

**TWENTYFOUR INCOME FUND LIMITED**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

**For the year ended 31 March 2022**

# TwentyFour Income Fund Limited

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## CONTENTS

|  |    |
|--|----|
| Corporate Information  | 2  |
| Summary Information  | 3  |
| Chairman's Statement   | 6  |
| Portfolio Manager's Report   | 8  |
| Top Twenty Holdings  | 11 |
| Board Members  | 12 |
| Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges | 14 |
| Strategic Report   | 15 |
| Directors' Report  | 25 |
| Statement of Directors' Responsibilities   | 36 |
| Directors' Remuneration Report   | 38 |
| Audit Committee Report   | 40 |
| Alternative Investment Fund Manager's Report   | 45 |
| Report of the Depositary to Shareholders   | 47 |
| Independent Auditor's Report   | 48 |
| Audited Financial Statements   |    |
| Statement of Comprehensive Income  | 57 |
| Statement of Financial Position  | 58 |
| Statement of Changes in Equity   | 59 |
| Statement of Cash Flows  | 60 |
| Notes to the Financial Statements  | 61 |
| Glossary of Terms and Alternative Performance Measures                               | 88 |

# TwentyFour Income Fund Limited

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## CORPORATE INFORMATION

### Directors

Trevor Ash (Chairman)  
Ian Burns (Senior Independent Director)  
Richard Burwood  
John de Garis (appointed 9 July 2021)  
Joanne Fintzen  
John Le Poidevin (appointed 9 July 2021)

### Custodian, Principal Banker and Depositary

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

### Registered Office

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

### 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

### Alternative Investment Fund Manager (“AIFM”)

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

### Broker and Financial Adviser

Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London, EC4M 7LT

### Portfolio Manager

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

### Independent Auditor

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

### UK Legal Adviser to the Company

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

### Receiving Agent

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol, BS13 8AE

### Guernsey Legal Adviser to the Company

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

### Registrars

Computershare Investor Services  
(Guernsey) Limited  
1<sup>st</sup> Floor  
Tudor House  
Le Bordage  
St Peter Port  
Guernsey, GY1 1DB

# TwentyFour Income Fund Limited

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## SUMMARY INFORMATION

### 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 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.

### 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 diversified by issuer, it being anticipated that the Portfolio will comprise at least 50 Asset Backed Securities at all times.

The Portfolio must comply, as at each date an investment is made, with the following restrictions:

- (i) no more than 20 per cent. of the Portfolio value will be backed by collateral in any single country (save that this restriction will not apply to Northern European countries);
- (ii) no more than 10 per cent. of the Portfolio value will be exposed to any single Asset Backed Security or issuer of Asset Backed Securities, but provided that where more than 5 per cent. of the Portfolio value is exposed to a single Asset Backed Security, these Asset Backed Securities in respect of which more than 5 per cent. of the Portfolio value is exposed, may not, in aggregate, make up more than 40 per cent. of the total Portfolio value of the Company;
- (iii) no more than 15 per cent. of the Portfolio value will be exposed in aggregate to instruments not deemed securities for the purposes of the Financial Services and Markets Act (the “FSMA”), provided that no more than 3 per cent. of the Portfolio value will be exposed to any single such instrument; and
- (iv) up to 10 per cent. of the Portfolio value may be exposed to Asset Backed Securities backed by collateral from several countries where, in addition to countries within the UK and Europe, one or more of the countries is outside of the UK and Europe.

As an exception to the requirements set out above, TwentyFour Asset Management LLP (the “Portfolio Manager”) will be permitted to purchase new investments at any time when the Portfolio does not comply with one or more of those restrictions so long as, at the time of investment:

- the asset purchased would be compliant with the single country restriction above (even where following the purchase more than 20 per cent. of the Portfolio will be backed by collateral in another single country due to market movements);
- the asset purchased would be compliant with the single Asset Backed Security/issuer exposure restriction above (even where following the purchase more than 10 per cent. of the Portfolio value will be exposed to any single Asset Backed Security or issuer of Asset Backed Securities, provided that Asset Backed Securities within the Portfolio to which more than 5 per cent. of the Portfolio value is exposed, may not make up more than 40 per cent. of the total Portfolio value of the Company); and
- such purchase does not make the Portfolio, in aggregate, less compliant with any of (i), (ii), (iii) and (iv) above.

# TwentyFour Income Fund Limited

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## SUMMARY INFORMATION Continued

### Investment Objective and Investment Policy (continued)

Uninvested cash or surplus capital or assets may be invested on a temporary basis in:

- cash or cash equivalents, namely money market funds or short-term money market funds (as defined in the ‘Guidelines on a Common Definition of European Money Market Funds’ published by the Committee of European Securities Regulators (CESR) and adopted by the European Securities and Markets Authority (ESMA)) and other money market instruments (including certificates of deposit, floating rate notes and fixed rate commercial paper of banks or other counterparties having a “single A” or higher credit rating as determined by any internationally recognised rating agency selected by the Board which, may or may not be registered in the EU); and
- any “government and public securities” as defined for the purposes of the FCA Rules.

The Company may employ gearing or derivatives for investment purposes.

The Company may, from time to time, use borrowing for investment opportunities and short-term liquidity purposes, which could be achieved through a loan facility or other types of collateralised borrowing instruments including repurchase transactions or stock lending. The Company may have more than one loan repurchase, or stock loan facility in place. The Company is permitted to provide security to lenders in order to borrow money, which may be by way of mortgages, charges or other security interests or by way of outright transfer of title to the Company’s assets. In this case, the Directors will restrict borrowing to an amount not exceeding 25 per cent. of the Company’s Net Asset Value at the time of drawdown. Derivatives may be used for currency hedging purposes as set out below and for efficient portfolio management.

In accordance with the Listing Rules, the Company can only make a material change to its investment policy with the approval of its Shareholders by Ordinary Resolution.

### Target Returns

The Company has a target annual net total return on the Company’s NAV of between 6% and 9% per annum, which includes 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.\*

### Ongoing Charges

Ongoing charges for the year ended 31 March 2022 have been calculated in accordance with the Association of Investment Companies (the “AIC”) recommended methodology. The ongoing charges for the period ended 31 March 2022 were 0.97% (31 March 2021: 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 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. 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.

# TwentyFour Income Fund Limited

## SUMMARY INFORMATION Continued

### Shareholder Information

Northern Trust International Fund Administration Services (Guernsey) Limited (the “Administrator”) is responsible for calculating the NAV per share of the Company. The unaudited NAV per ordinary redeemable share will be calculated as at the close of business on the last business day of every week and the last business day of every month by the Administrator and will be announced by a Regulatory News Service the following business day.

### Financial Highlights

|   | For the<br>year ended<br>31.03.22 | For the<br>year ended<br>31.03.21 |
|---|-----------------------------------|-----------------------------------|
| Total Net Assets                          | £718,477,218                      | £573,364,169                      |
| Net Asset Value per share                 | 112.45p                           | 112.75p                           |
| Share price                               | 107.00p                           | 108.00p                           |
| Discount to Net Asset Value               | -4.85%                            | -4.21%                            |
| Dividends declared in respect of the year | 6.77p                             | 6.41p                             |

As at 11 July 2022, the discount had moved to -2.68%. The estimated NAV per share and mid-market share price stood at 101.73p and 99.00p respectively.

# TwentyFour Income Fund Limited

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## CHAIRMAN'S STATEMENT

for the year ended 31 March 2022

I am pleased to present my report on the Company's progress for the year ended 31 March 2022. Starting the year at a discount, the share price improved after the summer as the economy came out of the COVID pandemic and, until the Russian invasion of Ukraine in February 2022, the shares traded at a premium. In March the fund briefly traded at a 5.3% discount, however, the average discount during the year was 1.2%, and it moved in a range of a 2.8% premium to a 5.8% discount during the year.

Notably, from March the NAV performance has been steadily positive and this has not been matched by an increasing share price, but since the Russian invasion in Ukraine the fund has traded at a small discount as the NAV performance was negative due to credit spread widening due to global risk sentiment changing significantly. The Board is willing to continue to authorise the issuance of further shares as a premium management mechanism while the Portfolio Managers can confirm that attractive investment opportunities are available in the market. Clearly, while the Company's shares continue to trade on a discount, it is neither required, nor possible to issue at a premium.

The NAV per Share total return on the shares from launch to 31 March 2022 was 92.81% (including dividends paid). The NAV per Share marginally declined from 112.75 at the start of the year to 112.45, for a total return of 5.55% (including dividends paid) during the year, and the income component of the return to investors remained strong. The Company declared and paid a dividend of 1.91p to cover the excess income earned during the preceding year, and three dividends of 1.5p per share to cover the pro-rata minimum target return of 6p per share, as well as announcing a final dividend for the year ended 31 March 2022 of 2.27p per share which was subsequently paid after the end of the year. The increase of the March 2022 dividend can be partly attributed to higher base rates as the Bank of England hiked interest rates 3 times from December to March and has since then hiked 1 more time in May to bring the current base rate to 1.0%. As the Company invests in floating rate bonds the income of the Company has improved. Due to the current heightened inflation levels the market widely expects that the Bank of England will hike interest rates 5 to 6 times more in the coming 12 months which will benefit coupon income for the Company. The dividend policy has remained consistent since launch, and despite the fundamental and market impact of the Russian invasion of Ukraine, as well as high inflation, I am pleased that the objective of the Company' to provide attractive returns, has been achieved with the full year income earned and distributed matching almost exactly that of the prior year.

In March, the Company successfully completed the £144m acquisition of assets from UK Mortgages Ltd (UKML). This transaction was funded through the issuance of additional shares by the Company to shareholders of UKML. This transaction was widely supported by shareholders of UKML. In the view of the Manager and the Board, this transaction was a good opportunity for the Company to increase exposure to high quality Buy-to-Let ("BTL") lenders, such as Keystone. The Board believes this transaction should be accretive to NAV and Income in the medium term.

# TwentyFour Income Fund Limited

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## CHAIRMAN'S STATEMENT Continued

for the year ended 31 March 2022

The NAV performance of the Company has been mostly positive during the year as it has recovered from the volatility felt across all financial markets since late February 2020, as a result of the implications of a global shutdown in response to the COVID-19 pandemic.

Fundamental performance of the asset pools and structures remains strong and stable at the year end, notably outstripping the more negative expectations felt during the immediate aftermath of the global shutdown, and ratings remain stable with a bias towards upgrades over downgrades.

However, there is clearly a material negative impact on the global economy, especially in the light of the significant inflation and economic slowdown, expected due to, amongst other factors, the sanctions instituted against Russia. As central banks around the world, unwind quantitative easing and interest rates increase, the probability of a recession in the UK and Europe has increased. Although consumers and corporates are currently in a good position, the recent increase in inflation and the general economic slowdown will put more strain on consumers as they face higher food and energy prices and corporates are likely to rely on their ability to pass higher cost on to their clients therefore margin compression is to be expected. This will lead to a general increase in arrears and loan defaults in both consumer and corporate lending markets, as well as an increase in future credit ratings downgrades, which may yet have an impact on the investments held by the Company.

However, following conversations with the Portfolio Managers, I remain comfortable that it is unlikely that income, or capital, will be at significant risk due to the expected slowdown of the global economy and the unwind of consumer and corporate support mechanisms. While underlying performance is expected to deteriorate, the dislocation between the performance implied by current pricing and what is expected continues to make the current opportunity set attractive. The Board remain confident in the due diligence processes and stress testing of the Portfolio undertaken by the Portfolio Manager.

This will allow for additional capital to be issued should investor appetite demand it. While I recognise the potential for volatility, I believe the structure of the Company remains an appropriate way for investors to invest in such assets. I remain confident of the Company's ability to fulfil its objectives.

In January 2022, founding partner and portfolio manager, Ben Hayward took on the role of Chief Executive of TwentyFour after Mark Holman, having been CEO since the business was founded in 2008, stepped down. The Company has been informed that the senior management team and portfolio management teams at TwentyFour remain unchanged, and long-term incentive plans for key personnel are in place. The Company also recognised the significant growth of the team since launch in 2013 and I am supportive of the continuity of the Portfolio Management team.



**Ian Burns**  
Director  
On behalf of

**Trevor Ash**  
Chairman  
11 July 2022

# TwentyFour Income Fund Limited

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## PORTFOLIO MANAGER'S REPORT

for the year ended 31 March 2022

### Market Commentary

Markets performed strongly during the opening phase of the reporting period, with strong economic data and asset returns evident. Market participants closely followed central bank developments, but policymakers remained eager to support the economic rebound from the Covid-pandemic. After a first quarter characterised by robust primary issuance levels in the ABS markets, April proved quieter with only around €2.7bn of new supply. Meanwhile, the secondary market tone remained constructive over the month. In the UK, spreads ground tighter across all classes of ABS as demand outstripped supply once again. Primary ABS issuance remained a little subdued at the start of May, but several new deals were announced as the month progressed. Secondary issuance also remained quiet, helping spreads to retrace from the slight weakness observed in UK RMBS during Q1.

June brought a resurgence in the pace of primary market ABS issuance and meant the total supply for the first six months of 2021 hit €52bn, just below the post-2008 record observed during the first half of 2018. This elevated pace of primary ABS market issuance largely continued as the markets traversed summer and continued through Q3 2021, with year-to-date primary supply hitting €81bn by the end of September. However, that robust headline value belies several nuances; for example, issuance of CLOs and CMBS dominated during September, which placed pressure on spreads. In contrast, after several months of sustained issuance, the European ABS market saw very few primary deals in August due to the market's expected summer holiday. However, September brought a resurgence in primary market issuance, with €13bn of bonds placed, led by RMBS and CLOs. Meanwhile, secondary market spreads reflected the weakness affecting broader credit markets, with spreads faltering slightly by the end of September. Conversely, secondary CLO trading activity accelerated during September following a very subdued August.

This activity occurred against a backdrop of seemingly disconnected central bank policy, US Treasury yields and economic fundamentals. US Treasury yields did widen from July to September, with the 10-year yield widening by 22bp during Q3 2021 to 1.49%. This largely stemmed from the Fed signalling at its September meeting that it could begin to taper its bond purchases as early as November. Likewise, the Federal Open Market Committee (FOMC) raised its inflation forecast for 2021. During October credit markets began to falter as the volatility in the rates markets weakened investor sentiment. In addition, the combination of hawkish central bank rhetoric, renewed COVID-19 potency and evidence of durable inflation also negatively affected broader markets. By November, the Federal Reserve Bank (the "Fed") officially announced it would begin tapering at a pace of \$15bn per month in line with market expectations, while commenting that the US economy might require a faster pace of tapering. Meanwhile, the Monetary Policy Committee ("MPC") of the Bank of England ("BoE") unexpectedly left UK interest rates unchanged in November, before hiking by 15bp in December citing evidence of increasingly tight UK labour markets. The Fed adopted a more hawkish stance in December by announcing it would double the pace of tapering to US\$30bn a month, meaning US quantitative easing would end in March 2022.

Despite wider market fluctuations, primary European ABS market activity was high as 2021 approached its close, with around €15bn of primary issuance in October, including €5bn of CLO issuance. Sustained issuance from various asset sectors and geographies across Europe represented the overall trend during the final few months of 2021. The UK market dominated primary issuance, with highlights including the refinancing of the mezzanine notes from a large UK RMBS deal. Overall, despite elevated activity levels, activity faltered during the final weeks of December. At the same time, with market confidence already returning due to strong demand for ABS, spreads retraced some of the weaknesses experienced by the markets during the autumn months. However, spreads did not reach the tight levels experienced in early September.

The initial weeks of 2022 were difficult for markets as Fed minutes underscored the central bank's increasingly hawkish pivot, and tensions flared between Russia and Ukraine. US inflation rose to 7% in January, while the European Central Bank ("ECB") and the BoE also indicated inflation would require tighter policy.

# TwentyFour Income Fund Limited

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## PORTFOLIO MANAGER'S REPORT Continued

for the year ended 31 March 2022

### Market Commentary (continued)

Despite the weakness exhibited in the broader credit markets, the primary ABS market enjoyed a solid start to 2022, perhaps due to the relatively quiet end to 2021 and overall increasing demand for floating rate bonds. Placed supply in January reached just under €5bn, of which UK RMBS accounted for €3.8bn. Secondary trading was muted for most of the month, although it picked up after the market absorbed the first wave of transactions. The pace of issuance in the primary ABS market understandably faltered in February, given that Russia seemed increasingly likely to invade Ukraine and finally did so on 24 February 2022. That said, the market did see several transactions priced successfully.

Secondary selling in RMBS and ABS markets remained relatively contained, despite some widening, until mid-March. As the end of Q1 approached, improved sentiment pervaded the market, as did an increase in secondary risk appetite from trading desks. CLO primary issuance fell 40% month-on-month during March, while secondary CLO activity was busiest in AAAs and experienced some retracement; secondary AAAs tightened by 8-10bp and sub-investment grade by 25bp.

### Portfolio Commentary

During the financial year the Portfolio Managers traded over £250 million of bonds on behalf of the Company, (excluding the UKML merger). Portfolio composition has not changed materially as the managers saw best value in Western European assets and a diversified mix of predominantly RMBS. During the reporting period the gearing has been reduced from 5.8% in April 2021 to 2.1% in March 2022, which has increased the future flexibility and liquidity of the Fund and reduced market risk. The investment grade allocation in the fund has been reduced to 21% as existing bonds redeemed and the portfolio managers saw limited upside in buying longer dated bonds. With the current economic cycle maturing and volatility increasing due to Russia's invasion of Ukraine, the portfolio has been positioned with a relatively short credit spread duration to reduce volatility and keep flexibility to buy lower priced assets if opportunities presented themselves. Consumer ABS and Auto Loans have been reduced from 9.5% in April 2021 to 4.3% in March 2022 in favour of RMBS, as the Portfolio Managers believe mortgages fundamentally perform better in a high inflation scenario. For this reason the Portfolio Managers identified and successfully executed the acquisition (through the issuance of shares) of the UKML portfolio, which predominantly consisted of junior bonds from performing UK BTL RMBS transactions. This acquisition has been accretive to both NAV and income for shareholders. The yield in the portfolio increased as higher yielding bonds have been acquired but also because the BoE has started hiking rates, taking them from 0.15% in December 2021 to 0.75% in March 2022. Because of the floating rate nature of the asset class, this increase results in higher coupon income for the Fund. As of April 1, 2022, the rates market was pricing in a further 1.6% of rate hikes in the next 12 months and these hikes should increase future income as a result.

# TwentyFour Income Fund Limited

## PORTFOLIO MANAGER'S REPORT Continued

for the year ended 31 March 2022

### Portfolio Commentary (continued)



### Market Outlook

The Portfolio Manager believes stable primary issuance, solid investor demand and limited secondary volumes have steadied the spread levels of assets. As a result, the market has started to see some spread retracement across all sectors, including CLOs. The Portfolio Manager expects the new issue pipeline in the ABS sector to be reasonably healthy in the near term, with a wide diversity of asset classes across European issuers. Despite the overall outlook remaining rather uncertain due to Russia's invasion of Ukraine, and weaker sentiment because of tighter fiscal policy, elevated inflation concerns and slower GDP growth, the Portfolio Manager believes that the European ABS market will continue to benefit from the expected increases in interest rates generating progressively higher income streams as the year evolves. The Portfolio Manager expects this search for floating rate income will continue to result in a strong technical backdrop in the ABS market, with the possible result that spreads retrace again from the recent widening. Nevertheless, the Portfolio Manager remains focused on liquidity, given the ongoing uncertainties in Ukraine, high inflation and the increased risk of a future recession in the UK and Europe.

*July 2022 update: Due to the ongoing war in Ukraine and increased economic sanctions on Russia, risk sentiment has worsened materially in credit and equity markets. The Fed, BoE and ECB have all announced further rate hikes and the end of quantitative easing in a bid to rein in inflation, with higher interest rates and a growing cost of living the probability of a recession has increased materially. This has resulted in very high volatility in sovereign bonds, sell-offs in global equities and credit markets. With ABS following in sympathy credit spreads have widened significantly. BB rated CLO bonds are now 300-400bp wider than they were in January 2022. There are no credit impaired positions in the portfolio and bonds have been underwritten against adverse scenarios more severe than the global financial crisis. As value has returned very quickly the Portfolio Managers now have the ability to use some of the built-up flexibility and liquidity to add value to the portfolio in their preferred RMBS and CLO platforms, at yields that have not been available for many years.*

TwentyFour Asset Management LLP  
11 July 2022

# TwentyFour Income Fund Limited

## TOP TWENTY HOLDINGS

as at 31 March 2022

| Security  | Nominal/<br>Shares | Asset Backed Security<br>Sector* | Fair Value<br>£ | Percentage of<br>Net Asset<br>Value |
|---|--------------------|----------------------------------|-----------------|-------------------------------------|
| UK MORTGAGES CORP FDG TML1 A 0.0% 31/07/2070        | 27,773,000         | RMBS                             | 30,693,053      | 4.27                                |
| UK MORTGAGES CORP FDG DAC KPF2 A 0.0% 31/07/2070    | 22,933,000         | RMBS                             | 25,180,434      | 3.50                                |
| TULPENHUIS 0.0% 18/04/2051                          | 22,429,000         | RMBS                             | 24,805,128      | 3.45                                |
| UK MORTGAGES CORP FDG DAC KPF1 A 0.0% 31/07/2070    | 18,919,960         | RMBS                             | 15,563,230      | 2.17                                |
| UK MORTGAGES CORP FDG DAC CHL1 A 0.0% 31/07/2070    | 13,970,000         | RMBS                             | 15,429,725      | 2.15                                |
| OPTIMUM THREE LTD '3 MEZ5' FRN 23/04/2023           | 1,975,000          | RMBS                             | 13,805,100      | 1.92                                |
| VSK HOLDINGS LTD VAR 31/7/2061                      | 13,507,153         | RMBS                             | 13,509,514      | 1.88                                |
| BARLEY HILL NO 2 PLC '2 X' FRN 27/08/2058           | 13,372,844         | RMBS                             | 13,372,844      | 1.86                                |
| OPTIMUM SEVEN LTD                                   | 12,748,643         | RMBS                             | 12,796,274      | 1.78                                |
| SYON SECURITIES 19-1 B CLO FLT 19/07/2026           | 14,901,516         | CMBS                             | 12,529,731      | 1.74                                |
| TAURUS 2020-1 NL DAC 'NL1X E' FRN 20/02/2030        | 14,550,000         | RMBS                             | 12,074,368      | 1.68                                |
| EQTY. RELEASE FNDG. NO 5 '5 B' FRN 14/07/2050       | 12,000,000         | RMBS                             | 12,000,000      | 1.67                                |
| CHARLES STREET CONDUIT FRN 0.00% 12/04/2067         | 10,265,566         | RMBS                             | 10,610,845      | 1.48                                |
| SYON SECS. 2020-2 DAC '2 B' FRN 17/12/2027          | 10,392,667         | RMBS                             | 10,200,222      | 1.42                                |
| SYON SECURITIES 2020-2 DESIGNATED A FLTG 17/12/2027 | 9,774,396          | RMBS                             | 9,865,786       | 1.37                                |
| HABANERO LTD '6W B' VAR 5/4/2024                    | 9,350,000          | RMBS                             | 9,350,000       | 1.30                                |
| VSK HLDGS. '1 C4-1' VAR 01/10/2058                  | 1,250,000          | RMBS                             | 8,652,477       | 1.20                                |
| HAWKSMOOR MTG. FNDG. 2019-1 '1X F' FRN 25/5/2053    | 8,000,000          | RMBS                             | 8,018,576       | 1.12                                |
| HIGHWAYS 2021 PLC '1X D' FRN 18/11/2026             | 8,000,000          | CMBS                             | 7,952,408       | 1.11                                |
| MAN GLG EURO CLO V DAC '5X E' FRN 15/12/2031        | 9,700,000          | CLO                              | 7,792,352       | 1.08                                |

The full portfolio listing as at 31 March 2022 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

# TwentyFour Income Fund Limited

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## BOARD MEMBERS

Biographical details of the Directors are as follows:

### **Trevor Ash - (Chairman)**

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.

### **Ian Burns - (Non-executive Director, Senior Independent Director and Chairman 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 is currently Chairman of SEED Innovations Limited (AIM) and a number of private investment funds. Mr Burns was appointed to the Board on 17 January 2013.

### **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.

### **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 Securities Limited 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.

### **Joanne Fintzen - (Non-executive 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 across asset-backed securities as well as hedge funds investing in various different strategies in addition to private equity and venture capital funds. Ms Fintzen was appointed to the Board on 7 January 2019.

## TwentyFour Income Fund Limited

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### BOARD MEMBERS Continued

**John Le Poidevin - (Non-executive Director)**

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 a number of other private companies and investment funds. Mr Le Poidevin was appointed to the Board on 9 July 2021.

# TwentyFour Income Fund Limited

## DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES LISTED ON RECOGNISED STOCK EXCHANGES

The following summarises the Directors' directorships in other public companies:

| <b>Company Name</b>                       | <b>Stock Exchange</b> |
|---|-----------------------|
| <b>Trevor Ash (Chairman)</b>              |                       |
| Sherbourne Investors (Guernsey) B Limited | London                |
| Sherbourne Investors (Guernsey) C Limited | London                |
| <b>Ian Burns</b>                          |                       |
| SEED Innovations Limited                  | London                |
| <b>Richard Burwood</b>                    |                       |
| SME Credit Realisation Fund Limited       | London                |
| <b>John Le Poidevin</b>                   |                       |
| BH Macro Limited                          | London                |
| International Public Partnerships Limited | London                |
| Super Group (SGHC) Limited                | New York              |

# TwentyFour Income Fund Limited

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## STRATEGIC REPORT

for the year ended 31 March 2022

The Directors submit to the Shareholders their Strategic Report for the year ended 31 March 2022.

### **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. It is the intention of the Directors to continue to operate the Company so that each year 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.

### *High Income*

The Ordinary Redeemable Shares are designed to offer a high dividend yield. The Board intends to pay 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.

It is intended that the Company's income will consist wholly or mainly of investment income. The Directors intend to distribute substantially all of the Company's income after expenses and tax to the holders of the Ordinary Shares.

The full year dividend per share for 2022 totalled 6.77p (2021: 6.41p) representing 99.61% of the total comprehensive income for the year. This dividend 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 Chairman's Statement and Portfolio Manager's Report.

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

### *Market Risk*

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 which are valued on a marked to market basis. Market risk is the risk associated with changes in market prices, including spreads, interest rates, economic uncertainty, changes in laws and political (national and international) circumstances. Due to the invasion of Ukraine by Russia, inflation concerns, further COVID developments, and tensions around the Brexit withdrawal arrangements; the UK and Europe could go into recession, therefore, risk premiums demanded by the market could (and have already) rise as the risk sentiment deteriorates, wider spreads could result in lower cash prices. This is not unique to the A BS market, it is also true for all credit and equity markets, and is also evident on XOVER, which is the index for the most liquid Euro High Yield BB/B crossover.

# TwentyFour Income Fund Limited

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## STRATEGIC REPORT Continued

for the year ended 31 March 2022

### Business Environment (continued)

#### Principal Risks, Emerging Risks and Uncertainties (continued)

##### *Market Risk (continued)*

Under extreme market conditions the portfolio may not benefit from diversification.

##### *Liquidity Risk*

Investments made by the Company may be relatively illiquid and this may limit the ability of the Company to realise its investments and in turn pay dividends. Substantially all of the assets of the Company are invested in Asset Backed Securities. There may be no active market in the Company's interests in Asset Backed Securities. The Company does not have redemption rights in relation to any of its investments. As a consequence, the value of the Company's investments may be materially adversely affected. This risk is mitigated by active cash management and close monitoring.

##### *Credit Risk*

The Company may not achieve the dividend target and investors may not get back the full value of their investment because it is invested in Asset Backed Securities comprising 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. 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 recover under the Asset Backed Security will depend on the ability of the Company 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. Refer to the Investment Objective and Investment Policy on page 3 for information regarding investment restrictions currently in place in order to manage credit risk. The credit ratings on the Company's underlying investments are disclosed in note 17 on page 78.

##### *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 maintained and presented in Sterling. Amongst other factors affecting the foreign exchange markets, events in the Eurozone may have an 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.

##### *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 as much as possible. 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.

# TwentyFour Income Fund Limited

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## STRATEGIC REPORT Continued

for the year ended 31 March 2022

### **Business Environment (continued)**

#### **Principal Risks, Emerging Risks and Uncertainties (continued)**

##### *Reinvestment Risk (continued)*

The Portfolio Manager expects amortisations of around £68.8m over the next 12 months, however, while market conditions are always subject to change, the Portfolio Manager does not currently foresee reinvestment risk significantly impacting the yield and affecting each quarter's minimum dividend. The Portfolio Manager also recognises the need to be opportunistic as and when market conditions are particularly favourable in order to reinvest any proceeds.

##### *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, Custodian and the Depositary amongst others. The Board and its Audit Committee regularly review reports from the Portfolio Manager, AIFM, the Administrator, Custodian and Depositary on their internal controls, in particular, focussing on changes in working practices which arose during the first phases of the COVID-19 pandemic. The Administrator, Custodian and Depositary report to the Portfolio Manager any operational issues to the Board for final approval as required. In the aftermath of the COVID-19 pandemic outbreak, service providers deployed business resilience policies to good effect and thus enabled continued business support with limited disruption to service.

##### *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 of the Company as 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. The Board asked the Audit Committee to consider this risk with work undertaken by the Audit Committee as discussed on pages 40 to 44. As a result of the work undertaken by the Audit Committee, the Board is 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*

On 24 February 2022, Russia launched a military operation in Ukraine. As at the date of this report the Company did not hold any assets in Ukraine or Russia. The situation in the region is rapidly evolving. 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 or Russia and there is not expected to be any adverse impact from military operations on the activity, process or procedures of the Company.

# TwentyFour Income Fund Limited

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## STRATEGIC REPORT Continued

for the year ended 31 March 2022

### **Business Environment (continued)**

#### **Principal Risks, Emerging Risks and Uncertainties (continued)**

##### *Geopolitical Risk (continued)*

The Board continues to monitor the residual impact of the UK's departure from the EU ("Brexit"). The Board and Portfolio Manager do not believe that there will be a significant impact on the Company but continue to monitor the longer term impact and associated trends.

##### *Coronavirus Risk (COVID-19)*

The Board has kept the risks relating to the subsiding COVID-19 pandemic under regular review throughout the year and subsequently. The impact on the Company and its operations of the pandemic has been negligible during the year. The Board closely monitors all third party service arrangements and is pleased to report that it has not seen any reduction in the level of service provided to the Company.

##### *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 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.

### **Future Prospects**

The Board's main focus is to generate attractive risk adjusted returns principally through income distributions. The future to the Company is dependent upon the success of the investment strategy. The investment outlook and future developments are discussed in both the Chairman's Statement and the Portfolio Manager's Report on pages 8 to 10.

### **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 2022, the Board comprised of one female and five 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 will use the transitional period of director rotation and retirements to achieve the diversity targets required. The Company has no employees.

### **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 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 steering group representing all areas of its business, which is governed by its 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 Board has received a presentation from the Portfolio Manager on this.

The Company does not have executive directors or employees. It has entered into contractual arrangements with a network of third parties (the "Service Providers") who provide services to it. The Service Providers, all have ESG policies in place.

# TwentyFour Income Fund Limited

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## STRATEGIC REPORT Continued

for the year ended 31 March 2022

### Environmental, Social and Governance (continued)

#### *Service Providers*

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

<https://twentyfouram.com/about/our-responsible-investment-policy/>

<https://twentyfouram.com/about/our-corporate-and-social-responsibility-statement/>

<https://twentyfouram.com/insights/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.

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.

#### **Position and Performance**

##### **PRIIPs 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:

<https://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.

# TwentyFour Income Fund Limited

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## STRATEGIC REPORT Continued

for the year ended 31 March 2022

### 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 Redeemable Share, including retained earnings, at 31 March 2022 was 112.45p, based on net assets as at this date of £718,477,218 divided by number of Ordinary Redeemable Shares in issue of 638,942,655 (31 March 2021: 112.75p based on net assets of £573,364,169 divided by number of Ordinary Redeemable Shares in issue of 508,514,809). The fund started the year on a positive footing, however in the aftermath of the invasion of the Ukraine by Russia, 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 slow-down of the UK and European economies. During this period there were no impairments to the portfolio, however, spreads have widened in late February and March 2022 and this continued in April and May 2022. Additionally, the Company has paid out all of its income as dividend (6.77p) and this has had an impact on the NAV.

### *Share Price*

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

On 31 March 2022, the share price was 107.00p (31 March 2021: 108.00p).

### *Earnings/(Loss) per Share per Ordinary Redeemable Share - Basic and Diluted*

Earnings/(Loss) per Ordinary Redeemable Share is calculated by dividing the net gain for the year of £36,303,495 (31 March 2021: net gain of £127,000,994) by the weighted average number of shares for the year of 512,445,511 (31 March 2021: 508,298,645). The decrease in net gains has been primarily driven by a decrease in unrealised gains on investments. Market sentiment is discussed in further detail within the Chairman’s statement.

### *Discount/Premium to NAV*

The discount/premium to NAV is a percentage difference in 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 2022, the discount to NAV was 4.85% (31 March 2021: discount of 4.21%).

### *Ongoing Charges*

Ongoing charges for the year ended 31 March 2022 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.

# TwentyFour Income Fund Limited

## STRATEGIC REPORT Continued

for the year ended 31 March 2022

The ongoing charges for the year ended 31 March 2022 were 0.97% (31 March 2021: 0.97%). The ongoing charges were calculated as follows:

|  | 31.03.2022  | 31.03.2021  |
|--|-------------|-------------|
|  | £           | £           |
| <b>Ongoing Charges</b>   |             |             |
| Average NAV for the year (a)   | 576,399,204 | 535,332,072 |
| Total expenses   | 5,571,225   | 5,172,800   |
| Less: Expenses not recognised as part of the AIC Ongoing Charges Methodology | (130)       | (330)       |
| Total recognised expenses (b)  | 5,571,095   | 5,172,470   |
| Ongoing Charges (b/a)  | 0.97%       | 0.97%       |

### Dividends

The Company maintains a dividend target of 6 pence, per Ordinary Share, per year. If the target for the year is not met, a Continuation Vote is required.

The dividend yield for the year ended 31 March 2022 was 6.77% (31 March 2021: 6.41%) meaning that the Company met its dividend target for the current year. During the year the following dividends were declared:

| Period to         | Dividend rate per Share (£) | Net dividend payable (£) | Ex-dividend date | Record Date     | Pay date        |
|-------------------|-----------------------------|--------------------------|------------------|-----------------|-----------------|
| 30 June 2021      | 0.0150                      | 7,627,722                | 15 July 2021     | 16 July 2021    | 30 July 2021    |
| 30 September 2021 | 0.0150                      | 7,627,722                | 21 October 2021  | 22 October 2021 | 5 November 2021 |
| 31 December 2021  | 0.0150                      | 7,627,722                | 20 January 2022  | 21 January 2022 | 4 February 2022 |
| 31 March 2022     | 0.0227                      | 14,503,998               | 21 April 2022    | 22 April 2022   | 6 May 2022      |

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

### 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.

# TwentyFour Income Fund Limited

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## STRATEGIC REPORT Continued

for the year ended 31 March 2022

### Viability Statement (continued)

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 15 to 18.

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 end, 31 March 2022.

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 dividend target is not met, with the continuation vote requirements set out in note 17.

The Company's ability to continue to meet its dividend target is further disclosed in the Chairman's Statement on page 6.

#### *Realisation Opportunity*

The next realisation opportunity is due to occur just after the AGM in September 2022. The Board's view is that while the share price discount remains at the current levels, they do not expect to see a major incentive to redeem.

# TwentyFour Income Fund Limited

## STRATEGIC REPORT Continued

for the year ended 31 March 2022

### Viability Statement (continued)

#### *Realisation Opportunity (continued)*

Whilst there is no degree of certainty, rather like the previous Realisation Opportunity in 2019, there may be some redemption requests. They are likely to be minimal and can be matched by secondary selling of the redeemed shares to new purchasers. It is believed the Realisation Opportunity is a low risk to the viability prospects of the Company.

#### *Market Uncertainty*

In the prior year, all ABS sectors had a positive return to performance, CLOs contributed 2.22% performance to the NAV per Share, followed by RMBS with 1.69%. Volatility during the 1 year period (monthly returns) was relatively low for the NAV per Share compared to historical periods, at 1.64%.

#### *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 and the Portfolio Manager continues to stress test the holdings of the Company, under scenarios that specifically address the impact of the pandemic 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 recovery in prices seen since March 2020 support their view at the time that, relying on their stress modelling, the material price moves seen in sectors such as CLOs was largely attributable to market liquidity rather than concerns around credit performance.

Between 31 March 2022 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 S172 factors:

| Section 172 factor  | Key examples   | Location   |
|---|--|--|
| Consequences of decisions in the long term  | Investment Objectives and Policy<br>Future Prospects<br>Dividend policy<br>Viability Statement | Summary Information<br>Strategic Report<br>Note 20<br>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  |

# TwentyFour Income Fund Limited

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## STRATEGIC REPORT Continued

for the year ended 31 March 2022

### Key Service Providers

The activities of each service provider are closely monitored by the Board and they are required to report to the Board at set intervals.

The Board also meets at least annually, whenever possible, 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.

Signed on behalf of the Board of Directors on 11 July 2022 by:



**John Le Poidevin**  
Director



**Ian Burns**  
Director

# TwentyFour Income Fund Limited

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## DIRECTORS' REPORT

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 March 2022.

### **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*

On 8 February 2022, the Company announced that it had agreed terms of a proposed acquisition of the assets of UK Mortgages Limited ("UKML"), (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; Listed notes of £19.0 million and cash of £38.5 million.

# TwentyFour Income Fund Limited

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## DIRECTORS' REPORT Continued

### Business Review (continued)

#### *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 12 September 2019, 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 18,349,342 Ordinary Shares for a consideration of £20,050,326. Subsequently, the 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 Redeemable Shares on the last Business Day before Reorganisation being not less than £100 million.

The next realisation opportunity is due to take place in September 2022.

Following the publication of the updated AIC Code in February 2019, in the event that 20% or more of the Shareholder votes have been 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. An update on the views received from Shareholders and actions taken should be published no later than six months after the Shareholder meeting. The Board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next Shareholder meeting on what impact the feedback has had on any decision, action or resolution subsequently proposed.

#### *Shareholder Information*

Shareholder information is set out in the Summary Information on page 5.

### 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, for the year ended 31 March 2022, 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 aftermath of the COVID-19 pandemic, the increased risk of default due to rising inflation and increasing global interest rates and the upcoming realisation opportunity, has been considered as part of the Viability Statement on pages 21 to 23. No material doubts to going concern have been identified.

On 31 March 2022, the Company's cash balance was 8.31% of total net assets (2021: 2.01%).

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 continually monitors such liabilities, such as the Company's quarterly dividends.

# TwentyFour Income Fund Limited

## DIRECTORS' REPORT Continued

### Results

The results for the year are set out in the Statement of Comprehensive Income on page 57. The Directors proposed dividends of £37,387,164 in respect of income available for distribution earned during the year ended 31 March 2022, a breakdown of which can be found in note 20 on page 85. Dividends paid during the year amount to £32,595,799 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 page 74.

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 74.

### 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 74.

### Directors

The Directors of the Company during the year and at the date of this Report are set out on page 2.

As at 31 March 2022, Directors of the Company held the following numbers of Ordinary Shares beneficially:

|                  | Number<br>of Shares<br>31.03.22 | Number<br>of Shares<br>31.03.21 |
|------------------|---------------------------------|---------------------------------|
| Trevor Ash       | 108,734                         | 58,734                          |
| Ian Burns        | 74,242                          | 29,242                          |
| Richard Burwood  | 66,124                          | 22,476                          |
| John de Garis    | 18,691                          | N/A                             |
| Joanne Fintzen   | 17,476                          | 17,476                          |
| John Le Poidevin | 23,165                          | N/A                             |

On 14 April 2021, Trevor Ash purchased 50,000 Ordinary Shares at a price of 109.892 pence per share.

# TwentyFour Income Fund Limited

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## DIRECTORS' REPORT Continued

On 30 March 2022, Richard Burwood purchased 20,000 Ordinary Redeemable Shares at a price of 106.94 pence per share, a further 20,000 Ordinary Redeemable Shares at a price of 107.00 pence per share. An additional 3,648 shares were acquired from the acquisition of the UK Mortgages Limited assets at a price of 114.21 pence per share.

On 30 March 2022, John de Garis purchased 18,691 Ordinary Redeemable Shares at a price of 106.94 pence per share.

On 31 March 2022, Ian Burns purchased 45,000 Ordinary Redeemable Shares at a price of 107.00 pence per share.

On 31 March 2022, John Le Poidevin purchased 23,165 Ordinary Redeemable Shares at a price of 106.93 pence per share.

### 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 36 to 37, 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 updated its Code on 5 February 2019 to reflect revised Principles and Provisions included in the UK Corporate Governance Code which was revised in 2018. These changes applied from March 2019 onwards.

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 2022, 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;
- The means for the workforce to raise concerns;
- Remuneration Committee; and
- Nomination Committee.

# TwentyFour Income Fund Limited

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## DIRECTORS' REPORT Continued

### Corporate Governance (continued)

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 Board is satisfied that any relevant issues can be properly considered by the Board.

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

The Board, as a whole, fulfils the function of a Nomination and Remuneration Committee and therefore no separate Nomination or Remuneration Committees are considered necessary.

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 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 pages 36 to 37.

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 Chairman is responsible for leadership of the Board and ensuring its effectiveness. Ian Burns served as Senior Independent Director throughout the year.

### Chairman

The Chairman is Trevor Ash. The Chairman of the Board must be independent for the purposes of Chapter 15 of the Listing Rules. Trevor Ash is considered independent because he:

- 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;

The current Company policy for the maximum tenure of Chairman is nine years, which is in accordance with the AIC Code. Consequently the Chairman will not seek re-election at the AGM held later in the year and a new Chair will be appointed.

Biographies of all the Directors can be found on page 11 and 12.

# TwentyFour Income Fund Limited

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## DIRECTORS' REPORT Continued

### 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 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 Chairman 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. Three Directors were appointed on the incorporation of the Company, the Board has commenced a staged succession plan over the next two years that maintains a balance between the requirements of the Code and the strength added through continuity and experience of the current directors. Mr Trevor Ash and Mr Ian Burns will both not seek re-election as directors at the next AGM of the Company. A recruitment process to appoint a Chairperson to succeed Mr Ash is at an advanced stage, with the announcement of the successful candidate expected to be made shortly. Mr Burwood will retire as a director in early 2023, once a process to find his successor has been completed.

The Board has also given careful consideration to the recommendations of the Davies Review. The Board has reviewed its composition and believes that the current appointments, allied to its recruitment plans, will provide an appropriate range of skills, experience and diversity. In order to maintain its 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 attends 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.

Both appointment and removal of these parties is to be agreed by the Board as a whole.

# TwentyFour Income Fund Limited

## DIRECTORS' REPORT Continued

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 |          |
|-------------------------------|--------------------------|----------|--------------------------|----------|--|----------|
|                               | Held                     | Attended | Held                     | Attended | Held                                     | Attended |
| Trevor Ash                    | 4                        | 4        | 4                        | 4        | 1  | 1        |
| Ian Burns                     | 4                        | 4        | 4                        | 4        | 1  | 1        |
| Richard Burwood               | 4                        | 4        | 4                        | 4        | 1  | 1        |
| John de Garis <sup>1</sup>    | 3                        | 3        | 2                        | 2        | 1  | 1        |
| Joanne Fintzen                | 4                        | 4        | 4                        | 4        | 1  | 1        |
| John Le Poidevin <sup>1</sup> | 3                        | 3        | 2                        | 2        | 1  | 1        |

<sup>1</sup> John de Garis and John Le Poidevin were appointed to the Board on 9 July 2021.

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 2022.

In addition to the scheduled board and committee meetings, 12 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

Previously, 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.

### Retirement and Re-Election

Under the terms of their appointment, each Director is required to seek re-election on an annual basis. At the 14 October 2021 Annual General Meeting, John Le Poidevin and John de Garis were elected to the Board and all other Directors were re-elected to the Board. Mr Ash and Mr Burns will not seek re-election at the Company's next AGM. 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.

Due to having served more than nine years on the Board, Trevor Ash and Ian Burns intend to retire at the next AGM and Richard Burwood intends to retire at the AGM in 2023.

### Election of Directors

The election of Directors is set out in the Directors' Remuneration Report on pages 38 and 39.

# TwentyFour Income Fund Limited

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## DIRECTORS' REPORT Continued

### 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 with formal duties and responsibilities. The Management Engagement Committee commits to meeting at least once a year and comprises the entire Board, with Richard Burwood serving as Chairperson. These 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 22 September 2021 meeting and recommended the continued appointment of TwentyFour Asset Management LLP as Portfolio Manager is 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

An Audit Committee has been established consisting of all Directors with Ian Burns appointed as Chairman. Trevor Ash, the Chairman of the Board is a member of the Audit Committee, as he is an independent, non-executive Director. 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 40 to 44.

#### Nomination Committee

There is no separate Nomination Committee, as all Directors are considered non-executive and independent. Whilst the Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by all members of the Board.

#### Remuneration Committee

In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a separate Remuneration Committee. The Board as a whole fulfils the functions of the Remuneration Committee, although the Board has included a separate Directors' Remuneration Report on pages 38 to 39 of these Financial Statements.

#### 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.

# TwentyFour Income Fund Limited

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## DIRECTORS' REPORT Continued

### International Tax Reporting (continued)

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.

### Strategy

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 market-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. The strategy aims to generate a dividend in the Reporting Period ending 31 March 2022 of 6 pence per Ordinary Share and in each subsequent Reporting Period such dividend target as the Directors determine at their absolute discretion from time to time, with all excess income being distributed to investors at the year-end of the Company.

### Internal Controls

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. The Company's risk matrix continues to be 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 and maintained by the Board which initially identifies the risks facing the Company and then collectively assesses the likelihood of each risk, the impact of those risks 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 and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Audited Financial Statements and is reviewed by the Board and is in accordance with the AIC Code.

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.

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.

# TwentyFour Income Fund Limited

## DIRECTORS' REPORT Continued

### Internal Controls (continued)

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 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 Chairman and other Board members should contact the Company's Administrator.

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.

### Significant Shareholdings

Shareholders with holdings of more than 3.0% of the Ordinary Shares of the Company at 31 March 2022 (latest available) were as follows:

|                                       | Number of shares | Percentage of issued share capital |
|---------------------------------------|------------------|------------------------------------|
| Investec Wealth & Investment          | 62,534,791       | 9.79%                              |
| Aviva Investors                       | 49,202,960       | 7.70%                              |
| Premier Miton Investors               | 32,721,606       | 5.12%                              |
| TwentyFour Asset Management           | 31,805,683       | 4.98%                              |
| Fidelity International                | 31,528,247       | 4.93%                              |
| Brewin Dolphin, stockbrokers          | 26,727,976       | 4.18%                              |
| Killik, stockbrokers                  | 23,399,986       | 3.66%                              |
| Momentum Global Investment Management | 20,192,645       | 3.16%                              |
| Baillie Gifford                       | 19,152,714       | 3.00%                              |

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 Shares.

# TwentyFour Income Fund Limited

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## DIRECTORS' REPORT Continued

### 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

A resolution for the reappointment of PricewaterhouseCoopers CI LLP will be proposed at the forthcoming AGM.

Signed on behalf of the Board of Directors on 11 July 2022 by:



**John Le Poidevin**  
Director



**Ian Burns**  
Director

# TwentyFour Income Fund Limited

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## 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.

# TwentyFour Income Fund Limited

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES Continued

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 2022; and
- (b) The Annual Report includes information detailed in the Corporate Information, Summary Information, Chairman'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



**John Le Poidevin**  
Director  
11 July 2022



**Ian Burns**  
Director

# TwentyFour Income Fund Limited

## 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 20 September 2022.

### 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.

The Directors do not consider it necessary for the Company to establish a separate Remuneration Committee. All of the matters recommended by the UK Code that would be delegated to such a committee are considered by the Board as a whole.

It is the responsibility of the Board as a whole to determine and approve the Directors' fees, following a recommendation from the Chairman 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 Chairman'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, provided that the aggregate amount of such fees does not exceed £225,000 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 2022, the Directors received the following annual remuneration in the form of Directors' fees:

|                                      | <b>Total<br/>Fees<br/>£</b> |
|--------------------------------------|-----------------------------|
| Trevor Ash (Chairman of the Board)   | 40,000                      |
| Ian Burns (Audit Committee Chairman) | 37,500                      |
| Richard Burwood                      | 35,000                      |
| Joanne Fintzen                       | 35,000                      |
| John de Garis <sup>1</sup>           | 25,555                      |
| John Le Poidevin <sup>1</sup>        | 25,555                      |
| <b>Total</b>                         | <u><u>198,610</u></u>       |

<sup>1</sup> John de Garis and John Le Poidevin and were appointed to the Board on 9 July 2021.

The annual fees are £40,000 for the Chairman, £37,500 for Audit Committee Chairman, and £35,000 for all other Directors.

The remuneration policy set out above is the one applied for the year ended 31 March 2022.

# TwentyFour Income Fund Limited

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## DIRECTORS' REMUNERATION REPORT Continued

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 2021 Annual General Meeting, all Directors were re-elected to the Board. 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 11 July 2022 by:



**John Le Poidevin**  
Director



**Ian Burns**  
Director

# TwentyFour Income Fund Limited

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## 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 2022.

The Audit Committee has continued its detailed 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, along with 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 supports the aims 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 Depository and the Board have established with respect to finance, 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 roles, 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. Its 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 Depository, 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 the Service Providers under the relevant agreements to comply with applicable law, including anti-bribery laws. A review of the service provider policies took place at the Management Engagement Committee Meeting, held on 22 September 2021. The Board receives regular confirmation from all Service Providers that there has been no fraud, bribery or corruption.

# TwentyFour Income Fund Limited

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## AUDIT COMMITTEE REPORT Continued

### 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, or matters for attention for the Board by the Auditor:

#### (i) Valuation of investments:

The Company's investments had a fair value of £696,505,062 as at 31 March 2022 (31 March 2021: £586,853,917) and represent a substantial portion of 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 Depositary, 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 2022 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 2022. As disclosed in note 3(ii)(b) of the Notes to the Financial Statements on page 67, 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) Acquisition of UKML assets

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

As the extent of the general economic environment, the Audit Committee has also been working very closely with the Portfolio Manager to ensure the Annual Report and Audited Financial Statements remain valid and reflect Company's position as at the date of signing.

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.

# TwentyFour Income Fund Limited

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## AUDIT COMMITTEE REPORT Continued

### Financial Reporting and Significant Financial Issues (continued)

The Company's reporting currency is Sterling while a significant proportion of the investments owned are denominated in foreign currencies. The Company operates a hedging strategy designed to mitigate the impact of foreign currency rate changes on the performance of the Company. The Audit Committee has used information from the Administrator and Portfolio Manager to satisfy itself concerning the effectiveness of the hedging process, as well as to confirm that realised and unrealised foreign currency gains and losses have been correctly recorded.

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 26.

### External Auditor

The Audit Committee has primary responsibility for as the effectiveness of the external audit process and for making recommendations to the Board on the appointment, reappointment or removal of the external auditor or the planning, scope, quality of performance, cost effectiveness and independence of the external auditor. The Audit Committee reviews and approves the external audit plan in advance of the audit and throughout the year and ensures 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.

During the year, the Audit Committee performed its annual review of the independence, effectiveness and objectivity of the external auditor and considered the Financial Reporting Council's ("FRC") Audit Quality Review of PwC's previous audit work. The Audit Committee concluded that the effectiveness of the external auditor and the audit process were satisfactory and recommend to the Board the reappointment of PwC as external auditor for the 2023 financial year. Roland Mills became engagement partner for the 31 March 2019 audit.

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 reviewed 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;
- how the Auditor supports the work of the Audit Committee and how the audit contributes added value.

# TwentyFour Income Fund Limited

## AUDIT COMMITTEE REPORT Continued

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 involved parties, notably the audit partner and team. The Auditor attends the 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.

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. Services which do not compromise auditor independence will 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 2022 and the year ended 31 March 2021.

|   | 01.04.21 to 31.03.22 | 01.04.20 to 31.03.21 |
|---|----------------------|----------------------|
| <b>PricewaterhouseCoopers CI LLP - Assurance work</b>     | £                    | £                    |
| - Annual audit  | 80,250               | 75,000               |
| - Interim review  | 21,000               | 20,000               |
| Non-recurring additional work over the Solace transaction | 13,750               | -                    |
| <b>Ratio of audit to non-audit work</b>                   | <b>1 : 0.43</b>      | <b>1 : 0.27</b>      |

The Audit Committee considers the quality of the audit plan, subsequent execution and composition of the audit team in formulating its recommendation to the Board regarding the reappointment of the external auditor. Length of tenure and independence (with due regard to the level of non-audit services) are considerations underpinning this assessment, which is carried out within the framework of guidance from the UK's Financial Reporting Council.

The Audit Committee continues to monitor independence considerations in accordance with the FRC's Revised Ethical Standard, 2019.

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.

# TwentyFour Income Fund Limited

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## AUDIT COMMITTEE REPORT Continued

The Audit Committee Report was approved by the Audit Committee on 11 July 2022 and signed on behalf by:

A handwritten signature in blue ink, appearing to read 'I. Burns', is positioned above the printed name.

Ian Burns  
Chairman, Audit Committee  
11 July 2022

# TwentyFour Income Fund Limited

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## 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.

## TwentyFour Income Fund Limited

### ALTERNATIVE INVESTMENT FUND MANAGER'S REPORT Continued

#### AIFM Remuneration (continued)

|  | Number of Beneficiaries | Fixed      | Variable |
|--|-------------------------|------------|----------|
| Total remuneration paid by the ACD during the year                     | 15                      | £1,236,000 | £47,000  |
| Remuneration paid to employees of the ACD who are material risk takers | 6                       | £616,000   | £24,000  |

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  
11 July 2022

# TwentyFour Income Fund Limited

## REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS

for the year ended 31 March 2022

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 2022, 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  
11 July 2022

# TwentyFour Income Fund Limited

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## 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 2022, 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 2022;
- 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.

#### Material uncertainty related to going concern

We draw attention to the realisation opportunity disclosures in the basis of preparation disclosures in note 2 to the financial statements. These disclosures note that the next realisation opportunity is due to occur just after the annual general meeting in September 2022. There is a material uncertainty as to the outcome of this realisation opportunity that may cast significant doubt on the company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

# TwentyFour Income Fund Limited

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## INDEPENDENT AUDITOR'S REPORT *continued*

TO THE MEMBERS OF TWENTYFOUR INCOME FUND LIMITED

### Our audit approach

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#### 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 Board of Directors (the "Board") has 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.

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##### *Key audit matters*

- Risk of fraud in interest income on financial assets at fair value through profit or loss.
- Valuation of investments.
- Material uncertainty related to going concern

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##### *Materiality*

- Overall materiality: £16,100,000 (2021: £12,900,000) based on 2.25% of net assets.
  - Performance materiality: £12,000,000.
- 

### 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 our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

# TwentyFour Income Fund Limited

## INDEPENDENT AUDITOR’S REPORT continued

TO THE MEMBERS OF TWENTYFOUR INCOME FUND LIMITED

| Key audit matter   | How our audit addressed the key audit matter   |
|--|--|
| <p><b>Risk of fraud in interest income on financial assets at fair value through profit or loss</b></p> <p>Interest income earned in respect of financial assets designated at fair value through profit or loss is recognised in the statement of comprehensive income using the effective interest rate method (£36.7 million) as set out in note 2(i) to the financial statements.</p> <p>The requirement to estimate the expected cash flows when forming an effective interest rate model is subject to significant management estimate and judgement, as detailed in note 3(ii) to the financial statements and could be open to manipulation by management.</p> <p>As a result, we have designated the risk of fraud in interest income on financial assets at fair value through profit or loss as a key audit matter.</p> | <ul style="list-style-type: none"> <li>• We assessed the accounting policy for the recognition of interest income for compliance with International Financial Reporting Standards and planned and executed our audit procedures to ensure that interest income had been accounted for in accordance with the stated accounting policy.</li> <li>• We held discussions with the Portfolio Manager to understand and evaluate the processes in place for recognising interest income and to understand the estimates made by the Portfolio Manager in respect of the expected life of the Asset Backed Securities (being the financial assets at fair value through profit or loss), expected prepayment rates, default rates and loss rates, if any.</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 resultant interest income summary prepared by the Portfolio Manager.</li> <li>• In assessing the Portfolio Manager’s estimates with respect to the expected life of the Asset Backed Securities, expected prepayment rates, default rates, loss rates and the impact of market conditions thereon, we obtained supporting documentation to corroborate the Portfolio Manager’s estimates on a sample basis.</li> <li>• We also selected a targeted sample of securities to assess if there had been any significant changes to the expected repayment rates from the prior year. Where there had been changes, we obtained supporting explanations and analysis to support those changes.</li> </ul> <p>We had no significant findings from our testing which required reporting to those charged with governance.</p> |

# TwentyFour Income Fund Limited

## INDEPENDENT AUDITOR'S REPORT continued

TO THE MEMBERS OF TWENTYFOUR INCOME FUND LIMITED

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <p><b>Valuation of investments</b></p> <p>Investments are designated as financial assets at fair value through profit or loss on the statement of financial position (£696.5 million).</p> <p>Investments comprise of a diverse portfolio of Asset Backed Securities and are fair valued in accordance with the policies set out in note 2(e) to the financial statements, and the fair value of investments and movement therein are further disclosed in notes 9 and 18 respectively.</p> <p>Investments represent the most significant balance on the statement of financial position and are not listed. Investment valuations are subject to estimate based on management's judgements and assumptions underlying each security, as detailed in note 3(ii) to the financial statements.</p> <p>Owing to the level of subjectivity that could be applied in fair valuing investments, the risk of manipulation or error could be material and as a result we have designated the valuation of investments as a key audit matter.</p> | <ul style="list-style-type: none"> <li>• We understood and evaluated the internal control environment in place at the Administrator and the Portfolio Manager over the valuation of the investment portfolio.</li> <li>• We assessed the accounting policy for investment valuation for compliance with International Financial Reporting Standards and planned and executed our audit procedures to ensure that the valuation of investments was accounted for in accordance with the stated accounting policy.</li> <li>• We tested the valuation of investments by using PwC UK's asset pricing team to reprice all the investment portfolio valuations. Prices were obtained by our pricing team from a range of sources, including exchange traded and consensus prices.</li> <li>• Where PwC UK's asset pricing team were unable to obtain independent prices (either due to licensee access restrictions or the fact that certain investments are privately priced deals and not regularly/transparently priced on a market), or where the prices obtained by PwC UK's asset pricing team exceeded our initial tolerable variance threshold per investment (i.e. the initial threshold for differences between the values reported and the repricing obtained for which we undertake further investigation), the engagement team sought and received supporting evidence for these specific prices from the Administrator and/or the Portfolio Manager.</li> <li>• In doing so, we also assessed the independence, reputation and reliability of the sources of the supporting evidence provided in these instances. All variances exceeding our tolerable threshold were evaluated as being reasonable in light of the supporting evidence obtained and evaluated.</li> <li>• In executing our investment repricing testing, where we noted that investments were based on prices published at dates prior to the reporting date, we performed additional audit procedures so as to ensure that updated prices had been received subsequent to the year end, and that those prices were not materially different to the prices used at the reporting year end.</li> </ul> |

# TwentyFour Income Fund Limited

## INDEPENDENT AUDITOR’S REPORT continued

TO THE MEMBERS OF TWENTYFOUR INCOME FUND LIMITED

| Key audit matter | How our audit addressed the key audit matter   |
|------------------|--|
|                  | <ul style="list-style-type: none"> <li>• In order to determine the ongoing reliability of the investment valuations from year to year, we also, for a sample of disposals, compared the sales transaction price to the most recently recorded valuation prior to the disposal, which allowed us to assess the reliability of the valuation data and process for the previous valuation point.</li> <li>• We also discussed and evaluated the Portfolio Manager’s approach to assessing and, if necessary, measuring the impact of COVID-19 on the fair value of the investment portfolio.</li> </ul> <p>We had no significant findings from our testing which required reporting to those charged with governance.</p> |

**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, and the industry in which the company operates.

**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:

|  |  |
|--|--|
| <i>Overall materiality</i>             | £16,100,000 (2021: £12,900,000).   |
| <i>How we determined it</i>            | 2.25% of net assets  |
| <i>Rationale for benchmark applied</i> | 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% (2021: 75%) of overall materiality, amounting to £12,000,000 (2021: £9,675,000) 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 £800,000 (2021: £645,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

# TwentyFour Income Fund Limited

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## **INDEPENDENT AUDITOR'S REPORT** continued

TO THE MEMBERS OF TWENTYFOUR INCOME FUND LIMITED

### **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.

# TwentyFour Income Fund Limited

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## INDEPENDENT AUDITOR'S REPORT *continued*

TO THE MEMBERS OF TWENTYFOUR INCOME FUND LIMITED

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.

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.

# TwentyFour Income Fund Limited

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## INDEPENDENT AUDITOR'S REPORT continued

TO THE MEMBERS OF TWENTYFOUR INCOME FUND LIMITED

### 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 Directors' Report and Strategic 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.

## TwentyFour Income Fund Limited

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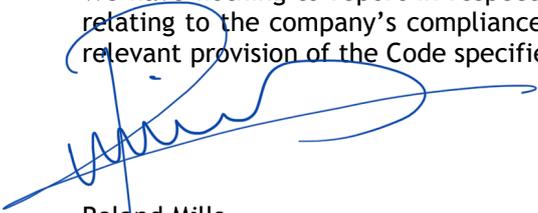
### INDEPENDENT AUDITOR'S REPORT *continued*

TO THE MEMBERS OF TWENTYFOUR INCOME FUND LIMITED

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 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  
11 July 2022

# TwentyFour Income Fund Limited

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2022

|   | Notes | 01.04.21 to<br>31.03.22<br>£ | 01.04.20 to<br>31.03.21<br>£ |
|---|-------|------------------------------|------------------------------|
| <b>Income</b>   |       |                              |                              |
| Interest income on financial assets at fair value through profit and loss   |       | 36,748,033                   | 37,434,660                   |
| Net foreign currency gains  | 8     | 5,424,139                    | 15,695,522                   |
| Net (losses)/gains on financial assets at fair value through profit or loss | 9     | (297,452)                    | 78,964,697                   |
| Net gains on swaps  |       | -                            | 78,915                       |
| <b>Total income</b>   |       | <b>41,874,720</b>            | <b>132,173,794</b>           |
| <b>Expenses</b>   |       |                              |                              |
| Portfolio management fees   | 15    | (4,344,424)                  | (4,031,515)                  |
| Directors' fees   | 15    | (198,610)                    | (147,500)                    |
| Administration and secretarial fees   | 16    | (286,702)                    | (270,013)                    |
| Audit fees  |       | (95,153)                     | (96,362)                     |
| Custody fees  | 16    | (57,926)                     | (53,754)                     |
| Broker fees   |       | (50,122)                     | (49,878)                     |
| AIFM management fees  | 16    | (203,777)                    | (191,261)                    |
| Depositary fees   | 16    | (79,907)                     | (74,692)                     |
| Legal and professional fees   |       | (59,602)                     | (23,444)                     |
| Listing fees  |       | (29,504)                     | (98,041)                     |
| Registration fees   |       | (31,504)                     | (30,811)                     |
| Other expenses  |       | (133,994)                    | (105,529)                    |
| <b>Total expenses</b>   |       | <b>(5,571,225)</b>           | <b>(5,172,800)</b>           |
| Total comprehensive income for the year                                     |       | 36,303,495                   | 127,000,994                  |
| <b>Earnings per Ordinary Redeemable Share -</b>                             |       |                              |                              |
| <b>Basic &amp; Diluted</b>  | 4     | 0.0708                       | 0.2499                       |

All items in the above statement derive from continuing operations.

The notes on pages 61 to 87 form an integral part of these Financial Statements.

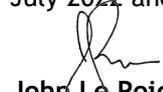
# TwentyFour Income Fund Limited

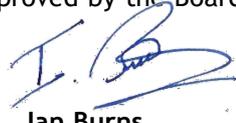
## STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

|   | Notes | 31.03.2022<br>£    | 31.03.2021<br>£    |
|---|-------|--------------------|--------------------|
| <b>Current assets</b>                                       |       |                    |                    |
| Financial assets at fair value through profit and loss      |       |                    |                    |
| - Investments   | 9     | 696,505,062        | 586,853,917        |
| - Derivative assets: Forward currency contracts             | 18    | 40,892             | 1,591,666          |
| Other receivables   | 10    | 3,987,405          | 3,501,933          |
| Cash and cash equivalents                                   |       | 59,706,062         | 11,515,643         |
| <b>Total assets</b>   |       | <b>760,239,421</b> | <b>603,463,159</b> |
| <b>Liabilities</b>  |       |                    |                    |
| <b>Current liabilities</b>                                  |       |                    |                    |
| Financial liabilities at fair value through profit and loss |       |                    |                    |
| - Derivative liabilities: Forward currency contracts        | 18    | 1,737,830          | 1,465              |
| Amounts payable under repurchase agreements                 | 12    | 15,091,522         | 27,234,524         |
| Amounts due to broker                                       |       | 19,422,888         | 1,635,556          |
| Share issue costs payable                                   |       | 3,200,000          | -                  |
| Other payables  | 11    | 2,309,963          | 1,227,445          |
| <b>Total liabilities</b>                                    |       | <b>41,762,203</b>  | <b>30,098,990</b>  |
| <b>Net assets</b>   |       | <b>718,477,218</b> | <b>573,364,169</b> |
| <b>Equity</b>   |       |                    |                    |
| Share capital account                                       | 13    | 675,350,674        | 533,945,321        |
| Retained earnings   |       | 43,126,544         | 39,418,848         |
| <b>Total equity</b>   |       | <b>718,477,218</b> | <b>573,364,169</b> |
| Ordinary Redeemable Shares in issue                         | 13    | 638,942,655        | 508,514,809        |
| Net Asset Value per Ordinary Redeemable Share (pence)       | 6     | 112.45             | 112.75             |

The Audited Financial Statements on pages 57 to 82 were approved by the Board of Directors on 11 July 2022 and signed on its behalf by:

  
**John Le Poidevin**  
 Director

  
**Ian Burns**  
 Director

The notes on pages 61 to 87 form an integral part of these Financial Statements.

## TwentyFour Income Fund Limited

### STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

|   | Notes | Share capital<br>account<br>£ | Retained<br>earnings<br>£ | Total<br>£         |
|---|-------|-------------------------------|---------------------------|--------------------|
| <b>Balances at 1 April 2021</b>         |       | 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> |
|   |       |                               |                           |                    |
|   | Notes | Share capital<br>account<br>£ | Retained<br>earnings<br>£ | Total<br>£         |
| <b>Balances at 1 April 2020</b>         |       | 530,491,915                   | (55,122,059)              | 475,369,856        |
| Issue of shares                         | 13    | 3,506,390                     | -                         | 3,506,390          |
| Share issue costs                       | 13    | (40,323)                      | -                         | (40,323)           |
| Dividends paid                          |       | -                             | (32,472,748)              | (32,472,748)       |
| Income equalisation on new issues       | 5     | (12,661)                      | 12,661                    | -                  |
| Total comprehensive income for the year |       | -                             | 127,000,994               | 127,000,994        |
| <b>Balances at 31 March 2021</b>        |       | <b>533,945,321</b>            | <b>39,418,848</b>         | <b>573,364,169</b> |

The notes on pages 61 to 87 form an integral part of these Financial Statements.

# TwentyFour Income Fund Limited

## STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

|  | Notes | 01.04.21 to<br>31.03.22<br>£ | 01.04.20 to<br>31.03.21<br>£ |
|--|-------|------------------------------|------------------------------|
| <b>Cash flows from operating activities</b>                        |       |                              |                              |
| Total comprehensive income for the year                            |       | 36,303,495                   | 127,000,994                  |
| Adjustments for:   |       |                              |                              |
| Net losses/(gains) on investments                                  | 9     | 297,453                      | (78,964,697)                 |
| Amortisation adjustment under effective interest rate method       | 9     | (6,492,209)                  | (7,167,475)                  |
| Unrealised losses on forward currency contracts                    | 8     | 3,287,141                    | 11,433,961                   |
| Exchange (gains)/losses on cash and cash equivalents               |       | (4,053)                      | 42,861                       |
| (Increase)/decrease in other receivables                           |       | (485,472)                    | 235,865                      |
| Increase in other payables   |       | 1,082,518                    | 288,278                      |
| Purchase of investments  |       | (246,501,396)                | (193,496,621)                |
| Sale of investments/principal repayments                           |       | 266,964,778                  | 175,724,172                  |
| Net cash generated from operating activities                       |       | <u>54,452,255</u>            | <u>35,097,338</u>            |
| <b>Cash flows from financing activities</b>                        |       |                              |                              |
| Proceeds from issue of Ordinary Redeemable Shares                  |       | 38,472,913                   | 3,506,390                    |
| Share issue costs  |       | -                            | (40,323)                     |
| Dividend paid  |       | (32,595,799)                 | (32,472,748)                 |
| (Decrease)/increase in amounts payable under repurchase agreements |       | (12,143,002)                 | 4,058,580                    |
| Net cash outflow from financing activities                         |       | <u>(6,265,888)</u>           | <u>(24,948,101)</u>          |
| <b>Increase in cash and cash equivalents</b>                       |       | <u>48,186,367</u>            | <u>10,149,237</u>            |
| Cash and cash equivalents at beginning of the year                 |       | 11,515,643                   | 1,409,267                    |
| Exchange gains/(losses) on cash and cash equivalents               |       | 4,052                        | (42,861)                     |
| <b>Cash and cash equivalents at end of the year</b>                |       | <u>59,706,062</u>            | <u>11,515,643</u>            |

The notes on pages 61 to 87 form an integral part of these Financial Statements.

# TwentyFour Income Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

### 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.

The Company’s investment objective and policy is set out in the Summary Information on pages 3 to 5.

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

#### *Acquisition of UK Mortgages Limited Assets*

On 8 February 2022, the Company announced that it had agreed terms of a proposed acquisition of the assets of UK Mortgages Limited (“UKML”), (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; Listed notes of £19.0 million and cash of £38.5 million.

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 2. Principal Accounting Policies

#### a) Basis of Preparation

##### *Realisation Opportunity*

The next Realisation Opportunity is due to occur just after the AGM in September 2022. The Board's view is that while the share price discount remains at the current levels, they do not expect to see a major incentive to redeem and therefore the Realisation Opportunity should not automatically trigger the adoption of a basis of preparation other than going concern. Additionally, the AIC guidance sets out that it is appropriate for the financial statements to be prepared on a going concern basis whilst making a material uncertainty disclosure as set out in accounting standards.

Whilst there is no degree of certainty, rather like the previous Realisation Opportunity in 2019, there may be some redemption requests. They are likely to be minimal and can be matched by secondary selling of the redeemed shares to new purchasers. It is believed the Realisation Opportunity is a low risk to the prospects of the Company and for this reason the financial statements have been prepared on a going concern basis. See note 17 for Further details of the Realisation Opportunity.

#### 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 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 (Effective 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (Effective 1 January 2023)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (Effective 1 January 2023)

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.

#### e) 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.

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 2. Principal Accounting Policies

#### e) Financial Assets at Fair Value through Profit or Loss (continued)

##### *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.

##### 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 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.

##### f) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 2. Principal Accounting Policies (continued)

#### 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.

#### 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 Redeemable 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 redeemable 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.

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 2. Principal Accounting Policies (continued)

#### l) Foreign Currency Translation (continued)

##### *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) Segment 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 accruals 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 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 Redeemable Share or NAV per Ordinary Redeemable Share as detailed in notes 4 and 6.

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 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 Corporate Funding Designated Activity Company ("DAC") of UKML 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 3, investment entities are not required to consolidate its investments, but measure it at fair value through profit or loss.

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
- (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") will operate with autonomy from the Board. The Company will be using 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 proactive 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;
- 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 DAC was treated as an asset acquisition under IFRS 3 Business Combinations.

##### *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.

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 3. Significant Accounting Judgements, Estimates and Assumptions (continued)

#### (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 Asset Backed Securities at fair value, with changes in value being recognised in the Statement of Comprehensive Income. In cases where prices of Asset Backed 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 Asset Backed Security, the Portfolio Manager will source prices from third party broker or dealer quotes for the relevant security. 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, 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.

#### *(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(i).

#### *(c) 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.

### 4. Earnings per Ordinary Redeemable Share - Basic & Diluted

The earnings per Ordinary Redeemable Share - Basic and Diluted has been calculated based on the weighted average number of Ordinary Redeemable Shares of 512,445,511 (31 March 2021: 508,514,809) and a net gain of £36,303,495 (31 March 2021: net gain of £127,000,994).

### 5. Income Equalisation on New Issues

In order to ensure there are no dilutive effects on earnings per 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 £Nil (31 March 2021: £12,661).

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 6. Net Asset Value per Ordinary Redeemable Share

The net asset value of each Share of £1.12 (31 March 2021: £1.13) is determined by dividing the net assets of the Company attributed to the Shares of £718,477,218 (31 March 2021: £573,364,169) by the number of Shares in issue at 31 March 2022 of 638,942,655 (31 March 2021: 508,514,809).

### 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 (2021: £1,200).

### 8. Net Foreign Currency Gains

|   | 01.04.21 to<br>31.03.22 | 01.04.20 to<br>31.03.21 |
|---|-------------------------|-------------------------|
|   | £                       | £                       |
| Movement on unrealised loss on forward currency contracts               | (3,287,141)             | (11,433,960)            |
| Realised gain on foreign currency contracts                             | 8,892,521               | 27,358,072              |
| Unrealised foreign currency (loss)/gain on receivables/payables         | (233,051)               | 14,028                  |
| Unrealised foreign currency exchange gain/(loss) on interest receivable | 51,810                  | (242,618)               |
|   | <u>5,424,139</u>        | <u>15,695,522</u>       |

### 9. Investments

|   | 01.04.21 to<br>31.03.22 | 01.04.20 to<br>31.03.21 |
|---|-------------------------|-------------------------|
|   | £                       | £                       |
| <b>Financial assets at fair value through profit or loss:</b>                   |                         |                         |
| <b>Unlisted Investments:</b>  |                         |                         |
| Opening book cost   | 588,285,142             | 580,142,186             |
| Purchases at cost   | 370,421,053             | 195,132,184             |
| Proceeds on sale/principal repayment  | (266,964,778)           | (175,724,172)           |
| Amortisation adjustment under effective interest rate method                    | 6,492,210               | 7,167,468               |
| Realised gains on sale/principal repayment                                      | 38,306,129              | 26,823,017              |
| Realised losses on sale/principal repayment                                     | (43,321,954)            | (45,255,541)            |
| Closing book cost   | <u>693,217,802</u>      | <u>588,285,142</u>      |
| Unrealised gains on investments   | 35,735,454              | 11,562,713              |
| Unrealised losses on investments  | (32,448,194)            | (12,993,938)            |
| <b>Fair value</b>   | <u>696,505,062</u>      | <u>586,853,917</u>      |
|   | 01.04.21 to<br>31.03.22 | 01.04.20 to<br>31.03.21 |
|   | £                       | £                       |
| Realised gains on sales/principal repayment                                     | 38,306,129              | 26,823,017              |
| Realised losses on sales/principal repayment                                    | (43,321,954)            | (45,255,541)            |
| Movement in unrealised gains  | 24,172,741              | 9,163,255               |
| Movement in unrealised losses   | (19,454,368)            | 88,233,966              |
| <b>Net (loss)/gain on financial assets at fair value through profit or loss</b> | <u>(297,452)</u>        | <u>78,964,697</u>       |

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 10. Other Receivables

|                            | As at<br>31.03.22 | As at<br>31.03.21 |
|----------------------------|-------------------|-------------------|
|                            | £                 | £                 |
| Coupon interest receivable | 3,909,523         | 3,420,226         |
| Prepaid expenses           | 77,882            | 81,707            |
|                            | <u>3,987,405</u>  | <u>3,501,933</u>  |

### 11. Other Payables

|   | As at<br>31.03.22 | As at<br>31.03.21 |
|---|-------------------|-------------------|
|   | £                 | £                 |
| Portfolio management fees payable           | 2,010,225         | 895,035           |
| Custody fees payable                        | 5,318             | 3,923             |
| Administration and secretarial fees payable | 71,619            | 138,326           |
| Audit fees payable                          | 89,990            | 70,262            |
| AIFM management fees payable                | 97,492            | 45,510            |
| Depositary fees payable                     | 10,127            | 9,975             |
| General expenses payable                    | 25,192            | 64,414            |
|   | <u>2,309,963</u>  | <u>1,227,445</u>  |

### 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.

Finance costs on repurchase agreements, netted off against interest income in the Statement of Comprehensive Income, amounted to £144,088 (31 March 2021: 559,708). As at 31 March 2022, finance cost liabilities on open repurchase agreements amounted to £54,521 (31 March 2021: £20,236).

At the end of the period, the Company had entered into Repurchase agreements relating to 3 securities, which consisted of 2 investment grade RMBS and 1 investment grade CMBS. The total exposure was -2.10% of the Company's NAV. The contracts were across two counterparties, and were all rolling agreements with a maturity between 3 and 6 months.

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 13. Share Capital

#### Authorised Share Capital

Unlimited number of Ordinary Redeemable Shares at no par value.

#### Issued Share Capital

|  | As at<br>31.03.22  | As at<br>31.03.21  |
|--|--------------------|--------------------|
|  | £                  | £                  |
| <b>Ordinary Redeemable Shares</b>          |                    |                    |
| Share Capital at the beginning of the year | 533,945,321        | 530,491,915        |
| Issued Share Capital                       | 144,605,353        | 3,506,390          |
| Share issue costs                          | (3,200,000)        | (40,323)           |
| Income equalisation on new issues          | -                  | (12,661)           |
| Total Share Capital at the end of the year | <u>675,350,674</u> | <u>533,945,321</u> |

|  | As at<br>31.03.22  | As at<br>31.03.21  |
|--|--------------------|--------------------|
|  | Shares             | Shares             |
| <b>Ordinary Redeemable Shares</b>            |                    |                    |
| Shares at the beginning of the year          | 508,514,809        | 504,714,809        |
| Issue of Shares                              | 130,427,846        | 3,800,000          |
| Total Shares in issue at the end of the year | <u>638,942,655</u> | <u>508,514,809</u> |

|   | As at<br>31.03.22 | As at<br>31.03.21 |
|---|-------------------|-------------------|
|   | £                 | £                 |
| <b>Treasury Shares</b>                              |                   |                   |
| Treasury Share capital at the beginning of the year | <u>43,083,300</u> | <u>43,083,300</u> |
| Total Treasury Share capital at the end of the year | <u>43,083,300</u> | <u>43,083,300</u> |

|  | As at<br>31.03.22 | As at<br>31.03.21 |
|--|-------------------|-------------------|
|  | Shares            | Shares            |
| <b>Treasury Shares</b>                       |                   |                   |
| Treasury Shares at the beginning of the year | <u>39,000,000</u> | <u>39,000,000</u> |
| Total Shares at the end of the year          | <u>39,000,000</u> | <u>39,000,000</u> |

The Share Capital of the Company consists of an unlimited number of Shares with or without par value which, upon issue, the Directors may designate as: Ordinary Redeemable 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 2022, one share class has been issued, being the Ordinary Redeemable Shares of the Company.

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 13. Share Capital (continued)

#### Issued Share Capital (continued)

The Ordinary Redeemable Shares carry the following rights:

- a) The Ordinary Redeemable Shares carry the right to receive all income of the Company attributable to the Ordinary Redeemable 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 Redeemable Shares held by them be redesignated to Realisation Shares, subject to the aggregate NAV of the continuing Ordinary Redeemable 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 Redeemable 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 next realisation opportunity is due to occur at the end of the next three year term, at the date of the AGM in September 2022.

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.

On 24 January 2017, the Company issued and purchased 39,000,000 Ordinary Shares of £0.01 at a price of 110.47p, to be held in treasury. The total amount paid to purchase these shares was £43,083,300 and has been deducted from the Shareholders' equity. The Company has the right to re-issue these shares at a later date. All shares issued were fully paid.

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

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

|  | Assets at fair<br>value through<br>profit and loss<br>£ | Amortised<br>cost<br>£ | Total<br>£         |
|--|---|------------------------|--------------------|
| 31 March 2022  |   |                        |                    |
| <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         |
|  | <u>696,545,954</u>                                      | <u>63,615,585</u>      | <u>760,161,539</u> |

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

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

|   | Liabilities at fair<br>value through<br>profit and loss<br>£ | Amortised<br>cost<br>£ | Total<br>£        |
|---|--|------------------------|-------------------|
| <b>Financial Liabilities as per Statement of Financial Position</b> |  |                        |                   |
| Financial liabilities at fair value through profit or loss:         |  |                        |                   |
| - Derivative liabilities: Forward currency contracts                | 1,737,830  | -                      | 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         |
|   | <u>1,737,830</u>   | <u>40,024,373</u>      | <u>41,762,203</u> |

|  | Assets at fair<br>value through<br>profit and loss<br>£ | Amortised<br>cost<br>£ | Total<br>£ |
|--|---|------------------------|------------|
|--|---|------------------------|------------|

31 March 2021

#### Financial Assets as per Statement of Financial Position

|  |                    |                   |                    |
|--|--------------------|-------------------|--------------------|
| Financial assets at fair value through profit or loss: |                    |                   |                    |
| - Investments  | 586,853,917        | -                 | 586,853,917        |
| - Derivative assets: Forward currency contracts        | 1,591,666          | -                 | 1,591,666          |
| Other receivables (excluding prepayments)              | -                  | 3,420,226         | 3,420,226          |
| Cash and cash equivalents                              | -                  | 11,515,643        | 11,515,643         |
|  | <u>588,445,583</u> | <u>14,935,869</u> | <u>603,381,452</u> |

|  | Liabilities at fair<br>value through<br>profit and loss<br>£ | Amortised<br>cost<br>£ | Total<br>£ |
|--|--|------------------------|------------|
|--|--|------------------------|------------|

#### Financial Liabilities as per Statement of Financial Position

|   |              |                   |                   |
|---|--------------|-------------------|-------------------|
| Financial liabilities at fair value through profit or loss: |              |                   |                   |
| - Derivative liabilities: Forward currency contracts        | 1,465        | -                 | 1,465             |
| Amounts payable under repurchase agreements                 | -            | 27,234,524        | 27,234,524        |
| Amounts due to brokers                                      | -            | 1,635,556         | 1,635,556         |
| Other payables  | -            | 1,227,445         | 1,227,445         |
|   | <u>1,465</u> | <u>30,097,525</u> | <u>30,098,990</u> |

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 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. The aggregate fees of the Directors will not exceed £225,000 per annum.

The annual fees are £40,000 for the Chairman, £37,500 for Chairman of the Audit Committee, and £35,000 for all other Directors.

During the year ended 31 March 2022, Directors fees of £198,610 (31 March 2021: £147,500) were charged to the Company, of which £Nil (31 March 2021: £Nil) remained payable at the end of the year.

#### b) Shares Held by Related Parties

As at 31 March 2022, Directors of the Company held the following shares beneficially:

|                  | Number of<br>Shares<br>31.03.22 | Number of<br>Shares<br>31.03.21 |
|------------------|---------------------------------|---------------------------------|
| Trevor Ash       | 108,734                         | 58,734                          |
| Ian Burns        | 74,242                          | 29,242                          |
| Richard Burwood  | 66,124                          | 22,476                          |
| John de Garis    | 18,691                          | N/A                             |
| Joanne Fintzen   | 17,476                          | 17,476                          |
| John Le Poidevin | 23,165                          | N/A                             |

On 14 April 2021, Trevor Ash purchased 50,000 Ordinary Redeemable Shares at a price of 109.892 pence per share.

On 30 March 2022, Richard Burwood purchased 20,000 Ordinary Redeemable Shares at a price of 106.94 pence per share, a further 20,000 Ordinary Redeemable Shares at a price of 107.00 pence per share. An additional 3,648 shares were acquired from the acquisition of the UK Mortgages Limited assets at a price of 114.21 pence per share.

On 30 March 2022, John de Garis purchased 18,691 Ordinary Redeemable Shares at a price of 106.94 pence per share.

On 31 March 2022, a company controlled by Ian Burns purchased 45,000 Ordinary Redeemable Shares at a price of 107.00 pence per share.

On 31 March 2022, John Le Poidevin purchased 23,165 Ordinary Redeemable Shares at a price of 106.93 pence per share.

As at 31 March 2022, the Portfolio Manager held 31,805,683 Shares (31 March 2021: Nil Shares), which is 4.98% (2021: 0.00%) of the Issued Share Capital. Partners and employees of the Portfolio Manager held 12,334,376 Shares (31 March 2021: 3,076,407 Shares), which is 1.93% (31 March 2021: 0.60%) of the Issued Share Capital.

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 15. Related Parties (continued)

#### 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 £4,344,424 (31 March 2021: £4,031,515) of which £2,010,225 (31 March 2021: £895,035) 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 year, the Portfolio Manager received £Nil (31 March 2021: £5,260) 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 2022, AIFM fees of £203,777 (31 March 2021: £191,261) were charged to the Company, of which £97,492 (31 March 2021: £45,510) 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 £286,702 (31 March 2021: £270,013) of which £71,619 (31 March 2021: £138,326) is due and payable at end of the year.

#### c) Depositary

Depositary 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 depositary fees and charges for the year amounted to £79,907, (31 March 2021: £74,692) of which £10,127 (31 March 2021: £9,975) is due and payable at the year end.

The Depositary 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 £57,926 (31 March 2021: £53,754) of which £5,318 (31 March 2021: £3,923) is due and payable at the year end.

# TwentyFour Income Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 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 designated at fair value through profit or loss and cash and cash equivalents. 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.

##### (i) Price Risk

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 which are valued on a mark to market basis. 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. The Company's policy is to manage price risk by holding a diversified portfolio of assets, through its investments in Asset Backed Securities.

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.

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; (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).

##### (ii) Interest Rate Risk

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

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 17. Financial Risk Management

#### Market risk (continued)

#### (ii) Interest Rate Risk (continued)

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

|   | Floating rate      | Fixed rate          | Non-interest bearing | Total              |
|---|--------------------|---------------------|----------------------|--------------------|
|   | £                  | £                   | £                    | £                  |
| <b>As at 31 March 2022</b>                            |                    |                     |                      |                    |
| 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> |

|   | Floating rate      | Fixed rate          | Non-interest bearing | Total              |
|---|--------------------|---------------------|----------------------|--------------------|
|   | £                  | £                   | £                    | £                  |
| <b>As at 31 March 2021</b>                            |                    |                     |                      |                    |
| Financial assets at fair value through profit or loss | 586,853,917        | -                   | -                    | 586,853,917        |
| Derivative assets                                     | -                  | -                   | 1,591,666            | 1,591,666          |
| Other receivables (excluding prepayments)             | -                  | -                   | 3,420,226            | 3,420,226          |
| Cash and cash equivalents                             | 11,515,643         | -                   | -                    | 11,515,643         |
| Amounts due to brokers                                | -                  | -                   | (1,635,556)          | (1,635,556)        |
| Repurchase agreements                                 | -                  | (27,234,524)        | -                    | (27,234,524)       |
| Other payables  | -                  | -                   | (1,227,445)          | (1,227,445)        |
| Derivative liabilities                                | -                  | -                   | (1,465)              | (1,465)            |
| <b>Net current assets</b>                             | <b>598,369,560</b> | <b>(27,234,524)</b> | <b>2,147,426</b>     | <b>573,282,462</b> |

The Company only holds floating rate financial instruments 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.

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.

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 17. Financial Risk Management

#### Market risk (continued)

##### (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 (losses)/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 contracts totalling:      |                 |                       |                           |                           |
| Settlement date 14 April 2022                               | (£2,367,768)    | (£1,975,767)          | (£2,001,338)              | £25,571                   |
|   |                 |                       |                           | <u>(£1,696,938)</u>       |
|   |                 |                       |                           |                           |
|   | Contract values | Outstanding contracts | Mark to market equivalent | Unrealised gains/(losses) |
|   | 31.03.2021      | 31.03.2021            | 31.03.2021                | 31.03.2021                |
| Two Sterling forward foreign currency contracts totalling:  |                 |                       |                           |                           |
| Settlement date 21 April 2021                               | €394,151,199    | £337,423,275          | £335,831,608              | £1,591,666                |
| Five Euro forward foreign currency contracts totalling:     |                 |                       |                           |                           |
| Settlement date 21 April 2021                               | €200,000        | (£171,872)            | (£170,408)                | (£1,465)                  |
|   |                 |                       |                           | <u>£1,590,201</u>         |

As at 31 March 2022 and as at 31 March 2021, the Company held the following assets and liabilities denominated in Euro:

|                                       | As at<br>31.03.2022 | As at<br>31.03.2021 |
|---------------------------------------|---------------------|---------------------|
|                                       | £                   | £                   |
| Assets:                               |                     |                     |
| Investments                           | 347,113,863         | 337,899,204         |
| Cash and cash equivalents             | 770,446             | 4,345,587           |
| Other receivables                     | 3,094,634           | 2,514,972           |
| Amounts due to broker                 | (19,422,888)        | (1,635,556)         |
| Less: Open forward currency contracts | (330,906,347)       | (335,661,201)       |
|                                       | <u>649,708</u>      | <u>7,463,006</u>    |

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 17. Financial Risk Management (continued)

#### Market risk (continued)

##### (iii) Foreign Currency Risk (continued)

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 2022 and 31 March 2021. 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<br>31.03.2022<br>£ | As at<br>31.03.2021<br>£ |
|---|--------------------------|--------------------------|
| Impact on Statement of Comprehensive Income in response to a: |                          |                          |
| - 10% increase  | <u>5,496</u>             | <u>(611,953)</u>         |
| - 10% decrease  | <u>151,117</u>           | <u>910,648</u>           |
| Impact on Statement of Changes in Equity in response to a:    |                          |                          |
| - 10% increase  | <u>5,496</u>             | <u>(611,953)</u>         |
| - 10% decrease  | <u>151,117</u>           | <u>910,648</u>           |

##### (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.

#### 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.

At 31 March 2022, 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 £69,650,506 (31 March 2021: £58,685,392). An equal change in the opposite direction would have decreased the net assets attributable to equity Shareholders by the same amount.

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.

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 17. Financial Risk Management (continued)

#### Credit Risk (continued)

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 impaired (31 March 2021: 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"):

|      | 31.03.22 | 31.03.21 |
|------|----------|----------|
| AAA  | 0.32%    | 0.85%    |
| AA+  | -        | 0.37%    |
| AA-  | 1.73%    | 3.69%    |
| A+   | 1.53%    | 1.33%    |
| A    | 1.44%    | 2.75%    |
| A-   | 2.21%    | 3.99%    |
| BBB+ | 5.68%    | 3.07%    |
| BBB  | 2.65%    | 3.12%    |
| BBB- | 2.79%    | 4.64%    |
| BB+  | 6.55%    | 5.42%    |
| BB   | 6.88%    | 11.09%   |
| BB-  | 9.82%    | 9.38%    |
| B+   | 3.17%    | 4.08%    |
| B    | 8.49%    | 16.74%   |
| B-   | 13.28%   | 8.09%    |
| CCC  | -        | 0.30%    |
| NR*  | 33.46%   | 21.09%   |
|      | 100.00%  | 100.00%  |

\*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.

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.

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 17. Financial Risk Management (continued)

#### Credit Risk (continued)

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:

|                                       | As at<br>31.03.22  | As at<br>31.03.21  |
|---------------------------------------|--------------------|--------------------|
|                                       | £                  | £                  |
| Investments                           | 696,505,062        | 586,853,917        |
| Cash and cash equivalents             | 59,706,062         | 11,515,643         |
| Unrealised gains on derivative assets | 40,892             | 1,591,666          |
| Other receivables                     | 3,909,523          | 3,420,226          |
|                                       | <u>760,161,539</u> | <u>603,381,452</u> |

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.

#### 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.

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 17. Financial Risk Management (continued)

#### Liquidity Risk (continued)

|   | 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                               | (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> |
| As at 31 March 2021                       |                     |                     |             |                     |
| <b>Financial liabilities</b>              |                     |                     |             |                     |
| Repurchase agreements                     | -                   | (27,234,524)        | -           | (27,234,524)        |
| Amounts due to brokers                    | (1,635,556)         | -                   | -           | (1,635,556)         |
| Unrealised loss on derivative liabilities | -                   | (1,465)             | -           | (1,465)             |
| Other payables                            | (1,157,183)         | (70,262)            | -           | (1,227,445)         |
| <b>Total</b>                              | <b>(2,792,739)</b>  | <b>(27,306,251)</b> | <b>-</b>    | <b>(30,098,990)</b> |

#### 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 Redeemable 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 Redeemable 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 Redeemable 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, with the next realisation opportunity being in September 2022, subject to the aggregate NAV of the continuing Ordinary Redeemable Shares on the last Business Day before Reorganisation being not less than £100 million.

# TwentyFour Income Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 17. Financial Risk Management (continued)

#### Capital Risk Management (continued)

##### (ii) Realisation Opportunity (continued)

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 carrying value 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).

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 18. Fair Value Measurement (continued)

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 2022 and year ended 31 March 2021.

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

|   |          |                  |          |                  |
|---|----------|------------------|----------|------------------|
| <b>Liabilities</b>  |          |                  |          |                  |
| Financial liabilities at fair value through profit or loss: |          |                  |          |                  |
| <i>Forward currency contracts</i>                           | -        | 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> |

|  | Level 1<br>£ | Level 2<br>£       | Level 3<br>£      | Total<br>£         |
|--|--------------|--------------------|-------------------|--------------------|
| <b>Assets</b>  |              |                    |                   |                    |
| Financial assets at fair value through profit or loss: |              |                    |                   |                    |
| Asset Backed Securities:                               |              |                    |                   |                    |
| <i>Auto Loans</i>                                      | -            | 32,644,755         | -                 | 32,644,755         |
| <i>CLO</i>   | -            | 203,783,174        | -                 | 203,783,174        |
| <i>CMBS</i>  | -            | 22,591,565         | -                 | 22,591,565         |
| <i>Consumer ABS</i>                                    | -            | 25,368,516         | -                 | 25,368,516         |
| <i>CRE ABS</i>   | -            | 6,857,076          | -                 | 6,857,076          |
| <i>RMBS</i>  | -            | 205,504,939        | 85,525,761        | 291,030,700        |
| <i>Student Loans</i>                                   | -            | 4,578,131          | -                 | 4,578,131          |
| <i>Forward currency contracts</i>                      | -            | 1,591,666          | -                 | 1,591,666          |
| <b>Total assets as at 31 March 2021</b>                | <b>-</b>     | <b>502,919,822</b> | <b>85,525,761</b> | <b>588,445,583</b> |

|   |          |              |          |              |
|---|----------|--------------|----------|--------------|
| <b>Liabilities</b>  |          |              |          |              |
| Financial liabilities at fair value through profit or loss: |          |              |          |              |
| <i>Forward currency contracts</i>                           | -        | 1,465        | -        | 1,465        |
| <b>Total liabilities as at 31 March 2021</b>                | <b>-</b> | <b>1,465</b> | <b>-</b> | <b>1,465</b> |

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 18. Fair Value Measurement (continued)

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 period, 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 priced at cost are classified as 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 in Level 2. Any broker quote that is over 20 days old is considered stale and is classified as Level 3.

During the year, there were no transfers from Level 2 to Level 3.

Due to the inputs into the valuation of Asset Backed Securities classified as Level 3 not being available or visible to the Company, no meaningful sensitivity on inputs can be performed.

The following tables present the movement in Level 3 instruments for the year ended 31 March 2022 and year ended 31 March 2021 by class of financial instrument.

|                               | Opening balance   | Net purchases     | Net realised loss for the year included in the Statement of Comprehensive Income for Level 3 Investments held at 31 March 2022 | Net unrealised gain for the year included in the Statement of Comprehensive Income for Level 3 Investments held at 31 March 2022 | Transfer into Level 3 | Transfer out Level 3 | Closing balance    |
|-------------------------------|-------------------|-------------------|--|--|-----------------------|----------------------|--------------------|
|                               | £                 | £                 | £  | £  | £                     | £                    | £                  |
| <i>RMBS</i>                   | 85,525,761        | 97,807,996        | (13,581,543)   | 14,706,574   | 7,930,272             | -                    | 192,389,060        |
| <i>Total at 31 March 2022</i> | <u>85,525,761</u> | <u>97,807,996</u> | <u>(13,581,543)</u>  | <u>14,706,574</u>  | <u>7,930,272</u>      | <u>-</u>             | <u>192,389,060</u> |

|                               | Opening balance   | Net purchases    | Net realised loss for the year included in the Statement of Comprehensive Income for Level 3 Investments held at 31 March 2021 | Net unrealised gain for the year included in the Statement of Comprehensive Income for Level 3 Investments held at 31 March 2021 | Transfer into Level 3 | Transfer out Level 3 | Closing balance   |
|-------------------------------|-------------------|------------------|--|--|-----------------------|----------------------|-------------------|
|                               | £                 | £                | £  | £  | £                     | £                    | £                 |
| <i>RMBS</i>                   | 99,687,304        | 5,661,666        | (7,772,892)  | 1,180,453  | -                     | (13,230,770)         | 85,525,761        |
| <i>Total at 31 March 2021</i> | <u>99,687,304</u> | <u>5,661,666</u> | <u>(7,772,892)</u>   | <u>1,180,453</u>   | <u>-</u>              | <u>(13,230,770)</u>  | <u>85,525,761</u> |

The tables on the following page analyse within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 31 March 2022 and 31 March 2021 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.

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 18. Fair Value Measurement (continued)

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<br>£      | Level 2<br>£      | Level 3<br>£ | Total<br>£        |
|--|-------------------|-------------------|--------------|-------------------|
| <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 broker                        | -                 | 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> |

|  | Level 1<br>£      | Level 2<br>£     | Level 3<br>£ | Total<br>£        |
|--|-------------------|------------------|--------------|-------------------|
| <b>Assets</b>                                |                   |                  |              |                   |
| Cash and cash equivalents                    | 11,515,643        | -                | -            | 11,515,643        |
| Other receivables                            | -                 | 3,420,226        | -            | 3,420,226         |
| <b>Total assets as at 31 March 2021</b>      | <b>11,515,643</b> | <b>3,420,226</b> | <b>-</b>     | <b>14,935,869</b> |
| <b>Liabilities</b>                           |                   |                  |              |                   |
| Amounts due to brokers                       | -                 | 1,635,556        | -            | 1,635,556         |
| Other payables                               | -                 | 1,227,445        | -            | 1,227,445         |
| <b>Total liabilities as at 31 March 2021</b> | <b>-</b>          | <b>2,863,001</b> | <b>-</b>     | <b>2,863,001</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.

The Company invests in a diversified portfolio of Asset Backed Securities. The fair value of the major financial instruments held by the Company and the equivalent percentages of the total value of the Company, are reported in the Top Twenty Holdings on page 11.

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.

### 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 Redeemable 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 will pay any dividends at all.

# TwentyFour Income Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 20. Dividend Policy (continued)

Dividends paid with respect to any quarter comprise (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 share subscriptions that took place during the period. 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 LIBOR differentials between each foreign currency pair, less (d) total expenditure for the period.

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 Redeemable 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 in respect of distributable profit for the year ended 31 March 2022:

| Period to         | Dividend rate per Share (£) | Net dividend payable (£) | Ex-dividend date | Record Date     | Pay date        |
|-------------------|-----------------------------|--------------------------|------------------|-----------------|-----------------|
| 30 June 2021      | 0.0150                      | 7,627,722                | 15 July 2021     | 16 July 2021    | 30 July 2021    |
| 30 September 2021 | 0.0150                      | 7,627,722                | 21 October 2021  | 22 October 2021 | 5 November 2021 |
| 31 December 2021  | 0.0150                      | 7,627,722                | 20 January 2022  | 21 January 2022 | 4 February 2022 |
| 31 March 2022     | 0.0227                      | 14,503,998               | 21 April 2022    | 22 April 2022   | 6 May 2022      |

### 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

During the year, the Company successfully acquired a portfolio of £144m of cash and UK RMBS bonds from UKML, through the issuance of new Ordinary shares by the Company to shareholders of UKML. These investments are now held at mark-to-market prices and the transaction has been accretive to the Company's NAV and is expected to provide high quality and stable income from predominantly UK Buy-to-Let Mortgages.

# TwentyFour Income Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2022

### 22. Significant Events during the Year (continued)

With parts of the globe having barely recovered from the COVID-19 outbreak new unforeseen economic challenges are expected to hit consumers and corporates. In February 2022 Russia invaded Ukraine, further adding pressure on already problematic global supply chains. As countries across the globe imposed sanctions on Russia energy prices have increased significantly and coupled with an already high inflation in developed markets the risk of a recession has significantly increased. In an effort to reduce inflation the FED and the BoE have hiked interest rates and are expected to do multiple hikes in the next year. The ECB is further behind the UK and the US, it is widely anticipated that they will be announcing the end of quantitative easing and hike rates from July. While the situation in the Ukraine remains fluid the Directors continue to monitor the situation and its impact on the Company.

During the year, asset managers within the UK and Europe have seen a significantly 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 will evaluate what aspects that the Company will consider reporting, based on the regulatory requirements of the Company.

### 23. Subsequent Events

These Financial Statements were approved for issuance by the Board on 11 July 2022. Subsequent events have been evaluated until this date.

As at 11 July 2022, the published NAV per Ordinary Share for the Company was 101.73p. This represents a decrease of 9.53% (NAV as at 31 March 2022: 112.45p).

# TwentyFour Income Fund Limited

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## 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, in which the Company aims to declare a fixed dividend of 1.5 pence per Ordinary Share; and 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 £718,477,218 (2021: £573,364,169) by the number of shares at the end of the year of 638,942,655 units (2021: 508,514,809). This produces a NAV per share of 112.45p (2021: 112.75p), which was an decrease of 0.27%.

### 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 pages 20 and 21). 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.