



**TwentyFour  
Income Fund Limited**  
Annual Report  
and Audited  
Financial  
Statements

For the year ended 31 March 2023

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# Summary Information

	For the year ended 31.03.23	For the year ended 31.03.22
Total Net Assets	£724,982,762	£718,477,218
Net Asset Value per share	100.97p	112.45p
Share price	100.50p	107.00p
Discount to Net Asset Value	(0.47%)	(4.85%)
Dividends declared in respect of the year	9.46p	6.77p

The basis for determining the Net Asset Value per share can be found in Note 6 on page 57.

As at 17 July 2023, the Company's shares were trading at a discount of 5.82% to Net Asset Value ("NAV"). The estimated NAV per share and mid-market share price stood at 101.19p and 95.30p respectively.

## The Company

TwentyFour Income Fund Limited (the "Company" and "TFIF") was incorporated with limited liability in Guernsey, as a closed-ended investment company on 11 January 2013. The Company's shares ("Ordinary Shares", being the sole share class) were listed with a Premium Listing on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange on 6 March 2013.

On 16 September 2022, the Company was included in the London Stock Exchange's FTSE 250 Index. The inclusion was largely due to the increase in the net asset value of the Company, following its acquisition of the assets of UK Mortgages Limited ("UKML") in March 2022.

## Investment Objective and Investment Policy

The Company's investment objective is to generate attractive risk adjusted returns principally through income distributions.

The Company's investment policy is to invest in a diversified portfolio of predominantly UK and European Asset Backed Securities ("ABS").

The Company maintains a Portfolio largely diversified by the issuer, it being anticipated that the Portfolio will comprise at least 50 Asset Backed Securities at all times.

## Target Returns

The Company has a target annual net total return on the Company's NAV of between 6% and 9% per annum, which, until 21 September 2022, included quarterly dividends with a target yield each financial year of 6% (the equivalent of 6 pence per Ordinary Share) or higher, of the Issue Price\*. On 21 September 2022, the annual target dividend was changed to 7% (the equivalent of 7 pence per Ordinary Share) or higher, of the Issue Price. The change became effective from the dividend declared in respect of the 3-month period ended 30 September 2022.

On 24 February 2023, a further increase in the annual target dividend to 8% was agreed, (the equivalent of 8 pence per Ordinary Share) or higher, of the Issue Price. The change became effective from the dividend declared in respect of the 3-month period ended 31 March 2023.

The increases in the annual target yield are intended to increase the rate of return to investors during the financial year, following recent increases in global interest base-rates.

## Ongoing Charges

Ongoing charges for the year ended 31 March 2023 have been calculated in accordance with the Association of Investment Companies (the "AIC") recommended methodology. The ongoing charges for the year ended 31 March 2023 were 0.97% (31 March 2022: 0.97%).

\* The Issue Price being £1.00. This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Company shall pay any dividends at all. This target return should not be taken as an indication of the Company's expected or actual current or future results. The Company's actual return will depend upon a number of factors, including the number of Ordinary Shares outstanding and the Company's total expense ratio, as defined by the AIC's ongoing charges methodology. Potential investors should decide for themselves whether or not the return is reasonable and achievable in deciding whether to invest in or retain or increase their investment in the Company. Further details on the Company's financial risk management can be found in note 17.

# Chair's Statement

for the year ended 31 March 2023

Bronwyn Curtis OBE

In my capacity as Chair of the Board of Directors of TwentyFour Income Fund Limited, I am pleased to present my report on the Company's progress for the year ended 31 March 2023.

## Investment Performance

The dividends declared by TFIF during the year ended 31 March 2023 were 9.46 pence per ordinary share, with 7.27p per ordinary share paid during the year, which is an excellent result for a period when equities, bonds and property have all been weak. The strategy of investing in higher yielding floating rate asset backed securities in a rising interest rate environment has enabled the Company to deliver these attractive dividends, as all excess investment income is paid out each year. We have also been able to increase the target base, annual income distribution for TFIF, initially to 7p in September 2022, and then to 8p per ordinary share in February 2023 (from 6p at the start of the year), paid on a quarterly basis. Any additional income generated over and above the 8p will continue to be paid out in the final dividend.

The market volatility seen in all fixed income products did impact the Company's NAV and share price. TFIF delivered a share price total return of positive 0.87% and the total return of the net asset value was negative 3.61%. Despite this difficult environment, TFIF shares mostly traded at a premium and 79.1m TFIF shares were issued during the financial year. The portfolio did not see any material interest deferrals or defaults during this financial year.

The Company raised a net £34m at the triennial share realisation opportunity in October 2022 as demand for tendered shares in the subsequent placing programme exceeded supply. It was one of the few successful fund raisings that month in the London market, as it took place around the time of the UK mini budget when market turmoil was at its height.

## Market Overview

The Russian invasion of Ukraine just prior to the start of the Company's financial year caused credit spreads to widen as risk sentiment in all markets deteriorated quickly. The Company did not have any direct or indirect exposure to Russia or Ukraine and, to date, has not had any direct impact from the various sanctions imposed on Russia.

The resulting increase in energy prices caused inflation to surge to the highest level for 40 years and central banks responded by rapidly increasing key interest rates.

As the Company invests in floating rate bonds, this has had a significant positive impact on income; all investments are either made in GBP or hedged back to GBP, so the income of the Company effectively tracks the Bank Rate set by the Bank of England.

High interest rates and inflation, however, have put pressures on the cost of living, but as UK and European labour markets are still very tight and wage growth has been substantial, UK and European mortgage arrears remain at historically low levels. Non-prime consumer and auto loan arrears have started to increase and the Portfolio Manager has therefore increased the allocation towards other secured assets.

The market turmoil following the UK mini budget resulted in the highest selling pressure in the European and UK Asset Backed Securities market since the Global Financial Crisis. With UK pension funds in need of liquidity, the Portfolio Manager saw this as an excellent opportunity to invest at yields not seen since the Company's launch in 2013, and the Board was supportive of the Portfolio Manager's decision to temporarily increase gearing to buy higher rated bonds that were accretive to the income. This was a liquidity event and the temporary sell off was not due to concerns about credit quality.

In March 2023 bank debt spreads widened significantly after the collapse of various US regional banks and the unprecedented write-off of Credit Suisse contingent convertible bonds, which were ranked junior to shareholders in a surprise move by the Swiss regulator. Whilst RMBS are issued by banks (and other non-bank lenders) to fund mortgages, these loans have no exposure to the balance sheet of the originating banks, and the Board recognised the strong performance of the asset class during this period of broader market volatility.

## Dividend

The Company distributes all its investment income to ordinary shareholders. In the current market the Company is targeting quarterly payments equivalent to at least 8p per year. The fourth interim dividend is used to distribute any residual income generated in the year.

As mentioned above, dividends paid by the Company in the year ended 31 March 2023 totalled 7.27p per ordinary share.

The increase in dividends this year was driven by two main factors; the increase in the UK Bank Rate (which rose by 3.5% from 0.75% to 4.25% in the year to 31 March 2023), and the

effect of bond amortisations and share issuance which enabled the Portfolio Manager to invest at the prevailing higher bond yields that were more accretive to the income of the Company.

### Premium/Discount and Share Capital Management

The share price started the year at an 4.85% discount to NAV mainly due to market sentiment following the Russian invasion of Ukraine. However, from summer 2022 the shares have traded consistently at a 1-2% premium, except for a very short period after the UK mini budget, and a brief fall over the year end date to -0.47%. Discounts in the UK Investment Company sector have widened significantly at the time of writing and the board has been having regular discussions with the Company's broker to determine if any additional discount control measures will be required to help mitigate volatility in the Company's share price.

Shares were issued to shareholders to an amount of 79,094,006 in the 12 months to 31 March 2023, of which £34m was in relation to the excess demand for shares at the realisation event, and £4m was raised through numerous ongoing tap issues throughout the year. The Board is grateful for the continued support from our investors, and has approved a continued share issuance program to reflect the continued investment opportunities in this sector.

### Annual General Meeting

The Company's 2023 Annual General Meeting ("AGM") will be held at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands on 14 September 2023 at 12:30 pm.

### Board Composition

I assumed the Chair position on 14 October 2022, having joined the Board as Chair-elect on 12 July 2022. The former Chair, Trevor Ash stepped down as Chair at the AGM, along with Ian Burns, who retired from his position as Senior Independent Director and Audit Chair, both having served on the Board since January 2013.

John Le Poidevin has taken over as Audit Chair, and Joanne Fintzen became the Senior Independent Director during the year. John de Garis assumed the role of Chair of the Nomination and Remuneration Committee during the year.

In line with the succession planning for Richard Burwood, Paul Le Page joined the Board on 16 March 2023. Richard will step down at the Company's forthcoming AGM.

I would like to thank Trevor, Ian, and Richard for their hard work and valued contribution to the Company during their tenures on the Board. I have every confidence that the Shareholders are in very good hands with an experienced Board of diverse skills. The changes to the Board composition over the period have ensured that the Company is represented by an appropriate breadth of skills, diversity and knowledge.

### Realisation Opportunity

As reported in the Company's Interim Financial Statements, the triennial share realisation opportunity took place in October 2022. It is very pleasing to note that the net fund raising that resulted was one of the very few successful fund raisings in October 2022 in the London market. The Board sees this result, against a very difficult back-drop, as a vote of confidence by our investors in the Company's investment strategy. Only 1.5% of shares were redeemed, whilst a net additional £34 million of share capital was raised as a result of the process.

### Corporate Events

The Company was promoted to the London Stock Exchange's FTSE 250 index following the quarterly reshuffle, effective 16 September 2022. The Board welcomed the promotion as a positive development, increasing the Company's stock market profile and helping to diversify the investor base.

### Outlook

Inflation and recessionary fears, in addition to the ongoing problems in commercial real estate and banks, are likely to persist into the 2023/24 financial year, and market volatility is likely to remain elevated. Current valuations reflect modest recessionary yields, so the Company is, in our view, in a good position to benefit from potential market dislocations. While a deterioration of fundamental performance of the investment asset class of the Company is expected (mostly co-related to unemployment, house prices, corporate earnings and defaults) the Board remains confident in the Portfolio Manager's underwriting and stress testing which the Board believes to be instrumental to avoiding bond defaults and significant price drops, especially as an economic recession is becoming more likely.

The Company's income is expected to continue to benefit whilst interest rates in the UK and Europe remain elevated.

**Bronwyn Curtis OBE**  
**Chair**  
**17 July 2023**

# Portfolio Manager's Report

for the year ended 31 March 2023

TwentyFour Asset Management LLP

In our capacity as Portfolio Manager to the TwentyFour Income Fund Limited, we are pleased to present our report on the Company's progress for the year ended 31 March 2023.

## Investment Background

For the first half of the reporting period (into autumn of 2022) market sentiment as a whole remained very weak across all fixed income markets during what has been a period of elevated volatility, characterised by risk-off direction, challenging liquidity, the ongoing conundrum of interest rates policy, inflation and recessionary fears, the escalating Russia-Ukraine conflict and its associated energy supply/cost concerns. This was punctuated by the disastrous UK mini budget causing extreme moves in UK Gilt yields and the ensuing liability-driven investment ("LDI") liquidity-driven bond sell off. Amidst this we did see short periods of stability, which in turn gave rise to windows of opportunity in both primary and secondary markets. Conditions recovered towards the calendar year-end as market activity shifted in line with economic data and more benign central bank rhetoric. The start of 2023 saw markets get off to the strongest start to a year since 2019, as a number of the issues that had driven risk appetite in 2022 started to ease, although after a strong rally in most parts of financial markets in January, February and March marked a return to more negative broader market investor sentiment. Renewed inflation fears and strong labour markets in the US, UK and Europe lowered the likelihood of a dovish pivot by the central banks in the near term.

For primary ABS markets, issuance was a little bifurcated; the start of the Russia/Ukraine conflict and developing challenges in tech and crypto markets saw a hiatus in issuance in March 2022 but sentiment recovered quite quickly and April provided an attractive opportunity for investors looking to add floating rate exposure following the Bank of England moving ahead with rate hikes. The month was very busy across all asset classes, even as spreads widened across the capital stack, but was followed by a virtual slowdown in May, and then a small rebound in June.

Despite the ongoing market volatility and weaker views, several issuers placed deals in July ahead of the summer. While August proved to have a relatively more constructive tone but was typically quiet with virtually no primary issuance. September saw a modicum of normality returning to the primary pipeline, allowing issuers to price deals into a receptive investor base early in the month. However, market conditions

deteriorated sharply later in the month, triggered by the UK mini budget, and issuance ceased abruptly forcing one UK prime RMBS issuer to retain a deal it had planned to sell. Secondary markets also sold off heavily, more than wiping out the gains from the rally earlier in the month.

The subsequent stress in Gilts and wider rates markets was compounded by the now well-documented bond sales by pension funds running LDI strategies. The ABS market saw extremely high levels of secondary sales in the run-up to month-end; over €4bn of sales went through the typical BWIC ("bids wanted in competition", meaning a request for bids submitted by an investor to a number of dealers) in the last week of the month, more than in the previous three months combined. In the main, most of the selling activity was concentrated in senior AAA and AA RMBS/ABS/CLOs and Australian RMBS. Execution was good on the whole in terms of volumes traded as investors with cash to spend were able to add bonds at yields not seen for many years (excluding the small window at the start of the COVID-19 pandemic), and dealers were seen to be providing liquidity in selective and preferred asset classes. Pricing clarity was challenging but spreads could broadly be characterised as having widened by 50-75bp in seniors and 3-7 price points lower in mezzanine bonds. The volume of RMBS/ABS and CLOs sold on publicly offered BWICs was unprecedented over a three week period, comfortably in the region of around €6bn, and not including similar-sized volumes which were reported to have traded bilaterally. Selling began to subside towards the latter part of October 2022 as markets became more orderly, although some selling moved on to mezzanine lists. Interestingly, not a large amount of sub-investment grade was offered for sale, endorsing the fact that the sell-off was purely a drive for liquidity from a relatively small group of investors and nothing at all to do with any credit performance concerns. Encouragingly, whilst spreads were understandably wider (although no wider than any comparable markets such as covered bonds or financials), all the selling volume was absorbed and any liquidity fears that may have lingered about European ABS and CLOs has been well and truly erased. In fact, anecdotal accounts of sellers being unable to source liquidity in corporate bonds and turning to ABS to achieve it were heard repeatedly. The typically higher cash price of ABS (due to their floating rate nature, and therefore immunisation from interest rate duration) meant they were an attractive, if not the "go to" asset to sell in these markets as the sales had a lower P&L impact – arguably making ABS an unintended victim of its own success.

Secondary markets dominated ABS and CLO trading flows during October and November in the absence of much primary issuance. Rishi Sunak's appointment in late October 2022 reassured markets, and the CLO market saw the first rumblings of primary issuance after a very quiet period. A handful of deals priced in October 2022 with several more being announced into a marketing phase. Challenges remained around the arbitrage; the rising weighted average cost of capital (to as high as 350bps) being considerably higher than the average 160-180 average range in 2021. This is due to the cost of the liabilities, mainly the AAA tranches still clearing around +220 discount margin ("dm"), however there were windows where the underlying loan prices sold off enabling managers to add collateral.

Primary ABS issuance remained fairly muted again into year-end 2022 as issuers had previously pushed back plans and although there were some notably large, and upsized liquid deals from UK and European Prime issuers during the period all of which were very well received. In contrast, the CLO market saw eight new deals price in November 2022, on the heels of a fairly buoyant October 2022, for a notional value of around €3bn which proved to be the busiest month since March. Secondary markets saw a much better tone into the year end after the havoc inflicted by the LDI sell off in the previous 6 or 7 weeks. Spreads, by and large, retraced across all sectors with most of the tightening seen in the investment grade space, whilst sub-investment grade lagged a little into the month end.

This brought the overall volume of placed issuance for the calendar year to around €80bn including €26bn in CLOs. RMBS accounted for €32bn of issuance with the rest split between Autos and Consumer at €18bn. The year also saw a drop in CMBS primary to just €0.9bn. While this overall number was the second lowest annual total in the post-2008 period, it could be suggested that given the macro backdrop over the course of 2022, it was actually a reasonable outcome, as evidenced by the strong levels of investor interest in deals that came to market during the windows of opportunity. Spread performance in general over the month was positive with a noticeable investor bias to add risk in both CLOs and ABS. BWIC volumes returned to a degree of normality and execution prices remained strong throughout the month. Following on from similar generic moves seen in November, this put the market on a reasonably positive footing going into 2023. Underlying performance of assets for 2022 remained strong although expectations remained that there would be some consumer deterioration given the economic backdrop.

The primary market saw a solid start to 2023 with a small handful of deals; the main themes during the first two months were a very strong spread performance across all asset classes, with the understandable exception of CMBS, and a lot of demand for bonds across nearly all rating bands. Notably two UK Prime deals saw very high levels of demand from investors with over-subscription levels of approximately three times. The pricing represented a tightening of 11 bps versus a benchmark deal that printed at the end of 2022 which in the AAA Prime sector is a strong rally in spreads terms. Mezzanine tranches too provided useful pricing points for market participants where bonds were available. Secondary ABS market spreads began the year on a stable footing and initially lagged slightly, but as the wider credit market compression theme filtered through, the direction quickly changed driving a strong risk rally across securitised products. This was also helped by the supply-demand technical, driven by low-ish and orderly primary issuance together with an atypical month of supply in BWIC volume of around €1bn all seeing healthy demand. Secondary CLO spreads saw strong performance with steady tightening throughout February.

Also during February 2023 the ABS market saw Blackstone default on a single loan within a CMBS transaction (the loan being for Finnish offices) after it failed to get bondholder approval for a maturity extension. Whilst the Company doesn't have exposure to this transaction, and we are aware the income from tenants is enough to service the debt and the LTV on the mortgage is low, we will be following the process closely. The Portfolio Managers have been cautious on CMBS for some time and after a full sector review, sold various deals in the second half of last year.

An active March 2023 in primary markets quickly unravelled as the US and European banking "hiccup" struck financial markets mid-month, which put paid to any further issuance until the last week of the month as spreads widened in quick order and borrowers waited to observe market developments. The ABS market bounced back reasonably quickly to the extent that BMW was able to place a £400m deal into the UK together with another Prime Auto deal in Germany, and a Green RMBS deal in Spain both placed by month end as ABS spreads, in general, retraced nearly all of their intra-month widening. On the CLO side, issuance remained fairly muted for another month with the sector now having seen just below €7bn of issuance year to date. Overall issuance volume for the first quarter of 2023 was a reasonable €20bn including CLOs.

# Portfolio Manager's Report (continued)

for the year ended 31 March 2023

## Performance Review

The Company started the reporting period just after the invasion of Ukraine by Russia, meaning the risk sentiment in the credit and equity markets changed significantly as investors sought liquidity. Additionally, general risk sentiment had evolved due to expectations of high inflation, increasing interest rates and the general higher risk of a slowdown of the UK and European economies. Following a brief relief during the summer, floating rate fixed income markets were again faced with a large liquidity event, which was the result of the UK mini-budget as GILT yields increased significantly and UK pension funds had to sell assets to settle margin calls on their books. During this period there were no defaults in the portfolio, however, spreads had widened for most of the first six months of the financial year. As risk appetite returned in October, spreads retraced roughly half of this spread widening in the second half of the Company's financial year. For the Company, this resulted in increased NAV volatility, particularly due to the negative performance of CLOs through the Period as they correlated with High Yield corporate bonds, demonstrating significant volatility showing negative performance. In October 2022 CLO spreads briefly reached 1100 and 1650bps for BB and B rated bonds, but spreads rapidly contracted in the first quarter of 2023. CMBS showed similar negative performance over this 12 month period, but credit spreads in the sector didn't significantly tighten as concerns over (global) commercial real estate valuations increased and this was reflected in bond valuations. The Portfolio Manager viewed the illiquidity following the UK mini-budget, and the following spread widening, as an opportunity to buy assets (predominantly BBB to B rated UK and Dutch RMBS and BB rated CLOs) and increased fund leverage in the fourth quarter of 2022 to fund these purchases. This leverage was reduced in the first quarter of 2023 when credit spreads tightened and the Portfolio Manager sought to lock in this performance. As the Portfolio Manager views a future recession in the UK and Europe as very likely, overall positioning has changed to a focus on secured collateral (RMBS and CLOs) over unsecured consumer loans and SMEs, from Western European countries and they have further improved the average rating of the underlying portfolio. As SONIA has continued to increase through the year, the NAV has benefited from increasingly higher coupon payments. The total NAV performance for the year was -3.61%. The Company's NAV per Share ended at 100.89 from 112.45 at the start of the period, with dividends totalling 7.27p paid during the period.

## Portfolio Allocation

Secondary spreads which had been relatively stable and constructive earlier in April widened, driven by an elevated amount of ABS selling from macro and institutional investors in order to fund fixed income outflows amid broader volatility. Combined with the substantial primary supply, this took spreads to levels not seen since the COVID sell-off. Bank trading desks had little appetite to add risk in any fixed income product and investors were able to pick and choose selectively where to add risk at higher yields. This allowed the investment team of the Portfolio Manager to gradually increase the purchase yield of the portfolio, over and above the natural yield increase generated by the rises in interest rates.

## Outlook

Floating rate ABS began 2023 well placed with a strong income component through high spreads and increased base rates with more rises expected. Performance caught up in the first two months of the year, spreads remain wider. Highlights for the sector are expected to include robust deal performance across mortgages although some weakness is expected in consumer pools. CMBS is expected to be the weakest performer, with Credit Real Estate ("CRE") valuations decreasing, and we anticipate selective loans with short maturities will face refinancing challenges. Other sectors are expected to perform well.

Liquidity conditions have been restored after Q3 volatility and 2023 so far has seen strong and active investor participation, which we expect to continue. Default rates and ratings are expected to outperform in ABS relative to credit markets.

We anticipate volatility to remain a theme through this late cycle phase and assets with stronger liquidity characteristics are preferred. EU ABS issuance has surprised to the upside so far in 2023, despite demand driven reductions in lending in Europe, as early year tightening of spreads has accelerated issuer plans. Bank issuance has begun to represent a larger share. This is expected to continue but predicated by the potential for disruption by wider market events.

**TwentyFour Asset Management LLP**  
**17 July 2023**



# Top 20 Holdings

as at 31 March 2023

Security	Nominal/ Shares	Asset Backed Security Sector*	Fair Value £	Percentage of Net Asset Value
UK MORTGAGES CORP FDG DAC KPF2 A 0.0% 31/07/2070	51,162,790	RMBS	31,053,511	4.28
UK MORTGAGES CORP?FDG DAC CHL1 A 0.0% 31/07/2070	22,379,113	RMBS	29,277,408	4.04
UK MORTGAGES CORP?FDG DAC KPF1 A 0.0% 31/07/2070	21,595,968	RMBS	22,404,521	3.09
OPTIMUM THREE LTD '3 MEZ6' FRN 25/4/2023	21,250,000	RMBS	21,233,000	2.93
TULPENHUIS 0.0% 18/04/2051	20,433,557	RMBS	17,384,293	2.40
UKDAC MTGE 'KPF3 A' 0.0% 31/7/2070	18,516,811	RMBS	14,782,507	2.04
SYON SECURITIES 19-1 B CLO FLT 19/07/2026	14,830,946	RMBS	14,060,923	1.94
VSK HOLDINGS LTD VAR 31/7/2061	2,058,000	RMBS	12,022,950	1.66
CHARLES ST CONDUIT ABS 2 LIMITED CABS 2- CL B MEZZ	12,500,000	RMBS	11,967,500	1.65
EQTY. RELEASE FNDG. NO 5 '5 B' FRN 14/07/2050	14,550,000	RMBS	11,454,668	1.58
CHARLES STREET CONDUIT FRN 0.00% 12/04/2067	12,000,000	RMBS	11,142,000	1.54
HABANERO LTD '6W B' VAR 5/4/2024	10,625,000	RMBS	10,620,144	1.46
UK MORTGAGES CORP FDG TML1 A 0.0% 31/07/2070	9,624,173	RMBS	9,994,714	1.38
CASTELL 2022-1 PLC '1 D' FRN 25/4/2054	10,224,000	RMBS	9,890,386	1.36
RRME 8X D '8X D' FRN 15/10/2036	13,000,000	CLO	9,612,801	1.33
SYON SECS. 2020-2 DAC '2 B' FRN 17/12/2027	9,531,069	RMBS	9,398,873	1.30
BARLEY HILL NO 2 PLC '2 X' FRN 27/08/2058	8,737,766	RMBS	8,665,277	1.20
HOPS HILL NO2 PLC '2 E' FRN 27/11/2054	9,262,000	RMBS	8,576,603	1.18
SYON SECURITIES 2020-2 DESIGNATED A FLTG 17/12/202	9,056,875	RMBS	8,394,274	1.16
TAURUS 2020-1 NL DAC 'NL1X E' FRN 20/02/2030	10,479,650	CMBS	8,140,146	1.12

The full portfolio listing as at 31 March 2023 can be obtained from the Administrator on request.

#### \* Definition of Terms

'ABS' – Asset Backed Securities

'CLO' – Collateralised Loan Obligations

'CMBS' – Commercial Mortgage-Backed Securities

'RMBS' – Residential Mortgage-Backed Securities

# Board Members

Biographical details of the Directors are as follows:

## **Bronwyn Curtis OBE (Non-executive Director and Chair)**

Ms Curtis is a resident of the United Kingdom, an experienced Chair, Non-Executive Director and Senior Executive across banking, media, commodities and consulting, with global or European wide leadership responsibilities for 20 years at HSBC Bank plc, Bloomberg LP, Nomura International and Deutsche Bank Group. She is presently a Non-Executive member of the Oversight Board at the UK Office of Budget Responsibility and Non-Executive Director at Pershing Square Holdings, The Scottish American Investment Company plc and BH Macro Limited. She is also a regular commentator in the media on markets and economics. Ms. Curtis was appointed to the Board on 12 July 2022 and was appointed Chair on 14 October 2022.

## **Richard Burwood (Non-executive Director)**

Mr Burwood is a resident of Guernsey with over 30 years' experience in banking and investment management. During 18 years with Citibank London, Mr Burwood spent 11 years as a fixed income portfolio manager spanning both banks/finance investments and Asset Backed Securities. Mr Burwood has lived in Guernsey since 2010, initially working as a portfolio manager for EFG Financial Products, managing the treasury department's ALCO Fixed Income portfolio. From 2011 to 2013, Mr Burwood worked as the Business and Investment Manager for Man Investments, Guernsey. In January 2014, Mr Burwood joined the board of RoundShield Fund, a Guernsey private equity fund, focused on European small to mid-cap opportunities. In August 2015, he became a Board Member of SME Credit Realisation Fund Limited, which provides investors access to a diversified pool of SME loans originated through Funding Circle's marketplaces in the UK, US and Europe. Mr Burwood also serves on the boards of Habrok, a hedge fund specialising in Indian equities, and EFG International Finance, a structured note issuance company based in Guernsey. Mr Burwood was appointed to the Board on 17 January 2013.

## **Joanne Fintzen (Non-executive Director, Senior Independent Director)**

Ms Fintzen is a resident of the United Kingdom, with extensive experience of the finance sector and the investment industry. She trained as a Solicitor with Clifford Chance and worked in the Banking, Fixed Income and Securitisation areas. She joined Citigroup in 1999 providing legal coverage to an asset management division. She was subsequently appointed as European General Counsel for Citigroup Alternative Investments where she was responsible for the provision of legal

and structuring support for vehicles which invested \$100bn in Asset Backed Securities as well as hedge funds investing in various different strategies in addition to private equity and venture capital funds. Ms Fintzen is currently Non-Executive Director of JPMorgan Claverhouse Investment Trust plc. Ms Fintzen was appointed to the Board on 7 January 2019 and was appointed Senior Independent Director on 14 October 2022.

## **John de Garis (Non-executive Director)**

Mr de Garis is a resident of Guernsey with over 30 years of experience in investment management. He is Managing Director and Chief Investment Officer of Rocq Capital founded in July 2016 following the management buyout of Edmond de Rothschild (C.I.) Ltd. He joined Edmond de Rothschild in 2008 as Chief Investment Officer following 17 years at Credit Suisse Asset Management in London, where his last role was Head of European and Sterling Fixed Income. He began his career in the City of London in 1987 at Provident Mutual before joining MAP Fund Managers where he gained experience managing passive equity portfolios. He is a non-executive director of VinaCapital Investment Management Limited in Guernsey. Mr de Garis is a Chartered Fellow of the Chartered Institute for Securities and Investment and holds the Certificate in Private Client Investment Advice and Management. Mr de Garis was appointed to the Board on 9 July 2021.



### **Paul Le Page (Non-executive Director)**

Paul Le Page is a resident of Guernsey and has over 24 years' experience in investment and risk management. He was formerly an Executive Director and Senior Portfolio Manager of FRM Investment Management Limited, a subsidiary of the UK's largest listed alternatives manager, Man Group. In this capacity, he managed alternative funds and institutional client portfolios, worth in excess of \$5bn and was a director of a number of group funds and structures. Prior to joining FRM, he was employed by Collins Stewart Asset Management (now Canaccord Genuity) where he was Head of Fund Research responsible for reviewing both traditional and alternative fund managers and managing the firm's alternative fund portfolios. He joined Collins Stewart in January 1999 where he completed his MBA in July 1999. He originally qualified as a Chartered Electrical Engineer after he graduated from University College London and later received an MBA from Heriot-Watt University. In addition to his private directorship roles, he has continuously served as a director of a number of London Stock exchange listed Investment Companies since January 2004. He has a broad-based knowledge of the global investment industry, risk management, governance and product structures. Mr Le Page was appointed to the Board on 16 March 2023.

### **John Le Poidevin (Non-executive Director and Chair of the Audit Committee)**

Mr Le Poidevin is a resident of Guernsey and a Fellow of the Institute of Chartered Accountants in England and Wales. He was formerly an audit partner at BDO LLP in London where he developed an extensive breadth of experience and knowledge across a broad range of business sectors in the UK, European and global markets during over twenty years in practice, including in corporate governance, audit, risk management and financial reporting. Since 2013 he has acted as a non-executive, including as audit committee chair, on the boards of a number of listed and private groups. Mr Le Poidevin is currently a non-executive director of International Public Partnerships Limited, BH Macro Limited, Super Group (SGHC) Limited, and several other private companies and investment funds. Mr Le Poidevin was appointed to the Board on 9 July 2021 and was appointed Chair of the Audit Committee on 14 October 2022.

### **Board Members retired during the year**

#### **Trevor Ash (Former Chair)**

Mr Ash is a resident of Guernsey and has over 30 years of investment experience. He is a Fellow of the Chartered Institute for Securities and Investment. He was formerly a managing director of Rothschild Asset Management (CI) Limited. Mr Ash retired as a director of NM Rothschild & Sons (CI) Limited, the banking arm of the Rothschild Group in the Channel Islands in 1999. Since retirement, he has acted as a director of a number of hedge funds, fund of hedge funds, venture capital, derivative and other offshore funds including several managed or advised by Insight, JP Morgan and Merrill Lynch. Mr Ash was appointed to the Board on 11 January 2013. Mr Ash retired from the Board effective 14 October 2022.

#### **Ian Burns (Former Non-executive Director, Senior Independent Director and Chair of the Audit Committee)**

Mr Burns is a resident of Guernsey and a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Society of Trust and Estate Planners. He is a founder and Executive Director of Via Executive Limited, a specialist management consulting company and managing director of Regent Mercantile Holdings Limited, a privately owned investment company. Mr Burns was appointed to the Board on 17 January 2013. Mr Burns retired from the Board effective 14 October 2022.



# Disclosure of Directorship in Public Companies Listed on Recognised Stock Exchanges

Company Name	Stock Exchange
<b>Bronwyn Curtis</b>	
BH Macro Limited	London
Pershing Square Holdings Limited	London and Euronext Amsterdam
The Scottish American Investment Company Plc	London
<b>Richard Burwood</b>	
SME Credit Realisation Fund Limited	London
<b>Joanne Fintzen</b>	
JPMorgan Claverhouse Investment Trust plc	London
<b>Paul Le Page</b>	
Bluefield Solar Income Fund Limited	London
Highbridge Tactical Credit Fund Limited	London
RTW Biotech Opportunities Limited	London
<b>John Le Poidevin</b>	
BH Macro Limited	London
International Public Partnerships Limited	London
Super Group (SGHC) Limited	New York



# Strategic Report

for the year ended 31 March 2023

The Directors submit to the Shareholders their Strategic Report for the year ended 31 March 2023.

## Business Model and Strategy

The Company is a closed-ended investment company, incorporated with limited liability in Guernsey. The Company has been granted exemption from income tax within Guernsey and the Directors intend to continue to operate the Company so that this tax-exempt status is maintained.

## Investment Objectives and Policy

The Company's investment objective and policy is set out in the Summary Information on page 3.

The strategy for the Company is to target less liquid, higher yielding asset backed securities. These securities, whilst fundamentally robust, do not offer enough liquidity for use in the typical daily mark-to-market UCITS funds, but are well suited to a traded closed-ended vehicle, where investors can obtain liquidity by trading shares on the London Stock Exchange. The view of the Board is that this part of the fixed income market has been largely overlooked and therefore represents attractive relative value.

## High Income

The Company's income consists wholly or mainly of investment income and the Ordinary Shares are designed to offer a high dividend yield. The Board intends to distribute substantially all of the Company's income after expenses and tax to the holders of the Ordinary Shares, paying quarterly interim dividends with equal amounts paid in June, September and December each year, with a final dividend paying any remaining income being paid in March.

The full year dividend per share for 2023 totalled 9.46p (2022: 6.77p) representing 99.89% of the total comprehensive income for the year. This is in accordance with the dividend policy approved by shareholders at an extraordinary shareholders meeting in May 2019.

## Long Term Growth in Capital Value

The asset value of the Company's portfolio is heavily influenced by external macro-economic factors. The Directors meet with the Portfolio Manager regularly to discuss the portfolio. Additional details are covered in the Chair's Statement and Portfolio Manager's Report.

## Future Prospects

The Board's main focus is to generate attractive risk adjusted returns principally through income distributions. The future of the Company is dependent upon the success of the investment strategy. The investment outlook and future developments are discussed in both the Chair's Statement and the Portfolio Manager's Report on pages 6 to 8.

The Board meets at least annually, to consider the long-term strategy of the business, incorporating presentations and discussion on longer-term opportunities and threats to the business. Focus is placed on principal and emerging risks which have the potential to disrupt the business model.

## Business Environment

### Principal Risks, Emerging Risks and Uncertainties

The Board is responsible for the Company's system of internal financial and reporting controls and for reviewing its effectiveness. The Board is satisfied that by using the Company's risk matrix as its core element in establishing the Company's system, internal financial and reporting controls while monitoring the investment limits and restrictions set out in the Company's investment objective and policy, that the Board has carried out a robust assessment of the principal risks and uncertainties facing the Company.



# Strategic Report (continued)

for the year ended 31 March 2023

The Board also regularly meets to discuss any emerging risks affecting the Company and to establish effective controls to manage them.

The below risks are all considered principal risks affecting the Company.

## **Market Risk and Investment Valuations**

Market risk is the risk associated with changes in market factors including spreads, interest rates, economic uncertainty, changes in laws and political circumstances.

Due to inflation concerns and existing geo-political tensions, both the UK and Europe could go into a prolonged recessionary period, therefore, risk premiums demanded by the market could continue to rise as risk sentiment deteriorates and wider spreads could result in lower cash prices.

## **Liquidity Risk**

Liquidity risk is the risk that the portfolios may not be able to sell securities at a given price and/or over the desired timeframe. Investments made by the Company may be relatively illiquid. Some investments held by the Company may take longer to realise than others and this may limit the ability of the Company to realise its investments and meet its target dividend payments in the scenario where the Company has insufficient income arising from its underlying investments.

## **Credit Risk and Investment Performance**

(Issuer) Credit risk arises when the issuer of a settled security held by the Company experiences financing difficulties or defaults on its payment obligations resulting in an impact to the security market price.

The Company holds Asset Backed Securities which comprises debt securities issued by companies, trusts or other investment vehicles which, compared to bonds issued or guaranteed by governments, are generally exposed to greater risk of default in the repayment of the capital provided to the issuer or interest payments due to the Company. The amount of credit risk is indicated by the issuer's credit rating which is assigned by one or more internationally recognised rating agencies. This does not amount to a guarantee of the issuer's creditworthiness but generally provides a strong indicator of the likelihood of default. Securities which have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated securities. There is a risk that an internationally recognised

rating agency may assign incorrect or inappropriate credit ratings to issuers. Issuers often issue securities which are ranked in order of seniority which, in the event of default, would be reflected in the priority in which investors might be paid back. Whilst they have been historically low since the inception of the Company, the level of defaults in the portfolio and the losses suffered on such defaults may increase in the event of adverse financial or credit market conditions.

In the event of a default under an Asset Backed Security, the Company's right to financial recovery will depend on its ability to exercise any rights that it has against the borrower under the insolvency legislation of the jurisdiction in which the borrower is incorporated. As a creditor, the Company's level of protection and rights of enforcement may therefore vary significantly from one country to another, may change over time and may be subject to rights and protections which the relevant borrower or its other creditors might be entitled to exercise. Information regarding investment restrictions that are currently in place in order to manage credit risk can be found in note 17.

## **Foreign Currency Risk**

The Company is exposed to foreign currency risk through its investments in predominantly Euro-denominated assets. The Company's share capital is denominated in Sterling and its expenses are incurred in Sterling. The Company's financial statements are presented in Sterling. Amongst other factors affecting the foreign exchange markets, events in the Eurozone may impact upon the value of the Euro which in turn will impact the value of the Company's Euro-denominated investments. The Company manages its exposure to currency movements by using spot and forward foreign exchange contracts, which are rolled forward periodically.

## **Counterparty Credit Risk**

Where a market counterparty to an Over the Counter (OTC) derivative transaction fails, any unrealised positive mark to market profit may be lost. The Company mitigates this risk by only trading derivatives against approved counterparties which meet minimum creditworthiness criteria and by employing central clearing and margining where applicable.

## **Settlement Risk**

Settlement Risk is the risk of loss associated with any security price movements between trade date and eventual settlement date should a trade fail to settle on time (or at all). The Company mitigates the risk of total loss by trading on a

delivery versus payment (DVP) basis for all non-derivative transactions and central clearing helps to ensure that trades settle on a timely basis.

### **Reinvestment Risk**

The Portfolio Manager is conscious of the challenge to reinvest any monies that result from principal and income payments and to minimise reinvestment risk. Cash flow analysis is conducted on an ongoing basis and is an important part of the Portfolio Management process, ensuring such proceeds can be invested efficiently and in the best interests of the Company.

The Portfolio Manager expects £123.9m of assets to have a Weighted Average Life of under 1 year. While market conditions are always subject to change, the Portfolio Manager does not currently foresee reinvestment risk significantly impacting the yield nor affecting each quarter's minimum dividend and recognises the need to be opportunistic as and when market conditions are particularly favourable in order to reinvest any proceeds or in order to take advantage of rapidly evolving pricing during periods of market volatility.

### **Operational Risks**

The Company is exposed to the risk arising from any failures of systems and controls in the operations of the Portfolio Manager, Administrator, AIFM, Independent Valuer, Custodian and the Depositary amongst others. The Board and its Audit Committee regularly review reports from key service providers on their internal controls, in particular, focussing on changes in working practices. The Administrator, Custodian and Depositary report to the Portfolio Manager any operational issues for final approval of the Board as required.

### **Accounting, Legal and Regulatory Risks**

The Company is exposed to the risk that it may fail to maintain accurate accounting records or fail to comply with requirements of its Admission document and fail to meet listing obligations. The accounting records prepared by the Administrator are reviewed by the Portfolio Manager. The Portfolio Manager, Administrator, AIFM, Custodian, Depositary and Corporate Broker provide regular updates to the Board on compliance with the Admission document and changes in regulation. Changes in the legal or the regulatory environment can have a major impact on some classes of debt. The Portfolio Manager monitors this and takes appropriate action.

### **Income Recognition Risk**

The Board considers income recognition to be a principal risk and uncertainty. The Portfolio Manager estimates the remaining expected life of the security and its likely terminal value, which has an impact on the effective interest rate of the Asset Backed Securities which in turn impacts the calculation of interest income. This risk is considered on behalf of the Board by the Audit Committee as discussed on pages 34 to 37 and is therefore satisfied that income is appropriately stated in all material aspects in the Financial Statements.

### **Cyber Security Risks**

The Company is exposed to risk arising from a successful cyber-attack through its service providers. The Company requests of its service providers that they have appropriate safeguards in place to mitigate the risk of cyber-attacks (including minimising the adverse consequences arising from any such attack), that they provide regular updates to the Board on cyber security, and conduct ongoing monitoring of industry developments in this area. The Board is satisfied that the Company's service providers have the relevant controls in place to mitigate this risk.

### **Geopolitical Risk and Economic Disruption**

The Company is exposed to the risk of geopolitical and economic events impacting on the Company, Portfolio Manager and Shareholders, including disruption arising from the aftermath of the COVID-19 pandemic, elevated levels of global inflation, recessionary risks and the current war in Ukraine. The Company does not hold any assets in Ukraine, Belarus or Russia, however, the situation in the region and wider geo-political consequences remain volatile and the Board and Portfolio Manager continue to monitor the situation carefully and will take whatever steps are necessary and in the best interests of the Company's Shareholders. This includes but is not limited to ensuring that the requirements of all international sanctions are adhered to and ensuring that the Portfolio Manager, Administrator and other key suppliers continue to operate all protections, protocols and monitoring of heightened cyber threats. The Company's key suppliers do not have operations in Ukraine, Russia and Belarus and there is not expected to be any adverse impact from military operations on the activity, process or procedures of the Company.

# Strategic Report (continued)

for the year ended 31 March 2023

## Climate Change Risk

Climate change risk is the risk of the Company not responding sufficiently to pressure from stakeholders to assess and disclose the impact of climate change on investment portfolios and address concerns on what impact the Company and its portfolio has on the environment.

Regular contact is maintained by the Portfolio Manager and Broker with major stakeholders and the Board receives regular updates from the Portfolio Manager on emerging policy and best practice within this area and can take action accordingly.

Environmental, Social, and Governance (“ESG”) factors are assessed by the Portfolio Manager for every transaction as part of the investment process. Specifically for ABS, for every transaction an ESG assessment is produced by the Portfolio Manager and an ESG score is assigned. External ESG factors are factors related to the debt issuers of ABS transactions and they are assessed through a combination of internal and third-party data. Climate risks are incorporated in the ESG analysis under environmental factors and taken into consideration in the final investment decision. CO2 emissions are tracked at issuer and deal level where information is available. Given the bankruptcy-remoteness feature of securitisation transactions the climate risks which the manager considers more relevant and that are able to potentially impact the value of the investment are the ones related to the underlying collateral which include physical and transitional risks. Those risks are also assessed and considered as environmental factors in the ESG analysis.

## Board Diversity

When appointing new Directors and reviewing its composition, the Board considers, amongst other factors, diversity, balance of skills, knowledge, gender, social and ethnic background and experience. As at 31 March 2023, the Board is comprised of two female and four male Directors, which is expected to be a temporary situation whilst the Board is going through a transitional period of Director rotation and retirements. The Board notes the New Listing rules published in April 2022 and believes that the Company meets the diversity targets required. The Company has no employees.

The Board believes it is fully compliant with Listing Rules LR 9.8.6R(9) and LR 14.3.33R(1) in relation to board diversity which are:

- At least 40% of the Board are women (currently 2 out of 6 Directors are female, but one male Director is due to retire at the next AGM);
- At least one senior position held by a woman (Bronwyn Curtis is currently Chair and Joanne Fintzen is the current Senior Independent Director); and
- At least one individual on the board to be from a minority ethnic background (please see table below).

Additional detail is set out in the table below:

Name	Gender	Ethnicity
Bronwyn Curtis	Female	White European
Richard Burwood	Male	White British
John de Garis	Male	White British
Joanne Fintzen	Female	British/European Indian
Paul Le Page	Male	White British
John Le Poidevin	Male	White British





## Environmental, Social and Governance

The Board recognises the importance of Environmental, Social and Governance (“ESG”) factors in the investment management industry and the wider economy as a whole. The Company is a closed-ended investment company with a limited purpose and without employees. As such, it is the view of the Board that the direct environmental and social impact of the Company is limited and that ESG considerations are most applicable in respect of the asset allocation decisions made for its portfolio.

The Company has appointed the Portfolio Manager to advise it in relation to all aspects relevant to the Investment Portfolio. In keeping with the Board’s expectation that ESG factors be taken into account, the Portfolio Manager has a formal ESG framework which incorporates ESG factors into its investment process. The Portfolio Manager has an ESG Committee representing all areas of its business, reports into the Portfolio Manager’s Executive Committee. While there are no official ESG guidelines, the Portfolio Manager considers ESG factors for every asset which it purchases on behalf of the Company and attributes internal scores to the assets in the Portfolio.

The Company does not have executive directors or employees. It has entered into contractual arrangements with a number of third party service providers, all of which have confirmed to the Company that they have appropriate ESG policies in place.

### Service Providers

Further details of the ESG policies and practices of the Portfolio Manager can be found at:

[www.twentyfouram.com/responsible-investment-policy](http://www.twentyfouram.com/responsible-investment-policy)  
[www.twentyfouram.com/corporate-social-responsibility](http://www.twentyfouram.com/corporate-social-responsibility)  
[www.twentyfouram.com/esg-at-twentyfour-integration-and-engagement](http://www.twentyfouram.com/esg-at-twentyfour-integration-and-engagement)



The Board undertakes annual due diligence on, and ongoing monitoring of, all such Service Providers including obtaining a confirmation that each such Service Provider complies with relevant laws, regulations and good practice

The Administrator is a wholly owned indirect subsidiary of Northern Trust Corporation, which has adopted the UN Global Compact principles, specifically: implementing a precautionary approach to addressing environmental issues through effective programs, undertaking initiatives that demonstrate the acknowledgement of environmental responsibility, promoting and using environmentally sustainable technologies, and UN Sustainable Development Goals, specifically: using only energy efficient appliances and light bulbs, avoiding unnecessary use and waste of water, implementing responsible consumption and production, and taking action to reduce climate change.

### Engagement and Voting

Wherever possible, on behalf of its investors, the Company is committed to actively engaging at a corporate, industry and regulatory level. The Company has contracted the Portfolio Manager to perform this function. It is noted that the Investment Portfolio is comprised primarily of fixed income assets. The voting rights attributable to these types of securities are usually limited in scope, and the opportunity to engage at a corporate level shall therefore, in most cases, be via interaction with senior management of companies during the due diligence process. A copy of the Portfolio Manager’s Engagement Policy can be found at <https://www.twentyfouram.com/engagement-at-twentyfour>.

The Company engages on behalf of its investors at industry and regulatory level primarily through its Service Providers, including the Portfolio Manager, the Administrator, and through the Company’s membership of the Association of Investment Companies.

Under the AIC Code, in the event that 20% or more of the Shareholder votes are cast against a Board recommendation for a resolution, the Company should explain, when announcing the voting results, what actions it intends to take to consult Shareholders in order to understand the reasons behind the result and following such consultation, should provide a final summary to Shareholders and in the next annual report. There is nothing to report in respect of the Shareholder votes held in the year.

# Strategic Report (continued)

for the year ended 31 March 2023

## Position and Performance

### PRIPs KIDs

The Company has published a Key Information Document ("KID") in compliance with the Packaged Retail and Insurance-based Investment Products ("PRIIPs") Regulation. The KID can be found on the Company website at the web address below:

[www.twentyfouram.com/funds/twentyfour-income-fund/fund-literature/](http://www.twentyfouram.com/funds/twentyfour-income-fund/fund-literature/)

The process for calculating the risks, cost and potential returns are prescribed by regulation. The figures in the KID may not reflect the expected returns for the Company and anticipated returns cannot be guaranteed.

### Key Performance Indicators ("KPIs")

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. Below are the main KPIs which have been identified by the Board for determining the progress of the Company:

- Net Asset Value
- Earnings/(Loss) Per Share
- Share Price
- Discount/Premium to Net Asset Value
- Ongoing Charges
- Dividends Declared

### Net Asset Value

The Net Asset Value ("NAV") per Ordinary Share, including retained earnings, at 31 March 2023 was 100.97p, based on net assets as at this date of £724,982,762 divided by number of Ordinary Shares in issue of 718,036,661 (31 March 2022: 112.45p based on net assets of £718,477,218 divided by number of Ordinary Shares in issue of 638,942,655).

The financial year of the Company started just after the invasion of Ukraine by Russia, meaning the risk sentiment in the credit and equity markets changed significantly as investors sought liquidity. Additionally, general risk sentiment has evolved due to expectations of high inflation, increasing interest rates and the general higher risk of a slowdown of the UK and European economies. Following a brief relief during the summer, floating rate fixed income markets were again faced with a large liquidity event, which was the result of the UK mini-budget as Gilt yields increased significantly and UK pension funds had to sell assets to settle margin calls on their books. During this period there were no impairments to the

portfolio, however, spreads widened for most of the first half year. But as risk sentiment returned in October, spreads retraced roughly half of the spread widening in the second half of the year. As SONIA has continued to increase through the year, the NAV has benefited from increasingly higher coupon payments. The total NAV performance for the year was -3.61%. Additionally, the Company has paid out all of its income as dividend (9.46p) and this has had an impact on the NAV.

### Share Price

The Share Price is the price per share per Ordinary Share trading on the London Stock Exchange.

On 31 March 2023, the share price was 100.50p (31 March 2022: 107.00p).

### (Loss)/Earnings per Ordinary Share – Basic and Diluted

(Loss)/Earnings per Ordinary Share is calculated by dividing the net loss for the year of £22,595,345 (31 March 2022: net gain of £36,303,495) by the weighted average number of shares for the year of 664,696,773 (31 March 2022: 512,445,511). The net loss for the year has been primarily driven by a decrease in unrealised gains on investments. Market sentiment is discussed in further detail within the Chair's statement.

### Discount/Premium to NAV

The discount/premium to NAV is a percentage difference in the share price per share to the net asset value per share. It is calculated by subtracting the share price from the NAV per share and dividing it by the NAV per share. If the share price is lower than the NAV per share, the shares are trading at a discount. If the share price is higher than the NAV per Share, the shares are trading at a premium.

On 31 March 2023, the discount to NAV was 0.47% (31 March 2022: discount of 4.85%).

### Ongoing Charges

Ongoing charges for the year ended 31 March 2023 have been calculated in accordance with the Association of Investment Companies (the "AIC") recommended methodology. The ongoing charges represent the Company's management fee and all other operating expenses, excluding finance costs, share issue or buyback costs and non-recurring legal and professional fees, expressed as a percentage of the average of the weekly net assets during the year.

**Ongoing Charges (continued)**

The ongoing charges for the year ended 31 March 2023 were

0.97% (31 March 2022: 0.97%). The ongoing charges were calculated as follows:

	<b>31.03.2023</b>	<b>31.03.2022</b>
	<b>£</b>	<b>£</b>
<b>Ongoing Charges</b>		
Average NAV for the year (a)	670,955,356	576,399,204
Total expenses	6,828,728	5,571,225
Less: Expenses not recognised as part of the AIC Ongoing Charges Methodology	(287,931)	(130)
Total recognised expenses (b)	6,540,797	5,571,095
Ongoing Charges (b/a)	0.97%	0.97%

**Dividends**

Until 21 September 2022, the Company maintained a dividend target of 6 pence, per Ordinary Share, per year in accordance with the Company's prospectus. On 21 September 2022, the dividend target increased to 7 pence, per Ordinary Share per year and on 24 February 2022, it increased further to 8 pence per Ordinary Share per year. If the minimum target of 6p for the year is not met, a Continuation Vote is required.

The dividend yield for the year ended 31 March 2023 was 9.41% (31 March 2022: 6.77%) meaning that the Company met its dividend target for the current year. During the year, the following dividends were declared:

<b>Period to</b>	<b>Dividend rate per Share (£)</b>	<b>Net dividend payable (£)</b>	<b>Ex-dividend date</b>	<b>Record date</b>	<b>Pay date</b>
30 June 2022	0.0150	9,584,140	21 July 2022	22 July 2022	5 August 2022
30 September 2022	0.0175	11,198,996	20 October 2022	21 October 2022	4 November 2022
31 December 2022	0.0175	12,268,142	19 January 2023	20 January 2023	3 February 2023
31 March 2023	0.0446	32,483,815	20 April 2023	21 April 2023	3 May 2023

The Directors will continue to monitor the appropriateness of the dividend policy.

# Strategic Report (continued)

for the year ended 31 March 2023

## Viability Statement

Under the UK Corporate Governance Code, the Board is required to make a “Viability Statement” which considers the Company’s current position, principal risks, emerging risks and uncertainties combined with an assessment of the prospects of the Company in order to be able to state that they have a reasonable expectation that the Company will be able to continue in operation and that the business model is viable over the period of their assessment. The Board considers that three years is an appropriate period to assess the viability of the Company given the uncertainty of the investment world and the strategy period. In selecting this period, the Board considered the environment within which the Company operates and the risks associated with the Company.

The Company’s prospects are driven by its business model and strategy. The Company’s aim is to provide investors with an attractive level of income with a high degree of certainty around that income and a focus on capital preservation in uncertain times, by investing in less liquid, high yielding asset backed securities.

The Board’s assessment of the Company over the three year period has been made with reference to the Company’s current position and prospects, the Company’s strategy, and the Board’s risk appetite having considered each of the Company’s principal risks, emerging risks and uncertainties summarised on pages 14 to 16.

The Board has also considered the Company’s expected cash flows, income flows, its likely ability to pay dividends and analysis of the portfolio with reference to:

- liquidity analysis, including but not limited to, the changes in liquidity of the Company over time based on the liquidity of the underlying assets;
- foreign exchange analysis, including but not limited to, monitoring the effectiveness of the Company’s foreign exchange hedging strategy;
- credit analysis, including but not limited to, analysing the current credit ratings and credit rating outlooks of the underlying securities by the main rating agencies, as well as sufficient diversification across sectors;
- valuation analysis, including but not limited to, assessing the pricing accuracy of the underlying securities; and
- significant accounting judgements, estimates and assumptions, including but not limited to, the fair value of securities not quoted in an active market, estimated life of asset backed securities and determination of observable inputs.

In this context, the Board’s central case is that the prospects for economic activity will remain such that the investment objective, policy and strategy of the Company will be viable for the foreseeable future through a period of at least three years from the year ended 31 March 2023.

In making this judgement, the Board has assessed that the main risks to the viability of the Company are key global and market uncertainties driven by factors external to the Company which in turn can impact on the liquidity and NAV of the investment portfolio. A simulation has been designed to estimate the impact of these uncertainties on the NAV of the Company at times of stress, based on historical performance data, using techniques which analyse how changes in the Company’s ability to generate income (by assessing different levels of reinvestment rates available as well as changes in FX and interest income generation, over a 3-year period) would impact the annual dividend the Company is able to generate. All of the foregoing has been considered against the background of the Company’s dividend target.

Key assumptions covered by the Board in relation to the viability of the Company include:

### Dividend Target

The ongoing viability of the Company and the validity of the going concern basis depend on the Company meeting its dividend target annually during the three-year period. In the event that the Company does not meet the dividend target annually, as disclosed in note 20, during the three-year period an Ordinary Resolution will be put to the Shareholders, at the AGM following any reporting period in which the minimum dividend target of 6p per year is not met, with the continuation vote requirements set out in note 17.

During the year, the annual dividend target was increased, as outlined on pages 3 and 4.

The Company’s ability to continue to meet its dividend target is further disclosed in the Chair’s Statement on page 4.

### Realisation Opportunity

The next Realisation Opportunity is due to occur just after the AGM in Autumn 2025. The Board’s view is that should the share price remains at the current levels, relative to the NAV, they would not expect to see a major incentive to redeem.

Whilst there is no degree of certainty, rather like the Realisation Opportunity that occurred during 2022, there may

be some redemption requests. In the past, these have been matched by secondary selling of the redeemed shares to new purchasers. It is believed the Realisation Opportunity is currently a low risk to the viability prospects of the Company.

### Market Uncertainty

In the prior year, most sectors saw negative return on the NAV per Ordinary Share, as a result of spread widening, the negative contribution was largest for RMBS at -2.09% followed by CLOs at -1.37%. Volatility during the 1-year period (monthly returns) was relatively high for the NAV per Ordinary Share compared to historical periods, at 3.00%.

### Risk of Credit Losses

The risk of credit impairment and losses increased due to the risk of default, caused by higher levels of inflation and increasing global interest rates. The Portfolio Manager continues to stress test the holdings of the Company, under scenarios that specifically address the impact of these significant economic events on individual loan pools, and analyse the performance of the underlying investments.

The Portfolio Manager remains of the view that there is no material risk of credit issues on any holdings in the portfolio, and the rapid price recovery seen since October 2022 support their view at the time that, relying on their stress modelling, the material price moves seen were largely attributable to market liquidity rather than concerns around credit performance.

Between 31 March 2023 and the date of signing, the Company's portfolio witnessed no defaults and no deferrals of interest payments.

### Section 172 Statement

Although the Company is domiciled in Guernsey, the Board has considered the guidance set out in the AIC Code in relation to Section 172 of the Companies Act 2006 in the UK. Section 172 of the Companies Act requires that the Directors of the Company act in the way they consider, in good faith, is most likely to promote the success of the Company for the benefit of all stakeholders, including suppliers, customers and shareholders.

Further information as to how the Board has had regard to the Section 172 factors:

Section 172 factors	Key examples	Locations
Consequences of decisions in the long term	Investment Objectives and Policy Future Prospects Dividend policy Viability Statement	Summary Information Strategic Report Note 20 Strategic Report
Fostering business relationships with suppliers, customers and other stakeholders	Shareholders; Key Service Providers	Strategic Report; AGM; Monthly Factsheet and Commentary
Impact of operations on the community and the environment	Environmental, Social and Governance	Strategic Report
Maintaining high standard of business conduct	Corporate Governance	Directors' Report

Signed on behalf of the Board of Directors on 17 July 2023 by:

**Bronwyn Curtis**  
Director

**John Le Poidevin**  
Director

# Directors' Report

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 March 2023.

## Business Review

### The Company

TwentyFour Income Fund Limited (the "Company") was incorporated with limited liability in Guernsey, as a closed-ended investment company on 11 January 2013. The Ordinary Shares of the Company were listed with a Premium Listing on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange on 6 March 2013.

### Investment Objective and Policy

The Company's investment objective and policy is set out in the Summary Information on page 3.

### Acquisition of UK Mortgages Limited Assets during the prior year

On 8 February 2022, the Company announced that it had agreed terms of a proposed acquisition of the assets of UK Mortgages Limited, (the "Scheme"). The Scheme was to be effected through the reconstruction of UKML, consisting of the winding up of UKML, the transfer of the assets of UKML to the Company and the issue of new Ordinary Shares by the Company to the shareholders of UKML.

Under the terms of the Scheme, the assets of UKML were placed into a "Rollover Pool" for transfer to the Company, with cash and other net current assets placed into a "Liquidation Pool" in order to meet any outstanding UKML current and future liabilities. The Company and UKML agreed to bear their own costs in relation to the Scheme.

The proposed acquisition value was 84p per UKML share, less the costs of UKML in relation to the Scheme and the retention to meet both unknown and ascertained liabilities, divided by the total number of UKML shares in issue (excluding any UKML shares held in treasury by UKML) as at 18 March 2022 (the "Calculation Date"), subject to certain adjustments in accordance with the Scheme.

On 3 March 2022, the Company published a prospectus on the proposed Scheme, along with a timetable.

On 18 March 2022, it was announced that the Shareholders of both UKML had approved the Scheme by a special resolution.

Trading in UKML shares was suspended on the same day.

On 23 March 2022, the Boards of both UKML and the Company announced the final Scheme entitlements as at the Calculation Date. The Company issue price at that date, per new Ordinary Share of the Company, to be issued to shareholders of UKML, was £1.1421. The acquisition value per UKML share was £0.8331. 130,427,846 new Ordinary Shares of the Company were issued under the Scheme to former shareholders of UKML. The new Ordinary Shares issued by the Company were admitted to the London Stock Exchange the following day, with share certificates dispatched the week commencing 28 March 2022. The total value of assets transferred were: 4 Profit Participating Notes ("PPNs") valued at £87.1 million (consisting of RMBS assets); Listed notes of £19.0 million and cash of £38.5 million.

### Discount/Premium to NAV

The Board monitors and manages the level of the share price discount/premium to NAV. In managing this, the Company operates a share buyback facility whereby it may purchase, subject to various terms as set out in its Articles and in accordance with The Companies (Guernsey) Law, 2008, up to 14.99% of the Company's Ordinary Shares in issue immediately following Admission for trading on the London Stock Exchange. On 22 August 2022, a Realisation Opportunity was made under which investors were offered an opportunity to realise all or part of their Shareholding in the Company, with Shareholders opting to redeem 9,582,068 Ordinary Shares for a consideration of £8,814,544.

Subsequently, a Realisation Opportunity, where Shareholders of the Company (the "Shareholders") may apply to redeem shares up to 56 days before the relevant annual general meeting date of the Company (the "Reorganisation Date"), will be offered at the annual general meeting of the Company every three years subject to the aggregate NAV of the continuing Ordinary Shares on the last Business Day before Reorganisation being not less than £100 million.

The next Realisation Opportunity is due to take place in Autumn 2025.

### Shareholder Information

Shareholder information is set out in the Summary Information on page 3.

### Going Concern

The Directors believe that it is appropriate to adopt the going concern basis in preparing the Financial Statements in view of the Company's holdings in cash and cash equivalents and the liquidity of investments and the income deriving from those investments, meaning the Company has adequate financial resources and suitable management arrangements in place to continue as a going concern for at least twelve months from the date of approval of the Financial Statements.

The Company also achieved its dividend target of 6 pence per Ordinary Share per year, for the year ended 31 March 2023, meaning that as per the Company's Articles, a Continuation Vote is not required.

The Company's continuing ability to meet its dividend target, along with the Company's ability to continue as a going concern, in light of the external geo-political and macro factors, the increased risk of default due to rising inflation, increasing global interest rates and the next Realisation Opportunity has been considered as part of the Viability Statement on pages 20 to 21. No material doubts to going concern have been identified.

On 31 March 2023, the Company's cash balance was 3.76% of total net assets (2022: 8.31%).

Post-year end, the Company has maintained a positive cash balance and continues to meet liabilities when they fall due. The Portfolio Manager considers that cash management plays a key part in the management of the Company and continuingly monitors liabilities, including the Company's quarterly dividends.

### Results

The results for the year are set out in the Statement of Comprehensive Income on page 48. The Directors proposed dividends of £65,494,843 in respect of income available for distribution earned during the year ended 31 March 2023, a breakdown of which can be found in note 20 on page 78. Dividends paid during the year amounted to £47,555,276 as recognised in the Statement of Changes in Equity.

Income available for distribution in any quarter comprises (a) the accrued income of the portfolio for the period, and (b) an

additional amount to reflect any income purchased in the course of any Ordinary Share subscriptions that took place during the period (so as to ensure that the income yield of the shares is not diluted as a consequence of the issue of new shares during an income period) and (c) any income on the foreign exchange contracts created by the risk-free rate differentials between each foreign currency pair, less (d) total expenditure for the period.

### Portfolio Manager

The Company entered into a Portfolio Management Agreement with TwentyFour Asset Management LLP, the Portfolio Manager, on 29 May 2014. Pursuant to this agreement, the Portfolio Manager is entitled to a portfolio management fee paid monthly in arrears, at a rate of 0.75% per annum of the lower of NAV, which is calculated as of the last business day of each month, or market capitalisation of each class of shares. For additional information, refer to note 15 on pages 64 and 65.

The Board considers that the interests of Shareholders, as a whole, are best served by the continued appointment of the Portfolio Manager to achieve the Company's investment objectives.

### Alternative Investment Fund Manager

Alternative investment fund management services have been provided by Maitland Institutional Services Limited ("Maitland") since their appointment as Alternative Investment Fund Manager ("AIFM") on 29 May 2014. The AIFM fee is payable quarterly in arrears at a rate of 0.07% of the NAV of the Company below £50 million, 0.05% on Net Assets between £50 million and £100 million and 0.03% on Net Assets in excess of £100 million. For additional information refer to note 16 on page 65.

### Custodian and Depositary

Custodian and Depositary services are provided by Northern Trust (Guernsey) Limited. The terms of the Depositary agreement, allow Northern Trust (Guernsey) Limited to receive professional fees for services rendered. For additional information, refer to note 16 on page 66.

# Directors' Report (continued)

## Directors

The Directors of the Company during the year and at the date of this Report are set out on page 81.

As at 31 March 2023, Directors of the Company held the following numbers of Ordinary Shares beneficially:

	Number of Shares 31.03.23	Number of Shares 31.03.22
Bronwyn Curtis	105,313	N/A
John Le Poidevin	260,121	23,165
Trevor Ash	N/A	108,734
Ian Burns	N/A	74,242
Richard Burwood	87,186	66,124
John de Garis	39,753	18,691
Joanne Fintzen	38,538	17,476
Paul Le Page	49,457	N/A

Paul Le Page held 49,457 Ordinary Shares upon his appointment to the Board, having been a Shareholder in UKML and having elected to transfer his shareholding to Ordinary Shares in the Company during the acquisition of UKML's assets.

On 25 October 2022 the Board purchased the following Ordinary Shares in the Company as part of the Redemption Placing shares, made available on the market as part of the Realisation Opportunity:

Name	Allocation (Ordinary Shares)	Price per share (pence)	Total Consideration £
Bronwyn Curtis	105,313	94.95	100,000
Richard Burwood	21,062	94.95	20,000
Joanne Fintzen	21,062	94.95	20,000
John de Garis	21,062	94.95	20,000
John Le Poidevin	236,956	94.95	225,000

## Corporate Governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment company in order to comply with the principles of the UK Corporate Governance Code (the "UK Code"). The Company is also required to comply with the Code of Corporate Governance (the "GFSC Code") issued by the Guernsey Financial Services Commission.

The UK Listing Authority requires all UK premium listed companies to disclose how they have complied with the provisions of the UK Code. This Corporate Governance Statement, together with the Going Concern Statement,

Viability Statement and the Statement of Directors' Responsibilities set out on pages 20 and 31, indicate how the Company has complied with the principles of good governance of the UK Code and its requirements on Internal Control.

The Company is a member of the AIC and by complying with the 2019 AIC Code of Corporate Governance ("the AIC Code") is deemed to comply with both the UK Code and the GFSC Code.

The Board has considered the principles and recommendations of the AIC Code and considers that reporting against these will provide appropriate information to Shareholders. To ensure ongoing compliance with these principles the Board reviews a report from the Corporate Secretary at each quarterly meeting.



identifying how the Company is in compliance and identifying any changes that might be necessary.

The AIC Code and the AIC Guide are available on the AIC's website, [www.theaic.co.uk](http://www.theaic.co.uk). The UK Code is available in the Financial Reporting Council's website, [www.frc.org.uk](http://www.frc.org.uk).

Throughout the year ended 31 March 2023, the Company has complied with the recommendations of the 2019 AIC Code and thus the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- The role of the Chief Executive;
- Executive Directors' remuneration;
- Annually assessing the need for an internal audit function; and
- The means for the workforce to raise concerns.

For the reasons set out in the AIC Guide, the Board considers the first three provisions are not relevant to the position of the Company as it is an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The fourth point is not applicable to the Company, as it has no employees.

The Board established a Nomination and Remuneration Committee, which held its first meeting on 14 March 2023. Prior to that date, the Board, as a whole, fulfilled the function of a Nomination and Remuneration Committee.

Details of compliance with the AIC Code are noted below and in the following pages. There have been no other instances of non-compliance, other than those noted above.

The Company's risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit Committee at its meetings and at least annually by the Board. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

### Role, Composition and Independence of the Board

The Board is the Company's governing body and has overall responsibility for maximising the Company's success by directing

and supervising the affairs of the business and meeting the appropriate interests of Shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring protection of investors. A summary of the Board's responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- risk assessment and management including reporting compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Board's responsibilities for the Annual Report and Audited Financial Statements are set out in the Statement of Directors' Responsibilities on page 31.

The Board currently consists of six non-executive Directors, all of whom are considered to be independent of the Portfolio Manager and as prescribed by the Listing Rules.

The Board considers it has the appropriate balance of diverse skills and experience, independence and knowledge of the Company and the wider sector, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making. The Chair is responsible for leadership of the Board and ensuring its effectiveness. Joanne Fintzen has served as Senior Independent Director, following the retirement of Ian Burns.

### Chair

The Chair is Bronwyn Curtis, who took over the role on 14 October 2022, following the retirement of Trevor Ash. The Chair of the Board must be independent for the purposes of Chapter 15 of the Listing Rules. Bronwyn Curtis is considered independent because she:

- has no current or historical employment with the Portfolio Manager; and
- has no current directorships in any other investment funds managed by the Portfolio Manager;

Biographies of all the Directors can be found on pages 10 and 11.

### Board Role and Composition

The Board is required to ensure that the Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position

# Directors' Report (continued)

and performance, business model and strategy. In seeking to achieve this, the Directors have set out the Company's investment objective and policy and have explained how the Board and its delegated Committees operate, and how the Directors review the risk environment within which the Company operates and set appropriate risk controls. Furthermore, throughout the Annual Report and Audited Financial Statements the Board has sought to provide further information to enable Shareholders to have a fair, balanced and understandable view.

The Board has contractually delegated responsibility for the management of its investment portfolio, the arrangement of custodial and depositary services and the provision of accounting and company secretarial services.

The Board is responsible for the appointment and monitoring of all service providers to the Company.

The Directors are kept fully informed of investment and financial controls and other matters by all services providers that are relevant to the business of the Company and should be brought to the attention of the Directors.

The Board has adopted a policy on the tenure of its independent Directors that aligns with the AIC Code of Corporate Governance ("the Code") that none of the Directors, including the Chair of the Board should serve for more than 9 years, even though the Board considers that boards of investment companies are more likely to benefit from a director's long association with a company in that they will experience a number of investment cycles. During the year, two Directors who had been appointed on the incorporation of the Company retired: Trevor Ash; and Ian Burns. One of the current Directors, Richard Burwood, was appointed on the incorporation of the Company and he will retire as a Director, at the 2023 AGM.

The Board has also given careful consideration to the recommendations of the Davies Review and their implementation. The Board has reviewed its composition and believes that the current Board mix, allied to its recruitment plans, provide an appropriate range of skills, experience and diversity. The Board is committed to continuing its implementation of the recommendations of the Davies Review as part of its succession planning over future years and by complying with the disclosure requirement of DTR 7.2.8 in terms of the Company's diversity policy.

The Board holds quarterly Board meetings, to discuss general management, structure, finance, corporate governance, marketing, risk management, compliance, asset allocation and gearing, contracts and performance. The quarterly Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance, compliance and controls but these meetings are also supplemented by communication and discussions throughout the year.

A representative of the Portfolio Manager, AIFM, Administrator, Custodian and Depositary and Corporate Broker attend each Board meeting either in person or by telephone, thus enabling the Board to fully discuss and review the Company's operation and performance. Each Director has direct access to the Portfolio Manager and Company Secretary and may, at the expense of the Company, seek independent professional advice on any matter.

The Audit Committee meets at least twice a year, the Management Engagement Committee meets at least once a year and a dividend meeting is held quarterly. In addition, ad hoc meetings of the Board to review specific items between the regular scheduled quarterly meetings can be arranged.

Between formal meetings, there is regular contact with the Portfolio Manager, AIFM, Administrator, Custodian and Depositary and the Corporate Broker.

Attendance at the Board and Committee meetings during the year was as follows:

	Quarterly Board Meetings		Audit Committee Meetings		Management Engagement Committee Meetings		Remuneration and Nomination Committee		Ad hoc Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Bronwyn Curtis	3	3	2	2	1	1	1	1	8	5
John Le Poidevin	4	4	3	3	1	1	1	1	11	11
Trevor Ash	2	1	1	-	1	1	-	-	6	2
Ian Burns	2	2	1	1	1	1	-	-	6	5
Richard Burwood	4	3	3	2	1	1	1	1	11	11
John de Garis	4	4	3	3	1	1	1	1	11	11
Joanne Fintzen	4	4	3	3	1	1	1	1	11	9
Paul Le Page	1	1	1	1	-	-	1	1	-	-

The number of meetings held indicates the meetings held during each Director's membership of the relevant Board or Committee during the year ended 31 March 2023.

In addition to the scheduled Board and Committee meetings, 11 ad hoc Committee of the Board meetings were held during the year, which were attended by those Directors available at the time.

### Board Performance and Training

During the year, the Board commissioned a review of its performance by external evaluation practitioner Trust Associates Limited. The review determined the Board's approach to corporate governance and its supervision of its regulatory compliance to be good. The review also determined the Board to be effective with independent thought and action with the right balance of skills and experience necessary for its proper functioning and the safeguarding of Shareholders' interests.

### Re-Election of Directors

Under the terms of their appointment, each Director is required to seek re-election on an annual basis. At the 14 October 2022 Annual General Meeting, Bronwyn Curtis was elected to the Board and all other continuing Directors were re-elected. Trevor Ash and Ian Burns, did not seek re-election. At the Company's next AGM, Paul Le Page will seek election and

Richard Burwood will not seek re-election. The Company may terminate the appointment of a Director without compensation immediately on serving written notice.

### UK Criminal Finances Act 2017

In respect of the UK Criminal Finances Act 2017 which introduced a new Corporate Criminal Offence of 'failing to take reasonable steps to prevent the facilitation of tax evasion', the Board confirms that it is committed to zero tolerance towards the criminal facilitation of tax evasion.

The Board also keeps under review developments involving other social and environmental issues, such as the General Data Protection Regulation ("GDPR"), which came into effect on 25 May 2018, and Modern Slavery, and reports on those to the extent they are considered relevant to the Company's operations. There are no findings to report at year end.

### Board Committees and their Activities Terms of Reference

All Terms of Reference of the Board's Committees are available from the Administrator upon request.

### Management Engagement Committee

The Board has established a Management Engagement Committee which meets at least once a year and comprises the entire Board, with Richard Burwood serving as Chair. Its formal

# Directors’ Report (continued)

duties and responsibilities include the regular review of the performance of and contractual arrangements with the Portfolio Manager and other service providers and the preparation of the Committee’s annual opinion as to the Portfolio Manager’s services.

The Management Engagement Committee carried out a review of the performance and capabilities of the Portfolio Manager and other service providers at its 20 September 2022 meeting and recommended the continued appointment of TwentyFour Asset Management LLP as Portfolio Manager in the interest of Shareholders. The Management Engagement Committee also recommended that the appointment of all the Company’s current service providers should continue.

## Audit Committee

The Audit Committee comprises the entire Board, with the exception of the Chair of the Board, with John Le Poidevin acting as Chair since the retirement of Ian Burns on 14 October 2022. The terms of reference of the Audit Committee provide that the Committee shall be responsible, amongst other things, for reviewing the Interim and Annual Financial Statements, considering the appointment and independence of the external auditor, discussing with the external auditor the scope and results from the audit and reviewing the Company’s compliance with the AIC Code.

Further details on the Audit Committee can be found in the Audit Committee Report on pages 34 to 37.

## Remuneration and Nomination Committee

The Remuneration and Nomination Committee has been established consisting of all Directors. John de Garis has served as chair since its establishment.

The Committee met for the first time on 15 March 2023, where the Committee approved its Terms of Reference and a succession plan to replace Richard Burwood, following his imminent retirement at the next AGM.

## International Tax Reporting

For purposes of the US Foreign Account Tax Compliance Act, the Company registered with the US Internal Revenue Service (“IRS”) as a Guernsey reporting Foreign Financial Institution (“FFI”), received a Global Intermediary Identification Number (8V9U53.99999.SL.831), and can be found on the IRS FFI list. The Common Reporting Standard (“CRS”) is a global standard developed for the automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development (“OECD”), which has been adopted in Guernsey and which came into effect on 1 January 2016.

The Board ensures that the Company is compliant with Guernsey regulations and guidance in this regard.



### Internal Controls

In accordance with the AIC Code, the Board is ultimately responsible for establishing and maintaining the Company's system of internal financial and operating control and for maintaining and reviewing its effectiveness throughout the year. The Company's risk matrix remains the core element of the Company's risk management process in establishing the Company's system of internal financial and reporting control. The risk matrix is prepared by the Board, identifying the risks facing the Company and then collectively assessing the likelihood and impact of each risk and the strength of the controls operating over each risk. The system of internal financial and operating control is designed to manage rather than to eliminate the risk of failure to achieve business objectives, safeguard Company assets and maintain reliable financial information and by its nature can only provide reasonable and not absolute assurance against misstatement and loss.

The AIC Code requires Directors to conduct at least annually a review of the Company's system of internal financial and operating control, covering all controls, including financial, operational, compliance and risk management. The Board has evaluated the systems of internal controls of the Company. In particular, it has prepared a process for identifying and evaluating the significant risks affecting the Company and the policies by which these risks are managed. The Board also considers whether the appointment of an internal auditor is required and has determined that there is no requirement for a direct internal audit function at this time.



The Board has delegated the day to day responsibilities for the management of the Company's investment portfolio, the provision of depositary services and administration, registrar and corporate secretarial functions including the independent calculation of the Company's NAV and the production of the Annual Report and Financial Statements which are independently audited.

Formal contractual agreements have been put in place between the Company and service providers. Even though the Board has delegated responsibility for these functions, it retains accountability for these functions and is responsible for the systems of internal control. At each quarterly Board meeting, compliance reports are provided by the Administrator, Company Secretary, Portfolio Manager, AIFM and Depositary. The Board also receives confirmation from the Administrator of its accreditation under its Service Organisation Controls 1 report.

The Company's risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit Committee at its meetings and at least annually by the Board. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed. Principal Risks and Uncertainties are set out in the Strategic Report.

### Shareholder Engagement

The Board welcomes Shareholders' views and places great importance on communication with its Shareholders. Shareholders wishing to meet the Chair and other Board members should contact the Company's Administrator and a number of such meetings occurred during the year. The Portfolio Manager and Broker maintain a regular dialogue with institutional Shareholders, the feedback from which is reported to the Board.

The Company's Annual General Meeting ("AGM") provides a forum for Shareholders to meet and discuss issues of the Company and Shareholders with the opportunity to vote on the resolutions as specified in the Notice of AGM. The Notice of the AGM and the results are released to the London Stock Exchange in the form of an announcement. Board members will be available to respond to Shareholders' questions at the AGM.

In addition, the Company has a website, [www.twentyfourincomefund.com](http://www.twentyfourincomefund.com), which contains comprehensive information, including links to regulatory announcements, share price information, financial reports, investment objective and investor contacts.

# Directors’ Report (continued)

## Significant Shareholdings

Shareholders with holdings of more than 3.0% of the Ordinary Shares of the Company at 13 June 2023 (latest available) were as follows:

	Number of shares	Percentage of issued share capital
Investec Wealth & Investment	82,566,264	11.04%
Aviva Investors	49,597,779	6.63%
TwentyFour Asset Management	35,105,683	4.69%
Fidelity International	32,599,127	4.36%
Premier Miton Investors	27,151,526	3.63%
East Riding of Yorkshire	26,062,776	3.49%
Killik, stockbrokers	25,640,238	3.43%
RBC Brewin Dolphin, stockbrokers	23,458,705	3.14%

Those invested directly or indirectly in 3.0% or more of the issued share capital of the Company will have the same voting rights as other holders of Ordinary Shares.

## Disclosure of Information to Auditor

The Directors who held office at the date of approval of these Financial Statements confirm that, so far as they are each aware, there is no relevant audit information of which the Company’s auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

## Independent Auditor

The current appointed Auditor is PricewaterhouseCoopers CI LLP

During the year the Audit Committee conducted a tender process for the position of external auditor, which, in-line with best practice, included one “challenger” audit firm. A request for proposal was sent to suitably qualified audit firms and a rigorous interview process was conducted for those firms that tendered. The Board will nominate KPMG at the next AGM on 14 September 2023 to be appointed external auditor and a motion will be proposed to Shareholders on whether to approve their appointment.

Signed on behalf of the Board of Directors on 17 July 2023 by:

**Bronwyn Curtis**  
Director

**John Le Poidevin**  
Director

# Statement of Directors' Responsibilities

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

Guernsey company law requires the Directors to prepare Financial Statements for each financial year. Under that law, they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") and applicable law.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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 accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with these requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the oversight of the maintenance and integrity of the corporate and financial information in relation to the Company website; the work carried

out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

- (a) The Financial Statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at and for the year ended 31 March 2023; and
- (b) The Annual Report includes information detailed in the Corporate Information, Summary Information, Chair's Statement, Portfolio Manager's Report, Top Twenty Holdings, Board Members, Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges, Strategic Report, Directors' Report, Statement of Directors' Responsibilities, Directors' Remuneration Report, Audit Committee Report, Alternative Investment Fund Manager's Report and Depositary Statement and provides a fair review of the information required by:
  - (i) DTR 4.1.8 and DTR 4.1.9 of the Disclosure and Transparency Rules, being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and
  - (ii) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

In the opinion of the Board, the Financial Statements taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's performance, business model and strategy.

By order of the Board

**Bronwyn Curtis**  
Director  
17 July 2023

**John Le Poidevin**  
Director

# Directors' Remuneration Report

The Directors' Remuneration Report has been prepared on behalf of the Directors in accordance with the UK Code as issued by the UK Listing Authority. An ordinary resolution for the approval of the annual remuneration report will be put to the Shareholders at the AGM to be held on 14 September 2023.

## Remuneration Policy

The Company's policy in regard to Directors' remuneration is to ensure that the Company maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of shareholders.

It is the responsibility of the Remuneration and Nomination Committee to determine and approve the Directors' fees, who will have given the matter proper consideration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Chair's remuneration is decided and approved separately by the Board as a whole.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long-term incentive plans from the Company.

## Remuneration

The Directors of the Company are remunerated for their services at such a rate as the Directors determine. At the Annual General Meeting, held on 14 October 2022, Shareholders approved the increase of the upper limit of aggregate Director fees from £225,000 to £400,000 per annum.

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No Directors have been paid additional remuneration outside the normal Directors' fees and expenses.

In the year ended 31 March 2023, the Directors received the following annual remuneration in the form of Directors' fees:

	<b>Total Fees £</b>
Bronwyn Curtis (Chair of the Board, from 14 October 2022) <sup>1</sup>	38,596
John Le Poidevin (Audit Committee Chair, from 14 October 2022) <sup>2</sup>	44,363
Trevor Ash (Chair of the Board, until 14 October 2022) <sup>3</sup>	26,534
Ian Burns (Audit Committee Chair, until 14 October 2022) <sup>4</sup>	25,188
Richard Burwood	41,750
John de Garis	41,750
Joanne Fintzen	41,750
Paul Le Page <sup>5</sup>	1,753
<b>Total</b>	<b>261,684</b>

On 12 April 2022 and included within the table above, each of the six appointed Directors at that time received a £5,000 ad-hoc fee for additional work carried out during the acquisition of the assets of UK Mortgages Limited.

Until 31 December 2022, the annual fees were £50,000 for the Chair of the Board (£40,000 per annum before 14 October 2022), £37,500 for Audit Committee Chair, and £35,000 for all other Directors.

During the year, the Board commissioned an independent review of directors' fees by external evaluation practitioner Trust Associates Limited and as a result the Board resolved to increase Board remuneration with effect from 1 January 2023.

From 1 January 2023, the annual fees were increased to £60,000 for the Chair of the Board, £50,000 for the Audit Committee Chair, £42,000 for the Senior Independent Director and the Chair of the Nomination and Remuneration Committee and £40,000 for all other Directors.

<sup>1</sup> Bronwyn Curtis was appointed Director on 12 July 2022 and appointed Chair of the Board on 14 October 2022.

<sup>2</sup> John Le Poidevin was appointed Audit Committee Chair on 14 October 2022.

<sup>3</sup> Trevor Ash retired as Chair of the Board and Director on 14 October 2022.

<sup>4</sup> Ian Burns retired as Audit Committee Chair and Director on 14 October 2022.

<sup>5</sup> Paul Le Page was appointed Director on 16 March 2023.





The remuneration policy set out above is the one applied for the year ended 31 March 2023.

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

The Directors were appointed as non-executive Directors by letters of appointment. Each Director's appointment letter provides that, upon the termination of his/her appointment, he/she must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from Board meetings for six months or more; (c) unanimous written request of the other directors; and (d) an ordinary resolution of the Company.

Under the terms of their appointment, each Director is required to seek re-election on an annual basis. At the 14 October 2022 Annual General Meeting, all Directors were re-elected to the Board, except Trevor Ash and Ian Burns, who retired. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a director of the Company becoming effective.

The amounts payable to Directors shown in note 15 were for services as non-executive Directors.

No Director has a service contract with the Company, nor are any such contracts proposed.

Signed on behalf of the Board of Directors on 17 July 2023 by:

**Bronwyn Curtis**  
Director

**John Le Poidevin**  
Director

# Audit Committee Report

On the following pages, we present the Audit Committee's Report, setting out the responsibilities of the Audit Committee and its key activities for the year ended 31 March 2023.

The Audit Committee has continued its scrutiny of the appropriateness of the Company's system of risk management and internal controls, the robustness and integrity of the Company's financial reporting, and the external audit process. The Committee has devoted time to ensuring that the internal financial and operating controls and processes have been properly established, documented and implemented.

During the course of the year, the information that the Audit Committee has received has been timely and clear and has enabled the Audit Committee to discharge its duties effectively.

The Audit Committee operates within the principles of the UK Code and the best practice recommendations of other corporate governance organisations such as the AIC, and believes that reporting against the revised AIC Code allows the Audit Committee to further strengthen its role as a key independent oversight Committee.

## Role and Responsibilities

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities. This includes reviewing the financial reports and other financial information and any significant financial judgement contained therein, before publication.

In addition, the Audit Committee reviews the systems of internal financial and operating controls on a continuing basis that the Administrator, Portfolio Manager, AIFM, and Custodian Depositary and the Board have established with respect to accounting, risk management, compliance, fraud and audit seeking reasonable assurance that such systems meet relevant legal and regulatory requirements. The Audit Committee also reviews the accounting and financial reporting processes, along with reviewing the role, independence and effectiveness of the external auditor.

The ultimate responsibility for reviewing and approving the Annual and Interim Financial Statements remains with the Board.

The Audit Committee's full terms of reference can be obtained by contacting the Company's Administrator.

## Risk Management and Internal Control

The Board, as a whole, considers the nature and extent of the Company's risk management framework and the risk profile that is acceptable in order to achieve the Company's strategic objectives. As a result, it is considered that the Board has fulfilled its obligations under the AIC Code.

The Audit Committee continues to be responsible for reviewing the adequacy and effectiveness of the Company's ongoing risk management systems and processes. The Company's system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit Committee through reports received from the Portfolio Manager, AIFM and Custodian and Depositary, along with those from the Administrator and external auditor.

## Fraud, Bribery and Corruption

The Audit Committee, in conjunction with the Management Engagement Committee, have relied on the overarching requirement placed on service providers under the relevant agreements to comply with applicable law, including anti-bribery laws. A review of service provider policies took place at the Management Engagement Committee Meeting, held on 20 September 2022. The Board receives regular confirmation from all Service Providers that there has been no fraud, bribery or corruption.

## Financial Reporting and Significant Financial Issues

The Audit Committee assesses whether suitable accounting policies have been adopted and whether the Portfolio Manager has made appropriate estimates and judgements. The Audit Committee reviews accounting papers prepared by the Portfolio Manager and Administrator which provide details on the main financial reporting judgements.

The Audit Committee also reviews reports by the external auditor which highlight any issues with respect to the work undertaken on the audit.

The significant issues considered during the year by the Audit Committee in relation to the Financial Statements and how they were addressed are detailed below:

**(i) Valuation of investments:**

The Company's investments had a fair value of £739,385,970 as at 31 March 2023 (31 March 2022: £696,505,062) which represents a substantial portion of the net assets of the Company. As such this is the largest factor in relation to the consideration of the Financial Statements. These investments are valued in accordance with the accounting policies set out in note 2 to the Financial Statements. Through regular reporting during the year by the Portfolio Manager, AIFM, Administrator, Custodian and Depository, the Audit Committee satisfied itself that both the sources of price information and valuation process itself are robust and reliable, and considered the valuation of the investments held by the Company as at 31 March 2023 to be reasonable.

**(ii) Income Recognition:**

The Audit Committee considered the calculation of income from investments recorded in the Financial Statements as at 31 March 2023. As disclosed in note 3(ii)(b) of the Notes to the Financial Statements on page 57, the estimated life of ABS is determined by the Portfolio Manager, impacting the effective interest rate of the ABS which in turn impacts the calculation of income from investments. The Audit Committee reviewed the Portfolio Manager's process for determining the expected life of the Company's investments and found it to be reasonable based on the explanations provided and information obtained from the Portfolio Manager. The Audit Committee is therefore satisfied that income is correctly stated in the Financial Statements.

**(iii) Assets acquired from UKML**

The Audit Committee considered the financial reporting impact of the assets acquired from UKML, particularly the critical judgements and key estimates (both in respect to the amounts reported and the disclosures) associated with these assets.

Following a review of the presentations and reports from the Portfolio Manager and Administrator and consulting where necessary with the external auditor, the Audit Committee is satisfied that the Financial Statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Audit Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently

robust. The Audit Committee has also reviewed the content of the Annual Report and Financial Statements and provided an opinion to the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

At the request of the Audit Committee, the Administrator confirmed that it was not aware of any material misstatements including matters relating to Financial Statement presentation. At the Audit Committee meeting to review the Annual Report and Audited Financial Statements, the Audit Committee received and reviewed a report on the audit from the external auditor. On the basis of its review of this report, the Audit Committee is satisfied that the external auditor has fulfilled its responsibilities with diligence and professional scepticism. The Audit Committee advised the Board that these Annual Financial Statements, taken as a whole, are fair, balanced and understandable.

The Audit Committee is satisfied that the judgements made by the Portfolio Manager and Administrator are reasonable, and that appropriate disclosures have been included in the Financial Statements.

**Going Concern**

The going concern basis can be found in the Directors' Report on page 23.

**External Auditor**

The Audit Committee has primary responsibility for the effectiveness of the external audit process and for making recommendations to the Board on the appointment, independence, reappointment or removal of the external auditor and or the planning, scope, quality of performance and, cost effectiveness of the external audit process. The Audit Committee reviews and approves the external audit plan in advance of the audit and ensures throughout the year that any non-audit services proposed to be performed by the external auditor are in accordance with the Company's policy on the provision of non-audit services. The Company's non-audit services policy is set out in full in the Audit Committee's terms of reference. The external audit plan includes an analysis of the key audit risks and calculations of audit materiality which the Audit Committee considers in forming its assessment of key risks to the Audit Company's financial statements.

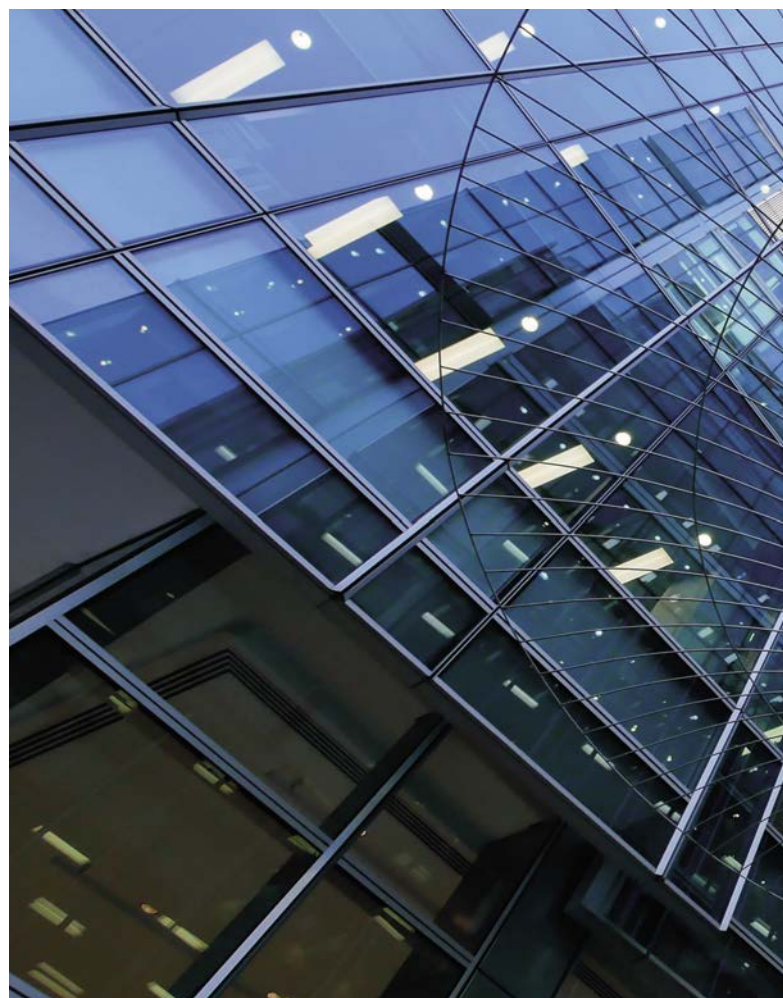
# Audit Committee Report (continued)

To assess the effectiveness of the external audit, members of the Audit Committee work closely with the Portfolio Manager and the Administrator to obtain a good understanding of the progress and efficiency of the audit. In particular the Audit Committee reviews the following areas:

- the quality of the audit engagement partner and the audit team;
- the expertise of the audit firm and the resources available to it;
- identification of areas of audit risk;
- planning, scope and execution of the audit;
- consideration of the appropriateness of the level of audit materiality adopted;
- the role of the Audit Committee, the Administrator, the Portfolio Manager and third-party service providers in an effective audit process;
- communications by the Auditor with the Audit Committee; and
- how the Auditor supports the work of the Audit Committee and how the audit contributes added value.

Feedback in relation to the audit process and the effectiveness of the Portfolio Manager and Administrator in performing their roles is also sought from relevant parties, notably the audit partner and team. The Auditor attends Audit Committee meetings on at least two occasions at which they have the opportunity to meet with the Audit Committee without representatives of the Portfolio Manager or Administrator being present. The effectiveness of the Board, the Administrator and the Portfolio Manager in the external audit process is assessed principally in relation to the timely identification and resolution of any process errors or control breaches that might impact the Company's net asset values and accounting records. It is also assessed by reference to how successfully any issues in respect of areas of accounting judgement are identified and resolved, the quality and timeliness of papers analysing these judgements, the Administrator's approach to the value of independent audit and the booking of any audit adjustments arising, and the timely provision of draft public documents for review by the Auditor and the Audit Committee.

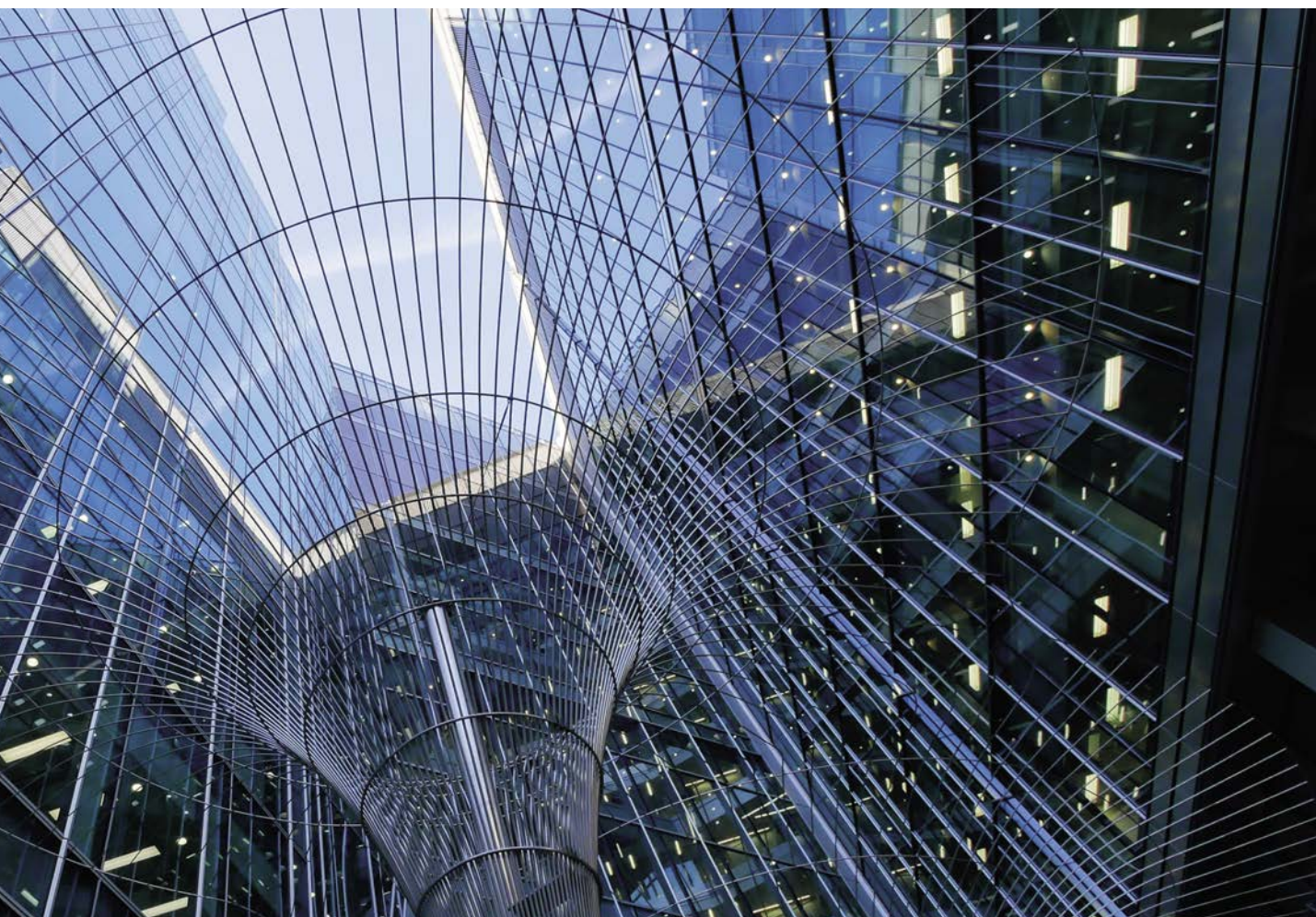
During the year, the Audit Committee performed its annual review of the independence, effectiveness and objectivity of the external auditor, in accordance with the FRC's Revised Ethical Standard, 2019.



On a semi-annual basis, the auditor reports the independence of its relationship with the Company and reports to the Audit Committee. As part of this review, the Audit Committee also receives information about policies and processes for maintaining independence and monitoring compliance with relevant requirements from the Company's Auditor, including information on the rotation of audit partners and staff, the level of fees that the Company pays in proportion to the overall fee income of the firm, and the level of related fees, details of any relationships between the audit firm and its staff and the Company as well as an overall confirmation from the Auditor of its independence and objectivity.

The Company does not utilise the external auditor for internal audit purposes, secondments or valuation advice. Other services which do not compromise auditor independence must be pre-approved by the Audit Committee.

The following tables summarise the remuneration paid to PwC and to other PwC member firms for audit and non-audit services during the year ended 31 March 2023 and the year ended 31 March 2022.



	01.04.22 to 31.03.23	01.04.21 to 31.03.22
<b>PricewaterhouseCoopers CI LLP - Assurance work</b>	<b>£</b>	<b>£</b>
- Annual audit	141,050	80,250
- Interim review	37,850	21,000
Non-recurring additional work in connection with the acquisition of assets from UKML	-	13,750
<b>Ratio of audit to non-audit work</b>	<b>1 : 0.26</b>	<b>1 : 0.43</b>

During the year the Audit Committee conducted a tender process for the position of external auditor. A request for proposal was sent to suitably qualified audit firms which in line with best practice included one “challenger” audit firm,” and a rigorous interview process was conducted for those firms that tendered. The Board will nominate KPMG at the next AGM in 14 September 2023 to be appointed external auditor and a motion will be proposed to Shareholders on whether to approve their appointment. KPMG are expected to replace PwC following the March 2023 annual audit.

For any questions on the activities of the Audit Committee not addressed in the foregoing, a member of the Audit Committee remains available to attend each AGM to respond to such questions.

The Audit Committee Report was approved by the Audit Committee on 17 July 2023 and signed on behalf by:

**John Le Poidevin**  
**Chair, Audit Committee**  
**17 July 2023**

# Alternative Investment Fund Manager's Report

Maitland Institutional Services Ltd acts as the Alternative Investment Fund Manager ("AIFM") of TwentyFour Income Fund Limited ("the Company") providing portfolio management and risk management services to the Company.

The AIFM has delegated the following of its alternative investment fund management functions:

- It has delegated the portfolio management function for listed investments to TwentyFour Asset Management LLP.
- It has delegated the portfolio management function for unlisted investments to TwentyFour Asset Management LLP.

The AIFM is required by the Alternative Investment Fund Managers Directive 2011, 61/EU (the "AIFM Directive") and all applicable rules and regulations implementing the AIFM Directive in the UK (the "AIFM" Rules):

- to make the annual report available to investors and to ensure that the annual report is prepared in accordance with applicable accounting standards, the Company's articles of incorporation and the AIFM Rules and that the annual report is audited in accordance with International Standards on Auditing;
- be responsible for the proper valuation of the Company's assets, the calculation of the Company's net asset value and the publication of the Company's net asset value;
- to make available to the Company's shareholders, a description of all fees, charges and expenses and the amounts thereof, which have been directly or indirectly borne by them; and
- ensure that the Company's shareholders have the ability to redeem their share in the capital of the Company in a manner consistent with the principle of fair treatment of investors under the AIFM Rules and in accordance with the Company's redemption policy and its obligations.

The AIFM is required to ensure that the annual report contains a report that shall include a fair and balanced review of the activities and performance of the Company, containing also a description of the principal risks and investment or economic uncertainties that the Company might face.

## AIFM Remuneration

The AIFM is subject to a staff remuneration policy which meets the requirements of the AIFM Directive. The policy is designed to ensure remuneration practices are consistent with, and promote, sound and effective risk management. It does not encourage risk-taking which is inconsistent with the risk profiles, rules or instrument of incorporation of the funds managed, and does not impair the AIFM's compliance with its duty to act in the best interests of the funds it manages.

The AIFM has reviewed the Remuneration Policy and its application in the last year which has resulted in no material changes to the policy or irregularities to process.

This disclosure does not include staff undertaking portfolio management activities as these are undertaken by TwentyFour Asset Management LLP. The Portfolio Manager is required to make separate public disclosure as part of their obligations under the Capital Requirements Directive.

The AIFM also acts as Authorised Corporate Director ("ACD") for non-Alternative Investment Funds ("AIFs"). It is required to disclose the total remuneration it pays to its staff during the financial year of the Company, split into fixed and variable remuneration, with separate aggregate disclosure for staff whose actions may have a material impact to the risk profile of a fund or the AIFM itself. This includes executives, senior risk and compliance staff and certain senior managers.

	Number of Beneficiaries	Fixed	Variable
Total remuneration paid by the ACD during the year	16	£1,734,405	£562,968
Remuneration paid to employees of the ACD who are material risk takers	6	£953,495	£483,876



Further information is available in the AIFM's Remuneration Policy Statement which can be obtained from [www.maitlandgroup.com](http://www.maitlandgroup.com) or, on request free of charge, by writing to the registered office of the AIFM.

In so far as the AIFM is aware:

- there is no relevant audit information of which the auditor of the Company or the board of directors of the Company are unaware; and
- the AIFM has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

We hereby certify that this report is made on behalf of the AIFM, Maitland Institutional Services Ltd.

**C O'Keeffe**  
**P.F. Brickley**  
**Directors**  
**Maitland Institutional Services Ltd**  
**17 July 2023**

# Report of the Depositary to the Shareholders

for the year ended 31 March 2023

Northern Trust (Guernsey) Limited has been appointed as Depositary to TwentyFour Income Fund Limited (the "Company") in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the "AIFM Directive").

We have enquired into the conduct of Maitland Institutional Services Limited (the "AIFM") and the Company for the year ended 31 March 2023, in our capacity as Depositary to the Company.

This report including the review provided below has been prepared for and solely for the Shareholders in the Company. We do not, in giving this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 (collectively the "AIFMD legislation") and The Authorised Closed Ended Investment Schemes Rules 2021.

Amongst these obligations is the requirement to enquire into the conduct of the AIFM and the Company and their delegates in each annual accounting period.

Our report shall state whether, in our view, the Company has been managed in that period in accordance with the AIFMD legislation. It is the overall responsibility of the AIFM and the Company to comply with these provisions. If the AIFM, the Company or their delegates have not so complied, we as the Depositary will state why this is the case and outline the steps which we have taken to rectify the situation.

The Depositary and its affiliates are or may be involved in other financial and professional activities which may on occasion cause a conflict of interest with its roles with respect to the Company. The Depositary will take reasonable care to ensure that the performance of its duties will not be impaired by any such involvement and that any conflicts which may arise will be resolved fairly and any transactions between the Depositary and its affiliates and the Company shall be carried out as if effected on normal commercial terms negotiated at arm's length and in the best interests of Shareholders.

## Basis of Depositary Review

The Depositary conducts such reviews as it, in its reasonable discretion, considers necessary in order to comply with its obligations and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the constitutional documentation and the appropriate regulations. Such reviews vary based on the type of Fund, the assets in which a Fund invests and the processes used, or experts required, in order to value such assets.

## Review

In our view, the Company has been managed during the period, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional documents; and by the AIFMD legislation; and
- (ii) otherwise in accordance with the provisions of the constitutional documents; and the AIFMD legislation.

**For and on behalf of  
Northern Trust (Guernsey) Limited  
17 July 2023**



# Independent Auditor's Report

To the Members of TwentyFour Income Fund Limited

## Report on the audit of the financial statements

### Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of TwentyFour Income Fund Limited (the "company") as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

### What we have audited

The company's financial statements comprise:

- the statement of financial position as at 31 March 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

### Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements of the company, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our audit approach

#### Overview

#### Audit scope

- The company is incorporated and based in Guernsey.
- We conducted our audit of the financial statements from information provided by Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") to whom the directors of the company have delegated the administration function. The company engages TwentyFour Asset Management LLP (the "Portfolio Manager") to manage the investment portfolio. We had significant interaction with both the Administrator and the Portfolio Manager during our audit.
- We conducted all our audit work in Guernsey.
- We tailored the scope of our audit taking into account the types of investments within the company, the accounting processes and controls, and the industry in which the company operates.

#### Key audit matters

- Risk of fraud in recognition of interest income on financial assets at fair value through profit or loss.
- Valuation on investments.

#### Materiality

- Overall materiality: £16,310,000 (2022: £16,100,000) based on 2.25% of net assets.
- Performance materiality: £12,232,500 (2022: £12,000,000).

# Independent Auditor's Report (continued)

To the Members of TwentyFour Income Fund Limited

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

## Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Risk of fraud in recognition of interest income on financial assets at fair value through profit or loss</i></b></p> <p>Interest income earned in respect of financial assets (investments consisting of primarily credit securities) designated at fair value through profit or loss amounted to £64.5 million is recognised in the statement of comprehensive income using the effective interest rate method (as stated in note 2(i) to the financial statements).</p> <p>Calculation of interest income on financial assets at fair value through profit or loss requires the Portfolio Manager to estimate the expected cash flows when applying the effective interest rate model with regards to the company's financial assets and is therefore, subject to significant management estimate and assumptions. This is detailed in note 3(ii)(b)) to the financial statements.</p> <p>Based on the level of interest income received and the risk of manipulation thereof by management as a result of the level of estimate and judgement applied, we have designated the risk of fraud in recognition of interest income on financial assets at fair value through profit or loss as a significant audit risk and a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We assessed the accounting policy for the recognition of interest income on financial assets at fair value through profit or loss for compliance with International Financial Reporting Standards ("IFRS").</li> <li>• We held discussions with the Portfolio Manager to understand and evaluate the processes in place for recognising interest income on financial assets at fair value through profit or loss and to understand the estimates and judgement applied by the Portfolio Manager in respect of the expected repayment date of the credit securities held and any other inputs into the effective interest rate model.</li> <li>• On a sample basis, we verified key inputs into the effective interest rate models prepared by the Portfolio Manager and adopted by the company. We also verified through recalculation, the arithmetic accuracy of the models and the interest income summary prepared by the Portfolio Manager.</li> <li>• We selected a sample of credit securities to assess if there had been any significant changes to the expected repayment dates from the prior year. Where there had been changes, we obtained supporting explanations and analysis to support those changes.</li> </ul> <p>Based on our work performed, we did not identify any material matters to report to those charged with governance.</p>

## Key audit matter

### Valuation of investments

Investments totalled £739.4 million as at the year end and are designated as financial assets at fair value through profit or loss on the statement of financial position. The company's investment policy is to invest in a diversified portfolio of credit securities which are accounted for at fair value through the profit or loss in accordance with the accounting policies set out in note 2(f) to the financial statements. The fair value of investments and movement therein are further disclosed in notes 9 and 18 respectively.

Investments represent the most significant balance on the statement of financial position and are not typically traded on organised markets or exchanges. To determine the fair value of these investments, the Portfolio Manager obtains prices from independent price vendors. If these are unavailable, the Portfolio Manager will obtain prices from third party brokers or dealers for the relevant investments, which may be indicative rather than tradable. Where no third party price is available or deemed appropriate by the Portfolio Manager, the Portfolio Manager will determine the valuation of the investment based on either the comparable arm's length transaction, referenced to other securities that are substantially the same, discounted cash flow analysis or other valuation techniques commonly used by market participants. During the year, the Portfolio Manager has engaged an independent valuation expert to provide the valuation to fair value of certain investments held (which represented £160.7 million of the company's portfolio of credit securities as at 31 March 2023).

Investment valuations are subject to estimates based on management's judgements applied to the portfolio of credit securities, as detailed in note 3(ii) and these include the assumptions made by the independent valuation expert.

Owing to the level of subjectivity that could be applied in fair valuing investments as a result of estimates and judgements applied, the risk of misstatement through manipulation could be material and as a result we have designated the valuation of investments as a key audit matter.

## How our audit addressed the key audit matter

- We obtained an understanding of and evaluated the internal control environment in place at the Administrator and the Portfolio Manager over the valuation of investments.
- We assessed compliance of the accounting policy for investment valuation with IFRS.
- Where investments had observable or listed prices, we independently confirmed the prices used to value the respective investments. Prices were obtained from a range of independent sources, including exchange traded and consensus prices:
  - > Where we were unable to obtain independent prices (primarily due to information access restrictions), or where the prices obtained exceeded our initial tolerable variance thresholds per investment, we sought and received supporting evidence for these specific prices from the Administrator and/or the Portfolio Manager; and
  - > In doing so, we also assessed the independence, reputation, and reliability of any sources of the supporting evidence provided in these instances. All variances exceeding our tolerable thresholds were evaluated based on supporting evidence obtained. Where necessary, we also considered if these prices were stale and followed up such prices with the Portfolio Manager.
- In order to determine the ongoing reliability of the investment valuations from year to year, we also, for a sample of investment disposals, compared the disposal price to the most recently recorded valuation prior to the disposal, which allowed us to assess the reliability of the previous inputs into the valuation process obtained at that point in time.
- Where, during the year, the Portfolio Manager engaged an external third-party expert to value certain investments:
  - > We obtained an understanding of the valuation methodology and for a selected sample, obtained the models directly from the independent valuation expert;
  - > We understood how the inputs into the models were derived and agreed the key valuation inputs, such as collateral loan amounts, interest rates and maturity dates to the underlying source data for the selected sample;
  - > We assessed the appropriateness of the selected valuation methodology, being a discounted cash flow model;
  - > With respect to the sample of investments selected we engaged our auditor's expert to assess the valuation methodology and key assumptions (such as prepayments, defaults and the discount rate) used by the independent valuation expert in determining the fair value. The mathematical accuracy of the valuation models sampled was also checked.
  - > We assessed the reputation, competence, and objectivity of the independent valuation expert and reliability of their work through reviewing their terms of engagement, industry research and discussion with our auditor's expert.

Based on our work performed, we did not identify any material matters to report to those charged with governance.

# Independent Auditor's Report (continued)

To the Members of TwentyFour Income Fund Limited

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, the industry in which the company operates, and we considered the risk of climate change and the potential impact thereof on our audit approach.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£16,310,000 (2022: £16,100,000).
How we determined it	2.25% of net assets.
Rationale for benchmark applied	We believe that net assets is the most appropriate benchmark because this is the key metric of interest to investors. It is also a generally accepted measure used for companies in this industry.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £12,232,500 (2022: £12,000,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £815,500 (2022: £800,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Reporting on other information

The other information comprises all the information included in the Annual Report and Audited Financial Statements (the "Annual Report") but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

# Independent Auditor's Report (continued)

## To the Members of TwentyFour Income Fund Limited

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Use of this report

This report, including the opinions, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Report on other legal and regulatory requirements

#### Company Law exception reporting

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

#### Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

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

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic Report/ Directors' Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- The directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

**Roland Mills**  
**For and on behalf of PricewaterhouseCoopers CI LLP**  
**Chartered Accountants and Recognised Auditor**  
**Guernsey, Channel Islands**  
**17 July 2023**

# Statement of Comprehensive Income

For the year ended 31 March 2023

		Year ended 31.03.23	Year ended 31.03.22
Income	Notes	£	£
Interest income on financial assets at fair value through profit or loss		64,542,727	36,748,033
Net foreign currency (losses)/gains	8	(8,837,545)	5,424,139
Net losses on financial assets at fair value through profit or loss	9	(70,193,539)	(297,452)
<b>Total (loss)/income</b>		<b>(14,488,357)</b>	<b>41,874,720</b>
<b>Operating expenses</b>			
Portfolio management fees	15	(5,034,036)	(4,344,424)
Directors' fees	15	(261,684)	(198,610)
Administration and secretarial fees	16	(323,483)	(286,702)
Audit fees		(141,050)	(95,153)
Custody fees	16	(67,120)	(57,926)
Broker fees		(50,521)	(50,122)
AIFM management fees	16	(231,363)	(203,777)
Depositary fees	16	(91,401)	(79,907)
Legal and professional fees		(161,234)	(59,602)
Listing fees		(64,855)	(29,504)
Registration fees		(46,174)	(31,504)
Other expenses		(355,807)	(133,994)
<b>Total operating expenses</b>		<b>(6,828,728)</b>	<b>(5,571,225)</b>
Total operating (loss)/profit		(21,317,085)	36,303,495
Finance costs on repurchase agreements	12	(1,278,260)	-
<b>Total comprehensive (loss)/income for the year*</b>		<b>(22,595,345)</b>	<b>36,303,495</b>
<b>(Loss)/Earnings per Ordinary Share</b>			
<b>- Basic &amp; Diluted</b>	4	(0.0340)	0.0708

All items in the above statement derive from continuing operations.

The notes on pages 52 to 79 form an integral part of these Financial Statements.

\*There is no other comprehensive income during the current and prior year.



# Statement of Financial Position

As at 31 March 2023

		31.03.2023	31.03.2022
Current assets	Notes	£	£
Financial assets at fair value through profit or loss			
- Investments	9	739,385,970	696,505,062
- Derivative assets: Forward currency contracts	18	2,281,253	40,892
Other receivables	10	6,976,028	3,987,405
Cash and cash equivalents		27,235,318	59,706,062
<b>Total assets</b>		<b>775,878,569</b>	<b>760,239,421</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss			
- Derivative liabilities: Forward currency contracts	18	1,509	1,737,830
Amounts payable under repurchase agreements	12	49,827,700	15,091,522
Amounts due to broker		-	19,422,888
Share issue costs payable		5,219	3,200,000
Other payables	11	1,061,379	2,309,963
<b>Total liabilities</b>		<b>50,895,807</b>	<b>41,762,203</b>
<b>Net assets</b>		<b>724,982,762</b>	<b>718,477,218</b>
<b>Equity</b>			
Share capital account	13	750,558,986	675,350,674
(Accumulated losses)/Retained earnings		(25,576,224)	43,126,544
<b>Total equity</b>		<b>724,982,762</b>	<b>718,477,218</b>
Ordinary Shares in issue	13	718,036,661	638,942,655
Net Asset Value per Ordinary Share (pence)	6	100.97	112.45

The Audited Financial Statements on pages 48 to 79 were approved by the Board of Directors on 17 July 2023 and signed on its behalf by:

**Bronwyn Curtis**  
Director

**John Le Poidevin**  
Director

The notes on pages 52 to 79 form an integral part of these Financial Statements.

# Statement of Changes in Equity

For the year ended 31 March 2023

		Share capital account	Retained earnings/ (Accumulated losses)	Total
	Notes	£	£	£
Balances at 1 April 2022		675,350,674	43,126,544	718,477,218
Issue of shares	13	76,631,101	-	76,631,101
Share issue costs	13	(773,112)	-	(773,112)
Release of UKML share issue costs payable		798,176	-	798,176
Dividends paid		-	(47,555,276)	(47,555,276)
Income equalisation on new issues	5	(1,447,853)	1,447,853	-
Total comprehensive loss for the year		-	(22,595,345)	(22,595,345)
<b>Balances at 31 March 2023</b>		<b>750,558,986</b>	<b>(25,576,224)</b>	<b>724,982,762</b>

		Share capital account	Retained earnings/ (Accumulated losses)	Total
	Notes	£	£	£
Balances at 1 April 2021		533,945,321	39,418,848	573,364,169
Issue of shares	13	144,605,353	-	144,605,353
Share issue costs	13	(3,200,000)	-	(3,200,000)
Dividends paid		-	(32,595,799)	(32,595,799)
Total comprehensive income for the year		-	36,303,495	36,303,495
<b>Balances at 31 March 2022</b>		<b>675,350,674</b>	<b>43,126,544</b>	<b>718,477,218</b>

The notes on pages 52 to 79 form an integral part of these Financial Statements.

# Statement of Cash Flows

As at 31 March 2023

	Notes	Year ended 31.03.23	Year ended 31.03.22
<b>Cash flows from operating activities</b>		<b>£</b>	<b>£</b>
Total comprehensive (loss)/income for the year		(22,595,345)	36,303,495
Adjustments for non-cash transactions:			
Net losses on investments	9	70,193,539	297,453
Amortisation adjustment under effective interest rate method	9	(19,931,829)	(6,492,209)
Unrealised (gains)/losses on forward currency contracts	8	(3,976,681)	3,287,141
Exchange gains on cash and cash equivalents		(8,363)	(4,053)
Increase in other receivables		(2,988,623)	(485,472)
(Decrease)/increase in other payables		(1,248,584)	1,082,518
Finance costs on repurchase agreements		1,278,260	-
Purchase of investments		(264,066,709)	(246,501,396)
Sale of investments/principal repayments		151,501,203	266,964,778
<b>Net cash (used in)/generated from operating activities</b>		<b>(91,843,132)</b>	<b>54,452,255</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of Ordinary Redeemable Shares		76,631,101	38,472,913
Share issue costs		(3,169,718)	-
Dividend paid		(47,555,276)	(32,595,799)
Finance costs		(1,278,260)	-
Increase/(decrease) in amounts payable under repurchase agreements		34,736,178	(12,143,002)
<b>Net cash generated from/(used in) financing activities</b>		<b>59,364,025</b>	<b>(6,265,888)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(32,479,107)</b>	<b>48,186,367</b>
Cash and cash equivalents at beginning of the year		59,706,062	11,515,643
Exchange gains on cash and cash equivalents		8,363	4,052
<b>Cash and cash equivalents at end of the year</b>		<b>27,235,318</b>	<b>59,706,062</b>

The notes on pages 52 to 79 form an integral part of these Financial Statements.

# Notes to the Financial Statements

For the year ended 31 March 2023

## 1. General Information

TwentyFour Income Fund Limited (the "Company") was incorporated with limited liability in Guernsey, as a closed-ended investment company on 11 January 2013. The Company's shares ("Ordinary Shares", being the sole share class) were listed with a Premium Listing on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange on 6 March 2013.

On 16 September 2022, the Company was included in the London Stock Exchange's FTSE 250 Index. The inclusion was largely due to the increase in the net asset value of the Company, following its acquisition of the assets of UK Mortgages Limited ("UKML") in March 2022.

The Company's investment objective and policy is set out in the Summary Information on page 3.

The Portfolio Manager of the Company is TwentyFour Asset Management LLP (the "Portfolio Manager").

### *Acquisition of UK Mortgages Limited Assets during the prior year*

On 8 February 2022, the Company announced that it had agreed terms of a proposed acquisition of the Profit Participating Notes ("PPNs") issued by the Corporate Funding Designated Activity Company ("DAC") of UK Mortgages Limited, (the "Scheme"). The Scheme was to be effected through the reconstruction of UKML, consisting of the winding up of UKML, the transfer of the assets of UKML to the Company and the issue of new Ordinary Shares by the Company to the shareholders of UKML.

Under the terms of the Scheme, the assets of UKML were placed into a "Rollover Pool" for transfer to the Company, with cash and other net current assets placed into a "Liquidation Pool" in order to meet any outstanding UKML current and future liabilities. The Company and UKML agreed to bear their own costs in relation to the Scheme.

The proposed acquisition value was 84p per UKML share, less the costs of UKML in relation to the Scheme and the retention to meet both unknown and ascertained liabilities, divided by the total number of UKML shares in issue (excluding any UKML shares held in treasury by UKML) as at 18 March 2022 (the "Calculation Date"), subject to certain adjustments in accordance with the Scheme.

On 3 March 2022, the Company published a prospectus on the proposed Scheme, along with a timetable.

On 18 March 2022, it was announced that the Shareholders of both UKML had approved the Scheme by a special resolution. Trading in UKML shares was suspended on the same day.

On 23 March 2022, the Boards of both UKML and the Company announced the final Scheme entitlements as at the Calculation Date. The Company issue price at that date, per new Ordinary Share of the Company, to be issued to shareholders of UKML, was £1.1421. The acquisition value per UKML share was £0.8331. 130,427,846 new Ordinary Shares of the Company were issued under the Scheme to former shareholders of UKML. The new Ordinary Shares issued by the Company were admitted to the London Stock Exchange the following day, with share certificates dispatched the week commencing 28 March 2022. The total value of assets transferred were: 4 PPNs valued at £87.1 million; Listed notes of £19.0 million and cash of £38.5 million. While the Company acquired the above assets of UKML, it does not have any control, or influence over the Designated Activity Company that issues securitisations on its behalf.

## 2. Significant Accounting Policies

### *a) Basis of Preparation*

#### *Realisation Opportunity, Placing Programme and Going Concern*

On 21 October 2022, the Company concluded its most recent Realisation Opportunity. Effective that date, 9,582,068 Ordinary Shares were elected for realisation at a price of 91.99p per share, which was the closing 18 October 2022 NAV of 93.87p, less 2%. All of these shares were made available for purchase on the market on 25 October 2022 as part of a Placement Programme at a price of 94.95p per share.

On 25 October 2022, the Company also successfully placed 45,276,074 Ordinary Shares, 9,582,068 of which were Ordinary Shares made available for purchase from the Realisation Opportunity and the remaining 35,694,006 of which were new Ordinary Shares. During this placing programme, the Directors of the Board each purchased additional shares, details of which can be found in Note 15b.

Placees were allocated a proportion of Ordinary Shares at the Redemption Price (91.99p) and a proportion at the Placing Programme Price (95.75p), in each case pro rata to the size of their allocation pursuant to the Placing, resulting in all placees paying the same 'blended' Placing Price (94.95p).

The next Realisation Opportunity is not due to occur until after the AGM in Autumn 2025 and therefore these financial statements have been prepared on a going concern basis.

**b) Statement of Compliance**

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are in compliance with The Companies (Guernsey) Law, 2008.

**c) Presentation of Information**

The Financial Statements have been prepared on a going concern basis under the historical cost convention adjusted to take account of the revaluation of the Company's financial assets and liabilities at fair value through profit or loss.

**d) Standards, Amendments and Interpretations Effective During the Year**

At the reporting date of these Financial Statements, the following standards, interpretations and amendments, were adopted for the year ended 31 March 2023:

- Treatment of property, plant and equipment cost (Amendments to IAS 16 and IAS 41);
- Treatment of onerous contracts (Amendments to IAS 37);
- Subsidiaries being permitted cumulative translation differences using the amounts reported by its parent (Amendments to IFRS 1); and
- Updates to conceptual framework amendments (Amendments to IFRS 3)

The Directors believe that the adoption of the above standards do not have a material impact on the Company's Audited Financial Statements for the year ended 31 March 2023.

**e) Standards, Amendments and Interpretations Issued but not yet Effective**

At the reporting date of these Financial Statements, the following standards, interpretations and amendments, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IFRS 17 Insurance Contracts (applicable to accounting periods beginning on or after 1 January 2023)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (applicable to accounting periods beginning on or after 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (applicable to accounting periods beginning on or after 1 January 2023)
- Amendments to: IAS 1 (non-current liabilities with

covenants); IAS 12 (deferred tax related to assets and liabilities arising from a single transaction); and IFRS 16 Leases (leases on sale and leaseback); (all applicable to accounting periods beginning on or after 1 January 2024

The Directors anticipate that the adoption of the above standards, effective in future periods, will not have a material impact on the financial statements of the Company.

**f) Financial Assets at Fair Value through Profit or Loss Classification**

The Company classifies its investments in debt securities and derivatives as financial assets at fair value through profit or loss.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed and their performance is evaluated on a fair value basis in accordance with the Company's business model per IFRS 9.

The Company's policy requires the Portfolio Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

**Recognition, Derecognition and Measurement**

Regular purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Investments in Asset Backed Securities ("ABS") are the purchase of an interest in pools of loans. The investment characteristics of Asset Backed Securities are such that principal payments are made more frequently than traditional debt securities. The principal may be repaid at any time because the underlying debt or other assets generally may be repaid at any time.

The Company records these principal repayments as they arise and realises a gain or loss in the 'net gains on financial assets at fair value through profit or loss' in the Statement of Comprehensive Income in the period in which they occur. The interest income arising on these securities is recognised within income in the Statement of Comprehensive Income.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2023

## Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of investments in Asset Backed Securities are calculated in accordance with either i) or ii) below and the change in fair value, if any, is recorded as 'net gains/(losses) on financial assets at fair value through profit or loss' in the Statement of Comprehensive Income.

### (i) Asset Backed Securities Traded or Dealt on an Active Market or Exchange

Asset Backed Securities that are traded or dealt on an active market or exchange are valued by reference to their quoted mid-market price as at the close of trading on the reporting date as Portfolio Manager deems the mid-market price to be a reasonable approximation of an exit price.

### (ii) Asset Backed Securities Not Traded or Dealt on an Active Market or Exchange

Asset Backed Securities which are not traded or dealt on active markets or exchanges are valued by reference to their price, as at the close of business on the reporting date as determined by an independent price vendor. If a price cannot be obtained from an independent price vendor, or where the Portfolio Manager determines that the provided price is not an accurate representation of the fair value of the Asset Backed Security, the Portfolio Manager will source prices at the close of business on the reporting date from third party broker/dealer quotes and independent valuation experts, where applicable for the relevant security.

## Forward Foreign Currency Contracts

Forward foreign currency contracts are derivative contracts and as such are recognised at fair value on the date on which they are entered into and subsequently measured at their fair value. Fair value is determined by rates in active currency markets. All forward foreign currency contracts are carried as assets when fair value is positive and as liabilities when fair value is negative. Gains and losses on forward currency contracts are recognised as part of 'net foreign currency gains/(losses)' in the Statement of Comprehensive Income.

### g) Sale and Repurchase Agreements

Securities sold subject to repurchase agreements are reclassified in the financial statements as pledged assets when

the transferee has the right by contract or custom to sell or re-pledge the collateral. The counterparty liability is included under 'Amounts payable under repurchase agreements'. Securities purchased under agreements to resell are recorded separately under 'due from agreements to resell'. These securities are valued at amortised cost on the Statement of Financial Position. The difference between the sale and the repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

### h) Amounts Due from and Due to Brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date respectively. These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### i) Income

Interest income is recognised on a time-proportionate basis using the effective interest method. Discounts received or premiums paid in connection with the acquisition of Asset Backed Securities are amortised into interest income using the effective interest method over the estimated life of the related security.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate (see note 3(ii)(b)), a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering the expected life of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate and all other premiums or discounts. The amortisation adjustment under the effective interest rate method, as shown in Note 9, is classified as interest income.

### j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the Statement of Financial Position.

**k) Share Capital**

As there are only Ordinary Shares in issue, which are redeemable at the discretion of the Board, the shares are presented as equity in accordance with IAS 32 – “Financial Instruments: Disclosure and Presentation”. Incremental costs directly attributable to the issue of Ordinary Shares are shown in equity as a deduction, net of tax, from the proceeds and disclosed in the Statement of Changes in Equity.

**l) Foreign Currency Translation****Functional and Presentation Currency**

Items included in the financial statements are measured using Sterling, the currency of the primary economic environment in which the Company operates (the “functional currency”). The Financial Statements are presented in Sterling, which is the Company’s presentation currency.

**Transactions and Balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Statement of Financial Position date.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income.

**m) Transaction Costs**

Transaction costs on financial assets at fair value through profit or loss include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the Statement of Comprehensive Income.

**n) Segmental Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The Directors are of the opinion that the Company is engaged in a single segment of business, being investments in Asset Backed Securities. The Directors manage the business in this way. Additional information can be found in note 19.

**o) Expenses**

All expenses are included in the Statement of Comprehensive Income on an accrual basis. Expenses incurred on the acquisition of investments at fair value through profit or loss are charged to the Statement of Comprehensive Income. All other expenses are recognised through profit or loss in the Statement of Comprehensive Income.

**p) Other Receivables**

Other receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit losses.

**q) Other Payables**

Other payables are obligations to pay for services that have been acquired in the ordinary course of business. Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**r) Dividend**

A dividend to the Company’s Shareholders is recognised as a liability in the Company’s financial statements and disclosed in the Statement of Changes in Equity in the period in which the dividends are approved by the Board.

**s) Income Equalisation on New Issues**

In order to ensure there are no dilutive effects on (loss)/ earnings per share for current Shareholders when issuing new shares, a transfer is made between share capital and income to reflect that amount of income included in the purchase price of the new shares.

**t) Treasury Shares**

The Company has the right to issue and purchase up to 14.99% of the total number of its own Ordinary Shares, as disclosed in note 13.

Ordinary Shares held in Treasury are excluded from calculations when determining Earnings per Ordinary Share or NAV per Ordinary Share, as detailed in notes 4 and 6.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2023

### 3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Company's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### (i) Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Financial Statements:

#### Acquisition of UKML Assets and UK Mortgages Corporate Funding Designated Activity Company

The Company has assessed the impact of the acquisition of the PPNs issued by the DAC of UKML in the prior year and has concluded that it is not required to prepare consolidated Financial Statements with regards to this investment under IFRS 3 Business Combinations and IFRS 10 Consolidated Financial Statements.

Under IFRS 10, investment entities are not required to consolidate their investments, but measure them at fair value through profit or loss.

#### Acquisition of UKML Assets and UK Mortgages Corporate Funding Designated Activity Company (continued)

Prior to the combination, DAC was a subsidiary of UKML. An evaluation of whether the Company held sufficient control over DAC for it to be considered a subsidiary was completed.

Under IFRS 10, an investment shall be considered to be a subsidiary, if the company investing has control over the investee. Control is determined by meeting the following three criteria:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns

Based on the following assessments, it was concluded that the Company does not control DAC:

- There is no power (any power under old arrangements that have been restructured as per agreed negotiations is only deemed to be temporary at best) for the Company to direct the relevant activities and effect variable returns;
- The Board of the DAC, (the "DAC Board") operates with autonomy from the Board. The Company uses a third party valuation from Prytania to calculate the fair value the PPNs in line with its fair value policy of the Company;
- Although the Portfolio Manager advises both the Company and DAC, these are different teams and do not constitute control by the Board over DAC;
- Any rights afforded to the Company through the restructured PPN holdings are protective in nature (as with any other asset backed PPN);
- The Company can sell its holdings as it sees fit with standard market operations for transacting such unrated notes; and
- The DAC plans to issue further PPNs to other parties for which it does not need authority from the Company to do so.

For these reasons, the Company is not required to prepare Consolidated Financial Statements due to its holding in the DAC and the acquisition of the PPNs issued by the DAC was treated as an asset acquisition, as an acquirer, acquisition date and identifiable assets transferred could all be reliably determined.

#### Functional Currency

As disclosed in note 2(i), the Company's functional currency is Sterling. Sterling is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. Dividends are also paid to its investors in Sterling. The Directors believe that Sterling best represents the functional currency.

#### Determination of Observable Inputs

In note 18, Fair Value Measurement, when determining the levels of investments within the fair value hierarchy, the determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.



**(ii) Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Board based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising which are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**(a) Fair value of Securities not Quoted in an Active Market**

The Company carries its investments in credit securities at fair value, with changes in value being recognised in the Statement of Comprehensive Income. In cases where prices of credit securities are not quoted in an active market, the Portfolio Manager will obtain prices determined at the close of business on the reporting date from an independent price vendor. The Portfolio Manager exercises its judgement on the quality of the independent price vendor and information provided. If a price cannot be obtained from an independent price vendor or where the Portfolio Manager determines that the provided price is not an accurate representation of the fair value of the credit security, the Portfolio Manager will source prices from independent third party brokers or dealers for the relevant security, which may be indicative rather than tradable. Where no third party price is available, or where the Portfolio Manager determines that the third party quote is not an accurate representation of the fair value, the Portfolio Manager will determine the valuation based on the Portfolio Manager's valuation policy. This may include the use of a comparable arm's length transaction, independent valuation experts, reference to other securities that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

No credit securities were priced by the Portfolio Manager during the year or any previous year. There has been no change to the accounting policy applied to how these investments have been valued (see notes 2 and 3) but the use of an independent third-party valuation expert was used to value approximately 77.54% of the Company's Level 3 investments at 31 March 2023. See note 17 for price sensitivity analysis and details of interest rate risk.

**(b) Estimated Life of Asset Backed Securities**

In determining the estimated life of the Asset Backed Securities held by the Company, the Portfolio Manager estimates the remaining life of the security with respect to expected prepayment rates, default rates and loss rates together with other information available in the market underlying the security. The estimated life of the Asset Backed Securities as determined by the Portfolio Manager, impacts the effective interest rate of the Asset Backed Securities which in turn impacts the calculation of income as discussed in note 2(h). As the Asset Backed Securities are measured at fair value, this estimation uncertainty over the life of the securities will not have a significant risk of resulting in a material adjustment to the carrying amounts of securities within the next financial year, however, it is of significance given the separate presentation of interest income in the statement of comprehensive income.

**4. (Loss)/Earnings per Ordinary Share - Basic & Diluted**

The (loss)/earnings per Ordinary Share - Basic and Diluted has been calculated based on the weighted average number of Ordinary Shares of 664,696,773 (31 March 2022: 512,445,511) and a net loss of £22,595,345 (31 March 2022: net gain of £36,303,495).

**5. Income Equalisation on New Issues**

In order to ensure there are no dilutive effects on (loss)/earnings per Ordinary Share for current Shareholders when issuing new shares, earnings are calculated in respect of accrued income at the time of purchase and a transfer is made from share capital to income to reflect this. The transfer for the year is £1,447,853 (31 March 2022: £Nil).

**6. Net Asset Value per Ordinary Share**

The net asset value of each Ordinary Share of £1.01 (31 March 2022: £1.12) is determined by dividing the net assets of the Company attributed to the Ordinary Shares of £724,982,762 (31 March 2022: £718,477,218) by the number of Ordinary Shares in issue at 31 March 2023 of 718,036,661 (31 March 2022: 638,942,655).

**7. Taxation**

The Company has been granted Exempt Status under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 to income tax in Guernsey. Its liability for Guernsey taxation is limited to an annual fee of £1,200 (2022: £1,200).

# Notes to the Financial Statements (continued)

For the year ended 31 March 2023

## 8. Net Foreign Currency (Losses)/Gains

	For the year Year ended 31.03.23	For the year Year ended 31.03.22
	£	£
Movement on unrealised loss on forward currency contracts	3,976,681	(3,287,141)
Realised (loss)/gain on foreign currency contracts	(13,106,492)	8,892,521
Unrealised foreign currency gain/(loss) on receivables/payables	219,025	(233,051)
Unrealised foreign currency exchange gain on interest receivable	73,241	51,810
	<b>(8,837,545)</b>	<b>5,424,139</b>

## 9. Investments

	For the year 01.04.22 to 31.03.23	For the year 01.04.21 to 31.03.22
	£	£
<b>Financial assets at fair value through profit or loss:</b>		
Opening book cost	693,217,802	588,285,142
Purchases at cost	390,806,347	370,421,053
Proceeds on sale/principal repayment	(297,663,729)	(266,964,778)
Amortisation adjustment under effective interest rate method on ABS <sup>1</sup>	5,398,713	6,373,782
Amortisation adjustment under effective interest rate method on PPNs <sup>1</sup>	14,533,116	118,428
Realised gains on sale/principal repayment	57,193,656	38,306,129
Realised losses on sale/principal repayment	(30,979,858)	(43,321,954)
Closing book cost	832,506,047	693,217,802
Unrealised gains on investments	3,919,689	35,735,454
Unrealised losses on investments	(97,039,766)	(32,448,194)
<b>Fair value</b>	<b>739,385,970</b>	<b>696,505,062</b>

	For the year Year ended 31.03.23	For the year Year ended 31.03.22
	£	£
Realised gains on sales/principal repayment	57,193,656	38,306,129
Realised losses on sales/principal repayment	(30,979,858)	(43,321,954)
Movement in unrealised gains	(31,815,765)	24,172,741
Movement in unrealised losses	(64,591,572)	(19,454,368)
<b>Net loss on financial assets at fair value through profit or loss</b>	<b>(70,193,539)</b>	<b>(297,452)</b>

1. The amounts for the year ended 31 March 2022 were presented as 'amortisation adjustment under effective interest rate method'. These have been split to show the amortisation as a result of the effective interest rate method split between that for ABS and that for PPNs. The total figure for the prior year remains unchanged.

## 10. Other Receivables

	<b>As at 31.03.23</b>	<b>As at 31.03.22</b>
	<b>£</b>	<b>£</b>
Coupon interest receivable	6,870,412	3,909,523
Prepaid expenses	105,616	77,882
	<b>6,976,028</b>	<b>3,987,405</b>

There are no material expected credit losses for coupon interest receivable as at 31 March 2023.

## 11. Other Payables

	<b>As at 31.03.23</b>	<b>As at 31.03.22</b>
	<b>£</b>	<b>£</b>
Portfolio management fees payable	738,231	2,010,225
Custody fees payable	6,974	5,318
Administration and secretarial fees payable	83,039	71,619
Directors' fee payable	12,629	-
Audit fees payable	136,389	89,990
AIFM management fees payable	47,885	97,492
Depositary fees payable	16,792	10,127
General expenses payable	19,440	25,192
	<b>1,061,379</b>	<b>2,309,963</b>

A summary of the expected payment dates of payables can be found in the 'Liquidity Risk' section of Note 17.

## 12. Amounts Payable under Repurchase Agreements

The Company, as part of its investment strategy, may enter into repurchase agreements. A repurchase agreement is a short-term loan where both parties agree to the sale and future repurchase of assets within a specified contract period. Repurchase agreements may be entered into in respect of securities owned by the Company which are sold to and repurchased from counterparties on contractually agreed dates and the cash generated from this arrangement can be used to purchase new securities, effectively creating leverage. The Company still benefits from any income received, attributable to the security. Under the Company's Global Master Repurchase Agreement it may from time to time enter into transactions with a buyer or seller under the terms and conditions as governed by the agreement.

Finance costs on repurchase agreements have been presented separately from interest income for the year end 31 March 2023. In prior periods, this was netted off with the interest income. The prior period was not adjusted as this will only impact the presentation and this reclassification would not result in any change in the net (loss)/ profit or the net assets of the Company. The Directors of the Company believe that this adjustment will not influence the decision of the users of the financial statements.

Finance costs on repurchase agreements amounted to £1,278,260 (31 March 2022: £144,088). As at 31 March 2023, finance cost liabilities on open repurchase agreements amounted to £157,335 (31 March 2022: £54,521).

# Notes to the Financial Statements (continued)

For the year ended 31 March 2023

At the end of the year, amounts repayable under open repurchase agreements were £49,827,700 (31 March 2022: £15,091,522). Nine securities were designated as collateral against the repurchase agreements (31 March 2022: three securities), with a total fair value of £50,574,587 (31 March

2022: £18,043,498), all of which were investment grade RMBS. The total exposure was -6.87% (31 March 22: -2.10%) of the Company's NAV. The contracts were across two counterparties and were all rolling agreements with a maturity of 3 months.

### 13. Share Capital - Authorised Share Capital

Unlimited number of Ordinary Shares at no par value.

#### Issued Share Capital

	For the year 01.04.22 to 31.03.23	For the year 01.04.21 to 31.03.22
Ordinary Shares	£	£
Share Capital at the beginning of the year	675,350,674	533,945,321
Issued Share Capital	76,631,101	144,605,353
Share issue costs	(773,112)	(3,200,000)
Release of UKML share issue costs payable <sup>1</sup>	798,176	-
Income equalisation on new issues	(1,447,853)	-
<b>Total Share Capital at the end of the year</b>	<b>750,558,986</b>	<b>675,350,674</b>

1. The release of UKML share issue costs payable was as a result of an over-accrual of estimated costs at 31 March 2022 attributed to the issue of new shares from the acquisition of UKML assets.

	For the year 01.04.22 to 31.03.23	For the year 01.04.21 to 31.03.22
Ordinary Shares	Shares	Shares
Shares at the beginning of the year	638,942,655	508,514,809
Issue of Shares	79,094,006	130,427,846
<b>Total Shares in issue at the end of the year</b>	<b>718,036,661</b>	<b>638,942,655</b>

	For the year 01.04.22 to 31.03.23	For the year 01.04.21 to 31.03.22
Treasury Shares	£	£
Treasury Share capital at the beginning of the year	43,083,300	43,083,300
Issue of Ordinary Shares from Treasury	(43,083,300)	-
<b>Total Treasury Share capital at the end of the year</b>	<b>-</b>	<b>43,083,300</b>

	For the year 01.04.22 to 31.03.23	For the year 01.04.21 to 31.03.22
Treasury Shares	Shares	Shares
Treasury Shares at the beginning of the year	39,000,000	39,000,000
Issue of Ordinary Shares from Treasury	(39,000,000)	-
<b>Total Shares at the end of the year</b>	<b>-</b>	<b>39,000,000</b>

On 24 March 2022, 130,427,846 new Ordinary Shares of the Company were issued to shareholders of UKML during the acquisition of UKML. The total value of assets transferred in consideration were: 4 PPNs valued at £87.1 million; Listed notes of £19.0 million and cash of £38.5 million.

### Issued Share Capital (continued)

During the year, the following new Ordinary Shares were Issued:

Issue Date	Number of shares issued (units)	"Issue Price" (pence)	Total Consideration (£)	Share issue costs (£)	Issue of shares (£)
28 September 2022	1,000,000	105.45	1,054,500	(12,127)	1,042,373
Tuesday, 25 October 2022	35,694,006	94.18	33,617,501	(336,174)	33,281,327
Friday, 18 November 2022	1,000,000	96.67	966,700	(9,667)	957,033
Thursday, 24 November 2022	5,000,000	97.10	4,855,000	(48,550)	4,806,450
Friday, 2 December 2022	3,000,000	97.53	2,925,900	(29,259)	2,896,641
Wednesday, 7 December 2022	600,000	97.64	585,840	(5,858)	579,982
Tuesday, 13 December 2022	1,000,000	97.90	979,000	(9,790)	969,210
Wednesday, 14 December 2022	5,000,000	97.90	4,895,000	(48,950)	4,846,050
Thursday, 15 December 2022	4,500,000	97.90	4,405,500	(44,055)	4,361,445
Tuesday, 20 December 2022	1,000,000	98.24	982,400	(9,824)	972,576
Thursday, 29 December 2022	1,000,000	98.53	985,300	(9,853)	975,447
Thursday, 5 January 2023	1,000,000	98.95	989,500	(9,895)	979,605
Tuesday, 17 January 2023	1,300,000	99.85	1,298,050	(12,981)	1,285,069
Wednesday, 18 January 2023	1,000,000	99.85	998,500	(9,985)	988,515
Wednesday, 25 January 2023	1,500,000	98.70	1,480,500	(14,805)	1,465,695
Thursday, 26 January 2023	1,000,000	98.80	988,000	(9,880)	978,120
Friday, 27 January 2023	1,000,000	98.70	987,000	(9,870)	977,130
Wednesday, 1 February 2023	2,000,000	99.28	1,985,600	(19,856)	1,965,744
Thursday, 2 February 2023	1,500,000	99.89	1,498,350	(14,984)	1,483,366
Friday, 10 February 2023	1,500,000	100.24	1,503,600	(15,036)	1,488,564
Tuesday, 14 February 2023	1,000,000	100.83	1,008,300	(10,083)	998,217
Wednesday, 15 February 2023	1,000,000	100.83	1,008,300	(10,083)	998,217
Friday, 24 February 2023	2,000,000	101.59	2,031,800	(20,318)	2,011,482
Tuesday, 28 February 2023	1,600,000	101.96	1,631,360	(17,079)	1,614,281
Tuesday, 7 March 2023	1,500,000	102.40	1,536,000	(17,664)	1,518,336
Thursday, 9 March 2023	1,400,000	102.40	1,433,600	(16,486)	1,417,114
			<b>76,631,101</b>	<b>(773,112)</b>	<b>75,857,989</b>

The Share Capital of the Company consists of an unlimited number of Shares at no par value which, upon issue, the Directors may designate as: Ordinary Shares; Realisation Shares or such other class as the Board shall determine and denominated in such currencies as shall be determined at the discretion of the Board.

As at 31 March 2023, one share class has been issued, being the Ordinary Shares of the Company.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2023

## 13. Share Capital (continued)

### Issued Share Capital (continued)

The Ordinary Shares carry the following rights:

- a) The Ordinary Shares carry the right to receive all income of the Company attributable to the Ordinary Shares.
- b) The Shareholders present in person or by proxy or present by a duly authorised representative at a general meeting has, on a show of hands, one vote and, on a poll, one vote for each Share held.
- c) 56 days before the annual general meeting date of the Company in each third year (the "Reorganisation Date"), the Shareholders are entitled to serve a written notice (a "Realisation Election") requesting that all or a part of the Ordinary Shares held by them be redesignated to Realisation Shares, subject to the aggregate NAV of the continuing Ordinary Shares on the last business day before the Reorganisation Date being not less than £100 million. A Realisation Notice, once given is irrevocable unless the Board agrees otherwise. If one or more Realisation Elections be duly made and the aggregate NAV of the continuing Ordinary Shares on the last business day before the Reorganisation Date is less than £100 million, the Realisation will not take place. Shareholders do not have a right to have their shares redeemed and shares are redeemable at the discretion of the Board. The most recent Realisation Election took place in October 2022,

details of which can be found in Note 22. The next Realisation Opportunity is due to occur at the end of the next three-year term, at the date of the AGM in September 2025.

The Company has the right to issue and purchase up to 14.99% of the total number of its own shares at £0.01 each, to be classed as Treasury Shares and may cancel those Shares or hold any such Shares as Treasury Shares, provided that the number of Shares held as Treasury Shares shall not at any time exceed 10% of the total number of Shares of that class in issue at that time or such amount as provided in the Companies (Guernsey) Law, 2008.

The Company has the right to re-issue Treasury Shares at a later date.

Shares held in Treasury are excluded from calculations when determining (Loss)/Earnings per Ordinary Share or NAV per Ordinary Share, as detailed in notes 4 and 6.

£2,396,197 of share issue costs paid in the Statement of Cash Flows relate to issue costs incurred during the year ended 31 March 2022 in relation to the acquisition of UKML assets. £798,176 of the original costs capitalised have been released back to the NAV of the Company.

## 14. Analysis of Financial Assets and Liabilities by Measurement Basis

	Assets at fair value through profit or loss	Amortised cost	Total
31 March 2023	£	£	£
<b>Financial Assets as per Statement of Financial Position</b>			
Financial assets at fair value through profit or loss:			
- Investments	739,385,970	-	739,385,970
- Derivative assets: Forward currency contracts	2,281,253	-	2,281,253
Other receivables (excluding prepayments)	-	6,870,412	6,870,412
Cash and cash equivalents	-	27,235,318	27,235,318
	<b>741,667,223</b>	<b>34,105,730</b>	<b>775,772,953</b>

	Liabilities at fair value through profit or loss	Amortised cost	Total
	£	£	£
<b>Financial Liabilities as per Statement of Financial Position</b>			
Financial liabilities at fair value through profit or loss:			
- Derivative liabilities: Forward currency contracts	1,509	-	1,509
Amounts payable under repurchase agreements	-	49,827,700	49,827,700
Share issue costs payable	-	5,219	5,219
Other payables	-	1,061,379	1,061,379
	<b>1,509</b>	<b>50,894,298</b>	<b>50,895,807</b>

	Assets at fair value through profit or loss	Amortised cost	Total
	£	£	£
<b>Financial Assets as per Statement of Financial Position</b>			
Financial assets at fair value through profit or loss:			
- Investments	696,505,062	-	696,505,062
- Derivative assets: Forward currency contracts	40,892	-	40,892
Other receivables (excluding prepayments)	-	3,909,523	3,909,523
Cash and cash equivalents	-	59,706,062	59,706,062
	<b>696,545,954</b>	<b>63,615,585</b>	<b>760,161,539</b>

	Liabilities at fair value through profit or loss	Amortised cost	Total
	£	£	£
<b>Financial Assets as per Statement of Financial Position</b>			
Financial liabilities at fair value through profit or loss:			
- Derivative liabilities: Forward currency contracts	1,737,830	-	1,737,830
Amounts payable under repurchase agreements	-	15,091,522	15,091,522
Amounts due to brokers	-	19,422,888	19,422,888
Share issue costs payable	-	3,200,000	3,200,000
Other payables	-	2,309,963	2,309,963
	<b>1,737,830</b>	<b>40,024,373</b>	<b>41,762,203</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2023

## 15. Related Parties

### a) Directors' Remuneration & Expenses

The Directors of the Company are remunerated for their services at such a rate as the Directors determine. At the Annual General Meeting, held on 14 October 2022, Shareholders approved the increase of the upper limit of aggregate Director fees from £225,000 to £400,000 per annum.

Until 31 December 2022, the annual fees were £50,000 for the Chair of the Board (£40,000 per annum before 14 October 2022), £37,500 for Audit Committee Chair, and £35,000 for all other Directors.

During the year, the Board commissioned an independent review of directors' fees by external evaluation practitioner Trust Associates Limited and as a result the Board resolved to increase Board remuneration with effect from 1 January 2023.

From 1 January 2023, the annual fees were increased to £60,000 for the Chair of the Board, £50,000 for the Audit Committee Chair, £42,000 for the Senior Independent Director and the Chair of the Nomination and Remuneration Committee and £40,000 for all other Directors.

On 12 April 2022, each of the six appointed Directors received a £5,000 ad-hoc fee for additional work carried out during the acquisition of UK Mortgages Limited.

During the year ended 31 March 2023, Directors fees of £261,684, (31 March 2022: £198,610) were charged to the Company, of which £12,629 (31 March 2022: £Nil) remained payable at the end of the year.

### b) Shares Held by Related Parties

As at 31 March 2023, Directors of the Company held the following shares beneficially:

	Number of Shares 31.03.23	Number of Shares 31.03.22
Bronwyn Curtis	105,313	N/A
John Le Poidevin	260,121	23,165
Trevor Ash	N/A	108,734
Ian Burns	N/A	74,242
Richard Burwood	87,186	66,124
John de Garis	39,753	18,691
Joanne Fintzen	38,538	17,476
Paul Le Page	49,457	N/A

Paul Le Page held 49,457 Ordinary Shares upon his appointment to the Board, having been a Shareholder in UKML and having elected to transfer his shareholding to Ordinary Shares in the Company during the acquisition of UKML's assets.



On 25 October 2022 the Board purchased the following Ordinary Shares in the Company as part of the Redemption

Placing shares, made available on the market as part of the Realisation Opportunity:

Name	Allocation (Ordinary Shares)	Price per share (pence)	Total Consideration £
Bronwyn Curtis	105,313	94.95	100,000
Richard Burwood	21,062	94.95	20,000
Joanne Fintzen	21,062	94.95	20,000
John de Garis	21,062	94.95	20,000
John Le Poidevin	236,956	94.95	225,000

As at 31 March 2023, the Portfolio Manager held 35,105,683 Shares (31 March 2022: 31,805,683 Shares), which is 4.89% (31 March 2022: 4.98%) of the Issued Share Capital. Partners and employees of the Portfolio Manager held 12,155,104 Shares (31 March 2022: 12,334,376 Shares), which is 1.69% (31 March 2022: 1.93%) of the Issued Share Capital.

Any shares purchased by Directors, the Portfolio Manager and employees of the Portfolio Manager are carried out in their capacity as Shareholders. No shares are offered or awarded to any Related Parties as remuneration.

#### c) Portfolio Manager

The portfolio management fee is payable to the Portfolio Manager, monthly in arrears at a rate of 0.75% per annum of the lower of NAV, which is calculated weekly on each valuation day, or market capitalisation of each class of shares. Total portfolio management fees for the year amounted to £5,034,036 (31 March 2022: £4,344,424) of which £738,231 (31 March 2022: £2,010,225) is due and payable at the year end. The Portfolio Management Agreement dated 29 May 2014 remains in force until determined by the Company or the Portfolio Manager giving the other party not less than twelve months' notice in writing. Under certain circumstances, the Company or the Portfolio Manager is entitled to immediately terminate the agreement in writing.

The Portfolio Manager is also entitled to a commission of 0.15% of the aggregate gross offering proceeds plus any applicable VAT in relation to any issue of new Shares, following admission, in consideration of marketing services that it provides to the Company. During the period, the Portfolio Manager received £6,801 (31 March 2022: £Nil) in commission.

## 16. Material Agreements

### a) Alternative Investment Fund Manager

The Company's Alternative Investment Fund Manager (the "AIFM") is Maitland Institutional Services Limited. In consideration for the services provided by the AIFM under the AIFM Agreement, the AIFM is entitled to receive from the Company a minimum fee of £20,000 per annum and fees payable quarterly in arrears at a rate of 0.07% of the NAV of the Company below £50 million, 0.05% on Net Assets between £50 million and £100 million and 0.03% on Net Assets in excess of £100 million. During the year ended 31 March 2023, AIFM fees of £231,363 (31 March 2022: £203,777) were charged to the Company, of which £47,885 (31 March 2022: £97,492) remained payable at the end of the year.

### b) Administrator and Secretary

Administration fees are payable to Northern Trust International Fund Administration Services (Guernsey) Limited monthly in arrears at a rate of 0.06% of the NAV of the Company below £100 million, 0.05% on Net Assets between £100 million and £200 million and 0.04% on Net Assets in excess of £200 million as at the last business day of the month subject to a minimum £75,000 each year. In addition, an annual fee of £25,000 is charged for corporate governance and company secretarial services. Total administration and secretarial fees for the year amounted to £323,483 (31 March 2022: £286,702) of which £83,039, (31 March 2022: £71,619) is due and payable at end of the year.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2023

## c) Depository

Depository fees are payable to Northern Trust (Guernsey) Limited, monthly in arrears, at a rate of 0.0175% of the Net Asset Value of the Company up to £100 million, 0.0150% on Net Assets between £100 million and £200 million and 0.0125% on Net Assets in excess of £200 million as at the last business day of the month subject to a minimum £25,000 each period. Total depository fees and charges for the year amounted to £91,401, (31 March 2022: £79,907) of which £16,792 (31 March 2022: £10,127) is due and payable at the year end.

The Depository is also entitled to a Global Custody fee of a minimum of £8,500 per annum plus transaction fees. Total Global Custody fees and charges for the year amounted to £67,120 (31 March 2022: £57,926) of which £6,974 (31 March 2022: £5,318) is due and payable at the year end.

## 17. Financial Risk Management

The Company's objective in managing risk is the creation and protection of Shareholder value. Risk is inherent in the Company's activities, but it is managed through an ongoing process of identification, measurement and monitoring.

The Company's financial instruments include investments classified at fair value through profit or loss, cash and cash equivalents, derivative liabilities and amounts payable under repurchase agreements. The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The techniques and instruments utilised for the purposes of efficient portfolio management are those which are reasonably believed by the Board to be economically appropriate to the efficient management of the Company.

## Market risk

Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk, reinvestment risk and price risk. The Company's strategy on the management of market risk is driven by the Company's investment objective. The Company's investment objective is to generate attractive risk adjusted returns principally through investment in Asset Backed Securities.

The underlying investments comprised in the portfolio are subject to market risk. The Company is therefore at risk that market events may affect performance and in particular may affect the value of the Company's investments. Market risk is risk associated with changes in market prices or rates, including interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, national and international political circumstances.

## (i) Price Risk

The price of an Asset Backed Security can be affected by a number of factors, including: (i) changes in the market's perception of the underlying assets backing the security; (ii) economic and political factors such as interest rates and levels of unemployment and taxation which can have an impact on the arrears, foreclosures and losses incurred with respect to the pool of assets backing the security; (iii) changes in the market's perception of the adequacy of credit support built into the security's structure to protect against losses caused by arrears and foreclosures; (iv) changes in the perceived creditworthiness of the originator of the security or any other third parties to the transaction; and (v) the speed at which mortgages or loans within the pool are repaid by the underlying borrowers (whether voluntary or due to arrears or foreclosures).

The Company's policy also stipulates that no more than 10% of the Portfolio value can be exposed to any single Asset Backed Security or issuer of Asset Backed Securities.

**(ii) Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial assets and liabilities at fair value through profit or loss.

The following tables summarise the Company's exposure to interest rate risk:

	Floating rate	Fixed rate	Non-interest bearing	Total
As at 31 March 2023	£	£	£	£
Financial assets at fair value through profit or loss	739,385,970	-	-	739,385,970
Derivative assets	-	-	2,281,253	2,281,253
Other receivables (excluding prepayments)	-	-	6,870,412	6,870,412
Cash and cash equivalents	27,235,318	-	-	27,235,318
Repurchase agreements	-	(49,827,700)	-	(49,827,700)
Share issue costs payable	-	-	(5,219)	(5,219)
Other payables	-	-	(1,061,379)	(1,061,379)
Derivative liabilities	-	-	(1,509)	(1,509)
<b>Net current assets</b>	<b>766,621,288</b>	<b>(49,827,700)</b>	<b>8,083,558</b>	<b>724,877,146</b>

	Floating rate	Fixed rate	Non-interest bearing	Total
As at 31 March 2022	£	£	£	£
Financial assets at fair value through profit or loss	696,505,062	-	-	696,505,062
Derivative assets	-	-	40,892	40,892
Other receivables (excluding prepayments)	-	-	3,909,523	3,909,523
Cash and cash equivalents	59,706,062	-	-	59,706,062
Repurchase agreements	-	(15,091,522)	-	(15,091,522)
Amounts due to brokers	-	-	(19,422,888)	(19,422,888)
Share issue costs payable	-	-	(3,200,000)	(3,200,000)
Other payables	-	-	(2,309,963)	(2,309,963)
Derivative liabilities	-	-	(1,737,830)	(1,737,830)
<b>Net current assets</b>	<b>756,211,124</b>	<b>(15,091,522)</b>	<b>(22,720,266)</b>	<b>718,399,336</b>

If interest rates were to increase or decrease by 2.5%, the expected effect of the returns from floating rate net assets would be a gain or loss of £19,165,532 respectively (31 March 2022: gain or loss of £18,905,278).

# Notes to the Financial Statements (continued)

For the year ended 31 March 2023

## 17. Financial Risk Management (continued)

The Company only holds floating rate financial assets and when short-term interest rates increase, the interest rate on a floating rate will increase. The time to re-fix interest rates ranges from 1 month to a maximum of 6 months and therefore the Company has minimal interest rate risk. However, the Company may choose to utilise appropriate strategies to achieve the desired level of interest rate exposure (the Company is permitted to use, for example, interest rate swaps to accomplish this). The value of asset backed securities may be affected by interest rate movements. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates, however the underlying cash positions will not be affected. Please see note 12 for details of the amounts payable under repurchase agreements.

The Company's continuing position in relation to interest rate risk is monitored on a weekly basis by the Portfolio Manager as part of its review of the weekly NAV calculations prepared by the Company's Administrator.

### (iii) Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company invests predominantly in non-Sterling assets while its Shares are denominated in Sterling, its expenses are incurred in Sterling. Therefore the Statement of Financial Position may be significantly affected by movements in the exchange rate between Euro and Sterling. The Company manages the exposure to currency movements by using spot and forward foreign exchange contracts, rolling forward on a periodic basis.

	Contract values	Outstanding contracts	Mark to market equivalent	Unrealised gains
	31.03.2023	31.03.2023	31.03.2023	31.03.2023
Three Sterling forward foreign currency contracts totalling: Settlement date 12 April 2023	€416,268,352	£368,081,043	£365,820,527	£2,260,516
One Euro forward foreign currency contracts totalling: Settlement date 12 April 2023	(£7,463,014)	(£6,539,339)	(£6,558,567)	£19,228
				£2,279,744

	Contract values	Outstanding contracts	Mark to market equivalent	Unrealised gains
	31.03.2022	31.03.2022	31.03.2022	31.03.2022
Four Sterling forward foreign currency contracts totalling: Settlement date 14 April 2022	€393,860,355	£331,185,177	£332,907,686	(£1,722,509)
One Euro forward foreign currency Settlement date 14 April 2022	(€2,367,768)	(£1,975,767)	(£2,001,338)	£25,571
				(£1,696,938)

Contract values represent the contract's notional value. Outstanding contracts are the contract's notional values, translated at the contracted FX rate from Euro to Sterling, or from Sterling to Euro.

As at 31 March 2023 and as at 31 March 2022, the Company held the following assets and liabilities denominated in Euro:

	As at 31.03.2023	As at 31.03.2022
<b>Assets:</b>	<b>£</b>	<b>£</b>
Investments	361,420,402	347,113,863
Cash and cash equivalents	970,272	770,446
Other receivables	5,083,861	3,094,634
Amounts due to broker	-	(19,422,888)
Less: Open forward currency contracts	(359,261,960)	(330,906,347)
	<b>8,212,575</b>	<b>649,708</b>

The tables below summarise the sensitivity of the Company's assets and liabilities to changes in foreign exchange movements between Euro and Sterling at 31 March 2023 and 31 March 2022. The analysis is based on the assumption that the relevant foreign exchange rate increased/decreased by the

percentage disclosed in the table, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

	As at 31.03.2023	As at 31.03.2022
	<b>£</b>	<b>£</b>
Impact on Statement of Comprehensive Income in response to a:		
- 20% increase as at 31.03.2023; 10% increase as at 31.03.2022	(1,321,137)	5,496
- 20% decrease as at 31.03.2023; 10% decrease as at 31.03.2022	2,123,313	151,117

Impact on Statement of Changes in Equity in response to a:

- 20% increase as at 31.03.2023; 10% increase as at 31.03.2022	(1,321,137)	5,496
- 20% decrease as at 31.03.2023; 10% decrease as at 31.03.2022	2,123,313	151,117

#### (iv) Reinvestment Risk

Reinvestment risk is the risk that future coupons from a bond will not be reinvested at the prevailing interest rate when the bond was initially purchased.

A key determinant of a bond's yield is the price at which it is purchased and, therefore, when the market price of bonds generally increases, the yield of bonds purchased generally decreases. As such, the overall yield of the portfolio, and therefore the level of dividends payable to Shareholders, would fall to the extent that the market prices of Asset Backed Securities generally rise and the proceeds of Asset

Backed Securities held by the Company that mature or are sold are not able to be reinvested in Asset Backed Securities with a yield comparable to that of the portfolio as a whole.

#### (v) Price Sensitivity Analysis

The following details the Company's sensitivity to movement in market prices. The analysis is based on a 10% increase or decrease in market prices. This represents management's best estimate of a reasonable possible shift in market prices, having regard to historical volatility.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2023

At 31 March 2023, if the market prices had been 10% higher with all other variables held constant, the increase in the net assets attributable to equity Shareholders would have been £73,938,597 (31 March 2022: £69,650,506). An equal change in the opposite direction would have decreased the net assets attributable to equity Shareholders by the same amount. This price sensitivity analysis covers the market prices received from price vendors, brokers and those determined using models (such as discounted cash flow models) on the assumption that the prices determined from these sources had moved by the indicated percentage.

As noted in Note 18, the valuation models used (typically discounted cash flow models) include unobservable inputs that may rely on assumptions that are subject to judgement. The sensitivity analysis of such inputs was available for the year ended 31 March 2023, but not for 31 March 2022.

Actual trading results may differ from the above sensitivity analysis and those differences may be material.

## Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a credit policy in place and the exposure to credit risk is monitored on an on-going basis.

The main concentration of credit risk to which the Company is exposed arises from the Company's investments in Asset Backed Securities. The Company is also exposed to counterparty credit risk on forwards, cash and cash equivalents, amounts due from brokers and other receivable balances. At the year end, none of the Company's investments in Asset Backed Securities were in default (31 March 2022: none).

The Company's policy to manage this risk is by no more than 20% of the portfolio value being backed by collateral in any single country (save that this restriction will not apply to Northern European countries). The Company also manages this credit risk by no more than 10% of the portfolio being exposed to any single Asset Backed Security or issuer of Asset Backed Securities, no more than 40% of the portfolio being exposed to issues with a value greater than 5%, and no more than 10% of the portfolio value being exposed to instruments not deemed securities for the purposes of the Financial Services and Market Act 2000.

Portfolio of Asset Backed Securities by ratings category using the highest rating assigned by Standard and Poor's ("S&P"), Moody's Analytics (Moody's) or Fitch Ratings ("Fitch"):

	31.03.23	31.03.22
AAA	0.23%	0.32%
AA	0.68%	-
AA-	1.92%	1.73%
A+	3.82%	1.53%
A	2.93%	1.44%
A-	2.95%	2.21%
BBB+	8.47%	5.68%
BBB	1.73%	2.65%
BBB-	4.90%	2.79%
BB+	5.37%	6.55%
BB	3.71%	6.88%
BB-	10.58%	9.82%
B+	5.94%	3.17%
B	5.04%	8.49%
B-	10.81%	13.28%
CCC	0.17%	-
NR*	30.75%	33.46%
	<b>100.00%</b>	<b>100.00%</b>

\*The non-rated exposure within the Company is managed in exactly the same way as the exposure to any other rated bond in the portfolio. A bond not rated by any of Moody's, S&P or Fitch does not necessarily translate as poor credit quality. Often smaller issues/tranches, or private deals which the Company holds, won't apply for a rating due to the cost of doing so from the relevant credit agencies. The Portfolio Manager has no credit concerns with the unrated, or rated, bonds currently held. The Portfolio Manager will estimate an internal rating for unrated bonds by considering all relevant factors, including but not limited to, the relationship between the bond's maturity and its price and/or yield, the ratings of comparable bonds, and the issuer's financial statements; however this is not used for any investment monitoring, reporting or otherwise.

To further minimise credit risk, the Portfolio Manager undertakes extensive due diligence procedures on investments in Asset Backed Securities and monitors the on-going investment in these

securities. The Company may also use credit default swaps to mitigate the effects of market volatility on credit risk.

The Company manages its counterparty exposure in respect of cash and cash equivalents and forwards by investing with counterparties with a "single A" or higher credit rating. All cash is currently placed with The Northern Trust Company. The Company is subject to credit risk to the extent that this institution may be unable to return this cash. The Northern Trust Company is a wholly owned subsidiary of The Northern Trust Corporation. The Northern Trust Corporation is publicly traded and a constituent of the S&P 500. The Northern Trust Corporation has a credit rating of A+ from Standard & Poor's and A2 from Moody's.

The Company's maximum credit exposure is limited to the carrying amount of financial assets recognised as at the Statement of Financial Position date, as summarised below:

	<b>As at 31.03.23</b>	<b>As at 31.03.22</b>
	<b>£</b>	<b>£</b>
Investments	739,385,970	696,505,062
Cash and cash equivalents	27,235,318	59,706,062
Unrealised gains on derivative assets	2,281,253	40,892
Other receivables	6,870,412	3,909,523
	<b>775,772,953</b>	<b>760,161,539</b>

Investments in Asset Backed Securities that are not backed by mortgages present certain risks that are not presented by Mortgage-Backed Securities ("MBS"). Primarily, these securities may not have the benefit of the same security interest in the related collateral. Therefore, there is a possibility that recoveries on defaulted collateral may not, in some cases, be available to support payments on these securities. The risk of investing in these types of Asset Backed Securities is ultimately dependent upon payment of the underlying debt by the debtor. The Company has assessed credit default risk affecting the entity and concluded that any sensitivity analysis would be immaterial.

### Liquidity Risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Investments made by the Company in Asset Backed Securities may be relatively illiquid and this may limit the ability of the Company to realise its investments. Investments in Asset Backed Securities may also have no active market and the Company also

has no redemption rights in respect of these investments. The Company has the ability to borrow to ensure sufficient cash flows.

The Portfolio Manager considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. Cash flows from trade and other receivables are all contractually due within twelve months.

The Portfolio Manager maintains a liquidity management policy to monitor the liquidity risk of the Company.

Shareholders have no right to have their shares redeemed or repurchased by the Company, however Shareholders may elect to realise their holdings as detailed under note 12 and the Capital Risk Management section of this note.

Shareholders wishing to release their investment in the Company are therefore required to dispose of their shares on the market. Therefore, there is no risk that the Company will not be able to fund redemption requests.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2023

## Liquidity Risk

	Up to 1 month	1-6 months	6-12 months	Total
As at 31 March 2023	£	£	£	£
<b>Financial liabilities</b>				
Repurchase agreements	-	(49,827,700)	-	(49,827,700)
Unrealised loss on derivative liabilities	(1,509)	-	-	(1,509)
Share issue costs payable	(5,219)	-	-	(5,219)
Director fees payable	(12,629)	-	-	(12,629)
Other payables	(912,361)	(136,389)	-	(1,048,750)
<b>Total</b>	<b>(931,718)</b>	<b>(49,964,089)</b>	<b>-</b>	<b>(50,895,807)</b>

	Up to 1 month	1-6 months	6-12 months	Total
As at 31 March 2022	£	£	£	£
<b>Financial liabilities</b>				
Repurchase agreements	-	(15,091,522)	-	(15,091,522)
Amounts due to brokers	(19,422,888)	-	-	(19,422,888)
Unrealised loss on derivative liabilities	(1,737,830)	-	-	(1,737,830)
Share issue costs payable	(3,200,000)	-	-	(3,200,000)
Other payables	(2,219,973)	(89,990)	-	(2,309,963)
<b>Total</b>	<b>(26,580,691)</b>	<b>(15,181,512)</b>	<b>-</b>	<b>(41,762,203)</b>

The increase in repurchase agreements for the year ended 31 March 2023 was prompted by an opportunity to finance purchasing of bonds during the liability-driven investment crisis to take advantage of higher available yields.

## Capital Risk Management

The Company manages its capital to ensure that it is able to continue as a going concern while following the Company's stated investment policy and when considering and approving dividend payments. The capital structure of the Company consists of Shareholders' equity, which comprises share capital and other reserves. To maintain or adjust the capital structure, the Company may return capital to Shareholders or issue new Shares. There are no regulatory requirements to return capital to Shareholders.

### (i) Share Buybacks

The Company has been granted the authority to make market purchases of up to a maximum of 14.99% of the aggregate number of Ordinary Shares in issue immediately

following Admission at a price not exceeding the higher of (i) 5% above the average of the mid-market values of the Ordinary Shares for the 5 business days before the purchase is made or, (ii) the higher of the price of the last independent trade and the highest current investment bid for the Ordinary Shares.

In deciding whether to make any such purchases, the Directors will have regard to what they believe to be in the best interests of Shareholders as a whole, to the applicable legal requirements and any other requirements in its Articles. The making and timing of any buybacks will be at the absolute discretion of the Board and not at the option of the Shareholders, and is expressly subject to the Company having sufficient surplus cash resources available (excluding borrowed moneys). The Listing Rules prohibit the Company from conducting any share buybacks during close periods immediately preceding the publication of annual and interim results.



**(ii) Realisation Opportunity**

The Realisation Opportunity shall be at the annual general meeting of the Company in each third year. On 21 October 2022, the Company concluded its most recent Realisation Opportunity. Details of which can be found in note 22. The next Realisation Opportunity is expected to take place in Autumn 2025, subject to the aggregate NAV of the continuing Ordinary Shares on the last Business Day before Reorganisation being not less than £100 million.

It is anticipated that realisations will be satisfied by the assets underlying the relevant shares being managed on a realisation basis, which is intended to generate cash for distribution as soon as practicable and may ultimately generate cash which is less than the published NAV per Realisation Share.

In the event that the Realisation takes place, it is anticipated that the ability of the Company to make returns of cash to the holders of Realisation Shares will depend in part on the ability of the Portfolio Manager to realise the portfolio.

**(iii) Continuation Votes**

In the event that the Company does not meet the dividend target in any financial reporting period as disclosed in note 20, the Directors may convene a general meeting of the Company where the Directors will propose a resolution that the Company should continue as an Investment Company.

**18. Fair Value Measurement**

All assets and liabilities are carried at fair value or at amortised cost, which equates to fair value.

IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices including interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates) or other market corroborated inputs (Level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following tables analyse within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value for the year ended 31 March 2023 and year ended 31 March 2022.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
Asset Backed Securities:				
Auto Loans	-	13,473,200	-	13,473,200
CLO	-	249,763,889	-	249,763,889
CMBS	-	34,835,106	-	34,835,106
Consumer ABS	-	14,143,352	-	14,143,352
CRE ABS	-	12,224,121	-	12,224,121
RMBS	-	202,733,570	207,207,308	409,940,878
Student Loans	-	5,005,424	-	5,005,424
Forward currency contracts	-	2,281,253	-	2,281,253
<b>Total assets as at 31 March 2023</b>	-	<b>534,459,915</b>	<b>207,207,308</b>	<b>741,667,223</b>

# Notes to the Financial Statements (continued)

For the year ended 31 March 2023

## 18. Fair Value Measurement (continued)

	Level 1	Level 2	Level 3	Total
Liabilities	£	£	£	£
Financial liabilities at fair value through profit or loss:				
Forward currency contracts	-	1,509	-	1,509
<b>Total liabilities as at 31 March 2023</b>	<b>-</b>	<b>1,509</b>	<b>-</b>	<b>1,509</b>

	Level 1	Level 2	Level 3	Total
Assets	£	£	£	£
Financial assets at fair value through profit or loss:				
Asset Backed Securities:				
Auto Loans	-	14,727,426	-	14,727,426
CLO	-	240,020,766	-	240,020,766
CMBS	-	31,246,602	-	31,246,602
Consumer ABS	-	15,548,348	-	15,548,348
CRE ABS	-	5,851,772	-	5,851,772
RMBS	-	191,791,967	192,389,060	384,181,027
Student Loans	-	4,929,121	-	4,929,121
Forward currency contracts	-	40,892	-	40,892
<b>Total assets as at 31 March 2022</b>	<b>-</b>	<b>504,156,894</b>	<b>192,389,060</b>	<b>696,545,954</b>

	Level 1	Level 2	Level 3	Total
Liabilities	£	£	£	£
Financial liabilities at fair value through profit or loss:				
Forward currency contracts	-	1,737,830	-	1,737,830
<b>Total liabilities as at 31 March 2022</b>	<b>-</b>	<b>1,737,830</b>	<b>-</b>	<b>1,737,830</b>

Asset Backed Securities which have a value based on quoted market prices in active markets are classified in Level 1. At the end of the year, no Asset Backed Securities held by the Company are classified as Level 1.

Asset Backed Securities which are not traded or dealt on organised markets or exchanges are classified in Level 2 or Level 3. Asset Backed securities with prices obtained from independent price vendors, where the Portfolio Manager is able to assess whether the observable inputs used for their modelling of prices are accurate and the Portfolio Manager has the ability to challenge these vendors with further observable inputs, are classified as Level 2. Prices obtained from vendors who are not easily challengeable or transparent in showing their assumptions for the method of pricing these assets, are classified as Level 3. Asset Backed Securities priced at an average of two vendors' prices are classified as Level 3.

Where the Portfolio Manager determines that the price obtained from an independent price vendor is not an accurate representation of the fair value of the Asset Backed Security, the Portfolio Manager may source prices from third party broker or dealer quotes and if the price represents a reliable and an observable price, the Asset Backed Security is classified as Level 2. Any broker quote that is over 20 days old is considered stale and is classified as Level 3. Any stale price within the portfolio as at 31 March 2023 has been assessed by the Portfolio Manager and the resulting valuation considered a fair value at that date. Furthermore, the Portfolio Manager may determine that the application of a mark-to-model basis may be appropriate where they believe such a model will result in more reliable information with regards to the fair value of any specific investments.

Following the acquisition of the UKML portfolio the Portfolio Manager has taken advantage of engaging a third party valuer for not only these acquired assets, but also certain other specific assets where the Portfolio Manager believes the third party valuer would provide more reliable, fair value information with regards to certain of the Company's investments for the year ended 31 March 2023. The valuation of these assets and others that the Portfolio Manager may deem appropriate to provide a valuation at fair value, primarily use discounted cash flow analysis but may also include the use of a comparable arm's length transaction, reference to other securities that are substantially the same, and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. The discounted cash flow models include assumptions that are subject to judgement such as prepayment rates, recovery rates and the discount margin/ discount rate. As at 31 March 2023, investments (related primarily to RMBS/MBS investments) totalling 21.73% of the portfolio were valued by the third party valuer. Valuations performed by the third party valuer are classified as Level 3. Please see Note 3 (ii) for the accounting policy outlining the treatment fair value of securities not quoted in an active market.

The table below represents the significant unobservable inputs used in the fair value measurement of Level 3 investments, valued by a third party valuer, together with a quantitative sensitivity analysis as of 31 March 2023.

2023	Fair Value (£)	Financial Asset/ Liabilities	Unobservable Input	Sensitivity Used	Effect on Fair Value (£)
Dutch RMBS	42,531,838	Financial Asset	Discount Margin	+5% / -5%	6,826,229 / (5,364,235)
UK RMBS	103,350,298	Financial Asset	Discount Margin	+5% / -5%	12,567,742 / (8,660,011)
UK RMBS (underlying risk - AAA)	14,782,507	Financial Asset	Discount Margin	+3% / -3%	1,429,217 / (1,223,561)

Although various variable inputs are used in the valuation models of these investments, including constant default rate, the only unobservable input that may have a material impact is the discount margin. As a result, only this input has been disclosed.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2023

## 18. Fair Value Measurement (continued)

Please refer to the price sensitivity analysis disclosed in Note 17 where the price sensitivity related to market risk has been disclosed.

Due to the inputs into the valuation of securities classified as Level 3, other than those valued by the third party valuer, not being available or visible to the Company, no meaningful sensitivity on inputs can be performed.

During the year, there were no transfers between Level 2 and Level 3 (year ended 31 March 2022: 1 transfer from Level 2 to Level 3). The transfer during the prior year was due to a stale price as described above.

The following tables present the movement in Level 3 instruments for the period ended 31 March 2023 and year ended 31 March 2022 by class of financial instrument.

	Opening balance	Total purchases	Total sales	Realised gains on Level 3 Investments held during the year ended 31 March 2023	Realised losses on Level 3 Investments held during the year ended 31 March 2023	Unrealised gains for the year for Level 3 Investments held at 31 March 2023	Unrealised losses for the year for Level 3 Investments held at 31 March 2023	Transfer into Level 3	Transfer out Level 3	Closing balance
	£	£	£	£	£	£	£	£	£	£
RMBS	192,389,060	194,765,464	(158,397,907)	31,414,705	(25,738,076)	29,880,198	(57,106,136)	-	-	207,207,308
Total at 31 March 2023	192,389,060	194,765,464	(158,397,907)	31,414,705	(25,738,076)	29,880,198	(57,106,136)	-	-	207,207,308

	Opening balance	Total purchases	Total sales	Realised gains on Level 3 Investments held during the year ended 31 March 2022	Realised losses on Level 3 Investments held during the year ended 31 March 2022	Unrealised gains for the year for Level 3 Investments held at 31 March 2022	Unrealised losses for the year for Level 3 Investments held at 31 March 2022	Transfer into Level 3	Transfer out Level 3	Closing balance
	£	£	£	£	£	£	£	£	£	£
RMBS	85,525,761	175,173,228	(77,365,232)	23,981,807	(37,563,350)	33,021,777	(18,315,203)	7,930,272	-	192,389,060
Total at 31 March 2022	85,525,761	175,173,228	(77,365,232)	23,981,807	(37,563,350)	33,021,777	(18,315,203)	7,930,272	-	192,389,060

The following tables analyse within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 31 March 2023 and 31 March 2022 but for which fair value is disclosed.

The assets and liabilities included in the below table are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents include cash in hand and deposits held with banks.

Amounts due to brokers and other payables represent the contractual amounts and obligations due by the Company for settlement of trades and expenses. Amounts due from brokers and other receivables represent the contractual amounts and rights due to the Company for settlement of trades and income.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
<b>Assets</b>				
Cash and cash equivalents	27,235,318	-	-	27,235,318
Other receivables	-	6,870,412	-	6,870,412
<b>Total assets as at 31 March 2023</b>	<b>27,235,318</b>	<b>6,870,412</b>	<b>-</b>	<b>34,105,730</b>

<b>Liabilities</b>				
Other payables	-	1,061,379	-	1,061,379
<b>Total liabilities as at 31 March 2023</b>	<b>-</b>	<b>1,061,379</b>	<b>-</b>	<b>1,061,379</b>

	Level 1	Level 2	Level 3	Total
	£	£	£	£
<b>Assets</b>				
Cash and cash equivalents	59,706,062	-	-	59,706,062
Other receivables	-	3,909,523	-	3,909,523
<b>Total assets as at 31 March 2022</b>	<b>59,706,062</b>	<b>3,909,523</b>	<b>-</b>	<b>63,615,585</b>

<b>Liabilities</b>				
Amounts due to brokers	-	19,422,888	-	19,422,888
Other payables	-	2,309,963	-	2,309,963
<b>Total liabilities as at 31 March 2022</b>	<b>-</b>	<b>21,732,851</b>	<b>-</b>	<b>21,732,851</b>

## 19. Segmental Reporting

The Board is responsible for reviewing the Company's entire portfolio and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis.

Revenue earned is reported separately on the face of the Statement of Comprehensive Income as investment income being interest income received from Asset Backed Securities.

# Notes to the Financial Statements (continued)

For the year ended 31 March 2023

## 20. Dividend Policy

The Board intends to distribute an amount at least equal to the value of the Company's income available for distribution arising each quarter to the holders of Ordinary Shares. For these purposes, the Company's income will include the interest payable by the Asset Backed Securities in the Portfolio and the amortisation of any discount or premium to par at which an Asset Backed Security is purchased over its remaining expected life, prior to its maturity. However, there is no guarantee that the dividend target for future financial years will be met or that the Company shall pay any dividends at all.

On 21 September 2022, the annual target dividend was changed from 6% to 7% (the equivalent of 7 pence per Ordinary Share) or higher, of the Issue Price. The change became effective from the dividend declared in respect of the 3-month period ended 30 September 2022.

On 24 February 2023, the annual target dividend was changed from 7% to 8% (the equivalent of 8 pence per Ordinary Share) or higher of the Issue Price. The change became effective from the dividend declared in respect of the 3-month period ended 31 March 2023.

Dividends paid with respect to any quarter comprise (a) the accrued income of the portfolio for the year, and (b) an additional amount to reflect any income purchased in the course of any share subscriptions that took place during the

year. Including purchased income in this way ensures that the income yield of the shares is not diluted as a consequence of the issue of new shares during an income period and (c) any income on the foreign exchange contracts created by the SONIA differentials between each foreign currency pair, less (d) total expenditure for the year.

The Company, being a Guernsey regulated entity, is able to pay dividends out of capital. Nonetheless, the Board carefully considers any dividend payments made to ensure the Company's capital is maintained in the longer term. Careful consideration is also given to ensuring sufficient cash is available to meet the Company's liabilities as they fall due.

The Board expects that dividends will constitute the principal element of the return to the holders of Ordinary Shares.

Under The Companies (Guernsey) Law, 2008, the Company can distribute dividends from capital and revenue reserves, subject to the net asset and solvency test. The net asset and solvency test considers whether a company is able to pay its debts when they fall due, and whether the value of a company's assets is greater than its liabilities. The Board confirms that the Company passed the net asset and solvency test for each dividend paid.

The Company declared the following dividends during the year ended 31 March 2023:

Period to	Dividend rate per Share (£)	Net dividend payable (£)	Ex-dividend date	Record date	Pay date
31 March 2022	0.0227	14,503,998	21 April 2022	22 April 2022	6 May 2022
30 June 2022*	0.0150	9,584,140	21 July 2022	22 July 2022	5 August 2022
30 September 2022*	0.0175	11,198,996	20 October 2022	21 October 2022	4 November 2022
31 December 2022*	0.0175	12,268,142	19 January 2023	20 January 2023	3 February 2023
		47,555,276			
31 March 2023*	0.0446	32,483,815	20 April 2023	21 April 2023	3 May 2023

\*These dividends were declared in respect of distributable profit for the year ended 31 March 2023.

## 21. Ultimate Controlling Party

In the opinion of the Directors on the basis of shareholdings advised to them, the Company has no ultimate controlling party.

## 22. Significant Events during the Year

As the globe continues to recover from the COVID-19 pandemic, a further period of economic and political instability is currently being experienced, exacerbated by Russia's invasion of Ukraine in February 2022, and characterised by elevated levels of inflation and energy prices, market volatility, consumer uncertainty and pressure on already problematic global supply chains and the negative market response in September 2022, following the UK Government's mini-budget. Central banks have significantly increased interest rates and the risk of a recession has increased substantially, albeit with historically low levels of unemployment in many developed countries. The Board continue to monitor the situation and its impact on the Company's Audited Financial Statements. Furthermore as a result of high rates and mismanagement, a number of US regional banks collapsed and in Europe the AT1 bonds from Credit Suisse were fully written off after an unprecedented move by the Swiss government. While these banking problems do not have a direct impact on the Company, investors' risk sentiment decreased further as a result.

During the year, asset managers within the UK and Europe have seen increased pressure from stakeholders to assess and disclose the impact of climate change on investment portfolios. The Portfolio Manager has a formalised approach to this risk integrated within a robust ESG framework which is a major factor in the Portfolio Manager's investment analysis. The Board continues to evaluate what aspects the Company will consider reporting, based on the regulatory requirements of the Company and developing best practice in the Company's sector.

## 23. Subsequent Events

These Audited Financial Statements were approved for issuance by the Board on 17 July 2023. Subsequent events have been evaluated until this date.

On 12 April 2023, the Company issued 9,200,000 Ordinary Shares under its blocklisting facility at a price of 103.28p per share.

On 13 April 2023, the Company declared a dividend of 4.46p per share, which was paid on 3 May 2023.

On 13 April 2023, the Company issued 1,100,000 Ordinary Shares under its blocklisting facility at a price of 103.28p per share.

On 20 April 2023, the Company issued 3,000,000 Ordinary Shares under its blocklisting facility at a price of 99.24p per share.

On 27 April 2023, the Company issued 3,000,000 Ordinary Shares under its blocklisting facility at a price of 99.61p per share.

On 3 May 2023, the Company issued 1,500,000 Ordinary Shares under its blocklisting facility at a price of 100.49p per share.

On 11 May 2023, the Company issued 1,000,000 Ordinary Shares under its blocklisting facility at a price of 100.75p per share.

On 18 May 2023, the Company issued 4,500,000 Ordinary Shares under its blocklisting facility at a price of 101.00p per share.

On 25 May 2023, the Company issued 1,000,000 Ordinary Shares under its blocklisting facility at a price of 101.24p per share.

On 31 May 2023, the Company issued 4,500,000 Ordinary Shares under its blocklisting facility at a price of 101.26p per share.

On 1 June 2023, the Company issued 1,000,000 Ordinary Shares under its blocklisting facility at a price of 101.26p per share.

On the 1 July 2023 Maitland Institutional Services Ltd was renamed to Apex Fundrock Ltd.

On 13 July 2023, the Company declared a dividend of 2.00p per share, with a payment date of 4 August 2023.

As at 17 July 2023, the published NAV per Ordinary Share for the Company was 101.19p. This represents an increase of 0.22% (NAV as at 31 March 2023: 100.97p).

# Glossary of Terms and Alternative Performance Measures

## Alternative Performance Measures (“APMS”)

In accordance with ESMA Guidelines on Alternative Performance Measures (“APMs”) the Board has considered what APMs are included in the Annual Report and Audited Financial Statements which require further clarification. APMs are defined as a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The APMs included in the annual report and accounts, is unaudited and outside the scope of IFRS.

## Discount/Premium

If the share price of an investment company is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, the shares are said to be trading at a premium.

## Dividends Declared

Dividends declared are the dividends that are announced in respect of the current accounting period. They usually consist of 4 dividends: three interim dividends in respect of the periods to June, September and December. Until 21 September 2022, the Company aimed to declare a fixed dividend of 1.50 pence. On 21 September 2022, the fixed dividend increased to 1.75 pence and on 24 February 2023, it further increased to 2.00 pence per Ordinary Share. A final dividend declared in respect of March where the residual income for the year is distributed.

## Dividend Yield

Dividend yield is the percentage of dividends declared in respect of the period, divided by the initial share issue price of 100.00 pence. The strategy aims to generate a dividend in the Reporting Period of 6 pence per Ordinary Share and in each subsequent Reporting discretion from time to time, with all excess income being distributed to investors at the year end of the Company.

## Net Asset Value (“NAV”)

NAV is the net assets attributable to Shareholders. NAV is calculated using the accounting standards specified by International Financial Reporting Standards (“IFRS”) and consists of total assets, less total liabilities.

## NAV per Ordinary Share

NAV per Ordinary Share is the net assets attributable to Shareholders, expressed as an amount per individual share. NAV per Ordinary Share is calculated by dividing the total net asset value of £724,982,762 (2022: £718,477,218) by the number of shares at the end of the year of 718,036,661 units (2022: 638,942,655). This produces a NAV per share of 100.97p (2022: 112.45p), which was a decrease of 10.21%.

## Ongoing Charges

The ongoing charges represent the Company’s management fee and all other operating expenses, excluding finance costs, share issue or buyback costs and non-recurring legal and professional fees, expressed as a percentage of the average of the weekly net assets during the year (see page 19). The Board continues to be conscious of expenses and works hard to maintain a sensible balance between good quality service and cost.

## Total Return per Ordinary Share

Total return per Ordinary Share is calculated by adding the increase or decrease in NAV per share with the dividend per share and dividing it by the NAV per share at the start of the year.



# Corporate Information

## Directors

Bronwyn Curtis (Chair) (appointed Director 12 July 2022, appointed Chair 14 October 2022)  
 Richard Burwood  
 John de Garis  
 Joanne Fintzen (Senior Independent Director)  
 Paul Le Page (appointed Director 16 March 2023)  
 John Le Poidevin  
 Trevor Ash (Chair) (retired 14 October 2022)  
 Ian Burns (retired 14 October 2022)

## Registered Office

PO Box 255  
 Trafalgar Court  
 Les Banques  
 St Peter Port  
 Guernsey, GY1 3QL

## Alternative Investment Fund Manager ("AIFM")

Maitland Institutional Services Limited  
 Hamilton Centre  
 Rodney Way  
 Chelmsford, CM1 3BY

## Portfolio Manager

TwentyFour Asset Management LLP  
 8th Floor, The Monument Building  
 11 Monument Street  
 London, EC3R 8AF

## Guernsey Legal Adviser to the Company

Carey Olsen  
 Carey House  
 Les Banques  
 St Peter Port  
 Guernsey, GY1 4BZ

## UK Legal Adviser to the Company

Eversheds Sutherland (International) LLP  
 1 Wood Street  
 London, EC2V 7WS

## Custodian, Principal Banker and Depository

Northern Trust (Guernsey) Limited  
 PO Box 71  
 Trafalgar Court  
 Les Banques  
 St Peter Port  
 Guernsey, GY1 3DA

## Administrator and Company Secretary

Northern Trust International Fund Administration Services (Guernsey) Limited  
 PO Box 255  
 Trafalgar Court  
 Les Banques  
 St Peter Port  
 Guernsey, GY1 3QL

## Broker and Financial Adviser

Numis Securities Limited  
 45 Gresham Street  
 London, EC2V 7BF

## Independent Auditor

PricewaterhouseCoopers CI LLP  
 PO Box 321  
 Royal Bank Place  
 1 Gategny Esplanade  
 St Peter Port  
 Guernsey, GY1 4ND

## Receiving Agent

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 The Pavilions  
 Bridgwater Road  
 Bristol, BS13 8AE

## Registrar

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