Consolidated Financial Statements

INDEPENDENT AUDITOR'S REPORT

KPMG

To the Shareholders and Board of Directors of Oakley Capital Investments Limited

Opinion

We have audited the Consolidated Financial Statements of Oakley Capital Investments Limited and its subsidiary (the "Company"), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and Notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT CONTINUED

The key audit matter	How the matter was addressed in our audit
Valuation of the Funds As discussed in the Audit Committee report on page 63, the accounting policies on pages 89 to 92 and in Notes 6 and 8 to the Consolidated Financial Statements on pages 98 to 105, the Company holds investments in private equity partnerships (the "Funds") at 31 December 2020 of £354.7 million, where quoted prices do not exist. The Funds are carried at their estimated fair values based upon the principles of the International Private Equity and Venture Capital Association ("IPEV") valuation guidelines and IFRS 13. The valuation of the Funds held in the Company's investment portfolio is the key driver of its net asset value and total return to shareholders. The Funds hold equity investments in unquoted portfolio companies. The valuations of these portfolio companies are complex and require the application of judgment by Oakley Capital Limited (the "Investment Adviser"). The fair values of these portfolio companies are principally based upon the market approach, which estimates the enterprise value of the portfolio company using a comparable multiple of revenues or EBITDA, information from recent comparable transactions, or the underlying net asset value. **The risk** The significance of the Funds to the Company's Consolidated Financial Statements, combined with the judgment required in estimating their fair values means this was an area of focus during our audit.	We obtained management's schedule of investments comprising the fair value of the Company's investments in the Funds and performed the following procedures: • Compared the Company's valuations to the audited financial statements of the Funds as at 31 December 2020; • Inspected the components of the Funds' net assets to confirm the reported net asset values in the Funds' audited financial statements were representative of fair value under IFRS; • Inspected the disclosures made about the Funds in the Notes to the Consolidated Financial Statements for compliance with IFRS; and • Monitored any events that emerged in the post balance sheet period (up to the date of signing the Company's Consolidated Financial Statements) that would have a potential impact on the value of the Funds held at the year-end. Through our involvement in the Funds' audit engagements, we selected all unquoted equity investments held indirectly through the Company's investments in the Funds and performed the following audit procedures: • Obtained the Investment Adviser's models for valuing the unquoted equity investments; • Obtained independent confirmations of the existence and accuracy of the unquoted equity investments; • Determined that the valuation specialists engaged by the Investment Adviser are qualified and independent of the Funds; • Challenged the Investment Adviser on the methodologies followed and key assumptions used in determining the valuations of the unquoted equity investments in the context of the IPEV valuation guidelines; • Obtained management information, including budgets and forecasts for revenues and EBITDA and actual net debt amounts at the balance sheet date, which are the key inputs used in the valuation models by the Investment Adviser and compared this information to that used in the models; • Independently sourced multiples for comparable companies used by the Investment Adviser, considered whether those companies are comparable to the investee and compared them to the multiples used in the valuations; • Recalculated the mathematical accuracy of the valuation models; and • Monitored any events that emerged in the post balance sheet period (up to the date of signing each Fund's financial statements) that would have a potential impact on the value of the unquoted equity investments held at the year-end.

INDEPENDENT AUDITOR'S REPORT CONTINUED

The key audit matter	How the matter was addressed in our audit
Valuation of the unquoted debt securities In addition to investments in the Funds, the Company holds investments in unquoted debt securities at 31 December 2020 of £126.5 million. The valuation of the unquoted debt securities are derived from a discounted cash flow calculation based on expected future cash flows to be received, discounted at an appropriate rate. Expected future cash flows include interest received and principal repayment at maturity. **The risk** The unquoted debt securities were an area of audit focus on the basis that: • The securities are of material significance to the Company's Consolidated Financial Statements; • Judgement is required by the Investment Adviser in selection of an appropriate, risk- adjusted discount rate; and • Judgement is also required in determining the timing and amounts of prospective cash flows of the debt securities.	We engaged KPMG valuation specialists to assist in testing the valuation of the unquoted debt securities. In coordination with our valuation specialists, we selected all unquoted debt securities held by the Company at year end and performed the following audit procedures: • Inspected loan agreements to support the existence and accuracy of the debt securities; • Obtained the Investment Adviser's models for valuing the debt securities at year end and checked their mathematical accuracy; • Performed a sensitivity analysis over the discount rates being applied to the expected cash flows in the fair value calculations provided to us by management; • Assessed the reasonableness of the assumptions made by the Investment Adviser regarding the timing and amounts of prospective cash flows; and • Monitored any events that emerged in the post balance sheet period (up to the date of signing the Consolidated Financial Statements) that would have had a potential impact on the value of the unquoted debt investments held at the year end.

Other information in the Annual Report

Management is responsible for the other information contained in the Annual Report. The other information comprises the Overview, Strategic Report and Governance sections.

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

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated 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.

Responsibilities of management and those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Funds to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's Shareholders and Board of Directors. Our audit work has been undertaken so that we might state to the Company's Shareholders and Board of Directors 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 Shareholders and Board of Directors, as a body, for our audit work, for this report, or for the opinion we have formed.

The Engagement Partner on the audit resulting in this independent auditor's report is James Berry.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
10 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Income			
Interest income	13	10,466	9,218
Net realised gains on investments at fair value through profit and loss	6, 7	208,536	17,840
Net change in unrealised gains/(losses) on investments at fair value through profit and loss	6, 7	(133,086)	127,741
Net foreign currency gains/(losses)		13,700	(2,715)
Other income		390	1,073
Total income		100,006	153,157
Expenses	14	(7,620)	(17,888)
Profit attributable to equity shareholders/total comprehensive income		92,386	135,269
Earnings per share			
Basic and diluted earnings per share	18	£0.48	£0.66

The Notes on pages 87 to 114 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Investments	6, 8	505,124	660,966
		505,124	660,966
Current assets			
Trade and other receivables	11	33	40
Cash and cash equivalents	10	223,090	48,866
		223,123	48,906
Total assets		728,247	709,872
Liabilities			
Current liabilities			
Trade and other payables	12	297	23,864
Total liabilities		297	23,864
Net assets attributable to shareholders		727,950	686,008
Equity			
Share capital	20	1,806	1,986
Share premium	20	188,144	229,728
Retained earnings		538,000	454,294
Total shareholders' equity		727,950	686,008
Net asset per ordinary share			
Basic and diluted net assets per share	19	£4.03	£3.45
Ordinary shares in issue at 31 December 2020 ('000)	20	180,600	198,600

The Notes on pages 87 to 114 are an integral part of these Consolidated Financial Statements.

The Consolidated Financial Statements of Oakley Capital Investments Limited (registration number: 40324) on pages 87 to 114 were approved by the Board of Directors and authorised for issue on 10 March 2021 and were signed on their behalf by:

Caroline Foulger
Director

Richard Lightowler
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 January 2019	2,048	244,533	328,241	574,822
Profit for the year/total comprehensive income	–	–	135,269	135,269
Ordinary shares repurchased and cancelled	(62)	(14,805)	–	(14,867)
Dividends	–	–	(9,216)	(9,216)
Total transactions with equity shareholders	(62)	(14,805)	(9,216)	(24,083)
Balance at 31 December 2019	1,986	229,728	454,294	686,008
Profit for the year/total comprehensive income	–	–	92,386	92,386
Ordinary shares repurchased and cancelled	(180)	(41,584)	–	(41,764)
Dividends	–	–	(8,680)	(8,680)
Total transactions with equity shareholders	(180)	(41,584)	(8,680)	(50,444)
Balance at 31 December 2020	1,806	188,144	538,000	727,950

The Notes on pages 87 to 114 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Purchases of investments		(95,983)	(127,265)
Sales of investments		332,595	90,005
Interest income received		5,146	842
Expenses paid		(21,050)	(7,009)
Other income received		390	1,073
Net cash (used in)/provided by operating activities		221,098	(42,354)
Cash flows from financing activities			
Purchase of ordinary shares	20	(51,894)	(4,737)
Dividends paid	21	(8,680)	(9,216)
Net cash (used in)/provided by financing activities		(60,574)	(13,953)
Net (decrease)/increase in cash and cash equivalents		160,524	(56,307)
Cash and cash equivalents at the beginning of the year		48,866	107,888
Effect of foreign exchange rate changes		13,700	(2,715)
Cash and cash equivalents at the end of the year	10	223,090	48,866

The Notes on pages 87 to 114 are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. Reporting entity

Oakley Capital Investments Limited (the 'Company') is a closed-ended investment company incorporated under the laws of Bermuda on 28 June 2007.

The Company invests in the following private equity funds structures (the 'Funds'):

Fund Group name	Country of establishment	Limited partnerships included
Fund I	Bermuda	Oakley Capital Private Equity L.P.[1]
Fund II	Bermuda	OCPE II Master L.P.
		Oakley Capital Private Equity II-A L.P.[1]
		Oakley Capital Private Equity II-B L.P.
		Oakley Capital Private Equity II-C L.P.
Fund III	Bermuda	OCPE III Master L.P.
		Oakley Capital Private Equity III-A L.P.[1]
		Oakley Capital Private Equity III-B L.P.
		Oakley Capital Private Equity III-C L.P.
Fund IV	Luxembourg	Oakley Capital IV Master SCSp
		Oakley Capital Private Equity IV-A SCSp[1]
		Oakley Capital Private Equity IV-B SCSp
		Oakley Capital Private Equity IV-C SCSp
Origin Fund	Luxembourg	Oakley Capital Origin Master SCSp
		Oakley Capital Private Equity Origin A SCSp[1]
		Oakley Capital Private Equity Origin B SCSp
		Oakley Capital Private Equity Origin C SCSp
OCPE Education	Bermuda	OCPE Education L.P.
		OCPE Education (Feeder) L.P.[1]

[1] Denotes the limited partnership in which the Company has made a direct investment.

The defined term "Company" shall, where the context requires for the purposes of consolidation, include the Company's sole and wholly owned subsidiary, OCI Financing (Bermuda) Limited ('OCI Financing'). OCI Financing provides financing to NSG Apparel BV, an entity that forms part of the North Sails Group in which Fund II invests.

The Company is listed on the Specialist Fund Segment ('SFS') of the London Stock Exchange ('LSE'), with the ticker symbol "OCI".

2. Basis of preparation

The Consolidated Financial Statements of the Company have been prepared on a going concern basis and under the historical cost convention, except for financial instruments at fair value through profit and loss, which are measured at fair value. During 2020, the outbreak of COVID-19 and related global responses have caused material disruptions to economies around the world. Global markets have experienced significant volatility and divergence in performance across business sectors. The full impact of COVID-19 on economies and businesses remains uncertain.

The Board of Directors have assessed going concern and in doing so have considered a wide range of information relating to the present and future conditions and varying scenarios for the emergence from COVID-19. This assessment includes updates from Oakley Capital Limited (the 'Investment Adviser') on the impacts of COVID-19 on the portfolio companies of the Funds as well as the impact on investment and sale expectations for each of the Funds, cash flow projections and the longer-term strategy of the Company.

As part of the assessment, the Board of Directors:

- Assessed liquidity, solvency and capital management. The Company considered liquidity risk as the risk that the Company may encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations would have to be settled in a manner disadvantageous to the Company. Unfunded commitments to the Funds are irrevocable and can exceed cash and cash equivalents available to the Company. Based on current cash flow projections and barring unforeseen events, the Company expects to be able to meet its obligations as they fall due.
- As at 31 December 2020, cash and cash equivalents of the Company amounted to £223,090,000. The Company has total unfunded capital and unquoted debt security commitments of £517,478,901 relating to the Funds which are expected to be called over the next four to five years. Under the Company's bye-laws, the Company is permitted to borrow up to 25% of total shareholders' equity which would amount to approximately £181,987,500 for the year ending 31 December 2020. As at 31 December 2020, the Company has had no need to secure any debt facilities. The Directors consider the Company to have sufficient resources and liquidity and can continue to operate for a period of at least 12 months.
- Considered the estimates inherent to the valuations of the Funds and the unquoted debt securities. The Company's approach to valuations was consistent with prior years, with the additional focus as at 31 December 2020 being the impact of COVID-19 on the Funds in which the Company invests. The Board of Directors held regular meetings with the Investment Adviser to consider how COVID-19 impacts were considered in the valuation process of the Funds. In addition, key assumptions and estimates relating to the valuation of the unquoted debt instruments were considered. This included assessment of counterparty risk, interest rates and future cash flow projections.
- Assessed the operational resilience of the Company's critical functions which includes monitoring the performance of the Company's key service providers.

The Board of Directors considers it appropriate to prepare the Consolidated Financial Statements of the Company on the going concern basis, having considered the impact of COVID-19 on its operations and those of the portfolio companies of the Funds.

2.1 Basis for compliance

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS').

2.2 Functional and presentation currency

The Consolidated Financial Statements are presented in British Pounds ('Pounds'), which is the Company's functional currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

3. Significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

3.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Company

Several amendments and interpretations apply for the first time effective 1 January 2020 but do not have a material effect on the Company's Consolidated Financial Statements and did not require retrospective adjustments.

(b) New standards, amendments and interpretations that are not yet effective but might be relevant for the Company

A number of new standards are effective for annual periods beginning after 1 January 2020 and early application is admitted, however, the Company has not adopted early the new or amended standards in preparing these Consolidated Financial Statements.

The Company is currently in the process of analysing the impact of these new standards, amendments to existing standards and annual improvements to IFRS in detail but these are not expected to have a material effect on the Consolidated Financial Statements of the Company.

3.2 Basis for consolidation

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. While the Company may have a greater than 50% ownership interest in a Fund, it is a limited partner and does not have the ability to affect the decisions of the Fund's General Partner or the returns of the Funds. The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The Consolidated Financial Statements include the financial statements of the Company and its wholly-owned subsidiary, after the elimination of all significant intercompany balances and transactions.

IFRS 10 exempts investment entities from consolidating controlled investees. The Company meets the definition of an investment entity, as the following conditions are met:

- The Company provides investment management services.
- The business purpose of the Company is to invest into private equity funds and to purchase, hold and dispose of investments directly in portfolio companies with the goal of achieving returns from capital appreciation and investment income.
- The performance of these investments is measured and evaluated on a fair value basis.
- The Company holds multiple investments.

The Company therefore measures its investments at fair value through profit and loss in accordance with the investment entity exemption. The Company does not consolidate any of its investments in the Funds.

3. Significant accounting policies continued

As at 31 December 2020 the Company's Limited Partner ownership in the Funds are:

- Fund I ownership of 70.4% (2019: 70.4%)
- Fund II ownership of 36.2% (2019: 36.2%)
- Fund III ownership of 40.7% (2019: 40.7%)
- Fund IV ownership of 27.4% (2019: 28.6%)
- Origin Fund ownership of 27.0% (2019: 0%)
- OCPE Education ownership of nil (2019: 99.18%)

3.3 Investments

(a) Classification

The Company classifies its investments based on both the Company's business model for managing those financial assets and the contractual cash flow characteristics, if any, of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income.

The contractual cash flows of the Company's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Company's business model's objective. Consequently, the Company classifies its investments in private equity funds, direct equity investments and loans as financial assets held at fair value through profit and loss at inception.

(b) Recognition and measurement

Financial assets held at fair value through profit and loss are recognised initially on the trade date which is the date on which the Company becomes a party to the contractual provisions of the instrument. Financial assets held at fair value through profit and loss are recognised initially at fair value, with transaction costs recognised in profit or loss.

Net gains and losses from financial assets held at fair value through profit and loss include all realised and unrealised fair value changes and foreign exchange differences and are included in the consolidated statement of comprehensive income in the period in which they arise.

Quoted investments are subsequently carried at fair value. Fair value is measured using the last reported sales price, where the last reported sales price falls within the bid-ask spread. In circumstances where the last reported sales price is not within the bid-ask spread, the Board of Directors, in consultation with the Investment Adviser, will determine the point within the bid-ask spread that is most representative of fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

3. Significant accounting policies continued

Unquoted investments, including both equities and loans, are subsequently carried in the consolidated balance sheet at fair value. Fair value is determined in accordance with the Company's investment valuation policy, which is compliant with the fair value guidelines under IFRS 13 and the International Private Equity and Venture Capital ('IPEV') Valuation Guidelines.

(c) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest on such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

3.4 Cash and cash equivalents

Cash and cash equivalents include deposits held on call with banks and other short-term deposits. The Company considers all short-term deposits with an original maturity of 90 days or less as equivalent to cash.

3.5 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less any allowance for impairment, using the effective interest method.

3.6 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired or received in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.7 Interest income

Interest on unquoted debt securities held at fair value through profit and loss is accrued on a time-proportionate basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that discounts estimated future cash receipts over the expected life of the debt security to its net carrying amount on initial recognition. Interest income is recognised gross of withholding tax, if any. Interest income on unquoted debt securities is recognised as a separate line item in the consolidated statement of comprehensive income and classified within operating activities in the consolidated statement of cash flows.

3.8 Expenses

Expenses are recognised on the accruals basis. Negative interest income is included in expenses in the consolidated statement of comprehensive income and classified within operating activities in the consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

3. Significant accounting policies continued

3.9 Foreign currency translation

The functional currency of the Company is Pounds. Transactions in currencies other than Pounds are recorded at the rates of exchange prevailing on the dates of the transactions.

At each reporting date, investments and other monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Capital drawdowns and proceeds of distributions from the Funds and foreign currencies and income and expense items denominated in foreign currencies are translated into Pounds at the exchange rate on the respective dates of such transactions.

Foreign exchange gains and losses on other monetary assets and liabilities are recognised in net foreign currency gains and losses in the consolidated statement of comprehensive income.

The Company does not isolate unrealised or realised foreign exchange gains and losses arising from changes in the fair value of investments. All such foreign exchange gains and losses are included with the net realised and unrealised gains or losses on investments in the consolidated statement of comprehensive income.

3.10 Share capital

Ordinary shares issued by the Company are recognised based on the proceeds or fair value received or receivable, with the excess of the amount received over their nominal value being credited to the share premium account. Direct issue costs are deducted from equity.

3.11 Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive ordinary shares.

4. Critical accounting estimates, assumptions and judgements

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underly the preparation of its Consolidated Financial Statements. IFRS require the Board of Directors, in preparing the Company's Consolidated Financial Statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. The Company's estimates and assumptions are based on historical experience and the Board of Directors' expectation of future events and are reviewed periodically. The actual outcome may be materially different from that anticipated. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The judgements, assumptions and estimates involved in the Company's accounting policies that are considered by the Board of Directors to be the most important to the Company's results and financial condition are the fair valuation of the investments and the assessment that the Company meets the definition of an investment entity.

(a) Fair valuation of investments

The fair values assigned to investments held at fair value through profit and loss are based upon available information at the time and do not necessarily represent amounts which might ultimately be realised. Because of the inherent uncertainty of valuation, these estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed, and those differences could be material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

4. Critical accounting estimates, assumptions and judgements continued

Investments held at fair value through profit and loss are valued by the Company in accordance with relevant IFRS requirements. Judgement is required in order to determine the appropriate valuation methodology under these standards. Subsequently, judgement is required in assessing the net asset value of the Funds and determining the inputs into the valuation models used for the unquoted debt securities. Inputs include making assessments of the estimated future cash flows and determining appropriate discount rates.

There remain many unknown factors over the short, medium, and long term including the impact of COVID-19 on the Company. In these circumstances, the valuation of the Company's investments as at 31 December 2020 carried significantly more uncertainty than previously. The Investment Adviser has considered the impact of COVID-19 in determining inputs in the valuation models used for the valuations of each of the Funds. Additionally the impact of COVID-19 has been considered in the valuation of the unquoted debt securities.

(b) Assessment as an investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit and loss.

The Board of Directors has concluded that the Company meets the definition of an investment entity as its strategic objective is to invest in the Funds on behalf of its investors for the purpose of generating returns in the form of investment income and capital appreciation.

5. Financial risk management

5.1 Introduction and overview

The Board of Directors, the Company's Risk Committee and Oakley Capital Limited (the 'Investment Adviser') attribute great importance to professional risk management, proper understanding and negotiation of appropriate terms and conditions and active monitoring, including a thorough analysis of reports and financial statements and ongoing review of investments made. The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control the economic impact of these risks. The Investment Adviser provides the Board of Directors with recommendations as to the Company's asset allocation and annual investment levels that are consistent with the Company's objectives. The Risk Committee reviews and agrees policies for managing the risks.

The Company has exposures to the following risks from financial instruments: credit risk, liquidity risk and market risk (including interest rate risk, currency risk, and price risk). The Company's overall risk management process focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

5.2 Credit risk

The Company is subject to credit risk on its unquoted investments and cash. The majority of the Company's cash balances were held with Barclays and Butterfield Bank. Barclays are rated A1 and Butterfield Bank are rated at A3 by Moody's (2019: Barclays A1 and HSBC A2).

In accordance with the Company's policy, the Investment Adviser monitors the Company's exposure to credit risk on cash on a quarterly basis and the Risk Committee regularly reviews the Company's exposure to credit risk. The credit quality of the investments in the Funds and debt securities, which are held at fair value and include debt and equity elements, are not rated. As at 31 December 2020, no debt securities held were overdue or impaired.

5. Financial risk management continued

5.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company. The Company, with advice from the Investment Adviser, manages liquidity through reviews of detailed cash flow projections which estimate the timing and quantums of outflows, including capital calls, and inflows from disposals of portfolio companies which aim to avoid undue risk of illiquidity.

The unfunded commitments to the Funds are irrevocable and can exceed cash and cash equivalents available to the Company. Based on current cash flow projections and barring unforeseen events, the Company expects to be able to honour all capital calls by the Funds.

As of 31 December 2020 cash and cash equivalents of the Company amounted to £223,090,000 (2019: £48,866,356). The Company had total unfunded capital and loan commitments of £517,478,901 (2019: £462,781,291) relating to the Funds. The unfunded commitments of the Company are listed in Note 22. The Company can borrow up to 25% of total shareholders' equity. As at 31 December 2020, the Company has no borrowings (2019: nil).

The majority of the investments held by the Company are in Funds which are unquoted and subject to specific restrictions on transferability and disposal. Consequently, the risk exists that the Company might not be able to readily dispose of its holdings at the time of its choosing and also that the price attained on a disposal may be below the amount at which such investments were included in the Company's consolidated balance sheet.

The Company's consolidated financial liabilities are all repayable within three months after the balance sheet date and are carried at fair value. Financial liabilities exclude outstanding capital commitments at the year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

5. Financial risk management continued

5.4 Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The Company's sensitivity to these items is set out below.

The Company's financial assets that are subject to currency and interest rate risk are analysed below (presented in Pounds and translated at the year-end foreign exchange rate):

	2020			2019		
	Pound £'000	Euro €'000	Total £'000	Pound £'000	Euro €'000	Total £'000
Fixed and floating rate debt and cash	201,566	147,990	349,556	151,692	24,330	176,022
Non-interest-bearing Fund and equity investments	23,940	354,718	378,658	38,510	495,300	533,810
Total	225,506	502,708	728,214	190,202	519,630	709,832

a) Interest rate risk

Interest rate risk arises principally from changes in interest receivable on cash and deposits and unquoted debt securities at fair value.

The Company's unquoted debt investments carry fixed rates of interest ranging from 5% to 12%. These loans are subject to interest rate risk as increases and decreases in interest rates will have an impact on their fair value. A 100 basis point increase in interest rates would result in a decrease in the fair value of those loans of £1,155,534 and a corresponding decrease of 100 basis points in interest rates would result in an increase in their fair value by the same amount (2019: £2,860,355).

The impact of an increase in interest rates of 100 basis points on cash and deposits, based on the closing consolidated balance sheet position over a 12-month period, would have been £2,053,734 on the profit and loss in the consolidated statement of comprehensive income (2019: £839,176). A decrease in interest rates of 100 basis points on cash and deposits would have an equal and opposite effect.

In addition, the Company has indirect exposure to interest rate fluctuations through changes to the financial performance and valuation in equity investments in the Funds as certain portfolio companies have issued debt. Short-term receivables and payables are excluded as, due to their short-term nature, the risks due to fluctuation in the prevailing levels of market interest rates associated with these instruments are not significant.

b) Currency risk

The Company holds significant assets and liabilities denominated in currencies other than its functional currency, which expose the Company to the risk that the exchange rates of those currencies against the Pound will change in a manner which adversely impacts the Company's net profit and net assets attributable to shareholders. The following sensitivity analysis shows the sensitivity of the Company's net assets to movements in foreign currency exchange rates assuming a 10% increase in exchange rates against the Pound. A 10% decrease in exchange rates against the Pound would have an equal and opposite effect. The sensitivity analysis below is representative of the year as a whole, since the level of exposure changes as the Company's holdings change through the purchase and realisation of investments (presented in Pounds and translated at the year end foreign exchange rate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

5. Financial risk management continued

	2020 £'000	2019 £'000
Assets:		
Financial assets at fair value through profit and loss	35,472	49,530
Cash and cash equivalents	14,799	2,433
Total assets	50,271	51,963
Impact on profit/(loss)	50,271	51,963

The Investment Adviser monitors the Company's currency position on a regular basis and reports the impact of currency movements on the performance of the investment portfolio to the Risk Committee quarterly. In accordance with the Company's investment policy, all direct investments in quoted equity securities and debt securities are denominated in Pounds, placing currency risk on the counterparty. The investments in the Funds are denominated in Euros.

c) Price risk – market fluctuations

The Company's management of price risk, which arises primarily from quoted and unquoted equity instruments, is through the selection of financial assets within specified limits as advised by the Investment Adviser and approved by the Risk Committee.

For quoted equity securities, the market risk variable is deemed to be the market price itself. A 15% change in the price of those investments would have a £3,590,988 (2019: £5,776,436) direct impact on the profit and loss in the consolidated statement of comprehensive income and the net assets attributable to shareholders in the consolidated balance sheet. The impact on net asset per ordinary share is £0.02 (2019: £0.03).

For the investment in the Funds, the market risk is deemed to be the change in fair value. A 15% change in the fair value of those investments would have a £53,207,700 (2019: £74,295,012) direct impact on the profit and loss in the consolidated statement of comprehensive income and the net assets attributable to shareholders in the consolidated balance sheet. The impact on net asset per ordinary share is £0.29 (2019: £0.37).

The Company is exposed to a variety of market risk factors which may change significantly over time. As a result, measurement of such exposure at any given point in time may be difficult given the complexity and diversity of the investments held by the Funds.

Limitations of sensitivity analysis

The sensitivity information included in Notes 5 and 8 demonstrates the estimated impact of a change in a major input assumption while other assumptions remain unchanged. In reality, there are normally significant levels of correlation between the assumptions and other factors.

It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Furthermore, estimates of sensitivity may become less reliable in unusual market conditions such as instances when risk-free interest rates fall towards zero.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

5. Financial risk management continued

5.5 Capital management

The Company's capital is represented by ordinary shares with £0.01 par value and they carry one vote each. The shares are entitled to dividends when declared. The Company has no additional restrictions or specific capital requirements on the issuance and repurchase of ordinary shares. The movements of capital are shown in the consolidated statement of changes in equity.

The Company's objectives when managing capital are to safeguard the Company's assets to achieve positive returns. In order to maintain or adjust the capital structure, the Company may issue shares or may return capital to shareholders through the repurchase of shares or by paying dividends. The effects of the issue, the repurchase and resale of shares are described in Note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

6. Investments

Investments as at 31 December 2020:

	2019 Fair value £'000	Purchases/ Capital calls £'000	Total sales[1]/ Distributions £'000	Realised gains/ (losses) £'000	Interest and other £'000	Net change in unrealised gains/(losses) £'000	2020 Fair value £'000
Oakley Funds							
Fund I	33,358	10,906	–	–	–	(28,115)	16,149
Fund II	57,182	8,689	(16,993)	10,455	–	(6,123)	53,210
Fund III	310,068	–	(186,493)	123,345	–	(29,054)	217,866
Fund IV	19,708	32,018	–	–	–	14,634	66,360
Origin Fund	–	2,856	–	–	–	(1,723)	1,133
Total Oakley Funds	420,316	54,469	(203,486)	133,800	–	(50,381)	354,718
Direct investment Funds							
OCPE Education (Feeder) LP	74,984	–	(94,210)	74,736	–	(55,510)	–
Total direct investment Funds	74,984	–	(94,210)	74,736	–	(55,510)	–
Total Funds	495,300	54,469	(297,696)	208,536	–	(105,891)	354,718
Quoted equity securities							
Time Out Group plc	38,510	12,625	–	–	–	(27,195)	23,940
Total quoted equity securities	38,510	12,625	–	–	–	(27,195)	23,940
Unquoted debt securities							
Ellisfield (Bermuda) Limited	15,796	–	–	–	1,468	–	17,264
Fund I	9,435	1,000	(4,432)	–	642	–	6,645
Fund II	4,398	3,333	(7,985)	–	254	–	–
Fund III	–	–	–	–	–	–	–
NSG Apparel BV	29,992	6,990	–	–	1,727	–	38,709
Oakley Capital III Limited	731	–	(732)	–	1	–	–
Oakley NS (Bermuda) LP	43,490	15,066	–	–	5,292	–	63,848
Time Out Group plc	23,314	2,500	(27,071)	–	1,257	–	–
Total unquoted debt securities	127,156	28,889	(40,220)	–	10,641	–	126,466
Total investments	660,966	95,983	(337,916)	208,536	10,641	(133,086)	505,124

[1] Total sales include sales, loan repayments and transfers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

6. Investments continued

Investments as at 31 December 2019:

	2018 Fair value £'000	Purchases/ Capital calls £'000	Total sales[1]/ Distributions £'000	Realised gains/ (losses) £'000	Interest and other £'000	Net change in unrealised gains/(losses) £'000	2019 Fair value £'000
Oakley Funds							
Fund I	18,159	1,788	–	–	–	13,411	33,358
Fund II	71,794	7,386	(30,197)	19,067	–	(10,868)	57,182
Fund III	208,628	29,672	(9,712)	(1,227)	–	82,707	310,068
Fund IV	–	25,930	–	–	–	(6,222)	19,708
Total Oakley Funds	298,581	64,776	(39,909)	17,840	–	79,028	420,316
Direct investment Funds							
OCPE Education (Feeder) LP	41,789	672	–	–	–	32,523	74,984
Total direct investment Funds	41,789	672	–	–	–	32,523	74,984
Total Funds	340,370	65,448	(39,909)	17,840	–	111,551	495,300
Quoted equity securities							
Time Out Group plc	22,320	–	–	–	–	16,190	38,510
Total quoted equity securities	22,320	–	–	–	–	16,190	38,510
Unquoted debt securities							
Ellisfield (Bermuda) Limited	14,889	–	–	–	907	–	15,796
Fund I	7,035	9,880	(8,080)	–	600	–	9,435
Fund II	17,412	8,344	(21,846)	–	488	–	4,398
Fund III	4,033	13,291	(17,853)	–	529	–	–
NSG Apparel BV	26,569	2,319	–	–	1,104	–	29,992
Oakley Capital III Limited	2,169	–	(1,518)	–	80	–	731
Oakley NS (Bermuda) LP	14,038	25,483	–	–	3,969	–	43,490
Time Out Group plc	20,914	2,500	(2,607)	–	2,507	–	23,314
Total unquoted debt securities	107,059	61,817	(51,904)	–	10,184	–	127,156
Total investments	469,749	127,265	(91,813)	17,840	10,184	127,741	660,966

[1] Total sales include sales, loan repayments and transfers.

Quoted equity securities and unquoted debt securities are additional direct investments in certain of the portfolio companies in one of the Oakley Funds. The total sales on unquoted debt securities distributions include accrued interest repaid of £5,321,000 (2019: £1,808,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

7. Net gains/(losses) from investments at fair value through profit and loss

	2020 £'000	2019 £'000
Net change in unrealised gains/(losses) on investments at fair value through profit and loss:		
Funds	(105,891)	111,551
Quoted equity securities	(27,195)	16,190
Total net change in unrealised gains/(losses) on investments at fair value through profit and loss	(133,086)	127,741
Net realised gains/(losses) on investments at fair value through profit and loss:		
Funds	208,536	17,840
Total net realised gains/(losses) on investments at fair value through profit and loss	208,536	17,840

8. Disclosure about fair value of financial instruments

The Company has adopted IFRS 13 in respect of disclosures about the degree of reliability of fair value measurements. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The Company classifies financial instruments measured at fair value in the investment portfolio according to the following hierarchy:

- Level I: Quoted prices (unadjusted) in active markets for identical instruments that the Company can access at the measurement date. Level I investments include quoted equity instruments.
- Level II: Inputs other than quoted prices included within Level I that are observable for the instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level III: Inputs that are not based on observable market data. Level III investments include private equity funds and unquoted debt securities.

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the instrument. The determination of what constitutes 'observable' requires significant judgement by the Company.

The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

8. Disclosure about fair value of financial instruments continued

The following table analyses the Company's investments measured at fair value as of 31 December 2020 by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level I £'000	Level III £'000	Total £'000
Funds	–	354,718	354,718
Quoted equity securities	23,940	–	23,940
Unquoted debt securities	–	126,466	126,466
Total investments measured at fair value	23,940	481,184	505,124

The following table analyses the Company's investments measured at fair value as of 31 December 2019 by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level I £'000	Level III £'000	Total £'000
Funds	–	495,300	495,300
Quoted equity securities	38,510	–	38,510
Unquoted debt securities	–	127,156	127,156
Total investments measured at fair value	38,510	622,456	660,966

Level I

Quoted equity investment values are based on quoted market prices in active markets, and are therefore classified within Level I investments. The Company does not adjust the quoted price for these investments.

Level II

The Company did not hold any Level II investments as of 31 December 2020 or 2019.

Level III

The Company has determined that Funds and unquoted debt securities fall into Level III. Funds and unquoted debt securities are measured in accordance with the IPEV Valuation Guidelines with reference to the most appropriate information available at the time of measurement. The Consolidated Financial Statements as of 31 December 2020 include Level III investments in the amount of £481,183,852, representing approximately 66.10% of shareholders' equity (2019: £622,456,416; 90.74%).

8. Disclosure about fair value of financial instruments continued

Funds

The Company primarily invests in portfolio companies via the Funds as a limited partner. The Funds are unquoted equity securities. The Company's investments in unquoted equity securities are recognised in the consolidated balance sheet at fair value, in accordance with IPEV Valuation Guidelines and IFRS 13 and are considered Level III investments.

The valuation of unquoted fund investments is based on the latest available net asset value ('NAV') of the Fund as reported by the corresponding general partner or administrator, provided that the NAV has been appropriately determined using fair value principles in accordance with IFRS 13.

The NAV of a Fund is calculated after determining the fair value of that Fund's investment in any portfolio company. The fair value is determined by the Investment Adviser by calculating the Enterprise Value ('EV') of the portfolio company and then adding excess cash and deducting financial instruments, such as external debt, ranking ahead of the Fund's highest ranking instrument in the portfolio company.

A common method of determining the EV is to apply a market-based multiple (e.g. an average multiple based on a selection of comparable quoted companies) to the 'maintainable' earnings or revenues of the portfolio company. This market-based approach presumes that the comparable companies are correctly valued by the market. A discount is sometimes applied to market-based multiples to adjust for points of difference between the comparables and the Company being valued.

As at 31 December 2020, the value of the Funds' investments, other assets and liabilities attributable to the Company based on its respective percentage interest in each Fund was as follows:

	Fund I €'000	Fund II €'000	Fund III €'000	Fund IV €'000	Origin Fund €'000	OCPE Education €'000
Investments	21,600	58,723	334,940	168,957	11,530	–
Loans	(5,199)	(3,684)	(53,907)	(98,373)	(11,756)	–
Estimated performance fee payable	–	–	(41,135)	(2,041)	–	–
Other net assets	1,645	4,420	3,555	5,610	1,493	–
Total value of the Fund attributable to the Company (€'000)	18,046	59,459	243,453	74,153	1,267	–
Total value of the Fund attributable to the Company (£'000) at year-end exchange rate	16,149	53,210	217,866	66,360	1,133	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

8. Disclosure about fair value of financial instruments continued

As at 31 December 2019, the value of the Funds' investments, other assets and liabilities attributable to the Company based on its respective percentage interest in each Fund was as follows:

	Fund I €'000	Fund II €'000	Fund III €'000	Fund IV €'000	Origin Fund €'000	OCPE Education €'000
Investments	44,568	75,540	456,259	57,091	–	88,436
Loans	(7,845)	(9,836)	(41,206)	(44,657)	–	–
Estimated performance fee payable	–	(3,130)	(50,487)	–	–	–
Other net assets	2,698	5,002	1,858	10,856	–	177
Total value of the Fund attributable to the Company (€'000)	39,421	67,576	366,424	23,290	–	88,613
Total value of the Fund attributable to the Company (£'000) at year-end exchange rate	33,358	57,182	310,068	19,708	–	74,984

The Company records its investments in the Funds at the NAV reported by the Funds which it considers to be fair value. The NAV as reported by the Funds' general partner or administrator is considered to be the key unobservable input. The Company has the following control procedures in place to evaluate whether the NAV of the underlying Fund investments represents a reliable estimate of fair value and calculated in a manner consistent with IFRS 13:

- Thorough initial due diligence processes and the Board of Directors performing ongoing monitoring procedures, primarily discussions with the Investment Adviser.
- Comparison of historical realisations to last reported fair values.
- Review of the quarterly financial statements and the annual audited NAV of the respective Fund.

Unquoted debt securities

The fair values of the Company's investments in unquoted debt securities are derived from a discounted cash flow calculation based on expected future cash flows to be received, discounted at an appropriate rate. Expected future cash flows include interest received and principal repayment at maturity.

Unobservable inputs for Level III investments

Funds

In arriving at the fair value of the unquoted Fund investments, the key input used by the Company is the NAV as provided by the General Partner or administrator of the relevant Fund. The Company recognises that the NAVs of the Funds are highly sensitive to movements in the fair values of the underlying portfolio companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

8. Disclosure about fair value of financial instruments continued

The underlying portfolio companies owned by the Funds may include both quoted and unquoted companies. Quoted portfolio companies are valued based on market prices, consistent with the Company's accounting policy for quoted investments, and no unobservable inputs are used. Unquoted portfolio companies are valued by the Investment Adviser based on a market approach for which significant judgement is applied. Consideration has also been given by the Investment Adviser to the impact of COVID-19 for the valuation at 31 December 2020.

For the purposes of sensitivity analysis, the Company considers a 10% adjustment to the fair value of the unquoted portfolio companies of the Funds as reasonable. For the year ending 31 December 2020, a 10% increase to the fair value of the unquoted portfolio companies held by the Funds would result in a 6.1% movement in net assets attributable to shareholders (2019: 7.6%). A 10% decrease to the fair value of the unquoted portfolio companies held by the Funds would have an equal and opposite effect.

Unquoted debt securities

In arriving at the fair value of the unquoted debt securities, the key inputs used by the Company are future cash flows expected to be received until maturity of the debt securities and the discount factor applied. The discount factor applied is an unobservable input and ranges between 5% and 12% considering contractual interest rates charged on debt, risk-free rate and assessment of credit risk.

For the purposes of sensitivity analysis, the Company considers a 1% adjustment to the discount factor applied as reasonable. For the year ending 31 December 2020, a 1% increase to the discount factor would result in a 0.2% movement in net assets attributable to shareholders (2019: 0.4%). A 1% decrease to the discount factor would have an equal and opposite effect. Refer to Note 5.4(a).

Transfers between levels

There were no transfers between the levels during the year ended 31 December 2020 (2019: none).

Level I and Level III reconciliation

The changes in investments measured at fair value, for which the Company has used Level I and Level III inputs to determine fair value as of 31 December 2020 and 2019, are as follows:

Level I investments: **Quoted equity securities**	**2020** **£'000**	**2019** **£'000**
Fair value at the beginning of the year	38,510	22,320
Purchases	12,625	–
Net change in unrealised gains/(losses) on investments	(27,195)	16,190
Fair value of Level I investments at the end of the year	23,940	38,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

8. Disclosure about fair value of financial instruments continued

Level III investments:	Funds £'000	Unquoted debt securities £'000	Total £'000
2020			
Fair value at the beginning of the year	495,300	127,156	622,456
Purchases	54,469	28,889	83,358
Proceeds on disposals (including interest)	(297,696)	(40,220)	(337,916)
Realised gain on sale	208,536	–	208,536
Interest income and other fee income	–	10,641	10,641
Net change in unrealised gains/(losses) on investments	(105,891)	–	(105,891)
Fair value at the end of the year	354,718	126,466	481,184

	Funds £'000	Unquoted debt securities £'000	Total £'000
2019			
Fair value at the beginning of the year	340,370	107,059	447,429
Purchases	65,448	61,817	127,265
Proceeds on disposals (including interest)	(39,909)	(51,904)	(91,813)
Realised gain on sale	17,840	–	17,840
Interest income and other fee income	–	10,184	10,184
Net change in unrealised gains/(losses) on investments	111,551	–	111,551
Fair value at the end of the year	495,300	127,156	622,456

Other financial instruments

Financial instruments, other than financial instruments at fair value through profit and loss, where carrying values are equal to fair values:

	2020 £'000	2019 £'000
Cash and cash equivalents	223,090	48,866
Trade and other receivables	33	40
Trade and other payables	297	23,864

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

9. Segment information

The Company has two reportable segments, as described below. For each of them, the Board of Directors receives detailed reports on at least a quarterly basis. The following summary describes the operations in each of the Company's reportable segments:

- Fund investments
- Direct investments

Balance sheet and income and expense items which cannot be clearly allocated to one of the segments are shown in the column "Corporate" in the following tables.

The reportable operating segments derive their revenue primarily by seeking investments to achieve an attractive return in relation to the risk being taken. The return consists of interest, dividends and/or unrealised and realised capital gains.

The financial information provided to the Board of Directors with respect to total assets and liabilities is presented in a manner consistent with the Consolidated Financial Statements. The assessment of the performance of the operating segments is based on measurements consistent with IFRS. With the exception of capital calls payable, liabilities are not considered to be segment liabilities but rather managed at the corporate level.

There have been no transactions between the reportable segments during the financial year 2020 (2019: none).

The segment information for the year ended 31 December 2020 is as follows:

	Fund investments £'000	Direct investments and loans £'000	Total operating segments £'000	Corporate £'000	Total £'000
Net realised gains on financial assets at fair value through profit and loss	208,536	–	208,536	–	208,536
Net change in unrealised gains/(losses) on financial assets at fair value through profit and loss	(105,891)	(27,195)	(133,086)	–	(133,086)
Interest income	–	10,251	10,251	215	10,466
Net foreign currency gains/(losses)	–	–	–	13,700	13,700
Other income	–	390	390	–	390
Expenses	(4,044)	(220)	(4,266)	(3,354)	(7,620)
Profit/(loss) for the year	98,601	(16,774)	81,825	10,561	92,386
Total assets	354,718	150,406	505,124	223,123	728,247
Total liabilities	–	–	–	(297)	(297)
Net assets	354,718	150,406	505,124	222,826	727,950
Total assets include:					
Financial assets at fair value through profit and loss	354,718	150,406	505,124	–	505,124
Cash and others	–	–	–	223,123	223,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

9. Segment information continued

The segment information for the year ended 31 December 2019 is as follows:

	Fund investments £'000	Direct investments and loans £'000	Total operating segments £'000	Corporate £'000	Total £'000
Net realised gains on financial assets at fair value through profit and loss	17,840	–	17,840	–	17,840
Net change in unrealised gains/(losses) on financial assets at fair value through profit and loss	111,551	16,190	127,741	–	127,741
Interest income	–	9,111	9,111	107	9,218
Net foreign currency gains/(losses)	–	–	–	(2,715)	(2,715)
Other income	–	1,073	1,073	–	1,073
Expenses	(12,615)	(2,409)	(15,024)	(2,864)	(17,888)
Profit/(loss) for the year	116,776	23,965	140,741	(5,472)	135,269
Total assets	495,300	165,666	660,966	48,906	709,872
Total liabilities	(10,130)	–	(10,130)	(13,734)	(23,864)
Net assets	485,170	165,666	650,836	35,172	686,008
Total assets include:					
Financial assets at fair value through profit and loss	495,300	165,666	660,966	–	660,966
Cash and others	–	–	–	48,906	48,906

10. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash and demand balances at banks	172,892	28,759
Short-term deposits	50,198	20,107
	223,090	48,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

11. Trade and other receivables

	2020 £'000	2019 £'000
Prepayments	33	40
	33	40

12. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	87	93
Amounts due to related parties	150	13,641
Other payables	60	10,130
	297	23,864

On 20 December 2019, the Company purchased for cancellation 4,000,000 of its own ordinary shares at the market price on that date for a total of £10,100,250. As at 31 December 2019, the amount payable for the share buy-back remained outstanding (refer to Note 20) and was included in "Other payables".

13. Interest income

	2020 £'000	2019 £'000
Interest income on investments carried at amortised cost:		
Cash and cash equivalents	215	107
Interest income on investments designated as at fair value through profit and loss:		
Debt securities	10,251	9,111
	10,466	9,218

14. Expenses

	Notes	2020 £'000	2019 £'000
Investment-related fees	15	4,266	14,574
Operating expenses	16	3,354	3,314
		7,620	17,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

15. Investment-related fees

Included in Investment related fees are operational and performance fees paid to Oakley Capital Manager Limited (the 'Administrative Agent'). The Administrative Agent has been appointed by the Company to provide operational assistance and services to the Board with respect to the Company's direct investments and generally to administer the assets of the Company, as provided for in the Operational Services Agreement.

a) Operational fees

During 2020 and 2019, the Administrative Agent was paid an operational services fee of 2% per annum of the net asset value of certain of the Company's direct investments. During 2019, the operational services fee was calculated by reference to all of the Company's direct investments. With effect from 1 January 2020, operational services fees relating to direct debt investments were eliminated, so that the operational services fee became payable only by reference to the net asset value of the Company's direct equity investments. With effect from 1 July 2020, no further operational services fees are payable by reference to the Company's current direct equity investments.

The operational services fee for the year ended 31 December 2020 totalled £620,874 (2019: £3,928,313). There are no amounts outstanding as at 31 December 2020 (2019: £1,109,199).

b) Performance fees

The Administrative Agent is paid a performance fee of 20% of profits (after expenses) from the full or partial realisation on disposal of any direct equity investments subject to an 8% preferred return. With effect from 1 July 2020, no performance fees are payable by reference to the Company's current direct equity investments.

Performance fees for the year ended 31 December 2020 totalled £3,644,444 (2019: £10,646,241). There are no amounts outstanding as at 31 December 2020 (2019: £12,447,622).

16. Operating expenses

The following expenses are included in operating expenses:

a) Administration fees

The Company has appointed Mayflower Management Services (Bermuda) Limited (the 'Administrator') to provide administration services at an annual fee at prevailing commercial rates. Administration fees for the year ended 31 December 2020 totalled £344,584 (2019: £352,040). There were no amounts payable to the Administrator as at 31 December 2020 (2019: £nil).

b) Directors' fees

For the year ended 31 December 2020, the Company paid Directors' fees of £100,000 (2019: £65,000) to the Chair of the Board and £275,000 (2019: £175,000) to other Board members. No fees were payable as at 31 December 2020 (2019: £nil).

The members of the Board of Directors are considered to be Key Management Personnel. No pension contributions were made in respect of any of the Directors and none of the Directors receive any pension from any portfolio company held by the Funds. During the year one of the Directors waived remuneration (2019: one). No other fees were paid to the Directors (2019: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

16. Operating expenses continued

For the years ended 31 December 2020 and 2019 members of the Board of Directors held shares in the Company and were entitled to dividends as detailed below:

	2020 '000	2019 '000
Shares at the beginning of the year	18,018	9,736
Shares acquired during the year	745	8,342
Shares held by a Director who resigned during the year	(400)	(60)
Shares at the end of the year	18,363	18,018
Dividends paid to Directors (£'000)	818	561

c) Auditor's remuneration

The Company's auditor is KPMG. During the year ending 31 December 2020, the Company paid KPMG audit fees of £144,009 (2019: £142,549) and other advisory services fees of £6,666 (2019: £5,000).

d) Other expenses

The Company is recharged by the Administrative Agent for certain services such as compliance, accounting and investor relations provided by the Administrative Agent's contracted advisers, (which include the Investment Adviser) on behalf of the Company. Such recharges are specifically agreed on an annual basis.

For the year ended 31 December 2020, the Administrative Agent recharged £947,000 (2019: £719,034). The amount outstanding as at 31 December 2020 was £90,000 (2019: £70,000) and is included in "Trade and other payables" in the consolidated balance sheet.

17. Withholding tax

Under current Bermuda law the Company is not required to pay tax in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of such taxes being imposed, the Company is exempt from such taxation until at least 31 March 2035.

The Company may, however, be subject to foreign withholding taxes in respect of income derived from its investments in other jurisdictions. For the year ended 31 December 2020, the Company was not subjected to foreign withholding taxes (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

18. Earnings per share

The earnings per share calculation uses the weighted average number of shares in issue during the year.

	2020	2019
Basic and diluted earnings per share	£0.48	£0.66
Profit for the year ('000)	£92,386	£135,269
Weighted average number of shares in issue ('000)	192,707	204,113

The Company's diluted earnings per share equals the basic earnings per share.

19. Net asset value per share

The net asset value per share calculation uses the number of shares in issue at the end of the year.

	2020	2019
Basic and diluted net asset value per share	£4.03	£3.45
Net assets attributable to shareholders ('000)	£727,950	£686,008
Number of shares in issue at the year end ('000)	180,600	198,600

20. Share capital

a) Authorised and issued capital

The authorised share capital of the Company is 280,000,000 ordinary shares at a par value of £0.01 each. Ordinary shares are listed and traded on the SFS of the LSE Main Market. Each share confers the right to one vote and shareholders have the right to receive dividends.

During the year ending 31 December 2020, the Company purchased the following ordinary shares:

	Number of ordinary shares	Purchase price (£'000)
18 March 2020	3,000,000	4,818
18 June 2020	1,340,000	2,775
29 July 2020	3,660,000	8,318
2 October 2020	3,053,000	7,786
3 December 2020	6,947,000	18,068

20. Share capital continued

During the year ending 31 December 2019, the Company purchased the following ordinary shares:

	Number of ordinary shares	Purchase price (£'000)
15 March 2019	404,100	767
14 November 2019	1,800,000	4,000
20 December 2019	4,000,000	10,100

The ordinary shares purchased by the Company have been cancelled. The Company's authorised share capital is not reduced by this cancellation.

As at 31 December 2020, the Company's issued and fully paid share capital was 180,599,936 ordinary shares (2019: 198,599,936).

	2020 '000	2019 '000
Ordinary shares outstanding at the beginning of the year	198,600	204,804
Ordinary shares purchased	(18,000)	(6,204)
Ordinary shares outstanding at the end of the year	180,600	198,600

b) Share premium

Share premium represents the amount received in excess of the nominal value of ordinary shares.

21. Dividends

On 11 March 2020, the Board of Directors declared a final dividend for 2019 of 2.25 pence per ordinary share resulting in a dividend of £4,391,999 paid on 23 April 2020 (2019: On 13 March 2019, the Board declared and approved a final dividend for 2018 of 2.25 pence per ordinary share which resulted in a dividend payment of £4,608,091 paid on 25 April 2019).

On 10 September 2020, the Board of Directors declared an interim dividend of 2.25 pence per ordinary share resulting in a dividend of £4,288,499 (2019: On 10 September 2019, the Board declared an interim dividend of 2.25 pence per ordinary share which resulted in a dividend of £4,608,091).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

22. Commitments

The Company had the following outstanding capital commitments in Euros as at year end:

	Original commitment £'000	2020 £'000	2019 £'000
Fund I	202,398	2,834	2,834
Fund II	190,000	13,300	13,300
Fund III	325,780	120,539	120,539
Fund IV	400,000	334,000	370,000
Origin Fund[1]	105,000	101,850	–
Total outstanding commitments (€'000)	1,223,178	572,523	506,673
Total outstanding commitments (£'000)	1,094,622	512,351	428,746

[1] The Company made the commitment to the Origin Fund during the year ending 31 December 2020.

The Company had the following outstanding unquoted debt security commitments at year end:

	Original commitment £'000	2020 £'000	2019 £'000
Fund I	5,000	5,000	4,000
Fund II[1]	20,000	–	15,700
Oakley NS (Bermuda) LP[2]	54,710	128	14,334
Total outstanding commitments (£'000)	79,710	5,128	34,034

[1] The unquoted debt security commitment to Fund II was terminated on 17 October 2020.
[2] As at 31 December 2019, the original commitment to Oakley NS (Bermuda) LP was £53,850,000.

23. Related parties

Related parties transactions not disclosed elsewhere in the Consolidated Financial Statements are as follows:

One Director of the Company, Peter Dubens, is also a Director of the Investment Adviser, an entity which provides services to, and receives compensation, from the Company and is also the sole shareholder of Oakley Capital Manager Limited (the 'Administrative Agent') which is considered a related party to the Company given the direct control this Director has over this entity. The agreements between the Company and these service providers are based on normal commercial terms and are disclosed in Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2020

24. Events after balance sheet date

The Board of Directors has evaluated subsequent events from the year end through 10 March 2021, which is the date the Consolidated Financial Statements were available for issue. The following events have been identified for disclosure:

On 21 January 2021, the Company increased its commitment in the Origin Fund by €24,300,000. The Company's total commitment is €129,300,000 and its holding changed from 27.0% to 29.72%.

On 26 February 2021, the Company received a distribution of €25,377,986 (£21,992,563) from Fund III arising from the refinancing of Career Partner Group.

On 10 March 2021, the Board of Directors declared a final dividend for the year ended 31 December 2020 of 2.25 pence per ordinary share resulting in a dividend of £4,063,499 payable on 15 April 2021.