14 March 2019

SQN Secured Income Fund plc

("SSIF" or the "Company")

Half-Yearly Financial Report

For the six months ended 31 December 2018

A copy of the Company's Half-Yearly Report and Condensed Financial Statements for the six months ended 31 December 2018 will shortly be available to view and download from the Company's website, http://www.sqncapital.com/managed-funds/sqn-secured-income-fund/about/. Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

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http://www.sqncapital.com/managed-funds/sqn-secured-income-fund/about/

The following text is extracted from the Half-Yearly Report and Unaudited Condensed Financial Statements of the Company for the six months ended 31 December 2018.

Strategic Report

Key Points

	31 December 2018 *(unaudited)*	**31 December 2017** *(unaudited)*	**30 June 2018** *(audited)*
Net assets [1]	£51,468,000	£51,893,000	£51,539,000
NAV per Ordinary Share	97.64p	98.45p	97.78p
Share price at 31 December 2018	92.25p	93.625p	91.50p
Discount to NAV	5.5%	4.9%	6.4%
Profit for the period	£1,227,000	£1,503,000	£2,809,000
Dividend per share declared in respect of the period	3.50p	3.15p	6.30p
Dividend cover	0.78	1.13	0.99
Total return per Ordinary Share *(based on NAV)*	+3.3%	+2.9%	+5.4%
Total return per Ordinary Share *(based on share price)*	+4.5%	-1.0%	0.0%
Ordinary Shares in issue	52,660,350	52,660,350	52,660,350

[1] In addition to the Ordinary Shares in issue, 50,000 Management Shares of £1 each are in issue (see note 19).

Overview and Investment Strategy

General information
SQN Secured Income Fund plc (the "Company", "Fund" or "SSIF") was incorporated in England and Wales under the Companies Act 2006 on 13 July 2015 with registered number 09682883. It is an investment company, as defined in s833 of the Companies Act 2006. Its shares were admitted to trading on the London Stock Exchange Specialist Fund Segment on 23 September 2015 ("Admission").

Investment objective
The investment objective of the Company is to provide Shareholders with attractive risk adjusted returns, principally in the form of regular, sustainable dividends, through investment predominantly in a range of secured loans and other secured loan-based instruments originated through a variety of channels and diversified by way of asset class, geography and duration.

Investment policy
The Company achieves its investment objective by investing in a range of secured loan assets mainly through wholesale secured lending opportunities, secured trade and receivable finance and other collateralised lending opportunities. Loan assets include both direct loans as well as other instruments with loan-based investment characteristics (for example, but not limited to, bonds, loan participations, syndicated loans, structured notes, collateralised obligations or hybrid securities) and may include (subject to the limit set out below) other types of investment (for example, equity or revenue- or profit-linked instruments). The Company may make investments through alternative lending platforms that present suitable investment opportunities identified by the Manager.

The Company ensures that diversification of its portfolio is maintained, with the aim of spreading investment risk.

Geography
The Company invests in loan assets in a broad range of jurisdictions (although weighted towards the UK, Continental Europe and North America) in order to build a global portfolio of loan assets.

Asset classes
The Company invests in a wide range of loan assets, including: short-term lending such as invoice and supply chain financing; mid-term lending such as trade or short-term bridge finance; and long-term lending such as the provision of fixed term loans with standard covenants and subject to monthly or quarterly interest payments.

Duration
The Company holds a portfolio of loans and other loan-based instruments with a range of durations to maturity. This is intended to provide the Company with both a liquid pool of assets ready for realisation, as well as a reliable stream of longer-term income.

Security
The Company invests in loan assets with a range of different types of security. Typically, such security will be over a range of assets, including, but not limited to, property, intellectual property, tax credits, receivables, future income streams, pledges of shares or other specific assets, ownership of special purpose vehicles, personal or group company guarantees or via credit insurance, or a combination of these. Loan assets will be unsecured only in the case of short-term lending or investment, where the perceived level of risk in respect of the particular asset is low given the quality of the counterparty, credit assessment and design of the credit contract.

Sector
The Company is indifferent to sector when allocating funds for investment and, instead, adheres to the investment restrictions which apply to the Company's loan portfolio as a whole in order to spread investment risk.

Investment restrictions
The following investment restrictions (calculated based on the Company's gross assets at the time of investment or, if earlier, the date on which the Company commits to making the relevant investment) in respect of the deployment of the Company's capital have been established in pursuit of its aim to maintain a diversified investment portfolio and thus mitigate concentration risks:

Investment Restriction	*Investment Policy*
Geography	
- Exposure to UK loan assets	Minimum of 60%
- Minimum exposure to non-UK loan assets	20%
Duration to maturity	
- Minimum exposure to loan assets with duration of less than 6 months	None
- Maximum exposure to loan assets with duration of 6 - 18 months and 18 – 36 months	None
- Maximum exposure to loan assets with duration of more than 36 months	50%
Maximum single investment	10%
Maximum exposure to single borrower or group	10%
Maximum exposure to loan assets sourced through single alternative lending platform or other third party originator	25%
Maximum exposure to any individual wholesale loan arrangement	25%
Maximum exposure to loan assets which are neither sterling-denominated nor hedged back to sterling	15%
Maximum exposure to unsecured loan assets	25%
Maximum exposure to assets (excluding cash and cash-equivalent investments) which are not loans or investments with loan-based investment characteristics	10%

The Company will not invest in other listed closed-end investment funds.

Borrowing
The Company (including, for this purpose, any special purpose vehicles that may be established by the Company in connection with obtaining leverage against any of its assets) may employ borrowings (through bank or other facilities) of up to 35% of the Company's net asset value (calculated at the time of draw down), which includes, on a look-through basis, borrowings of any investee entity.

Hedging
The Company intends, to the extent it is able to do so on terms that the Manager considers to be commercially acceptable, to seek to arrange suitable hedging contracts, such as currency swap agreements, futures contracts, options and forward currency exchange and other derivative contracts (including, but not limited to, interest rate swaps and credit default swaps) with the sole intention of hedging the Company's non-Sterling currency exposure back to Sterling.

Cash management
The Company's un-invested or surplus capital or assets may be invested in cash or cash equivalents (including government or public securities (as defined in the rules of the FCA), money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a "single A" (or equivalent) or higher credit rating as determined by any internationally recognised rating agency selected by the Board (which may or may not be registered in the EU)). There is no limit to the amount of cash or cash equivalents that the Company may hold.

Changes to the investment policy
No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

Chairman's Statement

Introduction
I am pleased to update Shareholders with my first Chairman's statement, covering the period from 1 July 2018 to 31 December 2018. Over the six months covering this interim reporting period, SQN Secured Income Fund plc (LSE: SSIF) (the "Company" or "SSIF")has continued to make excellent progress in repositioning the asset base to increasingly reflect the secured and more structured nature of the Manager's core credit focus. Despite continued macro uncertainty caused by Brexit and wider geopolitical issues, income and a steady NAV performance have been delivered for Shareholders.

The Company is a UK-listed specialist investment trust with a focus on secured investments that produce regular, collateralised income from investments in a diversified portfolio of loans to SME's primarily in the UK.

Performance and Markets
The second half of 2018 proved challenging for investors in the global markets, with many leading equity indices falling noticeably, despite growth in developed markets remaining positive. Bond markets offered little to dampen down the greater volatility in equity markets with UK Gilts also offering limited returns.

Despite this backdrop, the Company maintained a steady income and NAV performance. This is testament to the uncorrelated nature of the assets that the Company targets and the strong foundation provided by the security associated with the loans underwritten based on the strategy employed by the Manager. All loans underwritten since April 2017 are performing at least in line with expectations and with zero impairments. The Manager has also been successful in limiting impairment risk from legacy loans via platforms, reducing this portion of the overall portfolio to 0.3% of the total.

For the reporting period ended 31 December 2018, the Company generated a net profit of £1.2 million. The Company's NAV as at 31 December 2018 was £51.47 million (97.64p (cum income) per ordinary share compared to £51.54 million (97.78p per Ordinary Share) as at 30 June 2018. The total return for the reporting period was 3.3%.

Foreign exchange exposure on the 26.1% of non-Sterling loans is fully hedged and any liquidity calls arising from the hedging strategy are considered manageable within the Company's cash flow.

Note that all returns are net of all fees and no gearing was applied to the portfolio during the reporting period.

Corporate Activity
The Company has a growth strategy and in anticipation of raising new capital via tap issue or C share mechanisms, the decision to appoint new corporate and legal advisors was taken. From December 2018, finnCap, Kepler Partners and Dickson Minto were duly appointed in their respective roles. This has had a positive impact with new momentum and investor interest from retail and offshore sources, enabling the Company to embark on a marketing campaign to attract fresh interest from investors who had been unaware of the radical transformation that the Company has undergone over the last eighteen months.

Earnings and Dividends
Total earnings per Ordinary share for the reporting period were 2.33p.

The Company elected to designate all dividends for the period ended 31 December 2018 as interest distributions to its Shareholders. In doing so, the Company took advantage of UK tax treatment by "streaming" income from interest-bearing investments into dividends that will be taxed in the hands of Shareholders as interest income.

As set out in the Prospectus, the Company intends to continue to distribute at least 85% of its distributable income by way of dividends on a monthly basis. During any year, the Company may retain some of the distributable income as a loss reserve to smooth future dividend flows.

The Company reached its dividend target of 7.00p in July 2018 and is on target to deliver a total return of at least 8.00% in the medium term. During the reporting period, dividend cover has fluctuated due to specific transaction flows and the decision not to apply leverage to the portfolio until more platform and peer to peer investments had been reduced within the portfolio. By the end of the reporting period, the Company can report that income flow from new underwriting and committed deals has stabilised with dividend cover at sustainable levels.

Discount
Immediately upon SQN Asset Management taking over management of the portfolio, the discount narrowed as the transformation away from alternative credit, peer-to-peer lending, and crowd-funding platforms began to be implemented. Despite a successful eighteen months of rebalancing the portfolio in line with this strategy (reducing credit risk, improving dividend cover, and lowering costs), shares are again trading in a discount range more appropriate for a peer group that does not fit the revised traditional credit underwriting, direct lending strategy. As the market comes to this realisation and the consistent performance continues, the discount is expected to narrow, if not eliminated. Until then, the share price offers an even more attractive income opportunity with a dividend yield close to 7.5% annually.

Board of Directors
After serving as Chairman for 2 years and 6 months during which time he oversaw the transition to a new management team and commencement of a change of investment focus, Richard Hills retired from his role at the AGM on 18 December 2018. I have since assumed the role of Chairman and Gay Coley has taken the role of Audit Committee Chair. I would like to thank Richard for his significant input, with the Board, management and administration teams thanking him for his transformational influence in the successful turnaround in the fortunes of the business. No further changes have been made to the Board and there are no imminent plans to increase the number of directors until such time that we have sufficient funds under management to warrant such appointments.

The Board continues to engage with the management team and have regular communications in line with generally accepted governance practice.

Outlook
The Company performed well and continues to make progress in reassigning available cash to loans underwritten directly by the management team. The remaining exposure to platform investments are in transactions which have been deemed to provide an appropriate risk balance and an opportunity for diversification over a wider range of SMEs.

The Company is now at a pivotal time in its history, having experienced a turbulent start, it has been refocused, de-risked and now warrants a reassessment of its potential for investors as an attractive component of a balanced portfolio in need of regular income and uncorrelated returns. I look forward to seeing the discount to NAV narrow to a point where we are able to implement a capital raising, to allow the Manager to deploy more money into this underserved sector of the market.

Ken Hillen
Chairman
13 March 2019

Investment Manager's Report

Overview

We are pleased to report significant progress in the continuing transformation of SQN Secured Income Fund plc into a lending vehicle specialising in direct loans to SMEs using our significant expertise in credit underwriting and origination. It is now the only investment company in the sector that delivers a majority of the portfolio held in direct loans and dividend cover without the use of leverage.

The Company has successfully reduced peer to peer and crowd funded investments to only 7.7% of the portfolio and has continued to reduce legacy exposure to 32.6%. This percentage continues to fall and we are confident that we will reach a target of circa 20% in wholesale lending programmes, including those sourced by SQN, by the time of the next full year's report and accounts. Impairment data remains very low despite the introduction of IFRS 9 provisions. We have engaged new advisers and legal representatives to inject fresh enthusiasm into the Company which is one of the few investment trust companies with assets that are uncorrelated to all major asset classes including high yield bonds and leveraged loans. The downside protection now embedded at the core of the portfolio gives the Company's Shareholders multiple avenues to realise value.

Background

SQN is a credit focussed alternative investment manager with a successful track record in managing direct loans and asset back financing. As at December 2018, the SQN Group had over $1 billion under management and a further $1 billion of assets in advisory portfolios. We manage ten funds over five jurisdictions and have recently acquired Investment Manager status in Ireland under the regulatory supervision of the Central Bank of Ireland. Our core competency is credit management and we are suitably resourced to deliver income and total return in-line with the expectation we have set.

Portfolio

We have been focussed on underwriting of the highest quality with eleven loans now underwritten by SQN, with an average size of £2.2 million at an average rate of 10.6%. Each loan has bespoke legal documentation and is designed to fit to the Company's and the borrower's requirements. There have been no defaults in the portion of the portfolio underwritten by SQN and the outlook for the performance of these loans is very good.

We have made a change to the way in which we report legacy positions. With 32.6% now held in platform investments, we have differentiated between peer to peer loans and those that are held in loan note structures where we have far greater influence, the loans are larger, and we have closer relationships with the underlying companies. The total number of loans via these third parties has been reduced from 213 to 72. Peer to peer loans are now 62 in number with each individual loan representing 0.1% average of the NAV, giving us a significant degree of comfort with regard to the risk posed to the portfolio.

Throughout the process of restructuring the Company, we demurred from taking leverage as we considered it folly to apply gearing to a portfolio that already had a higher risk profile than we would ordinarily adopt. A decision was made to only use a working capital facility after we had significantly de-risked exposures and we estimated this to be circa 50% platform investments. Restructuring a portfolio without gearing whilst also striving to maintain consistent dividend cover is a challenge, yet despite fluctuations during the reporting period, we have been able to build a portfolio yield of 9.3% including committed cash by December 2018.

Since August 2018, the Company has paid an increased 7p dividend. The Company has been able to do this as loans were underwritten at rates sufficient to achieve a covered dividend. However, this cover has varied during the reporting period due to higher levels of cash accumulated within the portfolio as a result of the positive event of cash returned from platform investments and our decision to withdraw from a transaction we had previously committed to due to lack of transparency in the finer detail of the loan. Again, this is testament to our high underwriting standards, and as already reported, full dividend cover was achieved in August 2018.

There have been no breaches of investment guidelines during the reporting period and all non-Sterling capital and income has been fully hedged.

Risk Management

Brexit dominates the investment landscape as we still await clarity on the outcome of UK/EU negotiations. We have had to consider the risks associated with our current and future investments very carefully and have approached this work from four dimensions:

Underwriting

- The Company's loans are stress tested for a 10% fall in cash flows with de minimis impact.
- All loans are senior, all collateralised and underwritten with focus on debt service ratios.
- Each loan has a bespoke legal structure allowing us to take management or bank account control in the event of default.

Currency

- All non-Sterling currency exposure is fully hedged.

Interest Rates

- All loans are fixed rate.
- Interest rate sensitivity from our borrowers is very low due to demand and supply dynamics.
- The overall portfolio has no gearing and so has nil sensitivity to rates as a whole.

Duration

- An active effort to reduce duration from platform exposures has been successful.
- Overall duration of the portfolio is now 2.9 years with no maturity extensions permitted.

From a risk management perspective, we consider that we have positioned the portfolio to sustain a steady NAV and income distribution despite any significant economic downturn. We also have suitable controls in place to highlight early warning signs for stressed assets.

Investment Outlook

After an extensive rebalancing which has transformed the portfolio from an array of alternative finance structures to a predominately direct loan book, we are confident that the hyper-intense focus on traditional credit underwriting, the ability to control relationships with the borrowers, and the strong collateral packages will deliver attractive through-cycle performance. We are eager for the market to reassess the underwriting practices and composition of the portfolio to distinguish the Company from its currently associated peer group with non-traditional and/or algorithmic credit underwriting standards, limited control of loans, volume-driven modelling, and consumer-credit-like exposures.

Building on the progress already made, expenses in the Company are expected to continue to drop as average yields increase. This will add to improved dividend cover and incremental NAV growth over the medium term.

With the aforementioned improvements in the portfolio, eliminating the current trading discount and increasing the size of the Company has become a main priority. A suitable pipeline of direct loans has already been identified to deploy efficiently with new capital raised. As Managers, we have been able to effectively reduce unwanted exposures, improve dividend cover, reduce costs, and increase the average yields on the underlying loans all in the face of Brexit. Capital raising was the only challenge outside of our control to date. We are optimistic that in the coming months, this situation will improve and we will be able to fully execute the strategy that was outlined when we took over management of the Company in April of 2017.

Dawn Kendall
Managing Director
SQN Asset Management Limited
13 March 2019

Principal Risks

Risk is inherent in the Company's activities, but it is managed through an ongoing process of identifying and assessing risks and ensuring that appropriate controls are in place. The key risks faced by the Company, are set out below:

- macroeconomic risk;
- credit risk;
- platform risk;
- regulatory risk; and
- reputational risk.

Further details of each of these risks and how they are mitigated are discussed in the Principal Risks section of the Strategic Report within the Company's Annual Report for the year ended 30 June 2018. The Board believes that these risks are applicable to the six month period ended 31 December 2018 and the remaining six months of the current financial year.

On behalf of the Board.

Ken Hillen
Chairman
13 March 2019

Governance

Statement of Directors' Responsibilities

The Directors are responsible for preparing the half-yearly report and condensed financial statements, which have not been audited or reviewed by an independent auditor, and are required to:

- prepare the condensed half-yearly financial statements in accordance with International Accounting Standard 34: *Interim Financial Reporting*, as adopted by the European Union, which give a true and fair view of the assets, liabilities, financial position and profit for the period of the Company, as required by Disclosure and Transparency Rules ("DTR") 4.2.4 R;
- include a fair review of the information required by DTR 4.2.7 R, being important events that have occurred during the period and their impact on the half-yearly report and condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- include a fair review of information required by DTR 4.2.8 R, being related party transactions that have taken place during the period which have had a material effect on the financial position or performance of the Company.

The Directors confirm that the half-yearly report and condensed financial statements comply with the above requirements.

On behalf of the Board.

Ken Hillen
Chairman
13 March 2019

Unaudited Condensed Statement of Comprehensive Income

for the six months ended 31 December 2018

	Note	*Period from 1 July 2018 to 31 December 2018 (unaudited) £'000*	*Period from 1 July 2017 to 31 December 2017 (unaudited) £'000*	*Year ended 30 June 2018 (audited) £'000*
Income				
Investment income		1,886	2,363	4,466
Other income		-	2	1
Total revenue		**1,886**	**2,365**	**4,467**
Operating expenses				
Management fees	*7a*	(259)	(262)	(518)
Other expenses	*10*	(72)	(96)	(154)
Directors' remuneration	*8*	(60)	(54)	(114)
Administration fees	*7b*	(56)	(60)	(116)
Transaction fees		(35)	(23)	(59)
Legal and professional fees		(14)	(53)	(72)
Broker fees		(9)	(80)	(123)
Total operating expenses		**(505)**	**(628)**	**(1,156)**
Investment gains and losses				
Movement in unrealised gain/loss on loans	*13*	81	(254)	(315)
Movement in unrealised gain on investments at fair value through profit or loss	*14*	11	20	22
Movement in unrealised loss on derivative financial instruments	*16*	(307)	(141)	(182)
Realised gain/(loss) on disposal of loans		82	(40)	(40)
Realised (loss)/gain on derivative financial instruments	*16*	(120)	227	21
Total investment gains and losses		**(253)**	**(188)**	**(494)**
Net profit from operating activities before gain/(loss) on foreign currency exchange		**1,128**	**1,549**	**2,817**
Net foreign exchange gain/(loss)		99	(46)	(8)
Profit and total comprehensive income for the period/year attributable to the owners of the Company		**1,227**	**1,503**	**2,809**
Earnings per Ordinary Share *(basic and diluted)*	12	**2.33p**	**2.85p**	**5.33p**

All of the items in the above statement are derived from continuing operations.
There were no other comprehensive income items in the period/year.
Except for unrealised investment gains and losses, all of the Company's profit and loss items are distributable.
The accompanying notes form an integral part of the unaudited condensed half-yearly financial statements.

Unaudited Condensed Statement of Changes in Equity

for the six months ended 31 December 2018

Unaudited	*Note*	*Called up share capital £'000*	*Special distributable reserve £'000*	*Profit and loss account £'000*	*Total £'000*
At 1 July 2018		577	50,942	20	51,539
Impact of transition to IFRS 9	*3h*	-	-	483	483
At 1 July 2018 – revised for the application of IFRS 9		577	50,942	503	52,022
Profit for the period	*20*	-	-	1,227	1,227
Transactions with Owners in their capacity as owners:					
Dividends paid	*5, 20*	-	(264)	(1,517)	(1,781)
Total transactions with Owners in their capacity as owners		-	(264)	(1,517)	(1,781)
At 31 December 2018		**577**	**50,678**	**213**	**51,468**

Unaudited Condensed Statement of Changes in Equity

for the six months ended 31 December 2017

Unaudited	*Note*	*Called up share capital £'000*	*Special distributable reserve £'000*	*Profit and loss account £'000*	*Total £'000*
At 1 July 2017		577	50,942	529	52,048
Profit for the period	*20*	-	-	1,503	1,503
Transactions with Owners in their capacity as owners:					
Dividends paid	*5, 20*	-	-	(1,658)	(1,658)
Total transactions with Owners in their capacity as owners		-	-	(1,658)	(1,658)
At 31 December 2017		**577**	**50,942**	**374**	**51,893**

Audited Statement of Changes in Equity
for the year ended 30 June 2018

Audited	*Note*	*Called up share capital*	*Special distributable reserve*	*Profit and loss account*	*Total*
		£'000	*£'000*	*£'000*	*£'000*
At 1 July 2017		577	50,942	529	52,048
Profit for the year	*20*	-	-	2,809	2,809
Transactions with Owners in their capacity as owners:					
Dividends paid	*5, 20*	-	-	(3,318)	(3,318)
Total transactions with Owners in their capacity as owners		-	-	(3,318)	(3,318)
At 30 June 2018		**577**	**50,942**	**20**	**51,539**

There were no other comprehensive income items in the period/year.
The above amounts are all attributable to the owners of the Company.
The accompanying notes form an integral part of the unaudited condensed half-yearly financial statements.

Unaudited Condensed Statement of Financial Position

as at 31 December 2018

	Note	*31 December 2018 (unaudited) £'000*	*31 December 2017 (unaudited) £'000*	*30 June 2018 (audited) £'000*
Non-current assets				
Loans at amortised cost	*13*	37,262	39,684	31,918
Investments at fair value through profit or loss	*14*	291	278	280
Total non-current assets		**37,553**	**39,962**	**32,198**
Current assets				
Loans at amortised cost	*13*	3,877	7,748	12,445
Cash held on client accounts with platforms	*13*	272	149	196
Derivative financial instruments	*16*	-	9	-
Other receivables and prepayments	*17*	964	1,159	772
Cash and cash equivalents	*24*	9,265	3,343	6,125
Total current assets		**14,378**	**12,408**	**19,538**
Total assets		**51,931**	**52,370**	**51,736**
Current liabilities				
Other payables and accruals	*18*	(124)	(477)	(165)
Derivative financial instruments	*16*	(339)	-	(32)
Total liabilities		**(463)**	**(477)**	**(197)**
Net assets		**51,468**	**51,893**	**51,539**
Capital and reserves attributable to owners of the Company				
Called up share capital	*19*	577	577	577
Other reserves	*20*	50,891	51,316	50,962
Equity attributable to the owners of the Company		**51,468**	**51,893**	**51,539**
Net asset value per Ordinary Share	*21*	**97.64p**	**98.45p**	**97.78p**

These unaudited condensed half-yearly financial statements of SQN Secured Income Fund plc (registered number 09682883) were approved by the Board of Directors on 13 March 2019 and were signed on its behalf by:

Ken Hillen
Chairman
13 March 2019

Gaynor Coley
Director
13 March 2019

The accompanying notes form an integral part of the unaudited condensed half-yearly financial statements.

Unaudited Condensed Statement of Cash Flows
for the six months ended 31 December 2018

	Period from 1 July 2018 to 31 December 2018 (unaudited) £'000	*Period from 1 July 2017 to 31 December 2017 (unaudited) £'000*	*Year ended 30 June 2018 (audited) £'000*
Cash flows from operating activities			
Net profit before taxation	1,227	1,503	2,809
Adjustments for:			
Movement in unrealised gain/loss on loans	(81)	254	315
Movement in unrealised gain on investments at fair value through profit or loss	(11)	(20)	(22)
Movement in unrealised loss on derivative financial instruments	307	141	182
Realised (gain)/loss on disposal of loans	(82)	40	40
Realised loss/(gain) on derivative financial instruments	120	(227)	(21)
Amortisation of transaction fees	35	23	59
Interest received and reinvested by platforms	(174)	(320)	(595)
Capitalised interest	(467)	(47)	(312)
Decrease/(increase) in investments	4,279	(6,702)	(3,443)
Taxation paid	-	-	(5)
	------------	------------	------------
Net cash inflow/(outflow) from operating activities before working capital changes	5,153	(5,355)	(993)
Increase in other receivables and prepayments	(192)	(426)	(39)
Decrease in other payables and accruals	(40)	(2,589)	(2,901)
	------------	------------	------------
Net cash inflow/(outflow) from operating activities	**4,921**	**(8,370)**	**(3,933)**
Cash flows from financing activities			
Dividends paid	(1,781)	(1,658)	(3,318)
	------------	------------	------------
Net cash outflow from financing activities	**(1,781)**	**(1,658)**	**(3,318)**
	------------	------------	------------
Increase/(decrease) in cash and cash equivalents in the period/year	**3,140**	**(10,033)**	**(7,251)**
Cash and cash equivalents at the beginning of the period/year	6,125	13,376	13,376
	------------	------------	------------
Cash and cash equivalents at 31 December 2018	**9,265**	**3,343**	**6,125**
	------------	------------	------------
Supplemental cash flow information			
Non-cash transaction – interest received	641	367	907

The accompanying notes form an integral part of the unaudited condensed half-yearly financial statements.

Notes to the Unaudited Condensed Half-Yearly Financial Statements
for the six months ended 31 December 2018

1. General information
The Company was incorporated in England and Wales under the Companies Act 2006 on 13 July 2015 with registered number 09682883 and its shares were admitted to trading on the London Stock Exchange Specialist Fund Segment on 23 September 2015 ("Admission").

The Company is an investment company as defined in s833 of the Companies Act 2006.

Investment objective
The investment objective of the Company is to provide Shareholders with attractive risk adjusted returns, principally in the form of regular, sustainable dividends, through investment predominantly in a range of secured loans and other secured loan-based instruments originated through a variety of channels and diversified by way of asset class, geography and duration.

Investment policy
The Company achieves its investment objective by investing in a range of secured loan assets mainly through wholesale secured lending opportunities, secured trade and receivable finance and other collateralised lending opportunities. Loan assets include both direct loans as well as other instruments with loan-based investment characteristics (for example, but not limited to, bonds, loan participations, syndicated loans, structured notes, collateralised obligations or hybrid securities) and may include (subject to the limit set out in note 22) other types of investment (for example, equity or revenue- or profit-linked instruments). The Company may make investments through alternative lending platforms that present suitable investment opportunities identified by the Manager.

The Company will seek to ensure that diversification of its portfolio is maintained, with the aim of spreading investment risk.

2. Statement of compliance
a) Basis of preparation
These unaudited condensed half-yearly financial statements present the results of the Company for the six months ended 31 December 2018. These unaudited condensed half-yearly financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34: *Interim Financial Reporting*, as adopted by the European Union.

The unaudited condensed half-yearly financial statements for the period ended 31 December 2018 have not been audited or reviewed by the Company's auditors and do not constitute statutory financial statements, as defined in s434 of the Companies Act 2006. The unaudited condensed half-yearly financial statements have been prepared on the same basis as the Company's annual financial statements.

b) Basis of measurement
The unaudited condensed half-yearly financial statements have been prepared on a historical cost basis, except for financial assets (including derivative instruments), which are measured at fair value through profit or loss. The unaudited condensed half-yearly financial statements have been prepared on a going concern basis.

c) Segmental reporting
The Directors are of the opinion that the Company is engaged in a single economic segment of business, being investment in a range of SME loan assets.

The preparation of unaudited condensed half-yearly financial statements in conformity with International Financial Reporting Standards ("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 underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the unaudited condensed half-yearly financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

3. Significant accounting policies

a) Foreign currency

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Unaudited Condensed Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities are recognised in the Unaudited Condensed Statement of Comprehensive Income.

b) Financial assets and liabilities

The financial assets and liabilities of the Company are defined as loans, bonds with loan type characteristics, investments at fair value through profit or loss, cash and cash equivalents, other receivables and other payables.

Recognition

The Company recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Unaudited Condensed Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial liabilities not designated as at fair value through profit or loss, such as loans, are initially recognised at fair value, being the amount issued less transaction costs.

Subsequent measurement

After initial measurement, the Company measures financial assets designated as loans and receivables, and financial liabilities not designated as at fair value through profit or loss, at amortised cost using the effective interest rate method, less impairment allowance. Gains and losses are recognised in the Unaudited Condensed Statement of Comprehensive Income when the asset or liability is derecognised or impaired. Interest earned on these instruments is recorded separately as interest income.

After initial measurement, the Company measures financial instruments which are classified at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- Either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

Impairment

Policy effective from 1 July 2018

A financial asset is credit-impaired when one or more events that have occurred have a significant impact on the expected future cash flows of the financial asset. It includes observable data that has come to the attention of the holder of a financial asset about the following events:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract, such as a default or past-due event;
- The lenders for economic or contractual reasons relating to the borrower's financial difficulty granted the borrower a concession that would not otherwise be considered;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties; or
- The purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

Impairment of financial assets is recognised in stages:

Stage 1: As soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (i.e. without deduction for expected credit losses).

Stage 2: If the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognised in profit or loss. The calculation of interest revenue is the same as for Stage 1.

Stage 3: If the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognised on these financial assets.

Policy effective before 1 July 2018

A financial asset is impaired when the recoverable amount is estimated to be less than its carrying amount.

An impairment loss is recognised immediately in the Unaudited Condensed Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation decrease.

b) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

c) Receivables and prepayments

Receivables are carried at the original invoice amount, less allowance for doubtful receivables. Provision is made when there is objective evidence that the Company will be unable to recover balances in full. Balances are written-off when the probability of recovery is assessed as being remote.

d) Transaction costs

Transaction costs incurred on the acquisition of loans are capitalised upon recognition of the financial asset and amortised over the term of the respective loan.

e) Income and expenses

Bank interest and loan interest are recognised on a time-proportionate basis using the effective interest rate method.

Dividend income is recognised when the right to receive payment is established.

All expenses are recognised on an accruals basis. All of the Company's expenses (with the exception of share issue costs, which are charged directly to the distributable reserve) are charged through the Unaudited Condensed Statement of Comprehensive Income in the period in which they are incurred.

f) Taxation

The Company is exempt from UK corporation tax on its chargeable gains as it satisfies the conditions for approval as an investment trust. The Company is, however, liable to UK corporation tax on its income. However, the Company has elected to take advantage of modified UK tax treatment in respect of its "qualifying interest income" in order to deduct all, or part, of the amount it distributes to Shareholders as dividends as an "interest distribution".

g) Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except as outlined below and in note 3b *(impairment)*. The Company adopted the following new and amended relevant IFRS in the period:

IFRS 2 Share-based payments
IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers
IFRIC 22 Foreign Currency Transactions and Advance Consideration

With the exception of IFRS 9, the adoption of the above standards did not have a significant impact on the financial position or performance of the Company. The impact of the adoption of IFRS 9 on the financial position or performance of the Company is described below, but in summary:

- The Company has continued to measure loans and receivables at amortised cost, and at fair value for all financial assets and liabilities currently held at fair value;
- Expected credit losses are not materially different from incurred losses previously provided due to the use of security on a large portion of the Company's loans; and
- The Company does not designate any hedges as effective hedging relationships.

Impact of adoption of IFRS 9

The Company adopted IFRS 9 with effect from 1 July 2018. IFRS 9 replaces IAS 39: *Financial Instruments: Recognition and Measurement* and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that had already been derecognised at 1 July 2018, the date of initial application.

a) Classification and measurement

The Company has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- All financial assets previously held at fair value continue to be measured at fair value;
- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, such instruments continue to be measured at amortised cost under IFRS 9; and
- The classification of financial liabilities to which the Company is exposed remains broadly the same under IFRS 9 as under IAS 39.

b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis.

IFRS 9 provisioning led to a one-off increase in the Company's NAV of 0.94% from 1 July 2018. All material loss provisions are related to platform impairments on investments made before the Investment Manager took control of the portfolio. Since assuming management of the Company on 1 April 2017, SQN Asset Management Limited has reduced platform exposure from 100% to under 50%, delivering on the strategy of providing income from direct lending originated and underwritten solely by the Investment Manager. The Company has managed the risk posed by peer to peer platform exposure effectively and will continue to reduce the overall exposure to these platforms to the target weight of 20% of the whole portfolio.

Given that the adjustment to NAV is driven purely by a revised accounting methodology, it will have no impact on the Company's future cash flows. Underlying performance is unaffected as this change is purely an accounting adjustment and has no bearing on the loans held within the Company.

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 July 2018. However, the Company has chosen to take advantage of the option not to restate comparatives. Therefore, the 30 June 2018 and 31 December 2017 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets and financial liabilities as at 1 July 2018:

	IAS 39 classification	IAS 39 measurement £'000	IFRS 9 classification	IFRS 9 measurement £'000
Loans at amortised cost	Loans and receivables	44,363	Amortised cost	44,846
Investments at fair value through profit or loss ("FVTPL")	Financial assets at FVTPL	280	FVTPL	280
Cash held on client accounts with platforms	Loans and receivables	196	Amortised cost	196
Other receivables and prepayments	Loans and receivables	772	Amortised cost	772
Cash and cash equivalents	Loans and receivables	6,125	Amortised cost	6,125
Other payables and accruals	Other financial liabilities	(165)	Amortised cost	(165)
Derivative financial instruments	Designated at FVTPL	(32)	FVTPL	(32)
Net assets		**51,539**		**52,022**

In line with the characteristics of the Company's financial instruments, as well as its approach to their management, the Company neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Company's financial instruments due to changes in measurement categories. All financial assets that were classified as fair value through profit or loss under IAS 39 are still classified as fair value through profit or loss under IFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be.

In addition, the application of the expected credit loss model under IFRS 9 decreased the impairment of the loans at amortised cost by £483,000 as at 1 July 2018, but has not changed the carrying amounts of any of the Company's other assets or liabilities.

The carrying amounts of amortised cost instruments continued to approximate those instruments' fair values on the date of transition after transitioning to IFRS 9.

Impact of adoption of IFRS 15

The Company adopted IFRS 15 with effect from 1 July 2018. IFRS 15 replaces IAS 18: *Revenue* and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Company.

i) Accounting standards issued but not yet effective

The International Accounting Standards Board ("IASB") has issued/revised a number of relevant standards with an effective date after the date of these unaudited condensed half-yearly financial statements. Any standards that are not deemed relevant to the operations of the Company have been excluded. The Directors have chosen not to early adopt these standards and interpretations and they do not anticipate that they would have a material impact on the Company's financial statements in the period of initial application.

		Effective date
IFRS 9	Financial Instruments - *amendments regarding prepayment features with negative compensation and modifications of financial liabilities*	1 January 2019
IAS 1	Presentation of Financial Statements – *amendments regarding the definition of materiality*	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - *amendments regarding the definition of materiality*	1 January 2020
IAS 12	Income Taxes - *amendments resulting from annual improvements*	1 January 2019

4. Use of Judgements and estimates

The preparation of the Company's unaudited condensed half-yearly financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the unaudited condensed half-yearly financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in future periods.

Estimates and assumptions
The Company based its assumptions and estimates on parameters available when the unaudited condensed half-yearly financial statements were approved. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

i) Recoverability of loans and other receivables
In accordance with IFRS 9, from 1 July 2019, the impairment of loans and other receivables has been assessed as described in note 3b. When assessing the lifetime expected credit loss on a loan, and the stage of impairment of that loan, the Company considers whether there is an indicator of impairment for a loan when the borrower has failed to make a payment, either capital or interest, when contractually due and, upon assessment. The Company assesses at each reporting date (and at least on a monthly basis) whether there is objective evidence that a loan, or group of loans, classified as loans at amortised cost, is impaired and whether a loan's credit risk has changed significantly. As part of this process:

- Platforms are contacted to determine default and delinquency levels of individual loans;
- Consideration is given as to whether payment has been received after the balance sheet date or whether loans are secured; and
- Recovery rates are estimated.

The analysis of credit risk is based on a number of factors. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk.

From 1 July 2018, the following expected lifetime credit losses and probabilities of default have been applied to the Company's loan portfolio:

	Probability of default		*Lifetime expected credit loss*	
	Direct loan to SME	*Loan via Platform*	*Direct loan to SME*	*Loan via Platform*
Stage 1	2.0%	2.0%	2.5%	5.0%
Stage 2	10.0%	15.0%	3.5%	*
Stage 3	20.0%	25.0%	5.0%	*

At present no direct loans to SMEs fall within Stage 2 or Stage 3, however, values have been assigned in the table above in respect of the probability of default and lifetime expected credit loss for Stage 2 and Stage 3 direct loans to SMEs. If a situation were to arise where a direct loan to an SME were reclassified as Stage 2 or Stage 3, the probability of default and lifetime expected credit loss would be assessed on a case by case basis and would be pertinent to the probability of recovery.

* All data calculated for IFRS 9 purposes is consistent with the overall methodology employed by SQN across all of its UK public funds. In addition to the methodology used, the Company has taken impairment data from Platforms for the assessment of loans with third party exposure. Again, this is consistent with the approach SQN would expect to take in these circumstances.

At 31 December 2018, the Company's financial instruments at fair value through profit or loss comprised unlisted equity shares and derivative financial instruments. See note 15 for details of the bases of valuation.

5. Dividends
The Company distributes at least 85% of its distributable income earned in each financial year by way of dividends. Following discussions with the Investment Manager regarding the anticipated returns from the Company's portfolio (both in the shorter and longer terms), the Company rebased its annual dividend target to 7.00p per Share, with effect from July 2018. The monthly dividend at the new rate of 0.583p per Share was first paid in September 2018. Over the longer term, the Company will be targeting an annual net asset value total return of at least 8%. The Company intends to continue to pay monthly dividends to Shareholders.

The Company elected to designate all of the dividends for the period ended 31 December 2018 as interest distributions to its Shareholders. In doing so, the Company took advantage of UK tax treatment by "streaming" income from interest-bearing investments into dividends that will be taxed in the hands of Shareholders as interest income.

To date, the Company has declared the following dividends in respect of earnings for the period ended 31 December 2018:

Announcement date	*Pay date*	*Total dividend declared in respect of earnings in the period £'000*	*Amount per Ordinary Share*
30 August 2018	28 September 2018	307	0.583p
25 September 2018	26 October 2018	307	0.583p
25 October 2018	23 November 2018	307	0.583p
29 November 2018	28 December 2018	307	0.583p
21 December 2018	25 January 2019	307	0.583p
30 January 2019	22 February 2019	307	0.583p
		------------	------------
Dividends declared (to date) for the period		1,842	3.50p
Less, dividends paid after the period end		(614)	(1.17)p
Add, dividends paid in the period in respect of the prior year		553	1.05p
		------------	------------
Dividends paid in the period		1,781	3.38p
		------------	------------

In accordance with IFRS, dividends are only provided for when they become a contractual liability of the Company. Therefore, during the period a total of £1,781,000 (31 December 2017: £1,658,000, 30 June 2018: £3,318,000) was incurred in respect of dividends, none of which was outstanding at the reporting date (31 December 2017 and 30 June 2018: none). The dividends of £307,010 each, which were declared on 21 December 2018 and 30 January 2019, had not been provided for at 31 December 2018 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date.

All dividends in the period were paid out of revenue (and not capital) profits.

On 28 February 2019, the Company declared a dividend of 0.583p per Share for the period from 1 July 2018 to 31 January 2019. This dividend will be paid on 29 March 2019.

6. Related parties

As a matter of best practice and good corporate governance, the Company has adopted a related party policy which applies to any transaction which it may enter into with any Director, the Investment Manager, or any of their affiliates which would constitute a "related party transaction" as defined in, and to which would apply, Chapter 11 of the Listing Rules. In accordance with its related party policy, the Company obtained: (i) the approval of a majority of the Directors; and (ii) a third-party valuation in respect of these transactions from an appropriately qualified independent adviser.

Loan to Medical Equipment Solutions Limited ("MESL")

In June 2017, the Company loaned £1,380,000 to MESL, whose Chairman is Neil Roberts, who is also chairman of SQN Capital Management, LLC. Loan interest of £55,000 was earned in the period (31 December 2017: £67,000, 30 June 2018: £127,000), £3,000 of which was outstanding at 31 December 2018 (31 December 2017: £4,000, 30 June 2018: £3,000). The loan bears interest at 10.0% per annum and is for a period of five years from the date of drawdown. The loan is to be repaid via 60 monthly payments.

At 31 December 2018, the balance of the loan was £1,035,000 (31 December 2017: £1,271,000; 30 June 2018 £1,156,000).

7. Key contracts

a) Investment Manager

The Investment Manager, SQN Asset Management Limited ("SQN UK") and SQN Capital Management, LLC ("SQN US"), has responsibility for managing the Company's portfolio. For their services, the Investment Manager is entitled to a management fee at a rate equivalent to the following schedule (expressed as a percentage of NAV per annum, before deduction of accruals for unpaid management fees for the current month):

- 1.0% per annum for NAV lower than or equal to £250 million;
- 0.9% per annum for NAV greater than £250 million and lower than or equal to £500 million; and
- 0.8% per annum for NAV greater than £500 million.

The management fee is payable monthly in arrears on the last calendar day of each month. No performance fee is payable by the Company to the Investment Manager.

The Company may also incur transaction costs for the purposes of structuring investments for the Company. These costs form part of the overall transaction costs that are capitalised at the point of recognition and are taken into account by the Investment Manager when pricing a transaction. When structuring services are provided by the Investment Manager or an affiliate of them, they shall be entitled to charge an additional fee to the Company equal to up to 1.0% of the cost of acquiring the investment (ignoring gearing and transaction expenses). This cost will not be charged in respect of assets acquired from the Investment Manager, the funds they manage or where they or their affiliates do not provide such structuring advice.

The Investment Manager has agreed to bear all the broken and abortive transaction costs and expenses incurred on behalf of the Company. Accordingly, the Company has agreed that the Investment Manager may retain any commitment commissions received by the Investment Manager in respect of investments made by the Company save that if such commission on any transaction were to exceed 1.0% of the transaction value, the excess would be paid to the Company.

With effect from 1 April 2017, the former Investment Manager, Amberton Asset Management Limited ("Amberton"), was appointed as Sub-Investment Adviser to the Investment Manager. From that date, Amberton was no longer directly appointed by the Company and was not entitled to a fee from the Company. The fees of the Sub-Investment Adviser were borne by the Investment Manager. Amberton ceased to act as Sub-Investment Adviser to the Investment Manager with effect from 1 June 2018.

During the period, a total of £259,000 (31 December 2017: £262,000, 30 June 2018: £518,000) was incurred in respect of management fees, of which £43,000 was payable at the reporting date (31 December 2017: £44,000, 30 June 2018: £42,000).

b) Administration fees

Elysium Fund Management Limited ("Elysium") is entitled to an administration fee of £100,000 per annum in respect of the services provided in relation to the administration of the Company, together with time based fees in relation to work on investment transactions. During the period, a total of £56,000 (31 December 2017: £60,000, 30 June 2018: £116,000) was incurred in respect of administration fees, of which £30,000 (31 December 2017: £28,000, 30 June 2018: £28,000) was payable at the reporting date.

8. Directors' remuneration

Following Richard Hills' retirement from the Board of Directors at the Company's Annual General Meeting held on 18 December 2018, Kenneth Hillen, who was Chairman of the Audit Committee, was appointed as Chairman of the Company and Gaynor Coley was appointed as Chairman of the Audit Committee.

The Directors are paid such remuneration for their services as determined by the Remuneration and Nomination Committee, which comprises all of the Directors of the Company and is chaired by David Stevenson. Under the terms of their appointments, the Chairman of the Company receives £37,500 per annum, the chairman of the Audit and Valuation Committee receives £31,250 per annum, and other non-executive Directors receive £25,000 per annum.

For the period from 1 July 2016 to 31 August 2017, Ken Hillen, Chairman of the Audit and Valuation Committee during that period, received an additional £10,000 per annum as remuneration relating to a number of additional responsibilities, undertaken during that period, relating specifically to the loans held within the Company's portfolio.

David Stevenson receives an additional £2,500 in recognition of his increased time commitment and additional responsibilities arising from being the chairman of the Remuneration and Nominations Committee.

During the period, a total of £60,000 (31 December 2017: £54,000, 30 June 2018: £114,000) was incurred in respect of Directors' remuneration, none of which was payable at the reporting date (31 December 2017 and 30 June 2018: none). No bonus or pension contributions were paid or payable on behalf of the Directors.

9. Key management and employees

The Company had no employees during the period (31 December 2017 and 30 June 2018: none). Therefore, there were no key management (except for the Directors) or employees during the period (31 December 2017 and 30 June 2018: none).

10. Other expenses

	Period from 1 July 2018 to 31 December 2018 (unaudited) £'000	Period from 1 July 2017 to 31 December 2017 (unaudited) £'000	Year ended 30 June 2018 (audited) £'000
Audit fees	21	21	38
Registrar fees	18	15	30
Other expenses	14	5	14
Listing fees	8	4	13
Accountancy and taxation fees	3	7	8
Printing costs	3	4	7
Travel costs	2	6	7
Directors' liability insurance	2	3	5
Website costs	1	18	19
Custodian fee	-	13	13
	72	**96**	**154**

11. Taxation

The Company has received confirmation from HMRC that it satisfied the conditions for approval as an investment trust, subject to the Company continuing to meet the eligibility conditions in s.1158 of the Corporation Tax Act 2010 and the ongoing requirements for approved investment trust companies in Chapter 3 of Part 2 of the Investment Trust (approved Company) Tax Regulations 2011 (Statutory Instrument 2011.2999). The Company intends to retain this approval and self-assesses compliance with the relevant conditions and requirements.

As an investment trust the Company is exempt from UK corporation tax on its chargeable gains. The Company is, however, liable to UK corporation tax on its income. However, the Company has elected to take advantage of modified UK tax treatment in respect of its "qualifying interest income" in order to deduct all, or part, of the amount it distributes to Shareholders as dividends as an "interest distribution".

	Period from 1 July 2018 to 31 December 2018 (unaudited) £'000	Period from 1 July 2017 to 31 December 2017 (unaudited) £'000	Year ended 30 June 2018 (audited) £'000
Reconciliation of tax charge:			
Profit before taxation	1,227	1,503	2,809
Tax at the standard UK corporation tax rate of 19%	233	286	534
Effects of:			
- Non-taxable investment gains and losses	48	36	94
- Interest distributions	(338)	(315)	(630)
- Unrecognised deferred tax	57	(7)	2
Total tax expense	-	-	-

Domestic corporation tax rates in the jurisdictions in which the Company operated were as follows:

	Period from 1 July 2018 to 31 December 2018 (unaudited)	Period from 1 July 2017 to 31 December 2017 (unaudited)	Year ended 30 June 2018 (audited)
United Kingdom	19%	19%	19%
Guernsey	nil	nil	nil

Due to the Company's status as an investment trust and the intention to continue to meet the required conditions, the Company has not provided for deferred tax on any capital gains and losses.

12. Earnings per Ordinary Share

The earnings per Ordinary Share of 2.33p (31 December 2017: 2.85p, 30 June 2018: 5.33p) is based on a profit attributable to the owners of the Company of £1,227,000 (31 December 2017: £1,503,000, 30 June 2018: £2,809,000) and on a weighted average number of 52,660,350 (31 December 2017 and 30 June 2018: 52,660,350) Ordinary Shares in issue since Admission. There is no difference between the basic and diluted earnings per share.

13. Loans at amortised cost

	31 December 2018 (unaudited) £'000	*31 December 2017 (unaudited) £'000*	*30 June 2018 (audited) £'000*
Loans at amortised cost and cash held on client accounts with platforms	40,941	47,614	44,653
Unrealised gain/(loss)*	470	(33)	(94)
Balance at period/year end	**41,411**	**47,581**	**44,559**
Loans: Non-current	37,262	39,684	31,918
Current	3,877	7,748	12,445
Cash held on client accounts with platforms	272	149	196
Loans at amortised cost and cash held on client accounts with platforms	**41,411**	**47,581**	**44,559**
*Unrealised gain/(loss):			
Foreign exchange on non-Sterling loans	624	504	605
Impairments	(154)	(537)	(699)
Unrealised gain/(loss)	**470**	**(33)**	**(94)**

The movement in unrealised gain/loss on loans in the Unaudited Condensed Statement of Comprehensive Income comprises:

	31 December 2018 (unaudited) £'000	*31 December 2017 (unaudited) £'000*	*30 June 2018 (audited) £'000*
Movement in foreign exchange on non-Sterling loans	19	(147)	(46)
Movement in impairments	62	(107)	(269)
Movement in unrealised gain/loss on loans	**81**	**(254)**	**(315)**
Impact of transition to IFRS 9	**483**	-	-
Total movement in unrealised gain/loss on loans	**564**	**(254)**	**(315)**

The weighted average interest rate of the loans as at 31 December 2018 was 9.79% (31 December 2017: 9.07%, 30 June 2018: 9.24%).

See note 3b and note 4i regarding the process of assessment of loan impairment.

At 31 December 2018, repayments of £1,502,000 (31 December 2017: £1,410,000, 30 June 2018: £1,503,000) were past due, aged as below. However, the Company assessed the recoverability of the loans and did not consider any impairment necessary.

	31 December 2018 (unaudited) £'000	*31 December 2017 (unaudited) £'000*	*30 June 2018 (audited) £'000*
Less than 30 days overdue	4	174	212
More than 30 days but less than 90 days overdue	-	184	1,023
More than 90 days but less than a year overdue	1,225	140	165
More than one year overdue	273	912	103
	------------	------------	------------
	1,502	**1,410**	**1,503**
	------------	------------	------------

At 31 December 2018, the Board considered £154,000 (31 December 2017: £537,000, 30 June 2018: £699,000) of loans to be impaired as, following routine investigation of loan performance, the Investment Manager received evidence of delayed and missed interest payments in respect of the below loans. This evidence indicated that the loans' recoverability would be less than their carrying value and by liaising directly with the platforms to establish a recovery rate, the Investment Manager had estimated a recoverable amount as at 31 December 2018.

	31 December 2018 (unaudited) £'000	*31 December 2017 (unaudited) £'000*	*30 June 2018 (audited) £'000*
Sancus Funding	96	367	515
UK Bond Network	17	104	104
MyTripleA	16	66	80
Direct SME loans	11	-	-
BMS UK	10	-	-
Other	4	-	-
	------------	------------	------------
Total impairment	**154**	**537**	**699**
	------------	------------	------------

During the period, £126,000 (31 December 2017: £40,000, 30 June 2018: £40,000) of loans were written off and included within realised gain/(loss) on disposal of loans in the Unaudited Condensed Statement of Comprehensive Income.

14. Investments at fair value through profit or loss

	Period from 1 July 2018 to 31 December 2018 (unaudited) £'000	*Period from 1 July 2017 to 31 December 2017 (unaudited) £'000*	*Year ended 30 June 2018 (audited) £'000*
Balance brought forward	280	258	258
Movement in unrealised gain on investments at fair value through profit or loss	11	20	22
	------------	------------	------------
Balance at period/year end	**291**	**278**	**280**
	------------	------------	------------

For further information on the investments at fair value through profit or loss, see note 15.

15. Fair value of financial instruments at fair value through profit or loss

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

At 31 December 2018, the financial instruments designated at fair value through profit or loss were as follows:

	31 December 2018 (unaudited)			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets/(liabilities)	*£'000*	*£'000*	*£'000*	*£'000*
Unlisted equity shares	-	-	291	291
Derivative financial instruments (note 16)	-	(339)	-	(339)
Total financial (liabilities)/assets designated at fair value through profit or loss	**-**	**(339)**	**291**	**(48)**

At 31 December 2017, the financial instruments designated at fair value through profit or loss were as follows:

	31 December 2017 (unaudited)			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets	*£'000*	*£'000*	*£'000*	*£'000*
Unlisted equity shares	-	-	278	278
Derivative financial instruments (note 16)	-	9	-	9
Total financial assets designated at fair value through profit or loss	**-**	**9**	**278**	**287**

At 30 June 2018, the financial instruments designated at fair value through profit or loss were as follows:

	30 June 2018 (audited)			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets/(liabilities)	*£'000*	*£'000*	*£'000*	*£'000*
Unlisted equity shares	-	-	280	280
Derivative financial instruments (note 16)	-	(32)	-	(32)
Total financial (liabilities)/assets designated at fair value through profit or loss	**-**	**(32)**	**280**	**248**

At 31 December 2018, the Company held unlisted equity shares and derivative financial instruments. The unlisted equity shares are carried at the net asset value of the underlying entity, and derivative financial instruments, being foreign currency forward contracts, are valued at the forward foreign currency exchange rate at the reporting date.

Level 2 financial instruments include foreign currency forward contracts. They are valued using observable inputs (in this case foreign currency spot rates).

Transfers between levels

There were no transfers between levels in the period (31 December 2017 and 30 June 2018: none).

16. Derivative financial instruments

During the period, the Company entered into foreign currency forward contracts to hedge against foreign exchange fluctuations. The Company realised a loss of £120,000 (31 December 2017: profit of £227,000, 30 June 2018: profit of £21,000) on forward foreign exchange contracts that settled during the period.

As at 31 December 2018, the open forward foreign exchange contracts were valued at £(339,000) (31 December 2017: £9,000, 30 June 2018: £(32,000)).

17. Other receivables and prepayments

	31 December 2018 (unaudited) £'000	*31 December 2017 (unaudited) £'000*	*30 June 2018 (audited) £'000*
Accrued interest	927	1,122	759
Other receivables	24	-	-
Prepayments	13	37	13
	964	**1,159**	**772**

18. Other payables and accruals

	31 December 2018 (unaudited) £'000	*31 December 2017 (unaudited) £'000*	*30 June 2018 (audited) £'000*
Management fee	43	44	42
Administration fee	30	28	28
Audit fee	19	18	35
Other payables and accruals	11	20	12
Broker fee	11	-	2
Accountancy and taxation fees	10	13	7
Deferred investment income	-	354	19
Transaction fees	-	-	20
	124	**477**	**165**

Reconciliation of liabilities arising from financing activities
IAS 7 requires the Company to detail the changes in liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

As at 31 December 2018, the Company had no liabilities classified as cash flows from financing activities (31 December 2017 and 30 June 2018: none).

19. Share capital

	31 December 2018 (unaudited) £'000	*31 December 2017 (unaudited) £'000*	*30 June 2018 (audited) £'000*
Authorised share capital:			
Unlimited number of Ordinary Shares of 1 pence each	-	-	-
Unlimited C Shares of 10 pence each	-	-	-
Unlimited Deferred Shares of 1 pence each	-	-	-
50,000 Management Shares of £1 each	50	50	50
Called up share capital:			
52,660,350 Ordinary Shares of 1 pence each	527	527	527
50,000 Management Shares of £1 each	50	50	50
	577	**577**	**577**

The Management Shares are entitled (in priority to any payment of dividend of any other class of share) to a fixed cumulative preferential dividend of 0.01% per annum on the nominal amount of the Management Shares.

The Management Shares do not carry any right to receive notice of, nor to attend or vote at, any general meeting of the Company unless no other shares are in issue at that time. The Management Shares do not confer the right to participate in any surplus of assets of the Company on winding-up, other than the repayment of the nominal amount of capital.

20. Other reserves

		Profit and loss account		
	Special distributable reserve £'000	*Distributable £'000*	*Non-distributable £'000*	*Total £'000*
Period ended 31 December 2018				
At 30 June 2018	50,942	75	(55)	50,962
Impact of transition to IFRS 9	-	-	483	483
Realised revenue profit	-	1,480	-	1,480
Realised investment gains and losses	-	(38)	-	(38)
Unrealised investment gains and losses	-	-	(215)	(215)
Dividends paid	(264)	(1,517)	-	(1,781)
At 31 December 2018	**50,678**	**-**	**213**	**50,891**
Period ended 31 December 2017				
At 30 June 2017	50,942	109	420	51,471
Realised revenue profit	-	1,691	-	1,691
Realised investment gains and losses	-	187	-	187
Unrealised investment gains and losses	-	-	(375)	(375)
Dividends paid	-	(1,658)	-	(1,658)
At 31 December 2017	**50,942**	**329**	**45**	**51,316**
Year ended 30 June 2018				
At 30 June 2017	50,942	109	420	51,471
Realised revenue profit	-	3,303	-	3,303
Realised investment gains and losses	-	(19)	-	(19)
Unrealised investment gains and losses	-	-	(475)	(475)
Dividends paid	-	(3,318)	-	(3,318)
At 30 June 2018	**50,942**	**75**	**(55)**	**50,962**

With the exception of investment gains and losses, all of the Company's profit and loss items are of a revenue nature as it does not allocate any expenses to capital.

The two £307,010 dividends (see note 5), which were declared on 21 December 2018 and 30 January 2019, will be paid from the special distributable reserve.

21. Net asset value per Ordinary Share

The net asset value per Ordinary Share is based on the net assets attributable to the owners of the Company of £51,468,000 (31 December 2017: £51,893,000, 30 June 2018: £51,539,000), less £50,000 (31 December 2017 and 30 June 2018: £50,000), being amounts owed in respect of Management Shares, and on 52,660,350 (31 December 2017 and 30 June 2018: 52,660,350) Ordinary Shares in issue at the period end.

On 30 January 2019, the company announced that the net asset value at 31 December 2018 was 96.73 pence per Ordinary Share. However, following the reassessment of the impairment of the loans at amortised cost in compliance with IFRS 9, the impairment on the loans was reduced by £478,000 from £632,000 to £154,000, thereby increasing the net assets from £51,453,000 to £51,931,000 and the reported net asset value per Ordinary Share from 96.73 pence to 97.64 pence.

22. Financial Instruments and Risk Management

The Investment Manager manages the Company's portfolio to provide Shareholders with attractive risk adjusted returns, principally in the form of regular, sustainable dividends, through investment predominantly in a range of secured loans and other secured loan-based instruments originated through a variety of channels and diversified by way of asset class, geography and duration.

The Company will seek to ensure that diversification of its portfolio is maintained, with the aim of spreading investment risk.

Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring. The Company is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk from the financial instruments it holds. Risk management procedures are in place to minimise the Company's exposure to these financial risks, in order to create and protect Shareholder value.

Risk management structure

The Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management approach within the Company.

The Company has no employees and is reliant on the performance of third party service providers. Failure by the Investment Manager, Administrator, Broker, Registrar or any other third party service provider to perform in accordance with the terms of its appointment could have a significant detrimental impact on the operation of the Company.

The market in which the Company participates is competitive and rapidly changing. The risks have not changed from those detailed on pages 20 to 30 in the Company's Prospectus, which is available on the Company's website.

Risk concentration

Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

With the aim of maintaining a diversified investment portfolio, and thus mitigating concentration risks, the Company has established the following investment restrictions in respect of the general deployment of assets.

Investment Restriction	***Investment Policy***
Geography	
- Exposure to UK loan assets	Minimum of 60%
- Minimum exposure to non-UK loan assets	20%
Duration to maturity	
- Minimum exposure to loan assets with duration of less than 6 months	None
- Maximum exposure to loan assets with duration of 6 - 18 months and 18 – 36 months	None
- Maximum exposure to loan assets with duration of more than 36 months	50%
Maximum single investment	10%
Maximum exposure to single borrower or group	10%
Maximum exposure to loan assets sourced through single alternative lending platform or other third party originator	25%
Maximum exposure to any individual wholesale loan arrangement	25%
Maximum exposure to loan assets which are neither sterling-denominated nor hedged back to sterling	15%
Maximum exposure to unsecured loan assets	25%
Maximum exposure to assets (excluding cash and cash-equivalent investments) which are not loans or investments with loan-based investment characteristics	10%

The Company complied with the investment restrictions throughout the period from 1 July 2018 to 31 December 2018 and up to the date of signing this report.

Market risk

(i) Price risk

Price risk exposure arises from the uncertainty about future prices of financial instruments held. It represents the potential loss that the Company may suffer through holding market positions in the face of price movements. The investments at fair value through profit or loss (see notes 14 and 15) are exposed to price risk and it is not the intention to mitigate the price risk.

At 31 December 2018, if the valuation of the investments at fair value through profit or loss had moved by 5% with all other variables remaining constant, the change in net assets would amount to approximately +/- £15,000 (31 December 2017: +/- £14,000, 30 June 2018: +/- £14,000). The maximum price risk resulting from financial instruments is equal to the £291,000 carrying value of the investments at fair value through profit or loss (31 December 2017: £278,000, 30 June 2018: £280,000).

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company invests in securities and other investments that are denominated in currencies other than Sterling. Accordingly, the value of the Company's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Company will necessarily be subject to foreign exchange risks.

As at 31 December 2018, a proportion of the net financial assets of the Company, excluding the foreign currency forward contracts, were denominated in currencies other than Sterling as follows:

	Investments at fair value through profit or loss £'000	*Loans and receivables £'000*	*Cash and cash equivalents £'000*	*Other payables and accruals £'000*	*Exposure £'000*	*Foreign currency forward contract £'000*	*Net exposure £'000*
31 December 2018 (unaudited)							
US Dollars	-	5,063	2,812	-	7,875	(7,533)	342
Euros	66	3,164	2,337	-	5,567	(5,461)	106
	66	**8,227**	**5,149**	**-**	**13,442**	**(12,994)**	**448**
31 December 2017 (unaudited)							
US Dollars	-	5,344	1,412	-	6,756	(6,693)	63
Euros	64	4,928	304	(1)	5,295	(5,320)	(25)
	64	**10,272**	**1,716**	**(1)**	**12,051**	**(12,013)**	**38**
30 June 2018 (audited)							
US Dollars	-	5,235	1,921	-	7,156	(7,516)	(360)
Euros	63	4,839	628	-	5,530	(5,417)	113
	63	**10,074**	**2,549**	**-**	**12,686**	**(12,933)**	**(247)**

In order to limit the exposure to foreign currency risk, the Company entered into hedging contracts during the period. At 31 December 2018, the Company held foreign currency forward contracts to sell US$10,000,000 and €6,100,000 (31 December 2017: US$9,000,000 and €6,000,000, 30 June 2018: US$9,950,000 and €6,140,000) with a settlement date of 31 January 2019.

Other future foreign exchange hedging contracts may be employed, such as currency swap agreements, futures contracts and options. There can be no certainty as to the efficacy of any hedging transactions.

At 31 December 2018, if the exchange rates for US Dollars and Euros had strengthened/weakened by 5% against Sterling with all other variables remaining constant, net assets at 31 December 2018 would have (decreased)/increased by £(22,000)/£22,000 (31 December 2017: £(3,000)/£3,000, 30 June 2018: £13,000/£(15,000)), after accounting for the effects of the hedging contracts mentioned above.

(iii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial instruments and cash flow. However, due to the fixed rate nature of the majority of the loans, cash and cash equivalents of £9,265,000 (31 December 2017: £3,343,000, 30 June 2018: £6,125,000) were the only interest bearing financial instruments subject to variable interest rates at 31 December 2018. Therefore, if interest rates had increased/decreased by 50 basis points, with all other variables held constant, the change in value of interest cash flows of these assets in the period would have been £46,000 (31 December 2017: £17,000, 30 June 2018: £31,000).

31 December 2018 (unaudited)	*Fixed interest*	*Variable interest*	*Non-interest bearing*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Financial assets				
Loans	41,139	-	-	41,139
Cash held on client accounts with Platforms	-	-	272	272
Investments at fair value through profit or loss	-	-	291	291
Other receivables	-	-	951	951
Cash and cash equivalents	-	9,265	-	9,265
Total financial assets	**41,139**	**9,265**	**1,514**	**51,918**
Financial liabilities				
Other payables	-	-	(124)	(124)
Derivative financial instruments	-	-	(339)	(339)
Total financial liabilities	**-**	**-**	**(463)**	**(463)**
Total interest sensitivity gap	**41,139**	**9,265**	**1,051**	**51,455**

31 December 2017 (unaudited)	*Fixed interest*	*Variable interest*	*Non-interest bearing*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Financial assets				
Loans	47,432	-	-	47,432
Cash held on client accounts with Platforms	-	-	149	149
Investments at fair value through profit or loss	-	-	278	278
Derivative financial instruments	-	-	9	9
Other receivables	-	-	1,122	1,122
Cash and cash equivalents	-	3,343	-	3,343
Total financial assets	**47,432**	**3,343**	**1,558**	**52,333**
Financial liabilities				
Other payables	-	-	(123)	(123)
Total financial liabilities	**-**	**-**	**(123)**	**(123)**
Total interest sensitivity gap	**47,432**	**3,343**	**1,435**	**52,210**

30 June 2018 (audited)	*Fixed interest*	*Variable interest*	*Non-interest bearing*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Financial assets				
Loans	44,363	-	-	44,363
Cash held on client accounts with Platforms	-	-	196	196
Investments at fair value through profit or loss	-	-	280	280
Other receivables	-	-	759	759
Cash and cash equivalents	-	6,125	-	6,125
Total financial assets	**44,363**	**6,125**	**1,235**	**51,723**
Financial liabilities				
Other payables	-	-	(146)	(146)
Derivative financial instruments	-	-	(32)	(32)
Total financial liabilities	**-**	**-**	**(178)**	**(178)**
Total interest sensitivity gap	**44,363**	**6,125**	**1,057**	**51,545**

The Investment Manager manages the Company's exposure to interest rate risk, paying heed to prevailing interest rates and economic conditions, market expectations and its own views as to likely moves in interest rates.

Although it has not done so to date, the Company may implement hedging and derivative strategies designed to protect investment performance against material movements in interest rates. Such strategies may include (but are not limited to) interest rate swaps and will only be entered into when they are available in a timely manner and on terms acceptable to the Company. The Company may also bear risks that could otherwise be hedged where it is considered appropriate. There can be no certainty as to the efficacy of any hedging transactions.

Credit risk
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company.

At 31 December 2018, credit risk arose principally from cash and cash equivalents of £9,265,000 (31 December 2017: £3,343,000, 30 June 2018: £6,125,000) and balances due from the platforms and SMEs of £41,411,000 (31 December 2017: £47,581,000, 30 June 2018: £44,559,000). The Company seeks to trade only with reputable counterparties that the Investment Manager believes to be creditworthy.

The Company's credit risks principally arise through exposure to loans provided by the Company, either directly or through platforms. These loans are subject to the risk of borrower default. Where a loan has been made by the Company through a platform, the Company will only receive payments on those loans if the corresponding borrower through that platform makes payments on that loan. The Investment Manager has sought to reduce the credit risk by obtaining security on the majority of the loans and by investing across various platforms, geographic areas and asset classes, thereby ensuring diversification and seeking to mitigate concentration risks, as stated in the "risk concentration" section earlier in this note.

The cash pending investment or held on deposit under the terms of an Investment Instrument may be held without limit with a financial institution with a credit rating of "single A" (or equivalent) or higher to protect against counterparty failure.

The Company may implement hedging and derivative strategies designed to protect against credit risk. Such strategies may include (but are not limited to) credit default swaps and will only be entered into when they are available in a timely manner and on terms acceptable to the Company. The Company may also bear risks that could otherwise be hedged where it is considered appropriate. There can be no certainty as to the efficacy of any hedging transactions.

Liquidity risk
Liquidity risk is defined as the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The principal liquidity risk is contained in unmatched liabilities. The liquidity risk at 31 December 2018 was low since the ratio of cash and cash equivalents to unmatched liabilities was 20:1 (31 December 2017: 7:1, 30 June 2018: 31:1).

The Investment Manager manages the Company's liquidity risk by investing primarily in a diverse portfolio of loans, in line with the Prospectus and as stated in the "risk concentration" section earlier in this note. The maturity profile of the portfolio, as detailed in the Investment Manager's Report, is as follows:

	31 December 2018 (unaudited) Percentage	*31 December 2017 (unaudited) Percentage*	*30 June 2018 (audited) Percentage*
0 to 6 months	26.1	15.6	17.0
6 months to 18 months	14.4	26.0	25.3
18 months to 3 years	22.0	18.7	16.6
Greater than 3 years	37.5	39.7	41.1
	100.0	**100.0**	**100.0**

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company's capital comprises issued share capital, retained earnings and a distributable reserve created from the cancellation of the Company's share premium account.

To maintain or adjust the capital structure, the Company may issue new Ordinary and/or C Shares, buy back shares for cancellation or buy back shares to be held in treasury. During the period ended 31 December 2018, the Company did not issue any new Ordinary or C shares, nor did it buy back any shares for cancellation or to be held in treasury (31 December 2017 and 30 June 2018: none).

The Company is subject to externally imposed capital requirements in relation to its statutory requirement relating to dividend distributions to Shareholders. The Company meets the requirement by ensuring it distributes at least 85% of its distributable income by way of dividend.

23. Contingent assets and contingent liabilities

There were no contingent assets or contingent liabilities in existence at the period end (31 December 2017 and 30 June 2018: none).

24. Committed capital

At 31 December 2018, the Company had an undrawn commitment of £4 million under the terms of a loan facility agreement with a borrower. The availability period whereby the borrower may utilise the remaining undrawn facility ends on 31 July 2019.

The cash and cash equivalents, which were not formally restricted by the undrawn loan commitment, were £9,265,000 at 31 December 2018 (31 December 2017: £6,125,000, 30 June 2018: £3,343,000). The available cash after deduction of the undrawn loan commitment was £5,265,000 at 31 December 2018 (31 December 2017: £125,000, 30 June 2018: (£657,000)).

25. Events after the reporting period

Two dividends of 0.583p per Ordinary Share, which (in accordance with IFRS) were not provided for at 31 December 2018, have been declared out of the profits for the period ended 31 December 2018 (see note 5).

On 28 February 2019, the Company declared a dividend of 0.583p per Ordinary Share for the period from 1 July 2018 to 31 January 2019. This dividend will be paid on 29 March 2019.

There were no other significant events after the reporting period.

26. Parent and Ultimate Parent Company

The Directors do not believe that the Company has an individual Parent or Ultimate Parent.

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