TOC Property Backed Lendng Tst PLC - PBLT Final Results
Released 17:53 29-May-2020

RNS Number : 4423O
TOC Property Backed Lendng Tst PLC
29 May 2020

To:	RNS
From:	TOC Property Backed Lending Trust plc
LEI:	213800EXPWANYN3NEV68
Date:	29 May 2020
Subject:	Annual Results

Chairman's Statement

Introduction
I am pleased to report the Company's Report and Financial Statements for the financial year to 30 November 2019.

I refer below to the unprecedented market and macroeconomic turmoil that has followed the global COVID-19 outbreak that has swept the world in the first half of 2020, and to the effects of the ensuing industrial and domestic "lockdown" which has affected the Company's portfolio in recent months.

Before turning to such matters, it is worthy of note that since the financial year end, the TOC Property Backed Lending Trust PLC has passed the third anniversary of its launch. This occurred on 24 January 2020 and is a significant milestone in the history of any managed investment fund, not least the first London Stock Exchange Main Market-Listed investment company to be devised, launched and managed within yards of the former city walls of Newcastle upon Tyne.

Objective; Managerial Arrangements
The Company seeks to achieve its investment objective primarily through a diversified portfolio of fixed rate loans secured over UK property and land and managed by its Investment Adviser, Tier One Capital Ltd. Further information can be found in the Investment Adviser's Report.

Dividend Record Since Inception
Notwithstanding its short life, the Company has generated a notable record of quarterly dividend distributions to date.

In early 2019, the Board made the decision, in the light of a slowdown in the property market and wider political uncertainties, to reduce quarterly distributions that had risen to 1.75 pence per share by the end of 2018 to 1.5 pence per quarter thereafter.

Despite this move, founding shareholders had received a total of 15 pence per share by the end of the financial year being reported and a further distribution of 1.5

pence per share, paid in early January 2020, for the first quarter of the new financial year. These are valuable investment income returns set against a backdrop of generally very low savings rates and relatively muted UK inflation figures.

It is also worthy of note that the Company passed a trading milestone in the fourth quarter of 2019 with net positive income, after the deduction of dividend payments, having been generated for the first time since launch.

There is no escaping the fact, however, that these encouraging figures have more recently been overshadowed by the increasingly serious effects of the Coronavirus pandemic, the suspension of virtually all housebuilding and development work and the decimation of business cash flows at virtually all levels. Emergency measures have also been introduced, including the permitted deferment of the publication of annual reports and accounts by a further two months from the normal requirement to publish within four months of a company's financial year end.

With the real estate sector at the heart of the Company's portfolio at a near standstill, therefore, the dividend outlook has, at least for the time being, been significantly altered, as will be described in more detail, below.

Net Asset Value

The Report and Financial Statements for the year ended 30th November 2019 show the results of a maturing loan portfolio business. The Company's net asset value ("NAV") per share at the year-end was 83.8 pence (2018: 94.3 pence). This equates to a net asset value total return for the financial year of approximately (5.3)%, taking into account dividends received.

IFRS 9

During the financial year, the Company adopted the principles of the IFRS 9 accountancy standard in full for the first time, in which most financial instruments are effectively measured at fair value, including making provision for future credit losses, even where it is highly likely that the asset will perform as expected. Some financial instruments are still measured at amortised cost.

In adopting the said fair value recognition and measurement across the portfolio, the Board has adopted a prudent stance in considering key projects where stresses are evident.

Loan Portfolio

Profit shares. As described in the Investment Adviser's Report, the Company is pleased to announce three successful profit share arrangements with regard to the Marley Hill, Springs and Newgate Street projects, recording gains to the benefit of the investment trust averaging some £46,000 per project. The Marley Hill gain has been realised following the completion of this project and is in addition to the £104,000 gain announced in the financial statements for the year ended November 2018. The Springs and Newgate Street gains are projected from the current trading position of both projects.

Impairments. Based on valuations performed by external RICS surveyors, and a thorough assessment of the portfolio, we have applied impairments to two legacy loans (being loans that were taken into the trust at its inception) Pendower Hall and West Auckland.

In the case of Pendower Hall, an initial impairment was made against the Company's original £2m loan of £0.2m in November 2018. Subsequently, the potential value of the site either completed or as a work in progress will be insufficient to repay the existing amounts lent (partially due to significant delays and refurbishment costs being substantially higher than original estimates) and as such the loan was restructured, with a corresponding impairment recognised.

A restructuring plan was initiated prior to the year end, and the relevant legal documentation was finalised post year end. This restructuring plan has been put in place to enable the Company to take receipt of additional collateral via an equity holding in a recently formed private start up business. This additional collateral is over and above the property security.

The Board and Investment Adviser are now working to appraise the value of this equity and will, informed by the results of this work, consider the merits of retaining the equity as a non-core holding or liquidating it, in full or in part, to reduce the exposure. Until such time as an accurate valuation can be established, the Board and Investment Adviser believe it appropriate to impair the loan by a further £0.84m to £0.96m, which does not ascribe any value to the equity holding. As such, the realisation of any return for these shares in due course would result in profit upside.

The West Auckland loan has previously not performed in line with expectations and the Board made an impairment of £0.14m in November 2018. Since then, challenges in trading on the first phases of development have created significant uncertainty regarding the viability of further stages, and thus of the value of underlying land associated with those further stages. A full assessment of this is being conducted, but in the meantime, given significant trading headwinds, the Board has elected to take a substantial impairment on this project.

Redemptions. Significant exits during the period were achieved from the repayment of a mature loan (£3.3m), together with a total of £3.6m partial repayments from four projects within the Company's development and run-off books.

Gearing. The Company continues to benefit from a gearing facility provided by Shawbrook Bank Limited. In May 2020 we extended the expiry date of this facility from October 2020 to May 2021. The facility continues to contribute positively to the Company's weighted average cost of capital.

Related Parties

I am pleased to confirm that since the year end, all Investment Adviser related parties in the projects have been removed. This is further evidence of the growing maturity of the Company's loan book and the achievement of another key milestone outlined at listing.

Board of Directors

The only change to the Board of Directors during the financial year was the retirement of Stephen Coe, the outgoing Chairman, on 30 April 2019, with the effect of reducing the size of the Board from five to four Directors, with a commensurate saving in annualised costs.

Summary; Outlook

The portfolio at the financial year-end, post-impairments, totals some £25.2 million, spread across 17 different projects. The proportion of profit shares to which the Company is entitled in the event of successful investments has increased from seven projects to nine. It should be noted that the Board takes no account for any potential capital returns on such projects until there is strong visibility of a profitable outcome.

While uncertainty was moderated, moving into the New Year, by a clear-cut UK General Election result in December 2019, followed by the UK's formalised decision, ratified on 30 January 2020, to depart the European Union, the economic outlook remains, to put it mildly, far from certain.

Even before the onset of the global COVID-19 outbreak in late January 2020, market conditions had become extremely hard to call, particularly while the UK government remains in the early stages of protracted negotiations with the European Union.

The consequence of these events, as the crisis and ensuing lockdown have taken hold, has been a marked reluctance in the business community (including the developers we support) and households to make key business or financial transactions.

We note that, along with the share market in general, listed housebuilders' share prices have fallen sharply in recent weeks. This implies that the housebuilding sector, including the SME developers that make up c. 50% of the Company's loan book, will face serious challenges in 2020.

The Board and Investment Adviser are committed to working with the developers we support to navigate the impact of this crisis, both to protect shareholder value and, where it is possible, to minimise the wider potential impact of the crisis, such as protecting jobs.

Dividend Prospects

Taking all of the above factors into account and adding in the cuts in UK base rates totalling 0.6% announced as these accounts were being prepared, the Board is in the process of reviewing the prudent level of distributions to be made for the remainder of the financial year to 30 November 2020.

As part of this process the payment of the 1.5p dividend scheduled for payment in early April 2020 has been deferred to 1 June 2020. In addition, the level of subsequent dividend payments has yet to be decided and will be further reviewed over the coming months.

In the most extreme case, this could involve the dividend scheduled to be declared in June 2020 being suspended. Such a move would then require a final adjusting payment for the financial year to be declared in

September 2020, so as to maintain UK investment trust status, which requires no more than 15% of net income to be retained as revenue reserves. The Board remains mindful that dividend income is of critical importance to many investors and the situation will remain under constant review as the coming months are played out.

Bricks and Mortar

It would be easy to forget, against what for most investors must be "once in a lifetime" social and economic conditions, that good old "bricks and mortar" have been offering comfort to relatively risk- averse investors for generations. The prospect of an attractive and broadly predictable flow of dividend income is another significant and, admittedly with a longer term perspective, arguably calming plus point.

In the case of the TOC Property Backed Lending Trust PLC, the first phase of its life is over. The Company continues to strengthen and evolve, as legacy portfolio holdings are consigned to the past.

In the background the process of project refreshment has been under way, with the potential not just to introduce new profit share arrangements where appropriate but to improve average loan to value figures and other key metrics.

Annual General Meeting and General Meeting

In order to comply with the Companies Act 2006 requirement to hold the Annual General Meeting ("AGM") within 6 months of the Company's financial year end, the AGM is scheduled for 29 May 2020. The only resolutions being proposed at the AGM are the re-election of Directors.

As publication of the annual report and accounts for the financial year ended 30 November 2019 has been delayed owing to the COVID-19 pandemic a General Meeting ("GM") will be held on 11 August 2020 to receive the annual report and accounts and to seek approval of the associated resolutions. Full details of the business to be conducted at the meeting is included in the Notice of Meeting which can be found in the Annual Report.

In light of the current COVID-19 travel and public gathering restrictions and social distancing requirements, the GM will be run as a closed meeting and shareholders will not be able to attend in person. Shareholders attempting to attend the GM will be refused entry. However, the Board encourages shareholders to submit their votes by proxy, rather than attending in person. The Board welcomes questions from shareholders with regard to the resolutions being put to the GM or to any other matter relating to the Company. Given the unique circumstances prevailing this year, it is requested that any such questions be submitted ahead of the meeting, by email to info@tieronecapital.co.uk.

John Newlands
Chairman

29 May 2020

Investment Adviser's Review

ABOUT THE ADVISER

Tier One Capital Ltd., is a Newcastle upon Tyne based wealth management firm, providing wealth management, investment management and fund management services to personal, charity and corporate clients.

INVESTMENT ADVISER'S REPORT
REVIEW OF THE 12 MONTHS TO 30 NOVEMBER 2019

In its third year of trading the majority of the portfolio continued to perform well in difficult trading conditions, posting a post impairment NAV total return of (5.3%) and maintaining its annual dividend at 1.5p per quarter for the year. The final quarter of 2019 also saw the first quarter where profit after tax, before impairment, was sufficient to service the quarterly dividend which is a real landmark in the maturity of the loan portfolio. With a view towards the medium term we continue to increase the number of profit shares which should benefit the Company in the coming years. We continue to be mindful of the ongoing challenges our borrowers are facing in a climate of political uncertainty, a weakening housing market and the as yet unknown implications of Brexit. The overall impact of the recent disruption caused by the global Coronavirus outbreak remains unknown, and we continue to monitor the situation closely.

In recognising the threats driven by those uncertainties, we have delivered the following structural and behavioural enhancements in the year:

- added independence, knowledge and skills to the team. The Tier One Capital Ltd. Credit Committee now includes Wealth Management, Corporate Finance, Banking and Legal industry experience, which allows a range of views, opinions and challenges to be openly shared. The credit function is working well;
- recognising professional partnerships are key to ensuring service resilience, we have refreshed the panel of advisers that support our property, legal and management due diligence. All new development facilities carry an independent quantity surveyor support reporting to the Investment Adviser;
- continued to improve the underlying quality of the portfolio by ensuring new lending is to high quality management teams. We are particularly pleased to be supporting existing borrower, Bede Homes, alongside Esh Group who are new to the portfolio. Both have evidenced regular success in the industry over time.

The Company agreed four new facilities during the year:

- £0.3m (£0.3m drawn at 30 Nov 2019) to Glenfarg Partnerships Ltd. A mezzanine only facility with interest paid quarterly, supporting the senior lender, RBS, in developing 12 high quality pre-retirement apartments near to Perth, Scotland;
- £3.4m (£0.891m drawn at 30 Nov 2019) to Esh Homes Chilton Moor Ltd, an SPV owned by regional mid corporate construction group, Esh Group. A development of 34 detached 3 and 4 bed homes in County Durham, with prices starting from £159,000. Strong demand is seen with 16 of the units reserved off-plan. We are pleased to be funding this established housebuilder;
- £3.05m (£0.5m drawn at 30 Nov 2019) to Bede and Cuthbert Developments Ltd. A development of 30 detached 3 and 4 bed homes in Bill Quay, Gateshead, only 4 miles from Newcastle upon Tyne city centre; and
- the Company agreed the refinance of The Willows project for a further three years, with an increase of 0.48% to the interest rate.

There were further deployments of capital as follows:

Deployments of Capital

Project	£'000
Springs	£2,150
Newgate Street	£1,350
West Auckland	£728
The Willows	£390
Pendower Hall	£287
Whitefield Farm	£280
Barley Croft, Bedlington	£250
Marley Hill	£190
Rare Earth Medburn	£160
Fernhill	£73
IHL	£14

In February 2019 the fourth successful exit within the Company's loan book occurred with the repayment of Bylaugh Hall. The £3.379m loan, at 8%, was to support the acquisition and development of a grade two listed building in Norfolk. The facility predated the formation of the Company and was brought into the Company on the date of listing. Pleasingly, this represented an IRR of 8.3%.

In December 2019, the fifth successful exit within the loan book occurred with the repayment of the Marley Hill facility. The £3.605m loan, at 8%, was to support the development of a 20 unit development near Newcastle upon Tyne. This project has the added benefit of a successful profit share which has seen us recognise circa £0.142m profit.

In May 2020, the sixth exit within the loan book occurred with the repayment of the St Hilds project. The £2.3m loan, at 8%, was to support the acquisition of an eight unit, 34 bed student accommodation in Durham. While not all the capital has been repaid, the project still generated an IRR of 3.9%.

During the year there were a number of partial redemptions including:

Partial Redemptions

Project	£'000
Marley Hill	£2,520
West Auckland	£600
IHL	£414
Charlton's Bonds	£271

As at 30 November 2018, we reported that three of the projects had not performed in line with expectations. The decision was made to recognise capital impairments at that time. The position with the Barley Croft, Bedlington project has improved, and we are now in a position to write back £0.09m of the impairment previously taken. With regard to Pendower Hall, the Company has agreed a restructuring of its loan facility to take receipt of additional collateral via equity in a private trading business. The Board and Investment Adviser are now working to appraise the value of this equity and will, informed by the results of this work, consider the merits of retaining the equity as a non-core holding or liquidating it, in full or in part, if possible, to reduce the exposure. Until such time as an accurate valuation can be established, the Board and Investment Adviser believe it appropriate to impair the loan by a further £0.842m to £0.958m constituting 3.67% of the loan portfolio. The West Auckland loan has previously not performed in line with expectations and the Board made an impairment against the interest of £0.139m in November 2018. Since then, due to ongoing trading difficulties, with sales rates slowing due to challenging economic conditions, the Board has decided to make a capital impairment against the £2.975m West Auckland loan of £1.654m, being a c.60% impairment to this loan, and representing 6.32% of the loan portfolio.

In October 2019, the Company refreshed a committed revolving credit facility with Shawbrook Bank. This facility, agreed in 2018 at £8.5m, supported activities within the last financial year. We took the opportunity to renew at a lower level of £6.0m reflecting our forecast deployment pipeline for the year ahead, and the maturity profile of the Company's loan book. Post year end, the decision was made to increase this facility to £6.5m and extend until May 2021 in order to provide a measure of additional liquidity and flexibility during the Covid 19 driven economic downturn.

At 30 November 2019, the Company had 17 live facilities, nine of which are a profit share arrangement for the benefit of the Company, with the deployment level sitting at £25.206m.

DEPLOYMENT

The portfolio continues to be deployed across the following property sectors: residential 65.9% (30 Nov 2018: 56%), commercial 23.4% (30 Nov 2018: 34%), sale and leaseback 8.6% (30 Nov 2018: 8%) and cash 2% (30 Nov 2018: 2%).

The current average interest rate being achieved on the combined loan book is 7.47% (Nov 2018: 8.38%), with the reduction due to the Barley Croft, Bedlington and West Auckland projects no longer contributing to the average interest rate being achieved as these are assessed for impairment. The average loan size has decreased from £1.87m at 30 November 2018 to £1.49m at 30 November 2019.

PROFIT SHARE PROJECTS

There are currently nine Profit Share projects in the portfolio (Nov 2018: seven).

Since the listing of the Company we have recognised an uplift in the equity value of three of the nine facilities (Nov 2018: 1), 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.

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 £19.3m of potential funding opportunities across 8 projects with 84.2% in the North East and the remainder across Scotland.

OUTLOOK

It's crucial that we acknowledge the outbreak of COVID-19 which has brought much of the world economy to a halt and the impact that will have on the operations, financial performance and liquidity of the Company.

We have a robust pipeline of lending opportunities. However, there will be a reduction in lending through quarter two and quarter three of 2020 due both to the uncertainties of the duration and impact of COVID-19, and the practical challenges in executing lending decisions.

The Company is committed to working with its borrowers to navigate the effects of this crisis. The ultimate impact of the crisis is impossible to predict; however, we anticipate that our borrowers may have a number of challenges. In particular, the time to sell properties may increase, property values may fall, there may be supply chain issues, and this may impact on the ability of lenders to meet their interest payment obligations on a timely basis, as well as the ultimate ability to repay the loan. Almost all construction sites were closed from March 2020 and while most sites have now re-opened on a limited basis, adhering to social distancing rules, there is no certainty when sites will become fully operational again.

Given this, it may be difficult for a time to accurately value properties, and thus to assess our security value. The focus will remain on protecting shareholder value by working with the developers to ensure the best result, depending on the individual circumstances, for each development we support through our loans.

Residential
Our view, supported by various sources of market commentary, is that the following trends are likely:

- UK house prices are likely to decline sharply and may fall by as much as 10% this year. With relatively lower cost housing within the Company's portfolio, then, on average, this equates to around £20k-£25k per house sale.
- market fundamentals are very different to the Global Financial Crisis though and are expected to recover, fuelled by:
    - government intervention to underpin employment and salaries, which did not exist in the 2008 crash.
    - banks are better capitalised and mortgage availability is not expected to be disrupted in anything other than the lock-down period.
    - the majority of the Company's portfolio is in the North East of England, a market much less susceptible to extreme movements. Regional economics are overweight with Public Sector job roles, meaning this area is well placed for a swift consumer lead recovery as majority of people are salaried.
- nationally, Savill's predict that transaction volumes are expected to fall from 1.2m sales in 2019 to between 566k (47%) and 745k (62%). Therefore, there is a future tension between the rate that the site will be built-out, quicker to minimise prelim costs, with a build-phase that matches the sales rate, which will be less capital intensive but heavier on cost.
- Savill's predict a "tick" shaped market recovery, with a return to full capability in 2022. They are confident that their pre-COVID-19 price growth predictions of 15% over 5 years remain valid. They have plotted two market impacts but both year-on-year recovery rate scenarios break-back to the same 15% answer, below:

Five year house price growth forecast

	2020	2021	2022	2023	2024	Cumulative
2019 forecast	1%	4.5%	3%	3%	3%	+15.3%
Scenario one	-5%	5%	8%	4%	14%	+15.4%
Scenario two	-10%	4%	12%	6.5%	3%	+15.0%

Source: Savills

We will continue to monitor the impact on each project with the following sensitised approach on the key variables:

Variable	Sensitivity
Build costs	5% increase in costs as standard unless prices are fixed, additional costs for remobilisation
Build phase	Standard build process to be increased by 10%
Sales prices	Reduce by 5% for remainder of 2020 for units not yet reserved/exchanged
Sales rates	Reduce forecasted rate to 60% of pre-COVID-19 level

Commercial
Our exposure to this sector is primarily in the leisure sector. At the time of writing, venues remain in complete lockdown, with the likelihood that social gatherings will be one of the last activities permitted when restrictions are lifted. Cashflows are disabled, meaning the prospect of clients servicing interest is completely reliant on

having other, non-trading, sources of income. Alternative uses are few and far between. Encouragingly venue bookings are proving to be resilient with postponements preferred to cancellations. Therefore we are expecting a "v" shaped recovery once restrictions are lifted and operators are permitted to trade freely. Current government actions suggest an attempt to encourage a level of normal life to resume while acknowledging that there will be a level of managed risk in doing so. Our view is that we will need to work most closely with our projects in this sector, taking a medium-term view to ensure full capital repayment.

Sale and Leaseback
Our exposure to this sector is in student accommodation. Typically student lets are booked up between 12 and 18 months in advance, meaning cashflows for Academic year 20/21 should be identifiable.

University tuition has been hit hard, with face-to-face time brought to an end in March 2020. Some re-invention to on-line teaching has been seen and it will be important to see how that develops into a more normalised curriculum after relaxation of lock-down rules.

Evidence coming back from clients so far:

- the sector is not over-reacting to COVID-19. Most concern relates to future in-flows of overseas students.
- there is no evidence of cancelling letting contracts for 2020/21. At this point, rental incomes remain robust.
- the government remains fully supportive of Student Finance, meaning landlords are only under mild pressure to provide rental relief, but are not doing so.
- consolidators remain active, but transactions tend to be on hold due to an inability to understand the impact of COVID-19 on valuations. Any views on valuation tend to be driven by perception rather than any real valuation evidence.

While this is an unprecedented time, with the priority being to ensure all of our stakeholders 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.

THE INVESTMENT PORTFOLIO AS AT 30 NOVEMBER 2019

Project	Sector	Maturity Date	Profit Share	Security	% of Portfolio	LTV* (Nov 19)	Loan Value (Nov 19) £'000s	Loan Value (Nov 18) £'000s
The Willows	Commercial	May 2022	No	Senior	17.2%	74.0%	4,448	4,058
Springs	Residential	June 2020	Yes - 25.1%	Senior	13.8%	70.3%	3,567	1,375
Newgate Street	Residential	Aug 2020	Yes - 25.1%	Senior	11.3%	96.0%	2,905	1,500
St Hilds	Sale & Leaseback	Feb 2020	Yes - 25.1%	Senior	8.6%	99.5%	2,237	2,300
Rare Earth Medburn	Residential	Nov 2019	No	Senior	7.2%	72.1%	1,865	1,840
Bedlington	Residential	June 2020	Yes - 25.1%	Senior	7.0%	109.7%	1,802	1,462
Whitefield Farm	Residential	Jan 2020	Exit fee taken	Senior	4.9%	104.9%	1,280	1,000
West Auckland	Residential	Mar 2020	No	Senior	4.6%	98.6%	1,182	2,709
IHL	Residential	Sep 2021	No	Subordinate	4.5%	71.8%	1,175	1,575
Pendower Hall	Commercial	Mar 2023	No	Senior	3.7%	100.9%	958	1,513
Chilton Moor	Residential	Aug 2021	Exit fee	Senior	3.4%	52.7%	891	-

			taken					
Charlton's Bonds	Residential/Commercial	May 2020	No	Senior	2.7%	100.0%	697	967
Fernhill	Residential	Jul 2020	No	Subordinate	2.3%	79.3%	598	525
Gateshead Town Hall	Commercial	Mar 2020	Yes - 25.1%	Senior	2.1%	33.4%	550	550
Bill Quay	Residential	Feb 2022	Yes - 25.1%	Senior	1.9%	85.3%	500	-
Marley Hill	Residential	Jan 2020	Yes - 25.1%	Senior	1.7%	31.1%	438	2,729
Glenfarg	Residential	Oct 2020	No	Subordinate	1.2%	23.5%	300	-
Exits	Commercial							3,379
General Impairment							(187)	-
Cash					2.0%		523	606
Total/Weighted Average					**100.0%**	**82.3%**	**25,729**	**28,088**

Ian McElroy,
Tier One Capital Ltd
29th May 2020

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 the 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 Company holds 100% of its assets in the United Kingdom. The Board considers there is a risk of a further downturn in the UK property market while the EU and the UK negotiate their future relationship. In addition, an unforeseeable global event has emerged, with the COVID-19 pandemic resulting in turmoil in the financial markets. Central banks are now engaged to assist, with recent interest rate cuts by the Bank of England. During the forthcoming months it will be important to carefully monitor the impact of the spread of the virus on the residential property market.

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.

John Newlands
Chairman
29 May 2020

Statement of Comprehensive Income

		Year to 30 November 2019			Year to 30 November 2018		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Revenue							
Investment interest	2	2,222	-	2,222	2,044	-	2,044
Total revenue		**2,222**	**-**	**2,222**	**2,044**	**-**	**2,044**
Unrealised gain on investments	8	-	136	136	-	104	104
Total income		2,222	136	2,358	2,044	104	2,148
Expenditure							
Investment adviser fee	3	-	-	-	-	-	-
Impairments	4	(206)	(2,651)	(2,857)	(317)	(429)	(746)
Other expenses	4	(567)	(30)	(597)	(550)	-	(550)
Total expenditure		**(773)**	**(2,681)**	**(3,454)**	**(867)**	**(429)**	**(1,296)**
Loss before finance costs and taxation		1,449	(2,545)	(1,096)	1,177	(325)	852
Finance costs							
Interest payable		(86)	-	(86)	(14)	-	(14)
(Loss)/profit before taxation		**1,363**	**(2,545)**	**(1,182)**	**1,163**	**(325)**	**838**
Taxation	5	-	-	**-**	-	-	-

(Loss)/profit for the year and total comprehensive profit for the year		1,363	(2,545)	(1,182)	1,163	(325)	838
Basic earnings per share	7	5.06p	(9.45)p	(4.39)p	4.54p	(1.27)p	3.27p

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 (Audited)

		As at 30 November 2019 £'000	**As at 30 November 2019 £'000**
Non-current assets			
Investments held at fair value	8	1,441	104
Loans at amortised cost	9	5,623	8,238
		7,064	**8,342**
Current assets			
Investments held at fair value	8	12,778	-
Loans at amortised cost	9	5,414	19,140
Other receivables and prepayments	10	618	473
Cash and cash equivalents		523	606
		19,333	**20,219**
Total assets		**26,397**	**28,561**
Current liabilities			
Loan facility	11	(3,750)	(2,944)
Other payables and accrued expenses	12	(98)	(203)
Total liabilities		**(3,848)**	**(3,147)**
Net assets		**22,549**	**25,414**
Share capital and reserves			
Share capital	13	269	269
Share premium	14	9,094	9,094
Special distributable reserve	14	16,455	16,455
Revenue reserve	14	(291)	29
Capital reserve	14	(2,978)	(433)
Equity shareholders' funds		**22,549**	**25,414**

Net asset value per ordinary share	**83.75p**	**94.39p**

Statement of Changes in Equity (Audited)

For the year ending 30 November 2019

	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**

For the year ending 30 November 2018

	Share capital	Share premium	Special distributable reserve	Capital reserve	Revenue reserve	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At beginning of the year	227	5,152	16,455	(108)	540	22,266
Total comprehensive profit for the year:						
Profit for the year	-	-	-	(325)	1,163	838
Transactions with owners recognised directly in equity:						
Ordinary shares issued	42	4,188	-	-	-	4,230
Share issue costs	-	(246)	-	-	-	(246)
Dividends paid	-	-	-	-	(1,674)	(1,674)
At 30 November 2018	**269**	**9,094**	**16,455**	**(433)**	**29**	**25,414**

Cash Flow Statement (Audited)

For the year ending 30 November 2019

	Notes	Year ending 30 November 2019 £'000	Year ending 30 November 2018 £'000
Operating activities			
Loss after taxation		(1,182)	838
Impairments		2,657	746

Uplifts		(136)	(104)
Increase in other receivables		(145)	(174)
(Decrease)/increase in other payables		(105)	72
Interest paid		86	14
Net cash inflow from operating activities before interest and after taxation		1,175	1,392
Net cash inflow from operating activities		1,175	1,392
Investing activities			
Loans given		(7,614)	(10,260)
Loans repaid		7,319	3,918
Net cash outflow from investing activities		(295)	(6,342)
Financing			
Issue of ordinary shares	13	-	3,984
Equity dividends paid		(1,683)	(1,674)
Bank loan drawn down		3,806	2,944
Repayment of bank loan		(3,000)	-
Interest paid		(86)	(14)
Net cash (outflow)/inflow from financing		(963)	5,240
(Decrease)/increase in cash and cash equivalents		(83)	290
Cash and cash equivalents at the start of the year		606	316
Cash and cash equivalents at the end of the year		523	606

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

Notes to the Audited Financial Statements

1. ACCOUNTING POLICIES
SIGNIFICANT ACCOUNTING POLICIES
(A) BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). 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 nearest thousand except where otherwise indicated.

GOING CONCERN

Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future, a period not less than twelve months from the date of this report.

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. The Company derived revenue totalling £983k where the amounts from four individual borrowers each exceeded more than 10% of the Company's revenue. The individual amounts were £305k, £254k, £222k and £202k.

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 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 nine 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.

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. See the following notes of IFRS 9 and Impairment for further details.

ACCOUNTING STANDARDS ADOPTED BY THE COMPANY

IFRS 9 - 'Financial Instruments'

The Company adopted IFRS 9 with effect from 1 December 2018. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and introduces new requirements for classification and measurement, impairment and hedge accounting. The accounting policies of the company have been updated to comply with the requirements of IFRS 9 for the purposes of preparing these financial statements. IFRS 9 is not applicable to items that had already been derecognised at 1 December 2018, the date of initial application.

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 December 2018. However, the company has chosen to take advantage of the option not to restate comparatives. Therefore, the 30 November 2018 figures are presented and measured under IAS 39.

Key requirements of IFRS 9

Classification and measurement of financial assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristic of those financial assets.

There are three principal classification categories for financial assets that are debt instruments:

- amortised cost;
- fair value through other comprehensive income; and
- fair value through profit and loss.

Equity investments under IFRS 9 are measured at fair value with gains and losses recognised in profit and loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

The Directors consider loan agreements are drawn with the Primary Purpose of seeking to collect interest and achieving repayment at the end of the contract. On this basis the company operates a Hold to Collect business model.

Therefore, the following considerations are taken into account.

- The company considers that all loans within its' portfolio fall under the scope of IFRS 9.
- All loans are documented.
- That all loans meet the Solely Payments of Principal and Interest Test (SPPI), unless the company

benefits from a shareholding in the project against which loans are provided.

IFRS 9 also introduces a new expected credit loss impairment model, as opposed to the incurred credit loss model implemented under IAS 39. This requires entities to account for expected credit losses at initial recognition and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

IMPACT OF ADOPTION OF IFRS 9

Classification and measurement

Loan investments that are held solely for the collection of contractual cash flows, being interest, fees and payments of principal and also meet the Solely Payments of Principal and Interest Test (SPPI) continue to be held at amortised cost upon the application of IFRS 9.

Where the Company benefits from a shareholding or exit fee in the project against which loans are provided, these are now held as fair value through profit and loss upon the application of IFRS 9 as they fail the SPPI test. There are nine loans that are treated as fair value through profit and loss.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Impairment of financial assets

Transition

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking 'expected credit loss' model.

Cash and cash equivalents

Cash and cash equivalents are held at banks with a strong credit rating and are not subject to any period of notice.

The Company typically maintains a low value of cash and cash equivalents. There is no impact on values reported in the financial statements from adopting IFRS 9 in respect of credit losses.

Transition

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets and financial liabilities as at 1 December 2018. There were no material adjustments to the carrying value of assets and liabilities as a result of the transition to IFRS 9 and so no impact on reserves as at 1 December 2018.

Each loan was assessed on an individual basis to determine whether there is any evidence of impairment. During the year, allowances for impairment losses amounting to £2,857,000 (2018: £746,000), were recognised in the statement of comprehensive income. The other loans are either close to repayment or refinancing; with, or close to, having value in the associated profit shares; or, at an early, ground breaking, stage.

	IAS 39 Classification	**IAS 39 measurement**	**IFRS 9 Classification**	**IFRS 9 measurement**
		£'000		**£'000**
Loans at amortised costs	Loans and receivables	27,378	Amortised cost	16,566
Investments at fair value through profit or loss	Financial assets at FVTPL	104	FVTPL	10,916
Other receivables and payables	Loans and receivables	473	Amortised cost	473
Cash and cash equivalents	Loans and receivables	606	Amortised cost	606
Loan Facility	Loans and receivables	(2,944)	Amortised cost	(2,944)
Other payables and accruals	Other financial liabilities	(203)	Amortised cost	(203)
Net assets		**25,414**		**25,414**

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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 will be no impact to the financial statements once adopted.

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 16.

IMPAIRMENT
Impairment
Policy effective from 1 December 2018.
IFRS 9 replaced the "incurred loss" model in IAS 39 with an "expected credit loss" model in the measurement of impairment loss. The overall effect of the change from IAS 39 to IFRS 9 is that the assessment of impairment loss is intended to be more forward looking under IFRS 9. 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.

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 2019, there were seventeen loans in the portfolio. Nine 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 nine projects.

The Board has deemed that four loans, Bedlington, Pendower Hall, St Hilds and West Auckland, are currently impaired and specific additional provisions have been made against Pendower, St Hilds and West Auckland facilities in these financial statements.

The other thirteen 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.

Policy effective before 1 December 2018
A financial asset was impaired when the recoverable amount was estimated to be less than its carrying amount. An impairment loss was recognised immediately in the Statement of Comprehensive Income, unless the relevant asset was carried at a revalued amount, in which case the reversal of the impairment was treated as a revaluation decrease.

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 2019	30 November 2018

	£'000	£'000
Interest from loans	**2,222**	2,044
Total income	**2,222**	**2,044**

3. INVESTMENT MANAGER'S AND INVESTMENT ADVISER'S FEES

INVESTMENT MANAGER

During the year R&H Fund Services (Jersey) Limited acted 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; however, in the year under review a reduced fee of £5,000 was agreed with the AIFM. There is a balance of £5,000 accrued for the Investment Manager for the year to 30 November 2019.

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.

4. Operating expenses

	30 November 2019		30 November 2018	
	Revenue	**Capital**	Revenue	Capital
	£'000	**£'000**	£'000	£'000
Legal & professional	17	30	44	-
Directors' fees	102	-	120	-
Audit fees related to the audit of the financial statements	85	-	67	-
Fund Administration and Company Secretarial	82	-	74	-
Brokers' fees	33	-	27	-
Marketing fees	77	-	59	-
Valuation fees	(4)	-	40	-
AIFM fee	(28)	-	18	-
Loan impairments	206	2,651	317	429
Other expenses	203	-	101	-
Total other expenses	**773**	**2,681**	**867**	**429**

All expenses are inclusive of VAT where applicable.

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 2019	30 November 2018
	£'000	£'000
Current corporation tax at 19% (2018: 19%)	-	-
Deferred taxation	-	-
Tax on profit on ordinary activities	**-**	**-**

Reconciliation of tax charge

(Loss)/profit on ordinary activities before taxation	(1,182)	838
Taxation at standard corporation tax rate 19% (2018: 19%)	-	162
Effects of:		
Expenses not deductible for tax purposes	-	142
Interest distributions	-	(304)
Tax charge for the year	**-**	**-**

6. Ordinary dividends

	30 November 2019		30 November 2018	
	Pence per share	£'000	Pence per share	£'000
Interim dividend for the quarter ended 28 February 2019	1.50	404	1.75	415
Interim dividend for the quarter ended 31 May 2019	1.50	404	1.75	448
Interim dividend for the quarter ended 31 August 2019	1.50	404	1.75	471
Total dividends paid during and relating to the year		**1,212**		**1,334**
Interim dividend for the quarter ended 30 November 2019	1.50	404	1.75	471
Total dividend declared in relation to the year		**1,616**		**1,805**

The Company intends to distribute at least 85% of its distributable income earned in each financial year by way of interest distribution. On 15 December 2019, the Company declared an interim dividend of 1.50 pence per share for the quarter ended 30 November 2019, payable on 3 January 2020. On 21 February 2020 the Company declared an interim dividend of 1.50 pence per share for the quarter ended 28 February 2020, payable on 4 April 2020.

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 9 companies.

	Loans at fair value through profit and loss	
	30 November 2019	30 November 2018
	£'000	£'000
Opening balance	104	-
IFRS 9 transfer to fair value through profit and loss	10,812	-
Loans deployed	5,611	-
Principle repayments	(2,520)	-
Uplifts/(impairments)	212	104
Total loans at amortised cost	**14,219**	**104**
Split:		
Non-current assets: Loans due for repayment after one year	1,441	104
Current assets: Loans due for repayment under one year	12,778	-

9. Loans at amortised cost

	30 November 2019	30 November 2018

	£'000	£'000
Opening balance	27,378	21,782
IFRS 9 transfer to fair value through profit and loss	(10,812)	-
Loans deployed	1,953	10,260
Principle repayments	(4,799)	(3,918)
Uplifts/(impairments)	(2,683)	(746)
Total loans at amortised cost	**11,037**	**27,378**
Split:		
Non-current assets: Loans at amortised cost due for repayment after one year	5,623	8,238
Current assets: Loans at amortised cost due for repayment under one year	5,414	19,140

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 £2,683,000 (2018: £746,000).

Movements in allowances for impairment losses in the year

	Nominal value £'000
at 1 December 2018	338
Provisions for impairment losses	2,683
at 30 November 2019	**3,021**
Stage 1 provisions at 1 December 2018	-
Provisions for impairment losses	187
Stage 1 provisions at 30 November 2019	**187**
Stage 2 provisions at 1 December 2018	138
Provisions for impairment losses	(138)
Stage 2 provisions at 30 November 2019	**-**
Stage 3 provisions at 1 December 2018	200
Provisions for impairment losses	2,634
Stage 3 provisions at 30 November 2019	**2,834**

10. Receivables

	30 November 2019	**30 November 2018**
	£'000	**£'000**
Prepayments	42	8
Loan interest receivable	576	465
Total receivables	**618**	**473**

11. Loan facility

	30 November 2019	**30 November 2018**
	£'000	**£'000**
Bank loan	3,750	2,944

On 22 October 2019 the Company entered into a £6.0 million committed revolving facility with Shawbrook Bank Limited, expiring on 22 October 2020,. £3.8 million was drawn down at the year end. £0.6 million at an interest rate of 4.716% and £3.2 million at an interest rate of 4.698%. The facility is secured against a debenture over the assets of the Company. Post year end the facility was increased to £6.5m and extended until May 2021 on similar terms, after which it is anticipated that the Company will take out a new facility on comparable terms.

12. Other Payables

	30 November 2019	30 November 2018
	£'000	£'000
Accruals	98	203
Total other payables	**98**	**203**

13. Share Capital

	Nominal Value £'000	Number of Ordinary shares of 1p
At 30 November 2018	269	26,924,063
Issued and fully paid as at 30 November 2019	**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 2018	9,094	16,455	(433)	29	25,145
Loss for the year	-	-	(2,545)	1,363	(1,182)
Dividend paid	-	-	-	(1,683)	(1,683)
At 30 November 2019	**9,094**	**16,455**	**(2,978)**	**(291)**	**22,280**

15. 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 £102k fees for their services during the year to 30 November 2019 (30 November 2018: £120k). £nil was payable at the period and prior year end.

Ian McElroy is Chief Executive of Tier One Capital Ltd and is a founding shareholder and Director of the firm.

Stephen Black is a founding shareholder of Tier One Capital Ltd and resigned as a Director of the firm on 28 September 2018. From 16 March 2020, Stephen Black is no longer involved with Tier One Capital Ltd.

Tier One Capital Ltd received no Investment Adviser's fee during the year and prior year and £nil was payable at the period and prior year end. Tier One Capital Ltd receive a 20% margin and arrangement fee for all loans it facilitates.

Stephen Black and Ian McElroy are shareholders owning 50% of Inveniam Corporate Finance Ltd to which was paid £nil for financial modelling to the 30 November 2019, (30 November 2018: £36k).

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

- **Pendower Hall**
  Stephen Black and Ian McElroy are former Directors of Pendower Hall Ltd having resigned 15 June 2018. Pendower Hall Ltd is 100% owned by Inperpetuity Ltd. Inperpetuity Ltd is 100%owned by Stephen Black and his spouse Jill Black. The loan amount outstanding as at 30 November 2019 was £1.8m (30 November 2018: £1.713m). Transactions in relation to loans made during the year amounted to £0.287m (30 November 2018:£0.480m). Interest due to be received as at 30 November 2019 was £0.084m (30 November 2018: £0.027m). Interest received during the year amounted to £0.202m (30 November 2018:£0.139m).

- **Rare Earth Medburn**
  Stephen Black and Ian McElroy are former Directors of Rare Earth Medburn Ltd, having resigned on 15 June 2018. Rare Earth Medburn Ltd was formerly 100% owned by Stephen Black and his spouse

Jill Black, having previously been owned by Inperpetuity Ltd. The shares in the company were transferred to an unconnected third party on 4 October 2019. The loan amount outstanding as at 30 November 2019 was £1.8m (30 November 2018: £1.8m). Transactions in relation to loans made during the year amounted to £0.025m (30 November 2018:£0.210m). Interest due to be received as at 30 November 2019 was £0.025m (30 November 2018: £0.025m). Interest received during the year amounted to £0.151m (30 November 2018:£0.141m).

- **Thursby Homes (Charlton's Bonds)**
  Tier One Capital Ltd sold 25.1% of Thursby Homes Ltd on the 20 March 2019. The loan amount outstanding as at 30 November 2019 was £0.697m (30 November 2018: £0.967m). Transactions in relation to loans repaid during the year amounted to £0.271m (30 November 2018: £0.975m). Interest due to be received as at 30 November 2019 was £0.009m (30 November 2018: £0.013m). Interest received during the year amounted to £0.061m (30 November 2018: £0.099m).

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

- **Ryka Developments**
  The Company owns 25.1% of the borrower Ryka Developments Ltd. Stephen Black is a former Director of Ryka Developments Ltd, having resigned on 21 September 2018. The loan amount outstanding as at 30 November 2019 was £2.3m (30 November 2018: £2.3m). Transactions in relation to loans made during the year amounted to £nil (30 November 2018: £nil). Interest due to be received as at 30 November 2019 was £83k (30 November 2018: £31k). Interest received during the year amounted to £184k (30 November 2018:£184k).

- **Gatsby Homes**
  The Company owns 25.1% of the borrower Gatsby Homes Ltd. T1C Nominees Ltd is a former Director of Gatsby Homes Ltd, having resigned on 5 October 2018. T1C Nominees Ltd is owned by Stephen Black and Ian McElroy who are Directors. The loan amount outstanding as at 30 November 2019 was £1.8m (30 November 2018: £1.9m). Transactions in relation to loans made during the year amounted to £0.3m (30 November 2018:£1.1m). Interest due to be received as at 30 November 2019 was £nil (30 November 2018:£31k). Interest received during the year amounted to £nil (30 November 2018: £100k).

- **Bede and Cuthbert Developments**
  The Company owns 25.1% of the borrower Bede and Cuthbert Developments Ltd. Stephen Black and Ian McElroy are former Directors of Bede and Cuthbert Developments Ltd, having resigned on 24 October 2018. The loan amount outstanding as at 30 November 2019 was £0.9m (30 November 2018: £2.6m). Transactions in relation to loans (repaid)/made during the year amounted to (£1.8m) (30 November 2018: £1.6m). Interest due to be received as at 30 November 2019 was £16k (30 November 2018: £35k). Interest received during the year amounted to £108k (30 November 2018:£146k).

- **Thursby Homes (Springs)**
  The Company owns 25.1% of the borrower Thursby Homes (Springs) Ltd. The loan amount outstanding as at 30 November 2019 was £3.53m (30 November 2018: £1.4m). Transactions in relation to loans made during the year amounted to £2.15m (30 November 2018: £1.4m). Interest due to be received as at 30 November 2019 was £81k (30 November 2018: £18k). Interest received during the year amounted to £222k (30 November 2018: £54k).

- **Northumberland**
  The Company owns 25.1% of the borrower Northumberland Ltd. The loan amount outstanding as at 30 November 2019 was £2.85m (30 November 2018: £1.5m). Transactions in relation to loans made during the year amounted to £1.35m (30 November 2018: £1.5m). Interest due to be received as at 30 November 2019 was £47k (30 November 2018: £30k). Interest received during the year amounted to £166k (30 November 2018: £41k).

- **Dinosauria**
  The Company owns 25.1% of the borrower Dinosauria Ltd. The loan amount outstanding as at 30 November 2019 was £0.6m (30 November 2018: £0.6m). Transactions in relation to loans made during the year amounted to £nil (30 November 2018: £0.6m). Interest due to be received as at 30 November 2019 was £7k (30 November 2018: £7k). Interest received during the year amounted to £44k (30 November 2018: £19k).

The total value of loan impairment charge relating to loans to related parties is £0.680m (2018: £0.608m 2018).

16. 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 2019, with impairments amounting to £2,857,000 (30 November 2018: £746,000).

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.

Liquidity Risk

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

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

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

Financial assets as at 30 November 2019

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

	19,291	**7,064**	**26,355**

Financial assets as at 30 November 2018

	In one year £'000	In two or more years £'000	Total £'000
Cash and cash equivalents	606	-	606
Loans at amortised cost	20,640	6,738	27,378
Investments at fair value	104	-	104
Loan interest receivable	464	-	464
	21,814	**6,738**	**28,552**

Financial liabilities as at 30 November 2019

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

Financial liabilities as at 30 November 2018

	In one year £'000	In two or more years £'000	Total £'000
Bank loan	2,944	-	2,944
	2,944	**-**	**2,944**

Interest Rate Risk

The interest rate profile of the Company was as follows:

as at 30 November 2019

	Financial net assets on which no interest is paid £'000	Fixed rate Financial Assets £'000	Variable rate financial net assets £'000	Total £'000
Other receivables and prepayments	618	-	-	618
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**

as at 30 November 2018

	Financial net assets on which no interest is paid £'000	Fixed rate Financial Assets £'000	Variable rate financial net assets £'000	Total £'000
Other receivables and prepayments	473	-	-	473
Other payables and accrued expenses	(203)	-	-	(203)
Cash and cash equivalents	-	-	606	606
Loan facility	-	-	(2,944)	(2,944)
Investments held at fair value	-	104	-	104
Loans at amortised cost	-	27,378	-	27,378
Total	**270**	**27,482**	**(2,338)**	**25,414**

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. 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. 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 £839,123 as at 30 November 2019. 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.

17. Post Balance Sheet Events

- On 12 December 2019, Marley Hill repaid its loan in full to the amount of £0.4m.
- On 12 December 2019, £1.7m was borrowed from Shawbrook Bank. A further £0.6m was borrowed on 18 January 2020, utilising the remainder of the £6m facility.
- On 3 January 2020, a dividend of 1.50 pence per ordinary share was paid.
- On 21 February 2020, a dividend of 1.50p was declared with an xd date of 5 March 2020, record date of 6 March 2020 and a payment date of 10 April 2020. Payment of this dividend was subsequently changed to 1 June 2020.
- On 16 March 2020, Stephen Black disposed of his shares in the Investment Adviser. This removes the related parties for Pendower Hall, Medburn, and Inveniam Corporate Finance.
- On 16 March 2020, the Pendower Hall facility restructure was finalised, resulting in a waiver of £1m loan plus unpaid interest. This has been disclosed in these financial statements.
- In May 2020, the gearing facility with Shawbrook was increased to £6.5m and extended until May 2021.
- Post year end the COVID-19 virus outbreak occurred. Please see the Chairman's Statement, Investment Adviser Report and Strategic Review for an assessment of the potential impact on the Company. COVID-19 is considered to be a non-adjusting post balance sheet event and so has not been taking into account in determining the carrying values of assets and liabilities.

18. Financial Statements

These are not full statutory accounts. The report and financial statements for the period to 30 November 2019 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.