge of a weakening housing market, driven largely by the headwinds of an uncertain economic future from Brexit, a squeeze on household incomes due to rising consumer prices and increased tax levels, the Investment Adviser has seen no slowdown in investment opportunities and potential deal flow, the quality of which has been maintained. This is largely driven by the continued dearth in lending to small regional housebuilders from traditional lenders, a London-centric credit approach from most major lending institutions and a growing reputation in the market for the Company being a solid finance partner for strong, experienced property teams.

The Investment Adviser remains confident of being able to continue to implement the Company's investment policy, and to deliver the level of consistent quarterly income that many UK investors demand.

Ian McElroy
Tier One Capital Ltd

28 February 2018

Principal Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material effect on the Company's performance.

The Board of Directors has overall responsibility for risk management and internal control within the context of achieving the Company's objectives. The Board agrees the strategy of the Company taking into consideration the Company's risk appetite. The Company also maintains a risk register to monitor the perceived risks and their mitigation.

The Board has undertaken an assessment of the principal risks facing the Company and has carried out a review of the effectiveness of the internal controls as they operated during the year and up to approval date of this Annual Report. The Board continues to keep the Company's system of risk management and internal controls under review to ensure these principal risks are appropriately managed. These principal risks are described below together with an explanation of how they are mitigated.

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 full impact of Brexit is still unknown. The Company holds 100% of its assets in the United Kingdom. The Board considers there is a risk of a downturn in the UK property market due to the consequences of Brexit.

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 review of quarterly financial information and the compliance with the relevant rules.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report and Financial Statements, in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the EU.

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 with IFRS as adopted by the EU.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they present a fair, balanced and understandable report and provide the information necessary for shareholders to assess the Company's

performance, business model and strategy.

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 by the EU, have been followed, subject to any material departures disclosed and explained in the financial statements.

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 its 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.
Under applicable UK law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations. 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.

The Directors confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Company;
- in the opinion of the Directors, the Report and Financial Statements 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.
- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

On behalf of the Board

Stephen Coe

Chairman

28 February 2018

Statement of Comprehensive Income (Audited)

	Year to 30 November 2017			Period from incorporation on 27 September 2016 to 30 November 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Revenue						
Investment interest	1,347	-	1,347	-	-	-
Total revenue	1,347	-	1,347	-	-	-
Unrealised gain on investments	-	-	-	-	-	-
Total income	1,347	-	1,347	-	-	-
Expenditure						
Investment adviser fee	-	-	-	-	-	-
Other expenses	(326)	(108)	(434)	-	-	-
Total expenditure	(326)	(108)	(434)	-	-	-
Profit before finance costs and taxation	1,021	(108)	913	-	-	-
Net finance costs						
Interest receivable	-	-	-	-	-	-
Profit before taxation	1,021	(108)	913	-	-	-
Taxation	(48)	-	(48)	-	-	-
Profit for the period	973	(108)	865	-	-	-
Total comprehensive profit for the period				-	-	-
Basic earnings per share	4.68p	(0.48)p	4.16p	-	-	-

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.

The Company did not trade during the period from incorporation on 27 September 2016 to 30 November 2016. The Company received no income and incurred no expenditure in this period and therefore did not make a profit or loss.

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

Statement of Financial Position (Audited)

	As at 30 November 2017 £'000	As at 30 November 2016 £'000
Non-current assets		
Investments held at fair value	-	-
Loans at amortised cost	10,783	-
	10,783	-
Current assets		
Loans at amortised cost	10,999	
Other receivables and prepayments	299	50
Cash and cash equivalents	316	-
	11,614	
Total assets	22,397	50
Current liabilities		
Other payables and accrued expenses	(131)	-
Total liabilities	(131)	-
Net assets	22,266	50
Share capital and reserves		
Share capital	227	50
Share premium	5,152	-
Special distributable reserve	16,455	-
Revenue reserve	540	-
Capital reserve	(108)	-
Equity shareholders' funds	22,266	50
Net asset value per ordinary share	98.11p	100.00p

Statement of Changes in Equity (Audited)

For the year ending 30 November 2017

	Share capital	Share premium	Special distributable reserve	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of the period	50	-	-	-	-	50
Total comprehensive income for the period:						
Profit for the period	-	-	-	(108)	973	865
Transactions with owners recognised directly in equity:						
Cancellation of launch management shares	(50)	-	-	-	-	(50)
Cancellation of launch share premium	-	(16,455)	16,455	-	-	-
Ordinary shares issued	227	22,467	-	-	-	22,694
Share issue costs	-	(860)	-	-	-	(860)
Dividends paid	-	-	-	-	(433)	(433)
At 30 November 2017	**227**	**5,152**	**16,455**	**(108)**	**540**	**22,266**

For the period from incorporation on 27 September 2016 to 30 November 2016

	Share capital	Share premium	Special distributable reserve	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of the period	-	-	-	-	-	-

Total comprehensive income for the period:						
Profit for the period	-	-	-	-	-	-
Transactions with owners recognised directly in equity:						
Ordinary shares issued	-	-	-	-	-	-
Management shares issued	50	-	-	-	-	50
At 30 November 2016	**50**	**-**	**-**	**-**	**-**	**50**

Cash Flow Statement (Audited)

For the year ending 30 November 2017

	Year ending 30 November 2017 £'000	Period from incorporation on 27 September 2016 to 30 November 2016 £'000
Operating activities		
Profit after taxation	865	-
Increase in other receivables	(249)	-
Increase in other payables	131	-
Net cash inflow from operating activities before interest and after taxation	747	-
Interest paid	-	-
Net cash inflow from operating activities	747	-
Investing activities		
Loans given	(11,806)	-
Loans repaid	1,625	
Net cash outflow from investing activities	(10,181)	-
Financing		
Issue of ordinary shares	10,233	-
Equity dividends paid	(433)	
Cancellation of management shares	(50)	
Net cash inflow from financing	9,750	-
Increase in cash and cash equivalents	316	-
Cash and cash equivalents at the start of the year / period	-	-
Cashflow	316	-
Cash and cash equivalents at the end of the year / period	316	-

The Company did not trade during the period from incorporation on 27 September 2016 to 30 November 2016, consequently there were no comparative cash flows.

Notes to the Audited Financial Statements

1. Investment Manager's and Investment Adviser's Fees

Investment Manager

The Company has appointed R&H Fund Services (Jersey) Limited to act as the Company's alternative investment fund manager (AIFM) for the purposes of AIFMD pursuant to the Investment Management Agreement and accordingly the AIFM is responsible for providing discretionary portfolio management and risk management services to the Company, subject to the overall control and supervision of the Directors. The AIFM is entitled to receive fees from the Company of £15,000 per annum on total assets up to £100 million, or a fee from the Company of £20,000 per annum if total assets are over £100 million. There is a balance of £15,000 accrued for the Investment Manager for the year to 30 November 2017 (£nil period from incorporation to 30 November 2016).

Investment Adviser

The AIFM has appointed Tier One Capital Limited to act as the Company's investment adviser pursuant to which the AIFM has delegated discretionary portfolio management services to the Investment Adviser, subject to the overall control and supervision of the Directors.

The Investment Adviser 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. The Investment Adviser has agreed (unless otherwise decided by the Board) to waive its fee until the Net Asset Value is at least £50 million.

There are no performance fees payable.

2. Operating expenses

	30 November 2017		30 November 2016	
	Revenue	Capital	Revenue	Capital
	£'000	£'000	£'000	£'000
Legal & professional	5	108	-	-
Directors fees	79	-	-	-
Audit fees	62	-	-	-
Fund Administration and Company Secretarial	61	-	-	-
Brokers fees	26	-	-	-
Other expenses	93	-	-	-
Total other expenses	**326**	**108**	**-**	**-**

All expenses are inclusive of VAT where applicable. In addition to the above audit fee, an amount of £186k was paid to Moore Stephens for non-audit services in relation to the listing of the Company.

3. 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 2017	30 November 2016
Analysis of tax charge for the year / period	£'000	£'000
Current corporation tax at 19.33%	48	-
Deferred taxation	-	-
Tax on profit on ordinary activities	48	-
Reconciliation of tax charge		
Profit on ordinary activities before taxation	913	-
Taxation at standard corporation tax rate (19.33%)	176	-
Effects of:		
Expenses not deductible for tax purposes	21	-
Interest distributions	(149)	-
Tax charge for the year / period	**48**	-

4. Ordinary dividends

	Pence	30 November 2017	30 November 2016
	Per share	£'000	£'000
Interim dividend for the period from 24 January 2017 to 31 May 2017	1.0	213	-
Interim dividend for the quarter ended 31 August 2017	1.0	220	-
Total dividends paid during the year		433	-
Interim dividend for the quarter ended 30 November 2017	1.5	340	-
Total dividend declared in relation to the year		**773**	**-**

The Company intends to distribute at least 85% of its distributable income earned in each financial year by way of interest distribution. On 30 November 2017, the Company declared an interim dividend of 1.5 pence per share for the quarter ended 30 November 2017, payable on 29 December 2017.

5. Earnings per share

The revenue, capital and total return per ordinary share is based on each of the profit after tax and on 20,784,826 ordinary shares, being the weighted average number of ordinary shares in issue throughout the year.

The Company did not trade throughout the period to 30 November 2016 except for the issuance of initial share capital. Consequently, there were no earnings attributable to each ordinary share at that time.

6. 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% of the following companies:

Bede & Cuthberts Development Limited
Gatsby Homes Limited
Ryka Developments Limited

The valuation of these assets requires critical judgement. As at the year end date, no development monies had been spent on the Gatsby site and only a small amount had been spent on ground works at Bede and Cuthbert. The projects remain at a very early stage and no equity value could currently be expected to be recovered should they not complete. This is expected to change over the coming months. In respect of Ryka Developments, the fair value of the profit share has been determined at nil pending a possible re-financing of the facility on improved terms. As the projects move closer to completion, the Board and Investment Adviser will utilize financial and market data to judge the fair value of the profit shares.

IFRS 13 requires the Company to classify its financial instruments held at fair value using a hierarchy that reflects the significance of the inputs used in the valuation methodologies. These are as follows:

Level 1 - Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities.

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.

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 investments are considered Level 3. There have been no movements between levels during the year.

7. Loans at amortised cost

	30 November 2017	30 November 2016
	£'000	£'000
Opening balance	-	-
Loans advanced at launch	11,601	-
Purchases	11,806	-
Principal repayments	(1,625)	
Total loans at amortised cost	**21,782**	-
Split:		-
Non-current assets: Loans due for repayment after one year	10,783	
Current assets: Loans due for repayment under one year	10,999	-

The Company's loans 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. As at 30 November 2017 the Board agreed, after consideration of the economic climate, the loan to value ratios and prior credit loss experience of the borrowers, that there is no requirement for impairment.

8. Receivables

	30 November 2017	30 November 2016
	£'000	£'000
Prepayments	11	-
Loan interest receivable	288	-
		-
Total receivables	**299**	-

9. Other Payables

	30 November 2017	30 November 2016
	£'000	£'000
Accruals	83	-
Taxation payable	48	-
		-
Total other payables	**131**	-

10. Share Capital

	Nominal	Number of	Number of

	Value £'000	Ordinary shares of 1p	Management shares of £1
At 30 November 2016			50,000
Management shares cancelled on listing	-	1	
			(50,000)
Issue 24 January 2017	173	17,300,949	
Issue 9 March 2017	16	1,600,000	
Issue 6 April 2017	11	1,072,000	
Issue 11 May 2017	14	1,372,900	
Issue 19 July 2017	6	616,661	
Issue 17 October 2017	7	731,048	
Issued and fully paid as at 30 November 2017	**227**	**22,693,559**	**-**

Of the initial launch issue on 24 January 2017, a loan portfolio of £11,601,000 was received as a consideration for 11,601,000 shares.

On 11 December 2017 a further 958,257 shares were issued at 100p under the share issuance programme.

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).

11. Related Parties

The Directors are considered to be related parties. No Director has an interest in any transactions which are, or were, unusual in their nature or significant to the nature of the Company.

The Directors of the Company received £79k fees for their services during the year (30 November 2016: £nil) £nil was payable at the year end.

Stephen Black and Ian McElroy are shareholders and have control of Tier One Capital Ltd. During the prior period, the Company issued 50,000 management shares and one ordinary share to Tier One Capital Ltd, the Investment Adviser. On admission to trading on the main market of the London Stock Exchange in January 2017, the management shares were redeemed and Tier One Capital Ltd was no longer the parent of the company. Tier One Capital Ltd received no fees during the year and £nil was payable at the year end.

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

Quartztec

Stephen Black and Ian McElroy were directors of Quarztec Holdings Limited. Tier One Capital Investments Ltd owned 25.1% of Quartztec Holdings Limited. The loan amount outstanding as at 30 November 2017 was £0.44m (30 November 2016; £nil). Transactions in relation to loans made during the year amounted to £0.44m. (30 November 2016: £nil). Interest due to be received as at 30 November 2017 was £0.006m (30 November 2016; £nil). Interest received during the year amounted to £0.024m (30 November 2016: £nil). This project was fully repaid post year end.

Pendower Hall

Stephen Black and Ian McElroy are directors of Pendower Hall Ltd. Pendower Hall Ltd is 100% owned by Inperpetuity Ltd. Inperpetuity Ltd is 100% owned by Stephen Black, Ian McElroy and their respective spouses. The loan amount outstanding as at 30 November 2017 was £1.232m (30 November 2016; £nil). Transactions in relation to loans made during the year amounted to £1.232m (30 November 2016; £nil). Interest due to be received as at 30 November 2017 was £0.021m (30 November 2016: £nil). Interest received during the year amounted to £0.081m (30 November 2016: £nil).

Commerce Chambers

Stephen Black and Ian McElroy are directors of Commerce Chambers Ltd. Commerce Chambers Ltd is 100% owned by Inperpetuity Ltd. Inperpetuity Ltd is 100% owned by Stephen Black, Ian McElroy and their respective spouses. The loan amount outstanding as at 30 November 2017 was £1.505m (30 November 2016; £nil). Transactions in relation to loans made during the year amounted to £1.505m (30 November 2016: £nil). Interest due to be received as at 30 November 2017 was £0.020m (30 November 2016: £nil). Interest received during the year amounted to £0.08m (30 November 2016: £nil).

Rare Earth Medburn

Stephen Black and Ian McElroy are directors of Rare Earth Medburn Ltd. Rare Earth Medburn Ltd is 100% owned by Inperpetuity Ltd. Inperpetuity Ltd is 100% owned by Stephen Black, Ian McElroy and their respective spouses. The loan amount outstanding as at 30 November 2017 was £1.630m (30 November 2016; £nil). Transactions in relation to loans made during the year amounted to £1.630m (30 November 2016: £nil). Interest due to be received as at 30 November 2017 was £0.022m (30 November 2016: £nil). Interest received during the year amounted to £0.080m (30 November 2016: £nil).

Thursby Homes

Tier One Capital Ltd owns 25.1% of Thursby Homes Ltd. T1C Nominees Ltd is a director of Thursby Homes Ltd. T1C Nominees Ltd is owned by Stephen Black and Ian McElroy who are directors. The loan amount outstanding as at 30 November 2017 was £1.943m (30 November 2016; £nil). Transactions in relation to loans made during the year amounted to £1.943m (30 November 2016: £nil). Interest due to be received as at 30 November 2017 was £0.027m (30 November 2016: £nil). Interest received during the year amounted to £0.100m (30 November 2016: £nil).

Watson & Sons — Tier One Capital Ltd owns 25.1% of the borrower, Watson and Sons Holdings Ltd. Stephen Black and Ian McElroy are directors of Watson and Sons Holdings Ltd. The loan amount outstanding as at 30 November 2017 was £nil (30 November 2016; £nil). Transactions in relation to loans made during the year amounted to £0.075m (30 November 2016: £nil). Interest due to be received as at 30 November 2017 was £nil (30 November 2016: £nil). Interest received during the year amounted to £0.003m (30 November 2016: £nil).

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

Ryka — TOC Property Backed Lending Trust plc owns 25.1% of the borrower Ryka Developments Ltd. Stephen Black is a director of Ryka Developments Ltd. The loan amount outstanding as at 30 November 2017 was £2.300m (30 November 2016; £nil). Transactions in relation to loans made during the year amounted to £2.300m (30 November 2016: £nil). Interest due to be received as at 30 November 2017 was £0.031m (30 November 2016: £nil). Interest received during the year amounted to £0.118m (30 November 2016: £nil).

Gatsby Homes — TOC Property Backed Lending Trust plc owns 25.1% of the borrower Gatsby Homes Ltd. T1C Nominees Ltd is a director of Gatsby Homes Ltd. T1C Nominees Ltd is owned by Stephen Black and Ian McElroy who are directors. The loan amount outstanding as at 30 November 2017 was £0.750m (30 November 2016; £nil). Transactions in relation to loans made during the year amounted to £0.750m (30 November 2016: £nil). Interest due to be received as at 30 November 2017 was £0.011m (30 November 2016: £nil). Interest received during the year amounted to £0.021m (30 November 2016: £nil).

Bede and Cuthbert Developments — TOC Property Backed Lending Trust plc owns 25.1% of the borrower Bede and Cuthbert Developments Ltd. Stephen Black and Ian McElroy are directors of Bede and Cuthbert Developments Ltd. The loan amount outstanding as at 30 November 2017 was £1.000m (30 November 2016; £nil). Transactions in relation to loans made during the year amounted to £1.000m (30 November 2016: £nil). Interest due to be received as at 30 November 2017 was £0.009m (30 November 2016: £nil). Interest received during the year amounted to £0.011m (30 November 2016: £nil).

12. 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 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. 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 no financial assets which were either past due or considered impaired at 30 November 2017 (30 November 2016: £nil).

All of the Company's cash is be 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.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The Company's investments will comprise fixed rate loans. These loans in which the Company invests are not traded in an organised public market and may be illiquid. As a result, the Company may not be able to liquidate quickly its investments at an amount close to their fair value in order to meet its liquidity requirements.

The Company's liquidity risk is managed on an ongoing basis by the Investment Adviser and monitored on a quarterly basis by the Board.

Interest Rate Risk

Some of the Company's financial instruments will be interest-bearing. As a consequence, the Company will be exposed to interest rate risk due to fluctuations in the prevailing market rate.

The fair value of financial assets and liabilities is not materially different from their carrying value in the financial statements.

When the Company retains cash balances, they will ordinarily be held on interest-bearing deposit accounts. The Company's policy is to hold cash in variable rate or short term fixed rate bank accounts. Exposure varies throughout the year as a consequence of changes in the composition of the net assets of the Company arising out of the investment and risk management policies.

Market Price Risk
The management of market price risk is part of the investment management process. The portfolio is managed with an awareness of the effects of adverse valuation movements through loan impairment and continuing analysis, with an objective of maximising overall returns to shareholders. The likelihood of impairment is inherently difficult to value due to the individual nature of each loan and underlying property. As a result, valuations are subject to uncertainty. Such risk is minimised through the appointment of external property valuers.

While the valuations of the Profit Shares will be in compliance with IFRS on the basis of market value in accordance with the International Private Equity and Venture Capital Valuation Guidelines, they will be difficult to value accurately and will rely on information being provided to the Company from the joint venture vehicle. There can be no assurance that the values of the Profit Shares reported by the Company from time to time will in fact be realised.

13. Post Balance Sheet Events

On 11 December 2017, a placing of 958,257 new ordinary shares took place raising £0.958 million.

On 29 December 2017, a dividend of 1.50 pence per ordinary share was paid.

On 29 January 2018, Quartztec Holdings repaid its loan in full to the amount of £443k.

On 22 February 2018, a dividend of 1.75p was declared with an xd date of 1 March 2018, record date of 2 March 2018 and a payment date of 29 March 2018.

14. Financial Statements

These are not full statutory accounts. The report and financial statements for the period to 30 November 2017 will be posted to shareholders and made available on the website www.tocpropertybackedlendingtrust.co.uk. Copies may also be obtained from the Company Secretary Maitland Administration Services (Scotland) Limited, 20 Forth Street, Edinburgh, EH1 3LH.