# GREENWAY INFRASTRUCTURE FUND

## Annual Report and Financial Statements

## For the year ended 31 December 2023

# GREENWAY INFRASTRUCTURE FUND

### General Information

### Manager and Registrar

Intertrust Fund Services (Jersey) Limited*
44 Esplanade
St Helier, Jersey
Channel Islands
JE4 9WG

### Trustee

Zedra Jersey Trust Corporation Limited*
50 La Colomberie
St Helier, Jersey
Channel Islands
JE2 4QB

### Investment Advisers

Commerzbank AG, London Branch
30 Gresham Street
London
EC2P 2XY

Mizuho International Plc
30 Old Bailey
London
EC4M 7AU

### Custodian and Administrator

BNP Paribas S.A., Jersey Branch*
IFC 1, The Esplanade
St Helier, Jersey
Channel Islands
JE1 4BP

### Independent Auditor

KPMG Channel Islands Limited
37 Esplanade
St Helier, Jersey
Channel Islands
JE4 8WQ

*Regulated by the Jersey Financial Services Commission.

**Contents**

**Summary of Fund Information**

**Fund Status**

The Greenway Infrastructure Fund (the "Fund") was established under the laws of Jersey on 22 November 2006. It is a Jersey unit trust in respect of which a permit has been granted under the Collective Investment Funds (Jersey) Law, 1988 to operate as an unclassified fund. The Fund is listed on The International Stock Exchange ("TISE").

**Investment Objective**

The investment objective of the Fund is to achieve an attractive risk-adjusted net return to investors. The Fund seeks to achieve its investment objective by investing on a leveraged basis in a portfolio of secured investments (the "Secured Investments") and cash investments.

**Investment Policy**

The Fund uses leverage to provide the target returns to investors. Leverage is achieved through the issuance of a Variable Funding Note ("VFN"), the leverage being increased if so, agreed by increasing the drawing under the VFN. The net proceeds from the issuance of the VFN and the units are used to acquire certain Secured Investments, being notes issued by Greenway Infrastructure Capital plc ("GIC") (the "Note Issuer"), and cash investments.

The Note Issuer used the proceeds from the issue of the Secured Investments to fund the acquisition of certain investments.

The Note Issuer will only ever acquire or hold interests in:

(i) senior secured loans, senior unsecured loans, subordinated secured loans or subordinated unsecured loans as may be recommended by Commerzbank AG, London Branch and Mizuho International Plc ("the Investment Advisers") in accordance with the Investment Management and Advisory Agreement dated 22 November 2006 (the "IMAA"); or

(ii) participations in all or part of senior secured loans, senior unsecured loans, subordinated secured loans or subordinated unsecured loans from Mizuho Bank Ltd., Commerzbank AG, London Branch or such other financial institution as may be nominated by the Investment Advisers; or

(iii) any note issued in relation to a project meeting the eligibility criteria as may be recommended by the Investment Advisers in accordance with the IMAA; or

(iv) any other asset as may be recommended by the Investment Advisers and Note Issuer in accordance with the terms of the IMAA.

In addition, each of the four categories noted above must be regarded as compliant with the eligibility criteria, as defined within the Listing Document. This determination will be made by the Note Issuer, based upon the reasonable commercial judgement of the Investment Advisers.

**Statement of Trustee's Responsibilities**

Zedra Jersey Trust Corporation Limited (the "Trustee") is under a duty to take into custody and to hold the property of the Fund in trust for the Unitholders and to ensure that in all material respects Intertrust Fund Services (Jersey) Limited (the "Manager" and "Registrar") has managed the Fund in accordance with the provisions of the Trust Instrument.

The Trustee may enquire into the conduct of the Manager in the management of the Trust.

**Report of the Trustee to the Unitholders of Greenway Infrastructure Fund**

The Trustee has enquired into the conduct of the Manager of the Fund during the year ended 31 December 2023.

In the Trustee's opinion, the Manager has managed the Fund in accordance with the investment and borrowing powers and restrictions applicable to the Fund, the Listing Document, the provisions of the Trust Instrument, and all Orders for the time being in force under Article 10 of the Collective Investment Funds (Jersey) Law, 1988.

**Zedra Jersey Trust Corporation Limited**

**Date: 28 June 2024**

## Statement of Manager's Responsibilities

The Manager is responsible for preparing the financial statements in accordance with applicable law and regulations.

The Trust Instrument requires the Manager to prepare financial statements for each financial year. Under such Trust Instrument, they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board and applicable law.

Under The Trust Instrument, the Manager must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for that period. In preparing these financial statements, the Manager is 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;
- assess the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations or have no realistic alternative but to do so.

The Manager is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund and enable them to ensure that the financial statements comply with the Trust Instrument. The Manager is responsible for such internal control as it determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Manager is also responsible for the integrity of the corporate and financial information published on the TISE and for the preparation and dissemination of the financial statements. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Investment Review – 2023**

Background

The Fund was established in November 2006 to invest on a leveraged basis in a portfolio of secured and cash investments. All loan investments are GBP denominated and comprise either Category 1 assets: project finance assets benefiting from a AAA-rated insurer or an availability-based payment regime in sectors including but not limited to hospitals, prisons, schools, government office accommodation, highway infrastructure services and design-build-finance-operate roads; or Category 2 assets projects with a non-availability-based payment regime, other infrastructure scheme or regulated utility in sectors including, but not limited to: design-build-finance-operate roads, toll roads/bridges/tunnels, airports and ferries. Category 2 assets cannot form more than 30% of the investment portfolio's total value. All eligible projects require the underlying obligor to construct, operate and/or maintain assets with a view to providing an essential service to a public sector entity or to the public.

The portfolio of projects as of 31 December 2023 is unchanged compared to the portfolio in December 2022, comprising thirteen private finance initiative ("PFI") transactions. The Category 1 PFI assets are: five hospitals; four schools (see below re. ByLewisham being split as two transaction assets); one highway infrastructure service project; one police station project; and one government accommodation project. There are no Category 2 assets in the portfolio – all have been sold or have pre/repaid.

Most assets were committed at the first closing date and were transferred into the Fund on the next interest rollover date, the latest being in March 2007. Between the initial closing and January 2009 four further investments were made: Series 21 ALC and Series 22 MOTO were committed in January 2007 and were transferred into the Fund in March 2007, Series 23 ByLewisham was committed and transferred into the Fund in July 2008 and in January 2009 a second investment in ByLewisham was made, forming Series 24. Subsequently, in March 2011 series 15 MOTO and 22 MOTO prepaid and in February 2015, Series 2 also fully prepaid. In April 2017 Series 9, M6 was sold and in May 2018 Series 8, MIOM was sold. The funds repaid the respective funding notes and were otherwise used to undertake a capital redemption.

Series 19 Premier Custodial prepaid in full in June 2016. Series 3 (CVS Leasing and CAE Aircrew Training Services plc) also repaid (as scheduled) in full in October 2016. Series 21 ALC, repaid in January 2021, two months prior to scheduled maturity.

No assets have been acquired since 2009.

Underlying Asset Performance

The assets continue to perform in-line with expectations of the Investment Adviser and a monitored closely. There have been no issues with the service of senior debt nor any detrimental issues with underlying project performance.

The availability-based payment regimes of the Category 1 assets shield the portfolio substantially from consumer demand trends i.e., if the asset is available then payment must be made by quasi-governmental entities. Therefore, these transactions are not significantly at risk from economic downturn. This can be highlighted by the COVID-19 pandemic where the UK and global economy suffered from a severe downturn. The project assets being both under availability payment regime and essential public services (implicitly backstopped by the UK Government) or central government projects (effectively guaranteed by the UK Government) meant that they were performance-protected. Debt was serviced without issue throughout the period.

In 2022, the global economy suffered another shock in the form of the Ukraine-Russia war which has led to inflationary pressure and the fears of a global recession. The portfolio is shielded from this by the availability payments being inflation linked and again the fact that they form part of essential public services.

In a reaction to these inflationary pressures the Bank of England has sharply increased the base rate during the period of 2022/2023. These increases have had no effect on the ability of the project companies to service debt. As mentioned above, the availability payments are inflation-linked, and the project companies' deposit rates have increased in-line with the Bank of England base rate. The market expects that the base rate will gradually decline from Q3 2024 to an eventual level of 3% in 2026.

Other historical issues with individual assets are described below in (i) to (iii) below:

(i) In 2018 the Carillion Group entered liquidation and in 2019 Interserve Plc entered administration. Entities within the Carillion and Interserve groups were providing facility management ("FM") services to the projects and therefore the debt on some of the assets within the portfolio was technically affected (Carillion: Series 13, Series 4, Series 6 and Series 5; and Interserve Plc: Series 14). In order to protect against losses lenders reserved all their rights and the process of replacing contractors for the affected transactions was robust. The projects continued to perform such that the debt was serviced in-line with previous periods and facility management companies such as Bouygues and Sodexo have provided interim services whilst permanent contracts were negotiated. Outstanding claims brought by the service recipients against Carillion were settled which removes any perceived future cash flow uncertainty for the projects affected. There is no expectation of any further issues arising.

(ii) In addition to the FM service provider credit events, the Grenfell Tower tragedy has meant that many of the projects are re-assessing the fire safety aspects of the buildings they own. This identified an issue for Series 6, The Hospital Company (Oxford John Radcliffe), where investigation has led to the conclusion that the cladding on the building needs replacing and the associated costs would be c£26m. As a significant cost to the project, there was a need to be funded by a cash injection and the sponsors have now put this in place in the form of a subordinated loan. However, the uncertainty over potential cost overruns meant that the Investment Advisers marked down the asset by 150bps until the works were completed and any financial risk to the project was proven to have been adequately resolved. Pursuant to this, the mark-down was reversed in June 2023.

(iii) For Series 5, Renfrewshire Schools, the council had brought a claim of c£22m against the project for failure to remedy service points which was subsequently been rejected by an independent adjudicator (QC). The Investment Advisers did not view this claim as a material risk to the project and therefore chose not to impair the asset through 2020. Indeed, the Investment Advisers strongly believed that the claim would be settled outside of court in an amount that would not affect the financial performance of the project. This was subsequently confirmed in November 2020 when a settlement amount of £426k was agreed upon and this has been concluded upon in 2021. There was therefore no detrimental impact on the project co or lenders' debt position.

Other

As all the assets in the portfolio referenced Sterling LIBOR and this was discontinued from 1 January 2022, the Investment Advisers worked through the various amendments that were required to the documentation of each underlying loan for their transition to SONIA and all amendments were completed on time. On 30 June 2021, the VFN of the Fund was amended to allow for the gradual transition of the underlyings, so the Fund was match-funded with no leakage. The transition has operationally worked without issue.

Overall Fund Performance

In July 2023, the Fund paid a dividend to unit holders for the period 1 January 2023 to 30 June 2023 in an amount of £379,195. In January 2024, the Fund paid a further dividend to unit holders for the period 1 July 2023 to 31 December 2023 in an amount of GBP 470,394.

As of 31 December 2023, the unit price of the Fund, for Unitholder dealing purposes, was (pre-dividend) £36.13. This price reflects the fair value methodology utilised by the Fund.

During the year, no unitholder capital redemptions were undertaken.

There is no current expectation that the Category 1 assets of the Fund will be traded, so the fair values calculated are relevant mainly as an indicator of the trend in market values.

Overall, the performance of the Fund is in line with the expectations of the Investment Adviser.

**Commerzbank AG, London Branch**

**Investment Adviser**

**Independent auditor's report to the Unitholders of Greenway Infrastructure Fund**

*Our opinion is unmodified*

We have audited the financial statements of Greenway Infrastructure Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2023, the statements of comprehensive income, changes in unitholders' funds and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

*In our opinion, the accompanying financial statements:*

- give a true and fair view of the financial position of the Fund as at 31 December 2023, and of the Fund's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the requirements of the Trust Instrument.

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

*Key audit matters: our assessment of the risks of material misstatement*

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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 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 arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2022):

| | The risk | Our response |
|---|---|---|
| ***Valuation of Secured Investments***<br><br>£93,680,589; (2022 £101,395,951)<br><br>Refer to the accounting policies in note 1(c) - Use of Estimates and Judgements and note 1(i) - Financial Instruments, and to the disclosures in note 5 - Secured Investments and note 6 - Fair Value Hierarchy. | ***Basis:***<br><br>89.1% (2022: 90.8%) of the Fund's total assets are invested in a portfolio which comprises of secured investments; being notes issued by Greenway Infrastructure Capital Plc domiciled in the United Kingdom (the "investments"). The Fund accounts for investments at fair value through profit or loss. In the absence of quoted prices in active markets, the Manager is required to estimate fair value at each reporting date. As described in note 1 (i) (iv) and note 6, this involves using a discounted cash flow (DCF) methodology, where significant inputs and assumptions, such as the amount and timing of expected future cash flows, and discount rates, are unobservable. Because of the judgment involved, the resulting fair values are subjective and prone to estimation uncertainty. | *Our audit procedures included:*<br><br>***Internal Controls:***<br><br>We tested the design and implementation of the Fund's control over the valuation of investments.<br><br>***Challenging management's assumptions and inputs:***<br><br>We obtained an understanding of the valuation methodology adopted, the key assumptions made, and inputs used in estimating fair value. We assessed the valuation methodology adopted for consistency with accounting standards, industry practice and that adopted by the Fund in previous years.<br><br>We challenged key inputs and assumptions used to derive the valuation through: |

**Independent auditor's report to the Unitholders of Greenway Infrastructure Fund (continued)**

| | The risk | Our response |
|---|---|---|
| | ***Risk:***<br><br>Investments may be valued using methodologies, inputs or assumptions which are inappropriate.<br><br>Changes to the amount or timing of expected future cash flows and/or the selection and application of different discount rates may result in a materially different fair value being attributed to the investments. | (i) comparing the forecasted cash flows included in the DCF models for consistency with the terms of the original loan agreements such as the repayment schedule, loan term and the coupon;<br><br>(ii) comparing the to-date financial performance of the investments against previously forecasted cash flows for the same period in the context of retrospectively assessing the reasonableness of those forecasts;<br><br>(iii) performing benchmarking on the discount rates applied in the DCF model to independent market data and other knowledge gained through our audit; and<br><br>(iv) testing the mathematical accuracy of the DCF model.<br><br>***Assessing disclosures:***<br><br>Assessed the fair value disclosures stated in the financial statements notes 5 and 6 for compliance with the requirements of the IFRS. |

*Our application of materiality and an overview of the scope of our audit*

Materiality for the financial statements as a whole was set at £1,050,000 (2022: £1,110,000), determined with reference to a benchmark of total assets of £105,182,647 (2022: £111,625,431), of which it represents approximately 1.0% (2022: 1.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Fund was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £787,000 (2022: £832,000). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to those charged with governance any corrected or uncorrected identified misstatements exceeding £52,500 (2022: £55,500), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Fund was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

*Going concern*

The Manager has prepared the financial statements on the going concern basis as they do not intend to liquidate the Fund or to cease its operations, and as they have concluded that the Fund's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

In our evaluation of the Manager's conclusions, we considered the inherent risks to the Fund's business model and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to affect the Fund's financial resources or ability to continue operations over this period were:

**Independent auditor's report to the Unitholders of Greenway Infrastructure Fund (continued)**

- Availability of capital to meet operating costs and other financial commitments;
- The ability to successfully refinance or repay debt which is due to mature;
- Availability of capital to meet Unitholders redemption requests; and
- The recoverability of financial assets subject to credit risk.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Fund's financial forecasts.

We considered whether the going concern disclosure in note 1(b) to the financial statements gives a full and accurate description of the Manager's assessment of going concern.

Our conclusions based on this work:

- we consider that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Manager's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in the notes to the financial statements to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Fund will continue in operation.

*Fraud and breaches of laws and regulations – ability to detect*

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Fund's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Fund's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Fund's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Fund is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

**Independent auditor's report to the Unitholders of Greenway Infrastructure Fund (continued)**

The Fund is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Fund is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or impacts on the Fund's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Fund's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

*Other information*

The Manager is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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 in this regard.

*Respective responsibilities*

*Manager's responsibilities*

As explained more fully in their statement set out on page 6, the Manager is responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund'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 they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

*Auditor's responsibilities*

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) 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 the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**Independent auditor’s report to the Unitholders of Greenway Infrastructure Fund (continued)**

*The purpose of this report and restrictions on its use by persons other than the Fund's unitholders, as a body*

This report is made solely to the Fund’s unitholders, as a body, in accordance with the terms of our engagement letter dated 10 May 2024. Our audit work has been undertaken so that we might state to the Fund’s unitholders those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund’s unitholders, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG Channel Islands Limited

**KPMG Channel Islands Limited**

*Chartered Accountants*

*Jersey*

28 June 2024

**Statement of Comprehensive Income**
**For the year ended 31 December 2023**

| | Notes | Year ended 31 December 2023 £ | Year ended 31 December 2022 £ |
|---|---|---|---|
| Net (losses)/gains on Secured Investments | 2 | (116,758) | 64,700 |
| Interest income from Secured Investments | | 5,949,103 | 2,667,819 |
| Break and commitment fee income | | 54,817 | 26,887 |
| Other income | | 249,476 | 158,390 |
| **Net investment gains** | | **6,136,638** | **2,917,796** |
| Expenses | 3 | (911,382) | (590,934) |
| **Net profit from operations before finance costs** | | **5,225,256** | **2,326,862** |
| Interest expense | 4 | (4,669,527) | (1,667,341) |
| **Net profit for the year** | | **555,729** | **659,521** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **555,729** | **659,521** |
| Basic and diluted earnings per unit | 11 | £2.32 | £2.75 |

All items in the above statement are derived from continuing operations. No operations were acquired or discontinued during the year.

**Statement of Changes in Unitholders' Funds**
**For the year ended 31 December 2023**

| | Note | Units £ | Retained deficit £ | Total Unitholders' funds £ |
|---|---|---|---|---|
| Balance as at 1 January 2023 | | **24,017,710** | **(10,946,935)** | **13,070,775** |
| Total comprehensive income for the year | | - | 555,729 | 555,729 |
| Distributions paid | 1(g) | - | (679,192) | (679,192) |
| **Balance as at 31 December 2023** | | **24,017,710** | **(11,070,398)** | **12,947,312** |

| | Note | Units £ | Retained deficit £ | Total Unitholders' funds £ |
|---|---|---|---|---|
| Balance as at 1 January 2022 | | **24,017,710** | **(11,376,059)** | **12,641,651** |
| Total comprehensive income for the year | | - | 659,521 | 659,521 |
| Distributions paid | 1(g) | - | (230,397) | (230,397) |
| **Balance as at 31 December 2022** | | **24,017,710** | **(10,946,935)** | **13,070,775** |

**Statement of Financial Position**
**As at 31 December 2023**

| | Notes | 31 December 2023 £ | 31 December 2022 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Secured Investments | 5 | 93,680,589 | 101,395,951 |
| **Total non-current assets** | | **93,680,589** | **101,395,951** |
| | | | |
| **Current assets** | | | |
| Interest and other receivables | 7 | 3,169,261 | 2,090,534 |
| Cash and cash equivalents | 1(j) | 8,332,797 | 8,138,946 |
| **Total current assets** | | **11,502,058** | **10,229,480** |
| **Total assets** | | **105,182,647** | **111,625,431** |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Units in issue | 8 | 24,017,710 | 24,017,710 |
| Retained deficit | | (11,070,398) | (10,946,935) |
| **Total equity** | | **12,947,312** | **13,070,775** |
| | | | |
| **Non-current liabilities** | | | |
| Financial liabilities at amortised cost | 9 | 86,511,917 | 93,841,199 |
| **Current liabilities** | | | |
| Financial liabilities at amortised cost | 9 | 3,624,000 | 3,628,000 |
| Interest and other payables | 10 | 2,099,418 | 1,085,457 |
| **Total liabilities** | | **92,235,335** | **98,554,656** |
| **Total equity and liabilities** | | **105,182,647** | **111,625,431** |
| | | | |
| Net asset value per unit | 11 | £53.95 | £54.46 |

The financial statements on pages 14 to 36 were approved and authorised for issue by the Trustee of Greenway Infrastructure Fund on 28 June 2024 and signed on its behalf by:

……………………………………………………… ………………………………………………

Zedra Jersey Trust Corporation Limited

**Statement of Cash Flows**
**For the year ended 31 December 2023**

| | Notes | Year ended 31 December 2023 £ | Year ended 31 December 2022 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest income from Secured Investments | | 5,155,763 | 1,849,611 |
| Interest income from cash and cash equivalents | | 241,538 | 69,480 |
| Operating expenses paid | | (596,383) | (608,208) |
| Redemption of Secured Investments | 14 | 7,328,066 | 7,042,392 |
| **Net cash from operating activities** | | **12,128,984** | **8,353,275** |
| **Cash flows from financing activities** | | | |
| Interest paid | | (4,039,030) | (960,730) |
| Payments on redemption of the VFN | 9 | (7,332,000) | (6,835,000) |
| Dividends paid to Unitholders | 1(g) | (564,103) | (230,397) |
| **Net cash used in financing activities** | | **(11,935,133)** | **(8,026,127)** |
| **Net increase in cash and cash equivalents** | | 193,851 | 327,148 |
| **Cash and cash equivalents at beginning of the year** | | 8,138,946 | 7,811,798 |
| **Cash and cash equivalents at end of the year** | | **8,332,797** | **8,138,946** |

**Notes to the financial statements for the year ended 31 December 2023**

## 1. Material accounting policies

### (a) Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

### (b) Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

The financial statements are presented in Pounds Sterling ("£") which is the Fund's functional currency. The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss.

**Going Concern**

The Manager has considered the Fund's investment objective, investment policy and capital management policies, its assets and the expected income from its Secured Investments, which fall under availability-based payment regimes i.e. if the underlying asset is available to use, then payments have to be made and hence the project continues to perform and debt is serviced, while factoring in the current economic environment and the Ukraine conflict, as discussed in the Investment Review on page 7.

The Fund's portfolio of assets is shielded from an economic downturn by falling under availability-based payment regimes as explained in the Investment Review on page 7.

The Manager is of the opinion that the Fund can meet its liabilities and ongoing expenses as they fall due and has a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis because the Investment Advisers expects that the future proceeds from the investments will be sufficient to redeem the VFN outstanding and repay all the other liabilities. As such the Trustee is of the opinion that the going concern basis of preparation is appropriate.

### (c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key areas of judgement are as follows:

- the fair values of the Secured Investments have been estimated through discounted cash flow ("DCF") modelling techniques, with reference made to expected cash flows arising on underlying loan facility agreements in place at the GIC level; and
- the disclosed fair values of the VFN have been estimated through DCF modelling techniques, with reference made to forecasted cash inflows arising from the Secured Investments and outflows including Fund expenses and distributions to Unitholders.

In arriving at the fair values of the Secured Investments and the VFN, specific estimates are made around:

- discount rates, and
- forecasted cash flows.

### (d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Investment Advisers who make the strategic decisions regarding the investments of the Fund. Other than as disclosed in note 15, the Investment Advisers do not consider it necessary to provide further analysis for the Fund.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

**1. Material accounting policies (continued)**

**(e) Revenue recognition**

*(i) Interest income*

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. In the case of Secured Investments issued at a significant discount or premium to the maturity value, the total income arising on such securities, taking into account the amortisation of such a discount or premium, is amortised over the life of the security.

*(ii) Bank interest income*

Interest arising on bank deposits is recognised in the Statement of Comprehensive Income as it accrues.

*(iii) Break funding and commitment fee income*

Break funding and commitment fee income is recognised in the Statement of Comprehensive Income as it accrues.

**(f) Expenses and finance costs**

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis. In accordance with the Listing Document, the Fund is responsible for paying the expenses of GIC. These expenses are also reflected in the Statement of Comprehensive Income.

Finance costs, which comprise of interest payable on the VFN, are recognised in the Statement of Comprehensive Income using the effective interest rate method.

**(g) Distributions**

Distributions payable on units are recognised in the Statement of Changes in Unitholders' Funds when they are declared to the Unitholders.

**(h) Taxation**

By concession, the Greenway Infrastructure Fund has exemption from Jersey income tax on non-Jersey source income and Jersey bank interest.

**(i) Financial instruments**

*(i) Classification*

Financial assets that are measured at amortised cost include interest and other receivables, and cash and cash equivalents.

Financial liabilities that are measured at amortised cost include the VFN, accrued interest and other payables.

*(ii) Recognition of financial assets and liabilities*

The Fund recognises financial assets and financial liabilities on the date they become a party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the Secured Investments are recorded.

*(iii) Measurement*

Financial instruments at fair value through profit or loss consist of Secured Investments and are measured initially at fair value based on the transaction price. Transaction costs on Secured Investments are recognised immediately in the Statement of Comprehensive Income. Other financial assets or liabilities are measured initially at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Subsequent to initial recognition, all instruments classified at fair value through profit or loss, are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income. Other financial assets or liabilities are subsequently measured at amortised cost.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

## 1. Material accounting policies (continued)

### (i) Financial instruments (continued)

*(iv) Fair value measurement principles*

The fair value of financial instruments is based upon the Investment Advisers' best estimate, using financial modelling techniques, of the amount that would be received from an immediate transfer at arm's length, at the Statement of Financial Position date, without any deduction for estimated selling costs. The fair value is determined by reference to the current fair value of the underlying investments held by the Note Issuer, GIC, which in turn are valued using a DCF model. The key inputs to the model are market interest rates, which includes credit risk from the underlying projects and estimated cash flows. As part of the DCF valuation process employed by the Investment Advisers, an appropriate discount factor has been estimated through the observation of comparable deal structures and the estimation of realistic margins expected to be adopted for equivalent transactions in a normal performing financial market.

*(v) Impairment*

The Fund recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. The Fund measures loss allowances at an amount equal to 12 months expected credit losses. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

*(vi) Derecognition of financial assets and liabilities*

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired or it transfers substantially all the risks and rewards of ownership. A financial liability is derecognised when its contractual obligations are discharged, cancelled or expire.

### (j) Cash and cash equivalents

Cash and cash equivalents comprise current deposits with banks.

### (k) Net asset value ("NAV") per unit and earnings per unit ("EPU")

Basic EPU is calculated by dividing the profit or loss attributable to Unitholders by the weighted average number of units outstanding during the period. Diluted EPU is determined by adjusting the profit or loss attributable to Unitholders and the weighted average number of units outstanding for the effects of all dilutive potential units.

NAV per unit is calculated by dividing the net assets attributable to Unitholders by the number of units outstanding as at the Statement of Financial Position date.

### (l) New standards, amendments and interpretations

*Standards and amendments to existing standards effective from 1 January 2023*

The Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) become effective and included amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. This included a requirement for an entity to disclose its material accounting policy information instead of its significant accounting policies.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2023 that have a material effect on the financial statements of the Fund.

*New standards, amendments and interpretations that are not yet effective and have not been early adopted*

Standards, amendments and interpretations to existing standards that become effective in future accounting periods and have not been adopted by the Fund:

| IFRS | Effective for periods beginning on or after |
|---|---|
| • Amendments to IAS 1 - Non-Current Liabilities with Covenants and Classification of Liabilities as Current or Non-current | 1 January 2024 |
| • Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback | 1 January 2024 |
| • Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements | 1 January 2024 |

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

**1. Material accounting policies (continued)**

**(l) New standards, amendments and interpretations (continued)**

Under the amendments to IAS 1 Presentation of Financial Statements the classification of certain liabilities as current or non-current may change (e.g., convertible debt). In addition, new disclosures for liabilities subject to covenants may need to be disclosed.

IFRS 16 Leases ended sale-and-leaseback transactions as an off-balance sheet financing proposition. The deals themselves are often highly structured and can be material, especially for seller-lessees, and accounting for them can be complex. Assessing whether a transaction qualifies for sale-and-leaseback accounting under IFRS 16 is a key judgement.

In response to investors' calls for more transparency of supplier finance arrangements' impacts on the financial statements, IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures was amended. The amendments introduce additional disclosure requirements for companies that enter into these arrangements.

The Trustee believes that the application of the amendments to the standards above will not have a material impact on the Fund's financial statements.

A number of amendments and interpretations to existing standards have been issued, but are not yet effective, that are not relevant to the Fund's operations. The Trustee believes that the application of these amendments and interpretations will not impact the Fund's financial statements when they become effective.

**(m) Units in issue**

The Fund issues units which are redeemable at the option of the Trustee and share equally in any gains and losses. As stipulated in the Unit Listing Document, the units constitute equity interests in the Fund. Proceeds received in respect of the Fund assets will be distributed by the Fund to the Unitholders only after payment of amounts due in respect of the VFN, operating expenses and the accrued fees, other expenses and all other obligations and liabilities of the Fund. The units are therefore classified as equity.

**2. Net (losses)/gains on Secured Investments**

| | **Year ended 31 December 2023 £** | **Year ended 31 December 2022 £** |
|---|---|---|
| Net (losses)/gains on Secured Investments | (116,758) | 64,700 |
| **Net (losses)/gains on Secured Investments** | **(116,758)** | **64,700** |

The net losses/gains presented above exclude interest income and interest expense. The valuation of the Secured Investments as at 31 December 2023 has been derived by the Investment Advisers using DCF modelling techniques reflective of their current and anticipated cash flows and market inputs. Refer to note 6 for further details.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

### 3. Expenses

| | Year ended 31 December 2023 £ | Year ended 31 December 2022 £ |
|---|---|---|
| **Payable to the Manager or associates of the Manager:** | | |
| Manager and Registrar fee | 43,008 | 43,135 |
| Listing agent fees | 1,000 | 5,500 |
| | **44,008** | **48,635** |
| **Payable to the Trustee or associates of the Trustee:** | | |
| Trustee's fees | 28,851 | 20,000 |
| Administration fees | 33,428 | 42,040 |
| Collateral Administration and Reporting Agent fees | 50,000 | 50,000 |
| Registration and Transfer Agency fees | - | 1,340 |
| Note Trustee fees | - | 9,082 |
| Paying Agent fees | - | 1,340 |
| Custody and VFN Agent fees | 20,035 | 20,035 |
| Bank charges | 1,004 | 1,125 |
| Compliance | 15,000 | 15,000 |
| | **148,318** | **159,962** |
| **Other expenses:** | | |
| Investment Management and Advisory fees | 183,546 | 196,272 |
| Execution Agent fees | 26,221 | 28,039 |
| Investment Servicer fees | 52,442 | 56,078 |
| Audit fee - GIC | 207,390 | - |
| Audit fee - GIF | 60,000 | 53,872 |
| Permit fees | 7,085 | 6,617 |
| Administration fees – GIC | 9,677 | 14,008 |
| Stock exchange fees | 22,753 | 20,251 |
| Legal fees | - | 7,200 |
| Other expenses - GIC | 149,942 | - |
| | **719,056** | **382,337** |
| **Total expenses** | **911,382** | **590,934** |

**Investment Management and Advisory fees, Execution Agent fees and Investment Services fees**

Under the IMAA, each Investment Adviser is entitled to receive on each Dividend Payment Date (as defined in the IMAA) an investment advisory fee equal to (i) in the case of Mizuho International plc, 0.075 per cent per annum and (ii) in the case of Commerzbank AG, London Branch, 0.10 per cent per annum of the principal amount outstanding of the notes as at the immediately prior Dividend Payment Date.

Commerzbank AG, London Branch as Execution Agent is entitled to receive on each Dividend Payment Date an execution agent fee equal to 0.025 per cent per annum of the principal amount outstanding of the notes as at the immediately prior Dividend Payment Date.

Mizuho Bank, Ltd, as investment servicer is entitled to receive on each Dividend Payment Date an investment servicer fee equal to 0.05 per cent per annum of the principal amount outstanding of the notes as at the immediately prior Dividend Payment Date.

Under the Subscription Agreement, the Fund is responsible for bearing certain operating expenses of GIC, although GIC can settle these expenses directly if it has sufficient funds. Please see note 14 for additional disclosures regarding the relationship of the Fund with GIC.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

### 4. Interest expense

| | Year ended 31 December 2023 £ | Year ended 31 December 2022 £ |
|---|---|---|
| **Interest expense on financial liabilities at amortised cost** | **4,669,527** | **1,667,341** |

Finance costs consist of interest on the VFN. Details of the interest rate applicable to the VFN can be found in note 9.

### 5. Secured Investments

| | 31 December 2023 £ | 31 December 2022 £ |
|---|---|---|
| Cost brought forward | 106,762,489 | 113,905,164 |
| Redemptions* | (7,598,604) | (7,142,675) |
| **Cost at end of the year** | **99,163,885** | **106,762,489** |
| Cumulative unrealised loss | (5,483,296) | (5,366,538) |
| **Fair value at end of the year** | **93,680,589** | **101,395,951** |

* Redemptions are in the normal course of maturity and at par. Refer to note 6 for further information.

Secured Investments are issued in denominations of not less than £50,000 and in integral multiples of £1 and are issued in series. The Note Issuer will use the proceeds from the issue of the Secured Investments to fund the acquisition of certain investments (“Underlying Investments”). The right to receive interest and principal on notes of a series will correspond to the rights to receive interest and principal on the Underlying Investments as specified in the relevant supplemental listing particulars for that series, less 0.01% per annum of interest. The interest receivable on a Secured Investment is based upon the amount of principal outstanding on the Secured Investment at any time. The interest periods and payment dates are set out within the relevant supplemental listing particulars for each series.

Unless previously redeemed in full, each Secured Investment of each series shall be redeemed at its principal amount outstanding with accrued interest on its final maturity date, less any principal losses arising in respect of the relevant Underlying Investment which are allocable to that Secured Investment in accordance with the terms and conditions applicable to that series. The principal amount outstanding of any Secured Investment at any time is the aggregate principal amount of that Secured Investment on its issue date less any amount of principal repaid thereon from time to time.

Any and all security granted by the Note Issuer in respect of each Series shall be granted in favour of the BNP Paribas Trust Corporation UK Limited (the “Note Trustee”), who shall hold such security on trust for the Fund. The security held in respect of the Secured Investments is comprised of an assignment of all the Note Issuer’s rights and title under the Underlying Investments and its related security (if any), a charge by way of first ranking fixed security of all the Note Issuer’s rights and title in the accounts maintained by the Note Issuer in respect of each Series, a floating charge over the Note Issuer’s property and assets, and additional foreign law security, if any, in favour of the Note Issuer Security Trustee.

In connection with the Secured Investment, the Note Trustee, acting as agent on behalf of the holders of the Secured Investments, has granted a post-enforcement call option (“PECO”) entitling Greenway Infrastructure Capital Holdings Limited (the “PECO Holder”) to acquire from the holders of the Secured Investments, the Secured Investments (plus accrued interest thereon). The PECO will have the effect of legally extinguishing any debt owed to holders of the Secured Investments if repayment becomes impossible for the Note Issuer. The Secured Investments will then be derecognised. The PECO shall become exercisable on the date upon which the Note Trustee gives written notice to the PECO Holder that it has determined, in its sole opinion and discretion, that all amounts outstanding under the Secured Investments have become due and payable and there is no reasonable likelihood of there being any further realisations (whether arising from an enforcement of the security or otherwise) which would be available to pay amounts outstanding under the Secured Investments.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

## 6. Fair value hierarchy

The Fund categorises fair values using the following fair value hierarchy that reflects the significance of the lowest level inputs used in making the measurements:

**Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument.

**Level 2:** Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable variable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the year or for which fair value is disclosed, by the level in the fair value hierarchy into which the fair value measurement is categorised:

| | Level 1 £ | Level 2 £ | Level 3 £ | Total £ |
|---|---|---|---|---|
| **31 December 2023** | | | | |
| Secured investments | - | - | 93,680,589 | 93,680,589 |
| VFN* | - | - | 97,214,932 | 97,214,932 |
| **31 December 2022** | | | | |
| Secured investments | - | - | 101,395,951 | 101,395,951 |
| VFN* | - | - | 102,399,596 | 102,399,596 |

* VFN fair value is inclusive of accrued interest payable as at 31 December 2023. Refer to note 10 for further information.

The analysis below is a reconciliation of the movements in the fair value of financial assets categorised as Level 3 during the financial year.

| | 31 December 2023 £ | 31 December 2022 £ |
|---|---|---|
| Opening fair value | 101,395,951 | 108,473,926 |
| Redemptions | (7,598,604) | (7,142,675) |
| Net (losses)/gains on Secured Investments | (116,758) | 64,700 |
| **Closing fair value** | **93,680,589** | **101,395,951** |

Transfers between levels are determined based on changes to the significant inputs used in the fair value estimation as disclosed below. The Trustee has selected an accounting policy to apply transfers between levels in the fair value hierarchy at the start of the relevant reporting period. During 2023, there was no transfer within levels in the fair value hierarchy (31 December 2022: nil).

**Quantitative information of significant unobservable inputs – Level 3 – Secured Investments**

| Description | Valuation technique | Unobservable input | Range (weighted average) | 31 December 2023 £ | 31 December 2022 £ |
|---|---|---|---|---|---|
| Secured Investments - *Private finance initiative* | DCF | Discount Margin | 2.0% (31 December 2022: 2.0% - 3.5%) | 93,680,589 | 101,395,951 |

The fair values of the Secured Investments have been estimated through DCF modelling techniques, with reference made to expected cash flows arising on underlying loan facility agreements in place at the GIC level. Discount factors have been applied based on margins of 2.00% plus the relevant SONIA rates within the DCF model (31 December 2022: 2.00% - 3.50% plus the relevant SONIA rate).

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

**6. Fair value hierarchy (continued)**

**PFI Secured Investments**

In arriving at the reported fair values of all PFI Secured Investments the following judgemental inputs have been used within the valuation models:

- Expected cash flows until contractual maturity:
  - In all cases, the valuation is based on contractual cash flows being settled in line with the contractual arrangements.
  - In forecasting the future cash flows, amounts in relation to the future related interest cash flows are included based on estimated margins and future SONIA rates.

- All the contractual cash flows have been discounted based on a margin rate of 2.00%. These discount rates, in the opinion of the Investment Advisers, represent the appropriate rate to reflect the risk profile of the PFI Secured Investments.

**Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy – Secured Investments**

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are as shown below:

| | | | Effect on fair value | |
|---|---|---|---|---|
| **Description** | **Unobservable Input** | **Sensitivity used** | **31 December 2023 £** | **31 December 2022 £** |
| Secured Investments - Private finance initiative | Discount Margin | +1% | (3,956,048) | (4,579,376) |
| | | -1% | 4,253,969 | 4,944,673 |

**7. Interest and other receivables**

| | **31 December 2023 £** | **31 December 2022 £** |
|---|---|---|
| Accrued interest on Secured Investments | 2,035,482 | 1,235,795 |
| Redeemed principal receivable on Secured Investments* | 1,121,013 | 850,477 |
| Other debtors | 5,164 | 2,473 |
| Prepayments | 7,602 | 1,789 |
| **Total interest and other receivables** | **3,169,261** | **2,090,534** |

*Amounts to be returned to the Fund in respect of partially redeemed Secured Investments.

**8. Units**

The Fund's capital is represented by the units outstanding.

The Fund does not have any externally imposed capital requirements.

The Fund can issue up to 2,000,000 units.

| | **31 December 2023** | | **31 December 2022** | |
|---|---|---|---|---|
| **Units issued and fully paid** | **No.** | **£** | **No.** | **£** |
| At 1 January | 239,997* | 24,017,710 | 239,997 | 24,017,710 |
| **At 31 December** | **239,997** | **24,017,710** | **239,997** | **24,017,710** |

* On 11 May 2023, in regard to the VFN holding, all 40,685 units held by Commerzbank AG, London Branch were transferred to its subsidiary, Commerzbank Finance Limited.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

**8. Units (continued)**

**(a) The rights attaching to the units are as follows:**

The initial offering of units was at a price of £100 per unit.

No Unitholder shall have any liability for the debts of the Fund or of the Trustee. Neither the Trustee nor the Manager shall have any authority to enter into any transactions, or incur any debt or liability, as agent for, or otherwise so as to bind contractually, a Unitholder.

The Unitholders shall not have, or acquire, any right against the Trustee in respect of units save such as are expressly conferred upon them by the Trust Instrument.

Each unit evidences an undivided beneficial interest in the assets of the Fund and no unit shall confer any interest or share in any particular part of the Trust assets. Neither the Fund nor the arranger, Commerzbank AG, London Branch has any obligation to repurchase the units or any instruments sold to the investor.

Units in the Fund will suffer first losses attributable to the Secured Investments and cash investments. Any reductions in interest rates, write-downs of principal, extensions of maturity dates and amortisation schedules and losses on dispositions of Trust assets will be borne first by the Fund and accordingly by Unitholders in the Fund, before any loss to the holders of the VFN.

The Unitholders of the Fund shall bear all the risks of the Trustee investing in securities or holding cash denominated in any currency.

The units may be transferred, subject to the prior written consent of the Manager.

The Trustee shall be entitled to redeem all (or, as applicable, part) of a Unitholder's units on a pro rata basis:

(i) to the extent required to give effect to the removal of Secured Investments or cash investments from the Trust Assets; and

(ii) to the extent required to give effect to an early redemption of the VFN notified to the Trustee in writing by the Investment Advisers.

**(b) Termination of the Fund**

The Fund is a perpetual unlimited Jersey unit trust and there is no right of early redemption under the units. The Fund will continue indefinitely unless a termination event occurs.

The Trustee shall redeem all a Unitholder's units if the Fund terminates as a result of any of the circumstances set out below:

(i) The VFN becomes subject to a mandatory redemption in whole pursuant to the terms and conditions of the VFN and the VFN is not replaced with alternative funding;

(ii) A VFN Enforcement Notice is delivered;

(iii) The appointment of the Manager is terminated under the Trust Instrument and no replacement has been appointed as a manager in accordance with the Trust Instrument;

(iv) The appointment of the Investment Advisers is terminated pursuant to the IMAA and no replacement has been appointed as an investment advisers in accordance with the terms of the IMAA;

(v) If the gross value of the Trust assets exceeds £50 million, a resolution of Unitholders is passed by the holders of not less than 90% of the aggregate outstanding units and consent of the registered holders of not less than 75% of the aggregate principal amount outstanding of the VFN is obtained approving termination; or

(vi) If the gross value of the Trust assets is less than £50 million, a resolution of Unitholders is passed by the holders of not less than 75% of the aggregate outstanding units and consent of the registered holders of not less than 75% of the aggregate principal amount outstanding of the VFN is obtained prior to approving termination.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

## 8. Units (continued)

### (c) Income distribution policy

The Trustee may from time to time make income distributions arising from the assets of the Fund to the Unitholders. In the event that proceeds arising from the redemption of Secured Investments have not been reinvested within six months after the date of receipt by the Fund they shall be distributed pro rata to the Unitholders.

On each distribution determination date, the Trustee shall determine the distribution, in its sole discretion, to be paid by the Fund on the related distribution payment date. The non-payment of an income distribution will not constitute a breach of an obligation in respect of the Fund. Each such income distribution shall be payable by the Fund in arrears on the relevant payment date.

Any amounts retained and not paid out as distributions by the Fund may be reinvested in Secured Investments or cash investments, at the discretion of the Investment Advisers. The Fund may not realise Secured Investments or cash investments to pay a distribution.

The Trustee may, with the sanction of an ordinary resolution of the Unitholders and the registered holders of not less than 75% of the aggregate principal amount outstanding of the VFN, distribute in kind among holders of such units by way of distribution any of the assets of the Fund.

A distribution of £0.29 per Unit totalling £69,599 was proposed and paid on 10 January 2022 in respect of the period 1 July 2021 to 31 December 2021 and recognised in the financial statements for the year ended 31 December 2022.

A distribution of £0.67 per Unit totalling £160,798 was proposed and paid on 7 July 2022 in respect of the period 1 January 2022 to 30 June 2022 and recognised in the financial statements for the year ended 31 December 2022.

A distribution of £1.25 per Unit totalling £299,996 was proposed and paid on 9 January 2023 in respect of the period 1 July 2022 to 31 December 2022 and recognised in the financial statements for the year ended 31 December 2023.

A distribution of £1.58 per Unit totalling £379,195 was proposed and paid on 7 July 2023 in respect of the period 1 January 2023 to 30 June 2023 and recognised in the financial statements for the year ended 31 December 2023.

A distribution of £1.96 per Unit totalling £470,394 was proposed and paid on 8 January 2024 in respect of the period 1 July 2023 to 31 December 2023. This distribution has not been recognised in the financial statements for the year ended 31 December 2023.

### (d) Priority of payments

The following order of priority will apply to the distribution of income and other assets of the Fund:

(i) To pay the fees, costs and expenses of the Security Trustee and any receiver and all amounts payable by the Fund to any tax authority;

(ii) To replace any previous overpayment of an income distribution;

(iii) To pay any costs and expenses associated with the acquisition and/or issue by GIC of the Secured Investments;

(iv) To pay any interest payments outstanding;

(v) To pay to the extent of any shortfall, all expenses relating to the Fund due and payable to the Manager and Registrar, the Trustee, BNP Paribas S.A., Jersey Branch as the administrator, the Investment Advisers, or in respect of the fees and expenses of its accountants or auditors and any disbursements;

(vi) To pay any amount of principal then due and payable by the Fund in order to effect an early redemption of the VFN;

(vii) To pay any income distributions then due and payable by the Fund; and

(viii) In redemption of units of the Fund in the circumstances noted in (a) or (b) above.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

## 9. Financial liabilities at amortised cost

| VFN | 31 December 2023 £ | 31 December 2022 £ |
|---|---|---|
| At 1 January | 97,469,199 | 104,305,481 |
| Redeemed during the year | (7,332,000) | (6,835,000) |
| Movement in deferred income: discount on purchase of note series 24 | (1,282) | (1,282) |
| **At 31 December** | **90,135,917** | **97,469,199** |

| Split in the Statement of Financial Position under headings: | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Current liabilities | 3,624,000 | 3,628,000 |
| Non-current liabilities | 86,511,917 | 93,841,199 |

The Pound Sterling denominated VFN has been issued by the Fund for the purpose of providing leverage and for achieving the target returns for investors. The VFN has a minimum denomination of £250,000, constitutes a direct, secured and limited recourse obligation of the Fund, and is secured on the Secured Investments held by the Fund. The initial issue of the VFN on 22 November 2006 was in the amount of £233,591,600 and a further issue was made on 31 January 2007 in the amount of £14,640,242. The VFN is listed on TISE.

The Trustee, on behalf of the Fund, signed a deed of amendment agreement with Commerzbank AG on 1 July 2021 in order to amend certain conditions in relation to the determination of interest amounts to reflect the transition away from LIBOR to SONIA.

The Fund may, by giving not less than ten business days' prior notice, repay the VFN principal amount outstanding at any time, in whole or in part. Unless previously redeemed in full, the Fund shall redeem the VFN at its principal amount outstanding together with accrued interest on the maturity date of the VFN, being the 28 September 2035, or such other date as may be determined by the Fund and the VFN holder.

The VFN shall be subject to mandatory redemption in part on each distribution date if on such distribution date there are any amounts of principal available for distribution in accordance with the Trust Instrument with respect to the Secured Investments, after paying any and all amounts payable out of such funds in priority to payments on the VFN, available to the Fund for payment to the VFN holders.

The VFN is split into three Tranches. Interest payable on the principal of Tranche A is payable semi-annually on 30 June and 31 December each year, on the principal of Tranche B, interest is payable semi-annually on 31 March and 30 September each year; and on Tranche C interest is payable monthly.

In as far as it is possible to do so, in accordance with the VFN documentation and at the discretion of Commerzbank AG, London Branch as Execution Agent, the principal amounts of each Tranche are matched (rebalanced) on an ongoing basis to the principal amounts of the underlying assets by their roll dates to reduce any cash leakage from the Fund.

The interest calculation for Tranches A and B is determined using the 6-month GBP SONIA (31 December 2022: 6-month GBP SONIA) rate plus a margin. The interest calculation for Tranche C is determined using the 1-month GBP SONIA (31 December 2022: 1-month GBP SONIA) rate plus a margin.

As of 31 December 2023, taking into account the aforementioned relevant rebalancing, the principal amount of Tranche A was GBP 12,586,656; Tranche B was GBP 77,549,261 and Tranche C was nil.

| | Tranche A £ | Tranche B £ | Tranche C £ | Total £ |
|---|---|---|---|---|
| At 1 January 2023 | 14,316,469 | 83,152,730 | - | 97,469,199 |
| Tranche rebalancing during the year | 5,603,469 | (5,603,469) | - | - |
| Capital redemptions during the year | (7,332,000) | - | - | (7,332,000) |
| Movement in deferred income: discount on purchase of note series 24 | (1,282) | - | - | (1,282) |
| **At 31 December 2023** | **12,586,656** | **77,549,261** | **-** | **90,135,917** |

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

**9. Financial liabilities at amortised cost (continued)**

| | Tranche A £ | Tranche B £ | Tranche C £ | Total £ |
|---|---|---|---|---|
| At 1 January 2022 | 15,667,701 | 78,818,800 | 9,818,980 | 104,305,481 |
| Tranche rebalancing during the year | 5,485,050 | 4,333,930 | (9,818,980) | - |
| Capital redemptions during the year | (6,835,000) | - | - | (6,835,000) |
| Movement in deferred income: discount on purchase of note series 24 | (1,282) | - | - | (1,282) |
| **At 31 December 2022** | **14,316,469** | **83,152,730** | **-** | **97,469,199** |

The tranche rebalancing is instigated to align the VFN to the further changes in the interest payment profile of the corresponding investments. The VFN's are listed on the TISE at their par values which is the amount outstanding.

***VFN fair value***

The fair value of the VFN as at 31 December 2023 amounted to £97,214,932 (31 December 2022: £102,399,596). The fair value is calculated as the difference between the fair value of the total assets of the Fund and the fair value of the net assets/equity excluding the VFN. The total assets comprise of the fair value of the Secured Investments and the other assets while the equity fair value is computed by discounting the Unitholders' cash flows at unit cost of capital based upon market comparatives. As at 31 December 2023, the unit cost of capital comprises the product of the Debt Portfolio Discount Margin of 2.00 (200bps weighted based on the portfolio assets) (31 December 2022: 2.09 (200bps to 350bps weighted based on the portfolio assets)) and a Leverage Multiplier of 3.00 (31 December 2022: 3.26). The fair value as at 31 December 2023 and 31 December 2022 was calculated by the Investment Advisers.

Had the NAV as at 31 December 2023 used the fair value of the Secured Investments as reported in these financial statements and the fair value of the VFN as noted above, then the NAV would have amounted to £8,421,096 (31 December 2022: £8,891,709) and the NAV per unit would have amounted to £35.09 (31 December 2022: £37.05).

**10. Interest and other payables**

| | 31 December 2023 £ | 31 December 2022 £ |
|---|---|---|
| Accrued interest on VFN | 1,430,510 | 800,014 |
| Accrued Manager's periodic charge | 27,916 | 20,365 |
| Accrued Trustee's fee | 21,173 | 8,822 |
| Accrued Administration fees | 5,849 | 4,737 |
| Accrued Collateral Administration and Reporting Agent Fees | 54,247 | 55,251 |
| Accrued Custodian and VFN Agent fees | 5,041 | 5,041 |
| Accrued Investment Management and Advisory fees | 90,896 | 97,424 |
| Accrued Execution Agent fees | 12,985 | 13,918 |
| Accrued Investment Servicer fees | 25,970 | 27,835 |
| Accrued audit fee - GIF | 60,000 | 52,050 |
| Accrued audit fee - GIC | 99,800 | - |
| Accrued other expenses | 115,089 | - |
| Payable to GIC | 149,942 | - |
| **Total** | **2,099,418** | **1,085,457** |

**11. Basic and diluted EPU and NAV per unit**

The calculation of the basic and diluted EPU for the year ended 31 December 2023 was based on the profit attributable to Unitholders of £555,729 (31 December 2022: £659,521) and weighted average number of units of 239,997 (31 December 2022: 239,997). There is no potential dilution of EPU.

The calculation of NAV per unit at 31 December 2023 was based on net assets attributable to Unitholders of £12,947,312 (31 December 2022: £13,070,775) and the number of units outstanding of 239,997 (31 December 2022: 239,997).

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

## 12. Financial instruments and associated risks

The Fund maintains positions in a variety of non-derivative financial instruments as dictated by its investment management strategy. The objective of the Fund is to achieve an attractive risk-adjusted net return to Investors. The Fund seeks to achieve its investment objective by investing on a leveraged basis in a portfolio of Secured Investments and cash investments. The Fund's investment portfolio comprises Secured Investments being notes issued by the Note Issuer, which are listed on the TISE, and cash investments, being bank account deposits. Asset allocation is determined by the Investment Advisers who manage the distribution of the assets to achieve the investment objectives.

The nature and extent of the financial instruments outstanding at the Statement of Financial Position date and the risk management policies employed by the Fund are discussed below:

### Market risk

Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and other price risk.

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective as shown above. The Fund's market risk is managed by the Investment Advisers in accordance with the policies and procedures in place for the investment of assets held by the Note Issuer. Detailed investment restrictions govern the investment of the Note Issuer's assets in Underlying Investments and the Investment Advisers to the Note Issuer regularly monitors adherence to those investment restrictions.

Utilising the investment eligibility criteria specified in the Listing Document, the Investment Advisers will aim to select investments for their fundamental value based upon satisfactory due diligence reports.

The valuation of the Fund's assets is monitored on a quarterly basis by the Investment Advisers to the Note Issuer.

### (i) Currency risk

The VFN liability and all investments are denominated in Sterling with interest and principal payable in the same currency. Accordingly, the Fund is not exposed to currency risk.

### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest bearing financial assets carry a simple floating rate of interest, paid on a periodic basis and computed on a stated benchmark interest rate plus or minus the relevant spread, and are re-priced in the short-term being no longer than 12 months. Interest bearing financial liabilities are comprised of the VFN which bears interest based upon 6 month SONIA (31 December 2022: 6 month and 1 month SONIA (1 month was only until 31 October 2022)) plus a weighted average margin based upon the individual margin assigned to each Underlying Investment.

The Fund is exposed to interest rate risk to the extent that the cash flows from the Secured Investments may be based upon different interest rates to that applicable to the VFN. In addition, the timing of the interest payments receivable from the Secured Investments may differ to the timing of the interest payments to the holder of the VFN.

The Investment Advisers manage the interest rate risk on an ongoing basis by rebalancing the VFN whose interest rate and interest payment profile matches as far as possible the interest rate profile of the Secured Investments.

The following table details the Fund's exposure to interest rate risks. It includes the financial assets at fair value categorised by the earlier of re-pricing date or maturity date measured by the carrying value of the assets and liabilities.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

**12. Financial instruments and associated risks (continued)**

**(ii) Interest rate risk (continued)**

| At 31 December 2023 | Variable £ | Interest bearing 1M SONIA + Margin £ | 6M SONIA + Margin £ | Non-interest bearing £ | Total £ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Designated at fair value through profit or loss:** | | | | | |
| Secured Investments | - | 8,378,431 | 85,302,158 | - | 93,680,589 |
| **Financial assets at amortised cost:** | | | | | |
| Cash and cash equivalents | 8,332,797 | - | - | - | 8,332,797 |
| Interest and other receivables | - | - | - | 3,158,662 | 3,158,662 |
| **Total assets** | **8,332,797** | **8,378,431** | **85,302,158** | **3,158,662** | **105,172,048** |

| | Variable £ | Interest bearing 1M SONIA + Margin £ | 6M SONIA + Margin £ | Non-interest bearing £ | Total £ |
|---|---|---|---|---|---|
| **Financial liabilities at amortised cost:** | | | | | |
| VFN | - | - | (90,135,917) | - | (90,135,917) |
| Accrued expenses | - | - | - | (2,099,418) | (2,099,418) |
| **Total liabilities** | - | - | (90,135,917) | (2,099,418) | (92,235,335) |
| **Total interest sensitivity gap** | **8,332,797** | **8,378,431** | **(4,833,759)** | **1,059,244** | **12,936,713** |

**Interest rate sensitivity**

An increase of 100 basis points in interest rates as at the reporting date would have decreased the net assets attributable to Unitholders and changes in net assets attributable to Unitholders by £294,827 (31 December 2022: £153,484). A decrease of 100 basis points would have had an equal but opposite effect.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

**12. Financial instruments and associated risks (continued)**

**(ii) Interest rate risk (continued)**

| | Interest bearing | | | | |
|---|---|---|---|---|---|
| **At 31 December 2022** | **Variable £** | **1M SONIA + Margin £** | **6M SONIA + Margin £** | **Non-interest bearing £** | **Total £** |
| **Assets** | | | | | |
| **Designated at fair value through profit or loss:** | | | | | |
| Secured Investments | - | 8,933,650 | 92,462,301 | - | 101,395,951 |
| **Financial assets at amortised cost:** | | | | | |
| Cash and cash equivalents | 8,138,946 | - | - | - | 8,138,946 |
| Interest and other receivables | - | - | - | 2,088,745 | 2,088,745 |
| **Total assets** | **8,138,946** | **8,933,650** | **92,462,301** | **2,088,745** | **111,623,642** |

| | Interest bearing | | | | |
|---|---|---|---|---|---|
| | **Variable £** | **1M SONIA + Margin £** | **6M SONIA + Margin £** | **Non-interest bearing £** | **Total £** |
| **Financial liabilities at amortised cost:** | | | | | |
| VFN | - | - | (97,469,199) | - | (97,469,199) |
| Accrued expenses | - | - | - | (1,085,457) | (1,085,457) |
| **Total liabilities** | **-** | **-** | **(97,469,199)** | **(1,085,457)** | **(98,554,656)** |
| **Total interest sensitivity gap** | **8,138,946** | **8,933,650** | **(5,006,898)** | **1,003,288** | **13,068,986** |

**(iii) Other price risk**

Other price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk and currency risk) whether caused by factors specific to an individual investment or non-specific factors arising due to changes in general market conditions.

As the majority of the Fund's financial assets are carried at fair value with fair value changes recognised in the Statement of Comprehensive Income, all changes in market conditions will directly affect net income.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

**12. Financial instruments and associated risks (continued)**

**(iii) Other price risk (continued)**

Price risk is managed by the Investment Advisers by utilising the investment eligibility criteria specified in the Listing Document and ensuring that investments are selected for their fundamental value based upon satisfactory due diligence reports.

The value of the Secured Investments is dependent upon the value of the Underlying Investments held by the Note Issuer and upon which they are secured. Underlying Investments include the following categories:

(i) senior secured loans, senior unsecured loans, subordinated secured loans or subordinated unsecured loans as may be recommended by the Investment Advisers in accordance with the IMAA; or

(ii) participations in all or part of senior secured loans, senior unsecured loans, subordinated secured loans or subordinated unsecured loans from Mizuho Bank, Ltd., Commerzbank AG, London Branch or such other financial institution as may be nominated by the Investment Advisers; or

(iii) any note issued in relation to a project meeting the eligibility criteria as may be recommended by the Investment Advisers in accordance with the IMAA; or

(iv) any other asset as may be recommended by the Investment Advisers and Note Issuer in accordance with the terms of the IMAA.

Loans may be susceptible to default, and projects that underlie these loans may be susceptible to changes in legislation that may discriminate against them. Projects may not be completed within the agreed price or time period, and certain investments may be subject to a degree of demand or utilisation risk. Any such occurrence may affect the ability of the underlying obligor to meet its payments under the underlying loan and the market value of the corresponding Secured Investment may be detrimentally affected.

**Credit risk**

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the Statement of Financial Position date. This also relates to financial assets carried at amortised cost, as they have a short term to maturity.

At the Statement of Financial Position date, the Fund's financial assets exposed to credit risk amounted to the following:

| | **31 December 2023** | **31 December 2022** |
|---|---|---|
| | **£** | **£** |
| Secured Investments | 93,680,589 | 101,395,951 |
| Cash and cash equivalents | 8,332,797 | 8,138,946 |
| Interest and other receivables | 3,158,662 | 2,088,745 |
| **Total** | **105,172,048** | **111,623,642** |

Credit risk arising on Secured Investments and Interest and other receivables is mitigated by ensuring that the Underlying Investments held by the Note Issuer comply with the eligibility criteria set out in the Listing Document.

The Investment Advisers ensure that the Underlying Investments are classified either as category one or category two investments based upon their creditworthiness. Category one investments must be related to a project either (a) with the benefit of a guarantee from an insurer rated AAA by S&P (or equivalent) or (b) with an Availability Based Payment Regime in which the majority of the total base cost post construction completion revenues are expected to be generated from availability and/or performance type payments. Category two investments are those related to a project with a Non-Availability Based Payment Regime, other infrastructure scheme or regulated utility transaction. All the Underlying Investments were under Category one in the years ended 31 December 2023 and 31 December 2022.

As part of the ongoing assessment and management of credit risk, the Trustee relies on the Investment Advisers' process of monitoring the performance of the underlying projects. All of the cash held by the Fund is held by BNP Paribas S.A., Jersey Branch, which has a Standard and Poor's long term senior debt credit rating of A+ (31 December 2022: A+).

**Liquidity risk**

Liquidity risk is the risk of mismatches between maturities of assets and liabilities which may result in the Fund being unable to meet its obligations in a timely manner.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

**12. Financial instruments and associated risks (continued)**

**(iii) Other price risk (continued)**

**Liquidity risk (continued)**

The Fund's Trust Instrument provides for the quarterly creation of units and it is therefore exposed to the liquidity risk of receipt of Unitholder funding. The Fund has no obligation to repurchase any units held by the Unitholders.

Interest on the VFN is payable semi-annually and monthly and is paid out of interest received on Secured Investments. The VFN is repayable in full on 28 September 2035, or at such date as may be agreed by the Fund and the VFN holder.

The Fund maintains a proportion of its assets in cash to maintain liquidity and to settle accounts payable and accrued expenses.

Residual contractual undiscounted maturities of financial liabilities:

| At 31 December 2023 | Less than 1 year<br>£ | Between 1-5 years<br>£ | More than 5 years<br>£ | Total<br>£ |
|---|---|---|---|---|
| **Financial liabilities measured at amortised cost:** | | | | |
| VFN | (3,624,000) | - | (86,511,917) | (90,135,917) |
| Interest and other payable | (2,099,418) | - | - | (2,099,418) |
| **Total liabilities** | **(5,723,418)** | **-** | **(86,511,917)** | **(92,235,335)** |

| At 31 December 2022 | Less than 1 year<br>£ | Between 1-5 years<br>£ | More than 5 years<br>£ | Total<br>£ |
|---|---|---|---|---|
| **Financial liabilities measured at amortised cost:** | | | | |
| VFN | (3,628,000) | - | (93,841,199) | (97,469,199) |
| Interest and other payable | (1,085,457) | - | - | (1,085,457) |
| **Total liabilities** | **(4,713,457)** | **-** | **(93,841,199)** | **(98,554,656)** |

The tables above show the contractual, undiscounted cash flows of the Fund's financial liabilities. The principal and interest cash flows due on the VFN are linked to the availability of cash from the Secured Investments. The Trustee has therefore decided not to present discounted contractual interest cash flows because the Trustee believes that any such estimate would not be a true reflection of the liquidity risk arising from the VFN.

**13. Contingent liabilities and commitments**

There were no contingent liabilities at the Statement of Financial Position date. The Fund undertakes to subscribe for any notes issued by the Note Issuer when the Note Issuer is itself required to make payments in respect of its Underlying Investments. No such payment obligations by the Note Issuer were outstanding at the Statement of Financial Position date. The Fund has an undrawn cash commitment to GIC of £4,218,072 (31 December 2022: £4,218,072) in relation to the Secured Investments.

The carrying amount of financial assets pledged as collateral for the Fund's liabilities is comprised of all of the Fund's rights, title, interest and benefit, present and future, in and to the notes and any other investments made by the Fund, and all amounts standing to the credit of any accounts held by the Fund, including all monies, income and proceeds payable to the Fund, and all property and assets held by the Fund.

The total value of the financial assets held by the Fund at 31 December 2023 pledged as collateral for the Fund's liabilities is £105,182,647 (31 December 2022: £111,625,431).

**14. Related party transactions**

Intertrust Fund Services (Jersey) Limited is the Manager and Registrar to the Fund in accordance with the Trust Instrument and is deemed to be a related party. The Manager and Registrar are remunerated based on the fee letter dated 22 November 2006.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

**14. Related party transactions (continued)**

As Trustee to the Fund, Zedra Jersey Trust Corporation Limited is deemed to be a related party. The Trustee is remunerated based on the fee letter dated 22 November 2006.

All transactions and balances associated with the Manager and Trustee are disclosed in notes 3 and 10.

Included within the investment management and advisory fees, the Execution Agent fees and the Investment Servicer's fees are fees paid to Commerzbank AG, London Branch, Mizuho Bank Ltd and Mizuho International plc. Transactions and balances associated with these parties are disclosed in notes 3 and 10. These parties are deemed to be related parties to the Fund on the basis that they have an interest in the Fund that gives them the ability to exert a significant influence over the Fund.

As at 31 December 2023, Commerzbank Finance Limited was sole holder of the VFN and is deemed to be a related party to the Fund on the basis of the significant influence identified above. Interest paid to Commerzbank Finance Limited as holder of the VFN, distributions paid to Commerzbank Finance Limited as a Unitholder, and the carrying amount of the VFN at the Statement of Financial Position date is identified in notes 8 and 9.

On the basis that Commerzbank AG, London Branch is a controlling party and an investment adviser of GIC, transactions with GIC are deemed to be related party transactions. Transactions with GIC during the period related to the acquisition and return of principal in respect of the Secured Investments, the payment of interest on Secured Investments to the Fund, and the payment of fees and deposit interest to the Fund. Interest on Secured Investments and fees paid to the Fund during the period are set out in the statement of comprehensive income. The PECO Holder is the holding company of GIC (which is a subsidiary of the PECO Holder). There were no transactions between the Fund and the PECO Holder during the year (31 December 2022: none).

The expenses incurred by the Fund on behalf of GIC are disclosed in note 3. In addition to the Investment Management and Advisory fees, the Execution Agent fees and the Investment Servicer fees paid on behalf of the Note Issuer, the Fund incurs expenses in relation to corporate services on behalf of the Note Issuer payable to TMF Global Services (UK) Limited in accordance with the Corporate Services Agreement.

The cash received by the Fund in respect of return of principal during the year totals £7,328,066 (31 December 2022: £7,042,392).

The total value of Secured Investments held at the Statement of Financial Position date is disclosed in note 6.

**15. Segment Information**

The Investment Advisers make the strategic resource allocations on behalf of the Fund. The Fund has determined the operating segments based on the reports reviewed by the Investment Advisers, which are used to make strategic decisions.

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

The internal reporting provided to the investment manager for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. The Fund invests in the United Kingdom which is also the source of all of its investment income.

There were no changes in the reportable segments during the year.

**16. Events after the reporting period**

On 8 January 2024, the Fund made a distribution of £1.96 per Unit and totalling £470,394 to Unitholders on the register as at 31 December 2023. The distribution is not recognised in these financial statements as it was declared after the Statement of Financial Position date, the distribution was for the period 1 July 2023 to 31 December 2023.

On 18 January 2024, the Fund made a partial repayment of the VFN amounting to £3,624,000. Following this payment, the principal balance outstanding was £86,496,535.

There have been no other material post balance sheet events which would provide additional evidence relating to conditions that existed at the balance sheet date.

**Notes to the financial statements for the year ended 31 December 2023 (continued)**

### 17. Reconciliation of NAV

| | 31 December 2023<br>£ | 31 December 2022<br>£ |
|---|---|---|
| NAV as previously reported for Unitholder dealing purposes | 7,548,551 | 8,971,027 |
| Deferred income: discount on purchase of note series 24 | (15,384) | (16,666) |
| Revaluation adjustment of financial liabilities at amortised cost – VFN (for Unitholder dealing purposes) | 4,541,600 | 4,195,732 |
| Accruals adjustments | (249,742) | (30,636) |
| Revaluation adjustment of VFN fair value | 1,122,287 | (48,682) |
| **Net assets per financial statements** | **12,947,312** | **13,070,775** |

As disclosed in note 9, the fair value of the VFN liability is calculated on a quarterly basis by the Investment Advisers and the revised price is used in the determination of the NAV of the Fund for Unitholder dealing purposes.

### 18. Reconciliation of liabilities arising from financing activities

| | £ |
|---|---|
| **Balance as at 1 January 2023** | **97,469,199** |
| **Cash flow movements** | |
| Redemption of financial liabilities at amortised cost | (7,332,000) |
| **Non cash flow movements** | |
| Movement in deferred income: discount on purchase of note series 24 | (1,282) |
| **Balance as at 31 December 2023** | **90,135,917** |

| | £ |
|---|---|
| **Balance as at 1 January 2022** | **104,305,481** |
| **Cash flow movements** | |
| Redemption of financial liabilities at amortised cost | (6,835,000) |
| **Non cash flow movements** | |
| Movement in deferred income: discount on purchase of note series 24 | (1,282) |
| **Balance as at 31 December 2022** | **97,469,199** |

### 19. Controlling party

The Fund’s immediate and ultimate controlling party is Commerzbank AG, a company incorporated in Germany.

**Appendix 1 (unaudited)**

**Schedule of Investments**
**As at 31 December 2023**

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| **Investment - United Kingdom** | **Valuation £** | **% of Net Assets %** | **Valuation £** | **% of Net Assets %** |
| Series 4 | 2,378,420 | 18.41 | 2,738,565 | 20.97 |
| Series 5 | 16,513,538 | 127.58 | 17,388,622 | 133.05 |
| Series 6 | 5,508,785 | 42.59 | 5,490,505 | 42.03 |
| Series 7 | 11,857,654 | 91.62 | 12,829,528 | 98.17 |
| Series 10 | 5,928,379 | 45.83 | 6,664,796 | 51.01 |
| Series 11 | 8,378,431 | 64.75 | 8,933,650 | 68.37 |
| Series 13 | 5,314,862 | 41.09 | 6,436,415 | 49.26 |
| Series 14 | 15,066,996 | 116.41 | 16,109,949 | 123.27 |
| Series 16 | 2,462,466 | 19.06 | 2,922,538 | 22.38 |
| Series 17 | 5,145,089 | 39.79 | 5,839,790 | 44.70 |
| Series 18 | 7,683,079 | 59.39 | 8,183,186 | 62.63 |
| Series 23 | 3,721,445 | 28.74 | 3,929,203 | 30.07 |
| Series 24 | 3,721,445 | 28.74 | 3,929,204 | 30.07 |
| **Portfolio of investments** | **93,680,589** | **724.00** | **101,395,951** | **775.98** |
| Net other liabilities | (80,733,277) | (624.00) | (88,325,176) | (675.98) |
| **Net assets** | **12,947,312** | **100.00** | **13,070,775** | **100.00** |

**Appendix 2 (unaudited)**

**Summary of Material Portfolio Changes**
**For the year ended 31 December 2023**

| Investment | 1 January 2023 to 31 December 2023 Redemption proceeds £ | 1 January 2022 to 31 December 2022 Redemption proceeds £ |
|---|---|---|
| Series 4 | (344,610) | (342,604) |
| Series 5 | (813,650) | (768,840) |
| Series 6 | (357,475) | (405,863) |
| Series 7 | (920,945) | (962,617) |
| Series 10 | (679,031) | (604,430) |
| Series 11 | (494,162) | (404,452) |
| Series 13 | (1,061,984) | (810,611) |
| Series 14 | (933,151) | (847,014) |
| Series 16 | (452,318) | (408,426) |
| Series 17 | (686,788) | (745,725) |
| Series 18 | (462,866) | (474,827) |
| Series 23 | (195,812) | (183,633) |
| Series 24 | (195,812) | (183,633) |
| **Total** | **(7,598,604)** | **(7,142,675)** |