Secured Income Fund plc

(formerly SQN Secured Income Fund plc)

(Registered number 09682883)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2021

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Key Points

NET ASSETS[1]

£19,106,000

(30 June 2020: £45,532,000)

NAV PER ORDINARY SHARE

36.28p

(30 June 2020: 86.37p)

SHARE PRICE

42.50p

(30 June 2020: 76.50p)

PREMIUM/(DISCOUNT) TO NAV

17.1%

(30 June 2020: (11.4%))

LOSS FOR THE YEAR

£(11,017,000)

(30 June 2020: (£913,000))

DIVIDEND PER SHARE DECLARED IN RESPECT OF THE YEAR

8.50p

(30 June 2020: 7.00p)

DIVIDEND COVER

0.002

(30 June 2020: 0.44)

B SHARE ISSUE AND REDEMPTION PER ORDINARY SHARE DECLARED IN RESPECT OF THE YEAR

19.50p

TOTAL RETURN PER ORDINARY SHARE (BASED ON NAV)[2]

-25.6%

(30 June 2020: -1.8%)

TOTAL RETURN PER ORDINARY SHARE (BASED ON SHARE PRICE)[2]

-7.8%

(30 June 2020: -9.2%)

ORDINARY SHARES IN ISSUE

52,660,350

(30 June 2020: 52,660,350)

[1] In addition to the Ordinary Shares in issue, 1 Management Share of £1 is in issue (2020: 50,000) (see note 21).

[2] Total return per Ordinary Share has been calculated by comparing the NAV or share price, as applicable, at the start of the year with the NAV or share price, as applicable, plus dividends and B Share redemptions paid, at the year end.

Overview and Investment Strategy

General information

Secured Income Fund plc (the "Company", "Fund" or "SIF") 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").

Change of name

On 18 July 2020, the Company changed its name from SQN Secured Income Fund plc to Secured Income Fund plc.

Investment objective and policy

On 17 September 2020, the Shareholders approved the adoption of a new investment objective and policy of the Company, as follows:

The Company will be managed with the intention of realising all remaining assets in the Portfolio in a prudent manner consistent with the principles of good investment management and with a view to returning cash to Shareholders in an orderly manner.

The Company will pursue its investment objective by effecting an orderly realisation of its assets in a manner that seeks to achieve a balance between maximising the value received from those assets and making timely returns of capital to Shareholders. This process might include sales of individual assets, mainly structured as loans, or running off the Portfolio in accordance with the existing terms of the assets, or a combination of both.

As part of the realisation process, the Company may also exchange existing debt instruments for equity securities where, in the opinion of the Board, the Company is unlikely to be able to otherwise realise such debt instruments or will only be able to realise them at a material discount to the outstanding principal balance of that debt instrument.

The Company will cease to make any new investments or to undertake capital expenditure except where, in the opinion of both the Board and the Investment Manager (or, where relevant, the Investment Manager's successors):

- the investment is a follow-on investment made in connection with an existing asset in order to comply with the Company's pre-existing obligations; or
- failure to make the follow-on investment may result in a breach of contract or applicable law or regulation by the Company; or
- the investment is considered necessary to protect or enhance the value of any existing investments or to facilitate orderly disposals.

Any cash received by the Company as part of the realisation process prior to its distribution to Shareholders will be held by the Company as cash on deposit and/or as cash equivalents.

The Company will not undertake new borrowing.

Any material change to the investment policy would require Shareholder approval.

Although there was a change in the investment objective and policy, there was no change in the business model in the year as the loans continued to be held under a 'hold to collect' model.

Prior to 17 September 2020, the investment objective and policy were as follows:

Investment objective

The investment objective of the Company was 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 achieved 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 included 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 have included (subject to the limit set out below) other types of investment (for example, equity or revenue- or profit-linked instruments). The Company may have made investments through alternative lending platforms that present suitable investment opportunities identified by the Investment Manager.

Chairman's Statement

Introduction

I am pleased to provide Shareholders with my Chairman's statement, covering the financial year from 1 July 2020 to 30 June 2021. Over the reporting period, the Secured Income Fund plc (the "Company") has focussed on returning capital to Shareholders efficiently and in a timely manner. Since the wind down proposals were adopted in September, the Company has returned 28p per Ordinary Share through a combination of dividends and a B Share Scheme.

Furthermore, the Company has reduced platform and third-party debt to 0.6% of NAV with the balance expected to settle in the upcoming months.

Performance

For the reporting year ended 30 June 2021, the Company generated a net loss of £11.0 million and loss per Ordinary Share of 20.92p (compared to loss of £0.9 million and loss per Ordinary Share of 1.73p for the year ended 30 June 2020). The Company's NAV at 30 June 2021 was £19.1 million (36.28p (cum income) per Ordinary Share) compared to £45.5 million (86.37p per Ordinary Share) as at 30 June 2020.

During the reporting period, there has been a significant increase in the IFRS 9 provision across the direct loans. A large part of this was due to the marked deterioration of the expected cash flows of the film financings portfolio and the changed operating practices across the film industry as a result of the Covid-19 pandemic. The Board and Investment Manager also took the decision to increase the provision against a US Health Care Services Company following the sale of its core business assets which reduced the NAV further. Post-year end, the Investment Manager was informed of a delay in the principal repayment of the largest position in the portfolio, to the SME Loan Company, and as a result the provision has been increased. The position will be monitored closely over the next few weeks.

In addition to the direct loans, there have been some notable changes across the remaining platform loans. The final real estate linked loan from the UK Offshore platform has now been fully impaired following continuous delays in receiving the outstanding balance including accrued penalty interest. The Investment Manager remains in regular dialogue with all the relevant parties to secure a positive resolution where possible.

Moreover, during the period, we received the proceeds for most of the outstanding loans within the UK venture debt portfolio. One final loan remained within the portfolio, a broadband company, which has since been fully impaired. This position has been restructured in the past and any recovery is uncertain. We expect to receive an update providing clarity on the company's future in the coming months.

Finally, with regards to the US promissory note, an agreement was reached before the financial year end in which the position would be settled for 25% of the outstanding principal balance. In September, post-year end, the settlement amount was received.

Further information about the status of the remaining loans along with the respective assigned provisions is provided within the Investment Manager's Report.

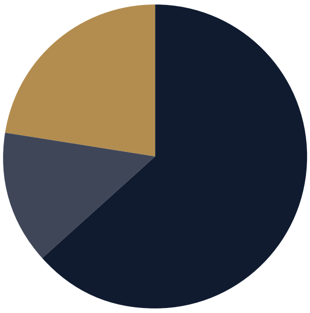
The Board has maintained regular distributions to Shareholders throughout the period, in the form of dividends during the first half of the reporting period and then via the B Share Scheme. This has contributed significantly to the decrease in the NAV with a total distribution equivalent to 29.17p per Ordinary Share made during the reporting period.

During the reporting period, the Company traded at an average discount to NAV of 8.7%.

Foreign exchange hedging was removed in September 2020, with details of USD and EUR exposure shown below. As a result of this investors should be aware that there might be some impact on the Company if FX markets move markedly.

Chairman's Statement (continued)

The FX exposures at 30 June 2021 were as follows:



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

The portfolio exposure by maturity, geography and type are presented in the Company Analytics on page 13.

Corporate Activity

In June 2020, Shareholders voted against the continuation of the Company as the Company did not manage to grow in the manner the Board, the Manager and Shareholders had hoped as it was unable to raise new capital and meet its original goal to increase shareholder capital to £250 million by December 2019.

The Company entered a Managed Wind-Down on 17 September 2020 and the Board of Directors and the Investment Manager have made a good start on the return of capital to investors expeditiously. Costs have been monitored carefully and no new underwriting commitments have been made. In addition, as part of its ongoing management of the Company's running costs, the Board intends to put proposals to Shareholders to cancel the Company's admission to trading (the "Cancellation of Trading"). The proposals will be put to Shareholders at general meeting to be held immediately following the Company's annual general meeting on 16 December 2021 and, if approved, will take effect once the Company's NAV is reduced below £7 million. Full details of the proposed Cancellation of Trading will be set out in a circular that will shortly be sent to Shareholders.

The Board announced on 20 August 2021 that it has reached an agreement with its Investment Manager, KKV Investment Management Ltd and its AIFM, Kvika Securities Limited, to amend the investment management agreement ("IMA"). The IMA will terminate with effect from midnight on 31 December 2021.

The Board believes the revised Agreement allows for an orderly transition of the management of the portfolio to the Company and provides the Company with certainty over the level of future management fees payable to the Investment Manager, with the added flexibility of facilitating the Company becoming self-managed should the Board deem that appropriate, whilst providing for the ongoing management of the portfolio to 31 December 2021.

Dividends

During the first six months of the period, the Company elected to designate all dividends 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. Over this period, the Company made dividend distributions equivalent to 9.67p per share.

Following the decision to proceed with a managed wind-down, the Board reviewed the dividend policy and decided to cease paying monthly dividends and is instead returning excess capital as and when the Company has excess cash reserves available for distribution. However, it is the Board's intention that the Company will pay sufficient dividends each financial year to maintain investment trust status for so long as the Company remains listed.

Chairman's Statement (continued)

Capital Distributions

In order to make returns of capital more tax efficient for some shareholders, the Company adopted a B Share scheme, whereby the Company is able to issue redeemable B Shares to Shareholders which are subsequently redeemed for cash. A General Meeting was held on 23 March 2021, where the Board's proposal to adopt a B Share Scheme was accepted by Shareholders.

During the reporting period, the Board has distributed £10.27m using the B Share Scheme, which is equivalent to 19.5p per Ordinary Share. At the time of writing, a further £3.16m (equivalent to 6p per Ordinary Share) was returned to Shareholders post year end via a third Return of Capital by the issue of B Shares.

The quantum and timing of a Return of Capital to Shareholders following receipt by the Company of the net proceeds of realisations of investments will be dependent on the Company's liabilities and general working capital requirements. Accordingly, any future Return of Capital will continue to be at the discretion of the Board, which will announce details of each Return of Capital, including the relevant Record Date, Redemption Price and Redemption Date, through an RNS Announcement, a copy of which will be posted to Shareholders. The Board also intends to continue to make dividend payments, where possible, in accordance with the Company's dividend policy.

Board of Directors

Brett Miller joined the board as a director on 9 July 2020. Apart from that there were no changes to the board composition during the reporting period.

Change of Auditor

Following a thorough, competitive tender process, the Board appointed Moore Kingston Smith LLP ("MKS") as auditor to the Company. MKS have conducted their first audit of the Company's financial statements for the financial year ended 30 June 2021.

Outlook

The Board's continued focus in the managed wind-down is to achieve a balance between maximising the value received from the remaining assets and making timely returns of capital to Shareholders, avoiding capital erosion where possible.

During the reporting period, marked deterioration of some assets has resulted in increased impairments and a reduced NAV. The Investment Manager is working closely with the relevant borrowers to ensure maximum returns for Shareholders in the circumstances. The Board will ensure this approach is maintained whilst aiming for a smooth transition of the portfolio to the Company at the end of December.

We thank investors for their continued support and hope to deliver investors total proceeds as close as possible for the remaining NAV. We shall keep investors informed of any developments as they occur.

David Stevenson
Chairman
20 October 2021

Investment Manager's Report

Overview
KKV Investment Management Limited ("KKV") assumed investment adviser responsibility for the Company on 5 June 2020. However, an agreement has been recently reached with the Board of the Secured Income Fund plc and the AIFM, Kvika Securities Ltd whereby the investment management agreement will be terminated with effect from midnight 31 December 2021. We therefore note that this is KKV's last report as Investment Manager but we remain focussed to ensure a smooth transition of the portfolio management responsibilities back to the Company over the next few months.

Following the decision by Shareholders to vote against continuation, we have been working hard to return capital to Shareholders in as expeditious a way as possible without damaging capital value. Since the wind-down of the Company commenced in September 2020, we have returned 8.5 pence to Shareholders via dividend distribution and 19.5 pence via a B Share Scheme which was adopted to ensure more tax efficient capital distributions for Shareholders. A further 6 pence has been distributed post year end.

Business Update
During the reporting period, Dawn Kendall, Chief Investment Officer, has taken a leave of absence which continues to date. Other members of KKV's executive team have managed to progress realisation opportunities in her absence under the oversight of Ken Hillen, Executive Chairman.

Portfolio
There are eleven direct loans in the portfolio with an average of £1.3m balance outstanding per loan. During the reporting period, there has been a significant increase in IFRS 9 impairment provisions for some of the direct loans. In particular, the six film financings, have suffered the effects of the pandemic with a marked deterioration of the expected cash flows, through cancelled film festivals and cinema screening to changes in operating practices whereby future sales are expected to be made via longer tail earn outs instead of the customary large upfront payments.

Legacy loans that formed part of the portfolio prior to April 2017 now make less than 1% of the NAV. Various factors such as continuous delays in repayment, depleted borrower assets and uncertainties in relation to a borrower's going concern have resulted in increased provisioning across the remaining legacy loans.

As the portfolio is now in wind-down, we have focussed on returning capital to Shareholders in a timely and efficient manner. On 23 March 2021, Shareholders voted in favour of the B Share Scheme. To date, we have made distributions of 25.5 pence per Ordinary Share via the B Share Scheme, which includes 6 pence per Share distributed post year end.

No leverage has been used throughout the reporting period and all assets are held in their base currency after a Board decision to discontinue hedging of capital and interest in September 2020. Fluctuations in the value of Sterling during the reporting period has meant that these positions may be impacted and we have been providing a breakdown of the FX exposures in the portfolio in the factsheet publications in order to allow Shareholders the option to make their own hedging arrangements.

There were no breaches of investment guidelines during the reporting period.

Investment Manager's Report (continued)

Direct Loans

Borrower	Principal Balance Outstanding as at 30 June 2021 £	ECL provision at 30 June 2021 £	Loan Carrying Value at Amortised Cost at 30 June[1] 2021 £	Amortisation/ Bullet repayment/ other	Asset Type	Currency	Yield
Borrower 1	£5,632,560	£450,605	£5,181,955	Bullet repayment	Wholesale Lending	GBP	10%
Borrower 2	£4,131,479	£12,394	£4,119,085	Pass-through amortisation	SME and Leasing Fund	EUR	Variable
Borrower 3	£3,782,082	£1,891,041	£1,891,041	Interest only for 12 months, then scheduled amortisation	Medical Services	USD	12%
Borrower 4	£1,616,743	£913,237	£703,507	Cash sweep	Film Production Financing	USD	12%
Borrower 5	£511,874	£1,536	£510,338	Interest only during availability period, then scheduled amortisation	Leasing Group	GBP	9.5%
Borrower 6	£1,743,243	£1,278,812	£464,431	Cash sweep	Film Production Financing	GBP	11%
Borrower 7	£2,561,860	£2,102,049	£459,811	Cash sweep	Film Production Financing	GBP	12%
Borrower 8	£1,673,510	£1,220,542	£452,968	Cash sweep	Film Production Financing	GBP	11%
Borrower 9	£737,558	£422,636	£314,922	Cash sweep	Film Production Financing	GBP	12%
Borrower 10	£296,364	£889	£295,475	Scheduled amortisation	Laser and LED Manufacturer	GBP	10%
Borrower 11	£522,577	£400,189	£122,388	Cash sweep	Film Production Financing	GBP	12%
Direct Loans Total	**£23,209,850**	**£8,693,930**	**£14,515,920**				

[1] The carrying values of loans at amortised cost disclosed in the table above do not include capitalised transaction fees, which totalled £44,000 at 30 June 2021.

Investment Manager's Report (continued)

Direct Loans *(continued)*
The following provides a narrative relating to our direct loan investments. Names of counterparties have been omitted for commercial and business sensitivity reasons.

SME Loan company (Borrower 1) – 27.1% of NAV
This is the largest individual facility provided by the Company and has been in place since May 2017. This is a long-established lender to the SME market. The borrower commenced capital repayment in January 2021 and has managed to repay 43.7% of the facility over the reporting period. There has been a delay in the borrower obtaining refinance and the Company has granted the borrower a three month extension, to the end of 2021 to source new funding. If the refinance fails to progress, then the underlying portfolio will enter run off and require collections over the coming 12-18 months.

Irish SME and Leasing Fund investment (Borrower 2) – 22.5% of NAV
This portfolio of 26 loans has continued to perform well despite the wider economic downturn due to significant exposure to technology and education companies. Most of the underlying loans are delivering income and the manager has been able to make healthy distributions to the Company during the reporting period. The fund is in its harvest phase and we expect capital distribution to accelerate as loans mature or are refinanced.

US healthcare services company (Borrower 3) – 9.9% of NAV
This loan was made to a company specialising in ancillary medical services to a number of hospitals in the American Midwest including optometry, audiology, dentistry and podiatry. A key aspect of the security package is that there is a parent company guarantee in place over all scheduled interest and principal repayments.

Prior to the year end, we were informed that there has been a sale of business assets, which has rendered the business economically unviable and resulted in a default. We have engaged legal counsel and a Reservations of Right letter has been issued.

All amortised payments have been made on time; however, given the current situation we are monitoring the receivables very tightly.

Media financing (Borrowers 4, 6 through to 9 and Borrower 11) – 13.4% of NAV
The Company funded eight films in total through the borrower, two of which were repaid in full ahead of the reporting period. The final six film financings have been heavily impacted by the Covid-19 pandemic. The borrower has provided revised cashflow expectations based on sales forecasts and updates on timing of receipts. The cashflow can be split into two tranches: "contracted cashflow" (comprising Tax Credit, Receipts and Presold Income) and "non-contractual Future Sales" which are effectively mezzanine in nature and carry a higher risk profile. We have noted a marked deterioration of the expected cashflows across both tranches. There have been significant administration delays in receiving the contracted element and changing operating practises for future sales has meant that the customary large upfront payments are now considered highly unlikely for the films in the portfolio and would, at best, be replaced by longer tail earn outs.

Following the review and analysis, and recognising the limitations on security, recovery and the mezzanine nature of a large part of the expected cash flows, KKV recommended a substantial impairment on the positions. The portfolio is held in two Special Purpose Vehicles and the structure does allow for cross-subsidisation of performing films to non-performing films which has occurred in the past. However, this is only relevant when all principal and interest on an individual film loan has been repaid, and given it is unlikely that any of the films will now repay in full, this mechanism is considered redundant.

We are in regular dialogue with the borrower to closely monitor receipts, expectations of future sales and assess any changes to the cashflows.

UK leasing company (Borrower 5) – 2.7% of NAV
This loan has been underwritten since July 2017 on a rolling twelve month basis. It is a working capital facility to be used to warehouse deals financed by block facilities already in place. The underlying portfolio comprises a basket of loans split between two types of lending; 85% asset finance/leases with a typical deal size of £15,000 and 15% professional loans to white collar industry professionals supported by personal guarantee.

The borrower commenced amortisation in January 2021 and made all payments on time. This loan matured at the end of September 2021.

Investment Manager's Report (continued)

Direct Loans *(continued)*

LED manufacturer in Ireland (Borrower 10) – 1.6% of NAV

This is a secured term loan that has been in place since May 2017 and is secured by a guarantee from the parent company, a debenture over the borrower and a charge over equipment purchased via Capex portion of the facility.

Their business has operated on a business as usual basis throughout the lockdowns. The supply chain is functional, and customers continue to operate.

After granting a six month amortisation deferral, the borrower recommenced repayment of capital in October 2020. The loan is now due to mature in December 2022.

Legacy portfolio

Borrower	Principal Balance Outstanding at 30 June 2021 £	ECL provision at 30 June 2021 £	Loan Carrying Value at Amortised Cost at 30 June 2021 £	Currency	Yield
Borrower 12	£469,959	£361,507	£108,452	USD	8.0%
Borrower 13	£429	£110	£319	GBP	11.5%
Borrower 14	£1,218,063	£1,218,063	–	GBP	–
Borrower 15	£1,000,000	£1,000,000	–	GBP	–
Borrower 16	£415,714	£415,714	–	GBP	–
Borrower 17	£2,077,622	£2,077,622	–	USD	–
Borrower 18	£326,685	£326,685	–	EUR	–
Legacy Loans Total	**£5,508,472**	**£5,399,701**	**£108,771**		

The following provides a narrative relating to the legacy loans within the portfolio.

US business promissory note (Borrower 12) – 0.6% of NAV

This loan is a working capital facility via a promissory note which was due to mature in July 2020. The borrower has been unable to settle the loan and we have since been in protracted negotiations to resolve the situation in the best interest of Shareholders. We reached an agreement to settle 25% of the principal balance outstanding; the settlement amount was received post year end, in September.

UK peer to peer loan platform (Borrower 13) – 0.0% of NAV

At the end of the reporting period, there was one performing loan remaining on the platform. This was fully repaid at the beginning of August, post year end.

UK Venture Debt (Borrower 14) – 0.0% of NAV

The capital for three of the outstanding loan notes within the portfolio was repaid in May 2021. The final position within the portfolio, a broadband company, has transferred over to the existing fund manager's new business. This has allowed for continuity in managing this complex position which has previously been restructured. There continues to be a number of uncertainties but we are hoping to have some clarity in the upcoming months. Following which, we will be able to provide Shareholders with an appropriate update. For now, given the complexities and the high dependence on certain events taking place, we have taken the prudent approach and fully provided for this position.

UK Offshore platform (Borrower 15) – 0.0% of NAV

The final credit from this platform has been in place since early 2017 and is a real estate linked loan to a developer on the island of Gibraltar. Despite continued assurances, we have not been repaid and took the decision to fully impair this position. We remain in regular contact with the platform to monitor progress and will continue to press for repayment. However, we remain uncertain of the balance that will be recovered.

Investment Manager's Report (continued)

Legacy portfolio *(continued)*

Small company bond platform (Borrower 16) – 0.0% of NAV

The only outstanding debt from this platform was a recruitment business that had undergone a protracted recovery process through the courts. This loan is fully impaired.

US peer to peer business (Borrower 17) – 0.0% of NAV

The outstanding balance of this position has been fully impaired and we have assigned no further ability to recoup funds from the platform.

Spanish peer to peer loan platform (Borrower 18) – 0.0% of NAV

We have assigned zero probability of any further collections on the remaining 7 loans within the portfolio. We continued to push for some return from these loans but after receiving a number of liquidation confirmations, we concluded that there was very little probability of recouping any further capital.

Outlook

We have made good progress with the realisation of the Company's portfolio since appointment and are focussed on continuing this through to the end of our term. We are confident that this approach will be maintained going forward as the portfolio management responsibilities transition back to the Company.

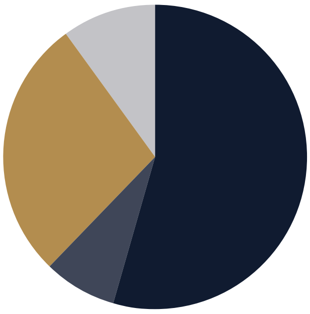
We would like to thank Shareholders for their support and as always will continue to share any updates on the progress over the upcoming months.

KKV Investment Management Ltd
20 October 2021

Company Analytics

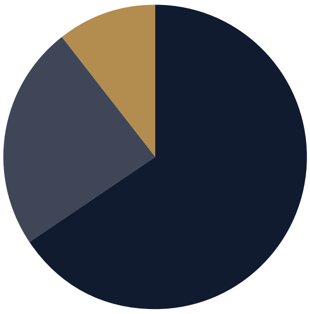
as at 30 June 2021

Portfolio Exposure by Maturity



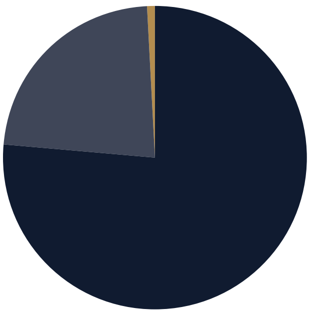
- 0 to 6 months, 54.7%
- 6 months to 18 months, 7.6%
- 18 months to 3 years, 27.9%
- >3 years, 9.8%

Portfolio Exposure by Geography



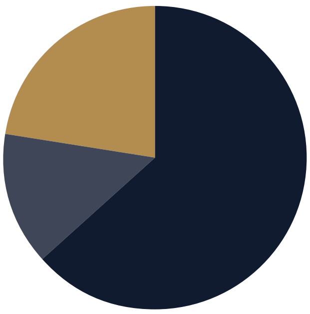
- UK, 65.7%
- US, 23.9%
- Europe, 10.4%

Portfolio Exposure by Type



- Direct loans, 76.5%
- Cash, 22.9%
- Legacy loans, 0.6%

Portfolio Exposure by Currency



- GBP, 63.5%
- USD, 14.1%
- EUR, 22.4%

Principal Risks and Uncertainties

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, along with controls employed to mitigate those risks, are set out below.

Macroeconomic risk

Adverse macroeconomic conditions may have a material adverse effect on the Company's yield on investments, default rate and cash flows. The Board and the Investment Manager keep abreast of market trends and information to try to prepare for any adverse impact.

The Company's assets are diversified by geography, asset class, and duration, thereby reducing the impact that macroeconomic risk may have on the overall portfolio.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows and/or fair values of the Company's investments. Exposure to interest rate risk is limited by the use of fixed rate interest on the majority of the Company's loans, thereby giving security over future loan interest cash flows.

Currency risk is the risk that changes in foreign exchange rates will impact future profits and net assets.

Following the UK's exit from the EU on 31 January 2020, there may be some uncertainty in UK and European markets as they adjust to the new relationship between the UK and the EU and the rest of the world. Although the exact impact of Brexit is not known, the Board believes that the Company is well placed to deal with future impacts from it.

Covid-19

The Covid-19 pandemic is a risk to the global economy. The Investment Manager and Administrator invoked their business continuity plans to help ensure the safety and well-being of their staff thereby retaining the ability to maintain business operations. These actions helped to ensure business resilience.

The situation continues to change so the full impact cannot yet be understood, but future cashflows and valuations are more uncertain at the current time, and may be more volatile than in recent years. Indeed, the level of estimation uncertainty and judgement for the calculation of expected credit losses has increased as a result of the economic effects of the Covid-19 pandemic (see notes 3b and 4 for further details). However, the impact of defaults that might occur in future under different economic scenarios has been reflected in various models to enable the Board to evaluate the Company's viability, and the Directors believe that the Company is well placed to survive the impact of the Covid-19 pandemic, thereby enabling the Company to realise its assets in an orderly manner.

The impact of the various vaccines has started to be seen, and there is light at the end of the Covid-19 pandemic tunnel. It is expected that (as vaccine programmes continue to be rolled out globally) the risk to the Company from the pandemic will continue to decrease over the next 12 months. However, the Board recognises the possibility that there will be further future "waves" and variants of the Covid-19 virus and it will be some time before the pandemic can be declared "over".

Credit risk

The Company invests in a range of secured loan assets mainly through wholesale secured lending opportunities, secured trade and receivable finance and other collateralised lending opportunities. The Company is also exposed to direct loans. Significant due diligence is undertaken on the borrowers of these loans and security taken to cover the loans and to mitigate the credit risk on such loans.

The key factor in underwriting secured loans is the predictability of cash flows to allow the borrower to perform as per the terms of the contract.

Following the change of investment objective on 17 September 2020, the Company ceased to make any new investments or to undertake capital expenditure except where, in the opinion of both the Board and the Investment Manager (or, where relevant, the Investment Manager's successors):

- the investment is a follow-on investment made in connection with an existing asset in order to comply with the Company's pre-existing obligations; or
- failure to make the follow-on investment may result in a breach of contract or applicable law or regulation by the Company; or
- the investment is considered necessary to protect or enhance the value of any existing investments or to facilitate orderly disposals.

Principal Risks and Uncertainties (continued)

Credit risk *(continued)*
The Company's assets are diversified by geography, asset class, and duration, thereby reducing the impact that investment risk may have on the overall portfolio. This diversification may reduce as assets are realised, but is an acceptable, and to some extent unavoidable, risk associated with the realisation process.

The credit risk associated with the investments is reduced not only by diversification but also by the use of security. Despite the use of security, credit risk is not reduced entirely and so the Investment Manager monitors the recoverability of the loans (on an individual loan basis) each month and impairs loans in accordance with IFRS 9 Financial Instruments.

Platform risk
The Company is dependent on platforms, albeit to a lesser extent for that reducing part of the loan portfolio originated through platforms than was the case prior to the change of Investment Manager in April 2017, to operate the loan portfolio (to effectively monitor loans; and to pay and receive monies as necessary). If a platform were no longer able to operate effectively this could put at risk loans made with/through such a platform and increase credit risk.

The Investment Manager undertakes due diligence on all the platforms and part of this work is to confirm that the platforms have disaster recovery policies in place whereby a third party administrator would step in to manage the loans in the event the platform could no longer do so. If such an event were to occur, the Company's approach would vary depending on the platform and the circumstances, and would be determined by the Board after discussion with the Investment Manager and other advisers.

The Company's exposure to platform risk is decreasing as it realises platform loans and exits positions on certain platforms entirely.

Regulatory risk
The Company's operations are subject to wide ranging regulations, which continue to evolve and change. Failure to comply with these regulations could result in losses and damage to the Company's reputation.

The Company employs third party service providers to ensure that regulations are complied with.

Reputational risk
Any adverse impact on the Company's reputation would likely result in a fall in its share price, thereby adversely affecting Shareholders.

Details of the premium/discount of the share price to NAV are disclosed on page 17.

Environment, Employee, Social and Community Issues

As an investment company, the Company does not have any employees or physical property, and most of its activities are performed by other organisations. Therefore, the Company does not combust fuel and does not have any greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

When making investment decisions, the Investment Manager has not, historically, considered the impact that an entity in which the Company invests may have on the community. However, whilst the Board believes that all companies have a duty to consider their impact on the community and the environment, the Company does not have a direct impact on the community or environment and, as a result, does not maintain policies in relation to these matters.

The Investment Manager is committed to achieving the best possible risk-adjusted returns through integrating Environmental, Social and Governance ("ESG") considerations into its core investment analysis and decision-making process, whilst being mindful of the managed wind-down of the Company. The Investment Manager recognises the value in considering ESG risks and has adopted the following ESG approach in conducting its business:

- Taking into account the non-financial performance of target companies, specifically related to governance, social and environmental policy.
- Adopting responsible and ethical approach to governance including:
  - Remuneration of senior management and a policy on bonuses that is compliant with international standards;
  - Implementation of compliance policies and procedures and on-going monitoring of the firm's systems and controls;
  - Implementation of risk controls throughout the business; and
  - Consideration of our ethical obligations in all business conduct (anti money laundering, anti-corruption, reputational due diligence).
- Encouraging a human resource policy which values and respects all staff members through:
  - Objective criteria to measure performance and competencies;
  - Support programs requiring senior management involvement in all staff members career progression; and
  - Equality across all staff irrespective of role, gender, race, age, religious belief or sexual orientation.

Gender Diversity

The Board of Directors of the Company currently comprises two male Directors and one female Director. Further information in relation to the Board's policy on diversity can be found in the Directors' Remuneration Report on page 33.

Key Performance Indicators

The Board uses the following key performance indicators ("KPIs") to help to assess the Company's performance against its objectives. Further information on the Company's performance is provided in the Chairman's Statement and the Investment Manager's Report.

Dividend yield

The Company distributes at least 85% of its distributable income by way of dividends. During any year, the Company may retain some of the distributable income and use these to smooth future dividend flows.

The Company has announced dividends of £4,476,000 (8.50p per Ordinary Share) for the year ended 30 June 2021 (2020: £3,684,000 (7.00p per Ordinary Share)), being far in excess (2020: 228.5%) of distributable income for the year (see notes 5 and 22 for further details). To ensure the tax efficient streaming of qualifying interest income, the Company may announce an additional dividend for the year ended 30 June 2021, once the tax advisers have finalised the tax computations.

Capital returned to Shareholders

Following the change in investment objective on 17 September 2020, the Directors consider it important to measure the amount of capital returned to Shareholders. During the year, £10,269,000 (see note 5) was returned to Shareholders by way of B Share redemptions and £5,090,000 (see note 5) was paid to Shareholders by way of dividends, which included two dividends of 0.583p per Ordinary Share each which related to the prior year. In addition, during the year 49,999 Management Shares were bought back for £49,999 and cancelled (see note 21).

NAV and total return

The Directors regard the Company's NAV as a key component to delivering value to Shareholders, but believe that total return (which includes dividends and B Share redemptions) is the best measure for shareholder value.

Details of the NAV and total return are disclosed on page 3 and note 23.

Premium/discount of share price to NAV

The Board understand the importance of minimising the discount to NAV at which the Company's Ordinary Shares trade and the Board regularly monitors the premium/discount of the price of the Ordinary Shares to the NAV per share. During the year, the Company traded at an average discount to NAV of 8.7% (2020: 7.7%). At 30 June 2021, the shares were trading at 42.50p, a 17.1% premium to NAV (2020: 76.50p, an 11.4% discount to NAV).

David Stevenson
Chairman
20 October 2021

Promoting the Success of the Company

The following disclosure outlines how the Directors have had regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006.

The Board considers the needs of a number of stakeholders when considering the long-term future of the Company. The key stakeholders with which the Board has liaised during the year ended 30 June 2021 were:

- Shareholders; and
- Key service providers.

Shareholders
The Company's significant Shareholders at the year end can be found in the Directors' Report on page 20.

When making principal decisions the Board consider it imperative to analyse the views of the Company's investors to ensure that its decisions are aligned with the wishes of Shareholders and that the Company can achieve its Investment Policy (as disclosed on page 4). The key performance indicators (see page 17) have been considered on an ongoing basis as part of the Board's decision making process.

Details of how the Directors communicate with Shareholders can be found in the Corporate Governance Report, on page 25.

Other than the routine engagement with investors regarding strategy and performance, the Company's continuation was discussed with investors. A continuation vote was held on 19 June 2020 that, in line with the Directors' recommendation, did not pass. A further general meeting of the Company was held on 17 September 2020 at which a special resolution approved the managed wind-down of the Company and the adoption of the new investment policy of the Company.

Key service providers
Details of the Company's key service providers can be found in the Directors' Report on page 20.

The key service providers are fundamental to the Company's ability to continue in the same state as any changes could disrupt the expected timeliness of information provided to the markets. In turn, this would be likely to have a detrimental impact on the Company's reputation. However, on 20 August 2021, the Company agreed with the Investment Manager and its AIFM to amend the investment management agreement and for the agreement to terminate with effect from midnight on 31 December 2021. The Board believes that the revised Agreement provides the Company with certainty over the level of future management fees payable to the Investment Manager with the added flexibility of facilitating the Company becoming self-managed should the Board deem that appropriate, whilst providing for the ongoing management of the portfolio to 31 December 2021. Overall, it allows for an orderly transition of the management of the portfolio to the Company.

The Board has continuous access to the Company's key service providers and has open two-way communication with them. Key aspects of discussion with these service providers, other than those regarding Company performance and strategy, were in respect of fees payable to these providers.

Following these discussions, the Investment Manager's fees were amended as disclosed in note 7.

David Stevenson
Chairman
20 October 2021

Board of Directors

David Stevenson *(Non-executive Chairman and Chair of the Management Engagement Committee)*
David is a financial journalist and commentator for a number of leading publications including The Financial Times (the Adventurous Investor), Investment Week (The Contrarian), Money Week and the Investors Chronicle. He is also executive director of the world's leading alternative finance news and events services www.altfi.com, which focuses on covering major trends in marketplace lending, crowd funding and working capital provision for small to medium sized enterprises. David is also the author of a number of books on investment including the bestselling book on ETFs and their use within portfolios in Europe for the Financial Times. Before founding www.altfi.com, David was a director at successful corporate communications business The Rocket Science Group and before that a senior producer in business and science in BBC TV.

Gaynor Coley *(Non-executive Director, Chair of the Audit and Valuation Committee and Chair of the Remuneration and Nominations Committee)*
Gaynor is a director and chair of the audit committee of Lowland Investment Company plc, a director and chair of the audit committee of Asia Dragon Trust plc (from 3 July 2019) and a director of the Foresight Venture Capital Trust plc (from 10 September 2020). She is a director and chairs the board of The Wave Group Limited, a private company, based in Bristol building inland surfing venues and director of a number of other private companies. She was previously the Director of Public Programmes at the Royal Botanic Gardens Kew following on from 15 years as the Managing Director of the award winning Eden Project in Cornwall, and five years as the Director of Finance at Plymouth University. A qualified chartered accountant, she has over 30 years of experience in private and public sector finance and governance.

Brett Miller *(Non-executive Director) – appointed 8 July 2020*
Brett presently serves as a director of the following publicly listed companies in addition to the Company: KKV Secured Loan Fund Limited and Manchester & London Investment Trust plc. He is also a director of a number of unlisted and/or private companies.

Brett was formerly executive director at Damille Investments Ltd and Damille Investments II Ltd, both four year closed end funds listed on the specialist funds market of the LSE.

Brett has wide ranging closed end fund and investment trust/investment company experience both as an investor and in managing or serving on boards of closed ended funds. He has been involved (as executive and non-executive director) in the management and in some cases, the running off and realisation, of numerous LSE and AIM listed closed end funds across a wide range of asset classes including (but not limited to) The Local Shopping REIT plc, China Growth Opportunities Fund, Loudwater Trust plc, Rapid Realisations Fund Limited, Ranger Direct Lending Fund plc, HWSI Realisation Fund Limited, and EIH plc. He has considerable expertise in restructuring and re-aligning management incentives and aligning shareholder and managerial interests for both ongoing and realisation situations.

Directors' Report

The Directors of the Company are pleased to present their report and audited Financial Statements for the year ended 30 June 2021.

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

Principal activity

The principal activity 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.

On 17 September 2020, Shareholders voted to change the Company's investment policy to carry out an orderly realisation of the Company's portfolio of assets and distribution of cash to Shareholders.

Change of name

On 18 July 2020, the Company changed its name from SQN Secured Income Fund plc to Secured Income Fund plc.

Results, Dividends and B Share Scheme

The results of the Company for the year are shown on page 39.

Further details, including details of future developments, are provided in the Chairman's Statement and Investment Manager's Report.

The Company distributes at least 85% of its distributable income by way of dividends.

The Company elected to designate all of the dividends for the year ended 30 June 2021 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.

The Company announced dividends of 8.50p per Ordinary Share out of the profits for the year ended 30 June 2021, all of which were provided for in these financial statements. In accordance with IFRS, dividends are only provided for when they become a contractual liability of the Company. Therefore, during the year a total of £5,090,000 was incurred in respect of dividends, none of which was outstanding at the reporting date.

The Directors do not recommend the payment of a final dividend for the financial year.

Following Shareholder approval at a General Meeting on 23 March 2021, the Company established a B Share Scheme whereby capital is returned to Shareholders via the bonus issue, and subsequent repurchase, of B Shares pro-rata to Shareholders' holding of Ordinary Shares.

B Shares equivalent to 19.5 pence per Ordinary Share were issued and repaid during the year.

Net Assets

At 30 June 2021, the Company had net assets of £19,106,000 (2020: £45,532,000).

Going Concern and Viability Statement

On 19 June 2020, the Company held the Continuation Vote that, in line with the Directors' recommendation, did not pass. This vote was required under the Articles as the Company did not have a Net Asset Value of at least £250 million as at 31 December 2019. As this vote did not pass, the Directors (as required under the Articles) convened a further general meeting of the Company on 17 September 2020 at which Shareholders approved the managed wind-down of the Company.

Given the Company's investment policy to carry out an orderly realisation of the Company's portfolio of assets and distribution of cash to Shareholders, the financial statements have been prepared on a non-going concern basis. This has had no significant impact on the financial statements as the loans are included net of their expected credit loss provision ("ECL") and are expected to be realised in an orderly manner, and the estimated costs of winding up the Company are immaterial and therefore have not been provided for in the financial statements.

Directors' Report (continued)

Going Concern and Viability Statement *(continued)*
The Directors have assessed the prospects of the Company over the three year period to 30 September 2024. The Directors believe this period to be appropriate as any forecast beyond three years would likely produce figures that were too uncertain to be meaningful.

In their assessment of the viability of the Company, the Directors have considered the Company's principal risks and uncertainties together with the Company's income and expenditure projections, and sensitivity analyses were run to model the financial impact of changes in plausible impairment rates. The Directors also noted the relatively liquid nature of the Company's portfolio which could be utilised to meet funding requirements, if necessary.

The Company has processes for monitoring operating costs, share price discount, the Investment Manager's compliance with the investment objective and policy, asset allocation, the portfolio risk profile, counterparty exposure, liquidity risk, foreign exchange risk and financial controls.

After undertaking prudent and robust enquiries, and assessing all data relating to the Company's liquidity, the Directors have a reasonable expectation that the Company has adequate resources to: continue in operation; realise the Company's assets in an orderly manner; and meet its liabilities as they fall due, over the three year period to 30 September 2024, if necessary and if all assets have not been returned to Shareholders by then.

Litigation
So far as the Directors are aware, no litigation or claim of material importance is pending or threatened against the Company.

Internal Control and Financial Reporting
The Board is responsible for establishing and maintaining the Company's system of internal control. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and, by their nature, can only provide reasonable and not absolute assurance against misstatement and/or loss.

The key procedures which have been established to provide effective internal controls are as follows:

- The Administrator is responsible for the provision of administration and company secretarial duties;
- The duties of investment management and accounting are segregated. The procedures are designed to complement one another;
- The Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts; and
- The Board reviews financial information produced by the Company's Investment Manager and the Administrator on a regular basis.

The Company does not have an internal audit department. All of the Company's management functions are delegated to third parties and it is therefore felt that there is no need for the Company to have an internal audit function.

The Board has considered the FRC guidance on risk management, internal control and related financial and business reporting. The Board is responsible for ensuring the maintenance of a robust system of internal control and risk management and for reviewing the effectiveness of the Company's overall internal control arrangements and processes following recommendations from the Audit and Valuation Committee.

KSL, as the AIFM under the Alternative Investment Fund Managers Directive ("AIFMD"), is responsible for operating the Company's internal system of control and for initially reviewing its effectiveness. Such systems are however designed to minimise the risk and not entirely eliminate risk; they can provide only reasonable and not absolute assurance against material misstatement or loss.

Financial Risk Profile
The Company's financial instruments comprise loans, bonds with loan type characteristics, investments at fair value through profit or loss, cash and cash equivalents, other receivables, derivative instruments and other payables that arise directly from the Company's operations.

The main risks are market risk (comprising price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. Further details are given in note 24 to the financial statements. The Company's financial risk management objectives, policies and principal risks faced by the Company are outlined on pages 14 and 15.

Directors' Report (continued)

Material Contracts

The Company's material contracts are with:

- KKV Investment Management Ltd, which acts as Investment Manager;
- Kvika Securities Ltd, which acts as AIFM;
- FinnCap Limited, which acts as Broker;
- Elysium Fund Management Limited, which acts as Administrator and Company Secretary;
- Royal Bank of Scotland International Limited, which acts as Banker; and
- Link Asset Services, which acts as Registrar.

On 20 August 2021, the Company agreed with the Investment Manager and its AIFM to amend the investment management agreement and for the agreement to terminate with effect from midnight on 31 December 2021.

The key terms of the revised agreement are set out below:

- Management fees payable by the Company to the Investment Manager of £20,500 per month from 1 August 2021 to 31 December 2021;
- A payment of £20,000 in total payable by the Company to the Investment Manager, but conditional on a senior employee providing continued services to the Company to 31 December 2021; and
- The agreement will terminate with effect from midnight on 31 December 2021. No party has the right to terminate the agreement prior to this date without cause. No fees shall be payable by either party on termination other than the amount referred to above.

The Board believes that the revised Agreement provides the Company with certainty over the level of future management fees payable to the Investment Manager with the added flexibility of facilitating the Company becoming self-managed should the Board deem that appropriate, whilst providing for the ongoing management of the portfolio to 31 December 2021. Overall, it allows for an orderly transition of the management of the portfolio to the Company.

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".

Capital structure and share issues

The Company has 52,660,350 Ordinary Shares (of 1 pence each) in issue, together with 1 Management Share (of £1). The Company does not currently have any borrowings.

Substantial shareholdings

As at 30 June 2021, the Company was aware of the following Shareholders holding 3% or more in the Company's voting rights:

Shareholder	*Number of Ordinary Shares*	*Percentage holding*
Somerston Group	14,729,383	27.97
Philip J Milton & Company	3,775,331	7.17
Albion Resources	3,758,000	7.14
WM Thomson	3,357,000	6.37
SQN Asset Management	3,300,000	6.27
CQS Asset Management	3,208,000	6.09
CG Asset Management	2,662,103	5.06
AXA Framlington Investment Managers	2,500,000	4.75
Pictet Asset Management	2,500,000	4.75
Jupiter Asset Management	2,140,000	4.06
Staude Capital	2,106,000	4.00

Philip J Milton & Company increased its holding to 4,337,806 (8.24%) and Staude Capital reduced its holding to 1,791,000 (3.40%) between 30 June 2021 and the date of this report.

Directors' Report (continued)

Letters of appointment and election of Directors

Biographies of the Directors are set out on page 19 and demonstrate the wide range of skills and experience each brings to the Board. The Directors were identified and interviewed prior to their appointments and advice was taken in respect of their appointment from the Company's other relevant advisers.

During the year and to date, the following served as Directors of the Company:

David Stevenson *(Chairman)*

Gaynor Coley

Brett Miller *(appointed 8 July 2020)*

In addition, Douglas Armstrong of Dickson Minto (the Company's legal adviser) was appointed to act as an alternate Director of the Company for the duration of the Company's General Meeting held on 17 September 2020 and Sarah Wylie of Dickson Minto was appointed to act as an alternate Director of the Company for the duration of the Company's General Meeting held on 23 March 2021.

Each Director signed a letter of appointment to formalise the terms of their engagement as a Director. The terms of those letters of appointment specify that non-executive Directors are typically expected to serve an initial three year term, subject to retirement by rotation in accordance with the Company's Articles of Association. Continuation beyond the initial three year term will be subject to re-election by the Shareholders. Copies of the letters of appointment are available on request from the Company Secretary and will be available at the Annual General Meeting ("AGM").

Directors' interests

At 30 June 2021 and the date of signing this report, the Directors' interests in the Ordinary Shares of the Company were as follows:

	30 June 2021	*20 October 2021*
David Stevenson	20,256	20,256
Gaynor Coley	2,139	2,139
Brett Miller	–	–

During the year, no Director had a material interest in a contract to which the Company was a party (other than their own letter of appointment), requiring disclosure under the Companies Act 2006.

There were no changes in the interests of Directors between 30 June 2021 and the date of this report.

Political donations

The Company made no political donations during the year to organisations either within or outside of the EU (2020: nil).

Corporate Governance

The Corporate Governance Report, which forms part of the Directors' Report, can be found on pages 26 to 27.

Auditor

During the year, Moore Kingston Smith LLP ("MKS") was appointed as the Company's auditor, in place of RSM UK Audit LLP, and has expressed its willingness to continue in office.

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all steps that they ought to have taken as a Director to establish that the Company's auditor is aware of that information.

On behalf of the Board

David Stevenson
Chairman
20 October 2021

Gaynor Coley
Director
20 October 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, Strategic Report, Directors' Remuneration Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements of the Company in accordance with UK-adopted International Financial Reporting Standards ("IFRS").

The Financial Statements are required by law and IFRS to present fairly the financial position of the Company and of the financial performance of the Company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the Directors' Report, confirm that, to the best of each person's knowledge:

- the Financial Statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company taken as a whole together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on Secured Income Fund plc's website.

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

David Stevenson
Chairman
20 October 2021

Gaynor Coley
Director
20 October 2021

Corporate Governance Report

Companies admitted to trading on the Specialist Fund Segment of the London Stock Exchange's main market are not required to comply with the UK Corporate Governance Code 2018 (the "Code"). The Directors have considered the principles and recommendations of the 2019 AIC Code of Corporate Governance (the "AIC Code"), which is available at www.theaic.co.uk. The AIC Code addresses all the principles set out in the Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. The Company is committed to high standards of corporate governance and has sought to follow industry best practice with respect to those aspects of the AIC Code that are considered by the Board to be practical and appropriate for an organisation of its size and nature and which, in the Board's opinion, are of material benefit to the Company and/or its stakeholders. The Disclosure and Transparency Rules require the Company to, amongst other things: (i) make a corporate governance statement in its annual report and accounts based on the code to which it is subject, or with which it voluntarily complies; and (ii) describe its internal control and risk management arrangements.

The Directors recognise the value of the AIC Code and have taken appropriate measures to ensure that during the year, the Company has followed, as far as possible given the Company's size and nature of business, the AIC Code, except as set out below:

Senior Independent Director – The Board has not formally appointed a senior independent director as required by Provision 6.2.14 of the AIC Code. The Board deems this to be unnecessary as the majority of the Directors are independent, including the Chairman of the Board.

Non-independent Director – On 16 September 2020, Brett Miller was appointed to the Board of KKV Secured Loan Fund Limited, which is also managed by the Investment Manager, so from that date, as he serves as a director on two entities managed by the Investment Manager, he is no longer considered to be independent. As Mr Miller has not been independent since 16 September 2020, he is not a member of the Management Engagement Committee. However, the Board has agreed that the Audit and Valuation Committee and Remuneration and Nominations Committee benefit from Mr Miller's valuable contributions, and it does not expect his lack of independence to negatively impact his position in the future. Therefore, although this is not in compliance with Provision 8.2.29 or Provision 9.2.37 of the AIC Code, Mr Miller continues to be a member of the Audit and Valuation Committee and Remuneration and Nominations Committee.

The Board and its committees

The Board has delegated certain responsibilities to its Audit and Valuation, Management Engagement, and Remuneration and Nominations Committees. Given the size and nature of the Board it was felt appropriate that all Directors are members of the Audit and Valuation Committee and Remuneration and Nominations Committee. However, as (from 16 September 2020) Brett Miller has not been considered to be independent, he is not a member of the Management Engagement Committee.

The roles and responsibilities of the committees are set out in the appropriate terms of reference and are summarised below.

The Chairman of the Company is a member of the Audit and Valuation Committee and the Remuneration and Nominations Committee, and chairs the Management Engagement Committee. This is considered appropriate due to: the lack of perceived conflict; the small size of the Board; and because the Directors believe that he continues to be independent.

Items are discussed and, as appropriate, matters are endorsed, approved or recommended to the Board by the committees. The chairman of each committee provides the Board with a summary of the main discussion points at the committee meeting, and any decisions made by the committee along with any recommendations which require Board approval.

The Board may also delegate certain functions to other parties; in particular, the Directors may delegate to the Investment Manager. However, the Directors retain responsibility for exercising overall control and supervision of the Investment Manager. Matters reserved for the Board include, amongst others, approval and oversight of the Company's investment activities by ensuring that the Company has complied with its investment restrictions. The Board also reviews the progress of the Company in undertaking the managed wind-down and, in light of the current market condition, considers the strategy taken by the Investment Manager. Approval of the half-yearly report and financial statements, announcements, dividends, B share scheme redemptions and annual report and financial statements are also reserved for the Board.

Corporate Governance Report (continued)

The Board and its committees *(continued)*

Audit and Valuation Committee

The Company's Audit and Valuation Committee, comprising all the Directors of the Company, meets at least twice a year. Gaynor Coley is the chair of the Audit and Valuation Committee.

The Audit and Valuation Committee:

- Monitors the financial reporting process;
- Monitors the effectiveness of the Company's internal control and risk management systems;
- Monitors the annual statutory audit process;
- Reviews and monitors the independence of the Company's auditor in particular in relation to the auditor's provision of additional services to the Company;
- Reviews the whistleblowing procedures of the Investment Manager; and
- Is responsible for recommending valuations of the Company's investments to the Board.

Management Engagement Committee

The Company's Management Engagement Committee, comprising both of the independent Directors of the Company, meets at least once a year. David Stevenson is the chairman of the Management Engagement Committee.

The Management Engagement Committee reviews the actions and judgements of the Investment Manager and also the terms of the Investment Management Agreement. It also reviews the performance of and agreements with other service providers. The most recent evaluation found that, at a minimum, all service providers were rated satisfactory.

Remuneration and Nominations Committee

The Company's Remuneration and Nominations Committee, chaired by Gaynor Coley, consists of all the Directors and meets at least once annually to ensure that the Board has an appropriate balance of skills to carry out its fiduciary duties and to select and propose suitable candidates when necessary for appointment. Prior to 8 July 2020, David Stevenson was the chairman of the Remuneration and Nominations Committee.

The Board takes diversity into account, including gender, during the appointment process. However, the Board is committed to appointing the most appropriate candidate. Therefore, no targets have been set against which to report.

The Remuneration and Nominations Committee undertakes an annual performance evaluation of the Board, its Committees, individual Directors and Chairman, to ensure that all its members have devoted sufficient time and contributed adequately to the work of the Board. The Chairman reviews with each Director their performance and the Board reviews the Chairman's performance. In the light of these evaluations, the Remuneration and Nominations Committee makes recommendations to the Board concerning the reappointment by Shareholders of any Director under the "retirement by rotation" provisions in the Company's Articles of Association. The Remuneration and Nominations Committee also reviews Directors' fees and makes recommendations to the Board as and when required in relation to remuneration policy.

Each Director submits a list of potential conflicts of interest at each Board meeting. These are considered carefully, taking into account the circumstances surrounding them and, if considered appropriate are approved by the Board.

Corporate Governance Report (continued)

Board meeting attendance

During the year, the Company held seventeen Board meetings, one Committee meeting, two Audit and Valuation Committee meetings, one Management Engagement Committee meeting and one Remuneration and Nominations Committee meeting. Attendance at these Board and Committee meetings is detailed below:

	Number of meetings				
	Board	Committees of the Board	Audit and Valuation Committee	Management Engagement Committee	Remuneration and Nominations Committee
David Stevenson	17/17	1/1	2/2	1/1	1/1
Gaynor Coley	17/17	1/1	2/2	1/1	1/1
Brett Miller (appointed 8 July 2020)	17/17	1/1	2/2	n/a	1/1

Board's performance evaluation

During the year, the Board undertook a performance evaluation. As part of the evaluation, the Chairman met the individual Directors for the purpose of a formal and rigorous performance appraisal and consideration of each Director's independence. The Directors met, without advisers present, to appraise the Chairman's performance. Going forward, any training needs identified as part of the evaluation process will be added to the agenda of the next Board meeting.

Relations with Shareholders and Annual General Meeting

The Company encourages two-way communication with both its institutional and private investors and intends to respond quickly to queries raised. The Investment Manager holds regular discussions with major Shareholders, the feedback from which is provided to, and greatly valued by, the Board. The Directors are available to enter into dialogue and correspondence with Shareholders regarding the progress and performance of the Company.

This year's AGM will be held at 1.30p.m. on 16 December 2021 at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF. In prior years we have encouraged Shareholders to attend the AGM and to participate in the proceedings. However, on account of the Covid-19 pandemic and the continued uncertainty associated with this, Shareholders are strongly discouraged from attending the AGM and entry will be refused if the law and/or Government guidance so requires. Arrangements will be made by the Company to ensure that a minimum number of Shareholders required to form a quorum will attend the AGM in order that the meeting may proceed. Given they are unlikely to be able to attend the AGM in person, Shareholders are strongly encouraged to appoint the Chairman of the AGM as their proxy to vote on their behalf.

The notice of the AGM, which will be circulated to all registered Shareholders with at least twenty-one days' notice, sets out the business of the meeting and an explanation of each proposed resolution. Separate resolutions are proposed in respect of each substantive issue.

On behalf of the Board

David Stevenson
Chairman
20 October 2021

Audit and Valuation Committee Report

Composition

The Audit and Valuation Committee comprises all of the Directors of the Company and is chaired by Gaynor Coley. Gaynor Coley has substantial business experience together with the necessary experience in accounting and auditing.

Responsibilities

The Audit and Valuation Committee monitors the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcements relating to its financial performance and reviews significant financial reporting issues and judgement which they contain, having regards to matters communicated by the external auditor.

The Audit and Valuation Committee monitors potential changes to the Code, AIC Code and relevant UK legislation (and EU legislation prior to the UK's withdrawal from the EU) relating to appointment of auditors, restrictions on the non-audit services provided by external auditors and the fees they receive.

The key responsibilities and principal activities of the Audit and Valuation Committee, as identified in its terms of reference and other than as mentioned above, are as follows:

- to review, and challenge where necessary, the consistency of, and any changes to, significant accounting policies on a year on year basis across the Company;
- to review and monitor the Company's financial reporting processes and consider the effectiveness of the Company's internal financial control policies and procedures;
- to review and challenge the going concern (or non-going concern) assumption;
- to review the content of the Annual Report and Financial Statements and decide on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy;
- to review and approve the annual audit plan with the external auditor and ensure that it is consistent with the scope of the audit engagement (after prior review by the Audit and Valuation Committee chairman), having regard to the seniority, expertise and experience of the audit team;
- to view the findings of the audit with the external auditor, including discussing the major issues that arise during the audit, the key accounting and audit judgements, the levels of errors identified during the audit and the effectiveness of the audit process;
- to review any representation letters requested by the external auditor (and/or responses from the management) before they are signed by the Board;
- to assess annually the external auditor's independence and objectivity and the effectiveness of the audit process taking into account relevant UK law, professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
- ensure that at least once every 10 years the audit services contract is put out to tender to enable the Audit and Valuation Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender, oversee the selection process for new auditors and in the event the external auditor resigns, investigate the issues leading to this decision and decide whether any action is required;
- to review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems and review and approve the statements to be included in the annual report concerning internal controls and risk management;
- to monitor the integrity of the recommended valuations and any impairment of loans made by the Investment Manager and to recommend valuations/impairment of the Company's investments to the Board; and
- to arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary.

As the Company has no employees, the Company does not have whistleblowing policy and procedures in place. However, the Audit and Valuation Committee reviews the whistleblowing procedures of the Investment Manager and certain other external service providers to ensure that the concerns of its staff may be raised in a confidential manner.

Audit and Valuation Committee Report (continued)

Meetings

The Audit and Valuation Committee meets at least twice a year at appropriate intervals in the financial reporting and audit cycle. Further meetings will take place should the chairman of the Audit and Valuation Committee or other members require. Only the Audit and Valuation Committee members have the right to attend and vote on these meetings. However, other individuals, such as representatives of the Investment Manager, other representatives from the finance function of the Company and the external auditor may be invited to attend all or part of any meeting.

Primary areas of judgement in relation to the Annual report and financial statements

The Audit and Valuation Committee has considered the significant judgements made in the Annual report and financial statements and receives reports from the external service providers and the external auditor on those judgements. The Audit and Valuation Committee pays particular attention to the matters it considers to be important by virtue of size, potential impact, complexity and level of judgement.

The internal controls over financial reporting were considered, together with feedback from the Company's Investment Manager, Company Secretary and the Company's external auditor.

The Audit and Valuation Committee has considered the valuation of unquoted investments. It is satisfied that the valuations are in accordance with the Company's accounting policies and that the carrying values used in these financial statements represent an appropriate fair value.

The Audit and Valuation Committee has considered the valuation of the loans and the associated impairment. It has reviewed the assessments of impairment from the Investment Manager and platforms and is satisfied that the level of impairment of loans and associated interest in these financial statements is appropriate.

The Audit and Valuation Committee has met with the audit team and has assessed MKS's performance to date. The Audit and Valuation Committee received a report and supporting presentation from MKS on its audit of the financial statements for the year. The Audit and Valuation Committee read and discussed the Annual Report, with special attention to the considerations included above and concluded that it is fair, balanced and understandable.

Internal audit

The Audit and Valuation Committee and the Board have considered the need for an internal audit function and they have decided that the procedures employed by the Investment Manager and Administrator give sufficient assurance that a sound system of internal control is maintained. Therefore, an internal audit function is not considered to be necessary. However, in accordance with the Audit and Valuation Committee's terms of reference, the requirement will be revisited annually.

External audit

In accordance with the requirements of the AIC Code and the regulatory framework, the Company will ensure that the external audit contract is put out to tender at least every 10 years from the appointment date of the current auditor.

The Audit and Valuation Committee met with the previous auditor RSM UK Audit LLP ("RSM") during the year, on 24 September 2020, and received a presentation of the audit findings report and discussed the audit of the 30 June 2020 financial statements. No significant issues were noted in the audit findings report presented.

During the year, a competitive audit tender process was performed whereby selected audit firms were invited to pitch for the role of external auditor of the Company. The Board interviewed prospective audit firms and, having taken account of each firms' responses, experience and fee quote, offered the role of external auditor to MKS.

Audit and Valuation Committee Report (continued)

External audit *(continued)*
MKS presented the detailed audit plan to the Audit and Valuation Committee on 6 July 2021. The plan sets out the audit scope, the significant audit risks the Company faces, MKS's position on audit independence, materiality, proposed timetable and audit fee. Following the completion of the audit, the Audit and Valuation Committee will review MKS's effectiveness by:

- discussing the overall risk-based audit process and the audit procedures taken to address the identified significant audit risks;
- considering the feedback on the audit provided by the Investment Manager and the Administrator; and
- considering the experience, involvement of specialists and continuity of the audit team, including the audit partner.

The feedback provided by the Investment Manager and the Administrator regarding the audit team's performance was positive. The Audit and Valuation Committee acknowledged that the audit team, including the audit partner, comprised staff with appropriate levels of knowledge and experience. Accordingly, the Audit and Valuation Committee has recommended to the Board that MKS be re-appointed as Auditor at the forthcoming AGM. MKS has confirmed its willingness to continue in office.

Certain non-audit services may be provided by the external auditor, which are not considered to impair the external auditor's independence or objectivity. The Audit and Valuation Committee considered the safeguards in place to protect the external auditor's independence by taking into account MKS's report to the Audit and Valuation Committee that its objectivity has not been compromised. The FRC's Revised Ethical Standard 2019 sets out a white list of non-audit services that are permitted to be provided and the Audit and Valuation Committee agreed that the external auditor may be able to provide non-audit services to the Company provided that:

- the Audit and Valuation Committee has completed an assessment of threats to independence and safeguards applied to address such threats;
- the services do not include any elements of those services prohibited in Regulation 80 of the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177) (the "EU black list"); and
- the services are provided on a non-contingent fee basis.

The external auditor did not provide any non-audit services during the year or to the date of approval of the Annual Report and Financial Statements. For the year ended 30 June 2021, total fees, plus VAT, charged by MKS, together with amounts accrued at 30 June 2021, amounted to £46,000, all of which related to audit services (2020: RSM, £40,000, all of which related to audit services).

On behalf of the Audit and Valuation Committee

Gaynor Coley
Chairman of the Audit and Valuation Committee
20 October 2021

Directors' Remuneration Report

The Directors' Remuneration Report for the year ended 30 June 2021 has been prepared in accordance with the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (SI 2019/970).

Composition

The Remuneration and Nominations Committee comprises all of the Directors of the Company and is chaired by Gaynor Coley. Prior to 8 July 2020, David Stevenson was the chairman of the Remuneration and Nominations Committee.

The Directors, all of whom are non-executive Directors, are the only officers of the Company. Copies of the Directors' letters of appointment are available upon request from the Company Secretary.

Under the terms of their appointment, each of the Directors are typically expected to serve an initial three year term, subject to retirement by rotation in accordance with the Company's Articles of Association. Continuation beyond the initial three year term will be subject to re-election by the Shareholders.

Termination policy

Should a Director not be re-elected by Shareholders, or is retired from office under the Articles of Association, the appointment shall be terminated with immediate effect and without compensation.

A Director may resign at any time by notice in writing to the Board in accordance with the provisions of the Articles of Association.

The Company may terminate a Director's appointment with immediate effect should the Director have:

- committed any serious breach or (after warning in writing) any repeated or continued material breach of their obligations to the Company; or
- been guilty of any act of dishonesty, fraud or serious misconduct or any conduct which (in the reasonable opinion of the Board) tends to bring the Director or Company into disrepute.

Remuneration policy

The Directors shall be paid such remuneration for their services as determined by the Remuneration and Nominations Committee, save that, unless otherwise determined by the Company by ordinary resolution, the Directors' combined remuneration shall not exceed £500,000 per annum.

In setting the level of each non-executive Director's fees, the Company had regard to: the time commitments expected; the level of skill and experience of each Director; and the current market and levels of companies of similar size and complexity. Following this evaluation, the Remuneration and Nominations Committee determined that the fees as set out in this remuneration policy were appropriate.

Under the terms of their appointments as non-executive Directors, the Directors are entitled to the following annual fees:

	With effect from 17 September 2020[1]	*Prior to 17 September 2020*
David Stevenson – Chairman and chairman of the Management Engagement Committee	£45,000	£37,500 (£27,500 prior to 26 May 2020)
Gaynor Coley – chairman of the Audit and Valuation Committee and chairman of the Remuneration and Nominations Committee	£40,000	£31,250
Brett Miller	£40,000	£27,500 (from 8 July 2020)

[1] The remuneration of the Directors changed with effect from the 17 September 2020, when Shareholders voted to change the investment objective of the Company and to proceed with a managed wind-down, which the Directors believe will involve substantial extra effort.

All of the Directors are also entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company. The Directors do not participate in any discussions relating to their own fee, which is determined by the other Directors.

The Company does not pay any remuneration to the Directors for loss of office.

Directors' Remuneration Report (continued)

Remuneration policy *(continued)*

On termination of the appointment, Directors shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred prior to that date.

Annual report on remuneration *(audited)*

Service contracts obligations and payment on loss of office

No Director has a service contract with the Company and, as such, no Director is entitled to compensation payments upon termination of their appointment or loss of office.

Total remuneration paid to each Director

The total remuneration of the Directors for the year ended 30 June 2021 was:

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
David Stevenson	43,462	28,417
Gaynor Coley	38,189	31,250
Brett Miller (appointed on 8 July 2020)	37,003	–
Ken Hillen (resigned on 26 May 2020)	–	33,846
Total	**118,654**	**93,513**

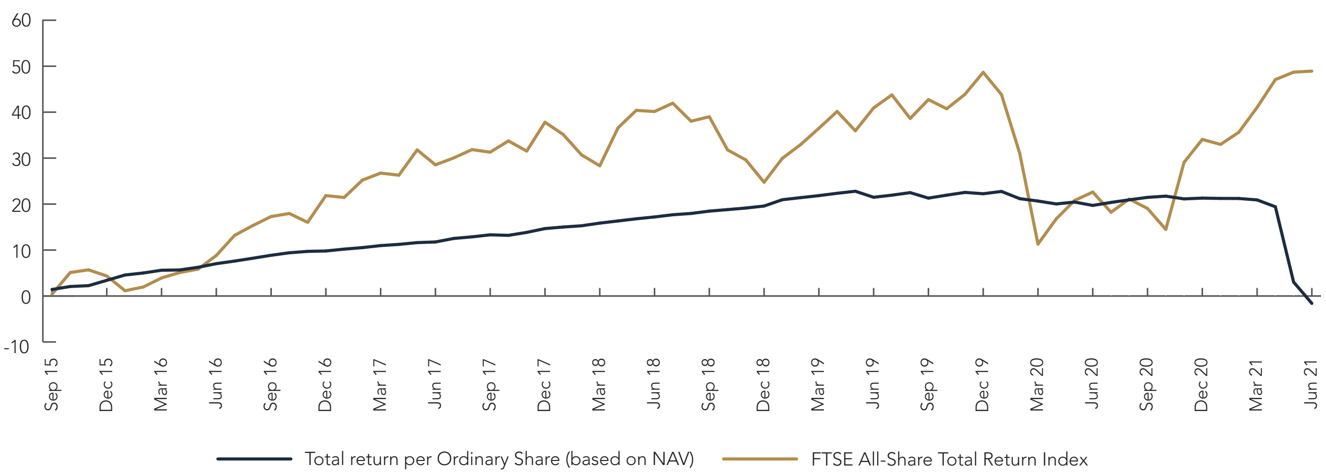
All of the above remuneration relates to salary and fees.

The Directors' remuneration does not contain any variable element and the Directors are not eligible for bonuses, share options or long-term incentive schemes or other performance-related benefits. There are no pension arrangements in place for the Directors of the Company. Accordingly, there were no other items in the nature of remuneration, pension entitlements or incentive scheme arrangements which were paid or accrued to the Directors during the year (2020: none).

During the year, no payments were made to persons who had previously been Directors of the Company (2020: none).

Performance graph

The following graph compares the total return on the Company's Ordinary Shares to that of the FTSE All-Share Total Return Index ("ASX Total Return Index").



Directors' Remuneration Report (continued)

Relative importance of spend on pay

The table below shows the Company's dividend payments compared to the amount spent on pay.

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Total Directors' remuneration	118,654	93,513
Total dividend payments [1]	5,090,149	3,684,118

[1] Total dividend payments includes the dividends paid on 24 July 2020 and 28 August 2020 of £307,010 each which were paid in relation to the year ended 30 June 2020, but were not provided for at 30 June 2020 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date.

Directors' shareholdings in the Company *(audited)*

Directors are not required under the Company's Articles of Association or letters of appointment to hold shares in the Company. However, as at 30 June 2021, and at the date of this report, Directors' shareholdings in the Company were as follows:

	30 June 2021 Ordinary shares	20 October 2021 Ordinary shares
David Stevenson	20,256	20,256
Gaynor Coley	2,139	2,139
Brett Miller	–	–

Board diversity

Currently the Board has two male Directors and one female Director. The Remuneration and Nominations Committee considers the current structure, size and composition required of the Board, taking into account the challenges and opportunities facing the Company. In considering future candidates, appointments will be made with regard to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skills, experience and expertise.

The Remuneration and Nominations Committee, and the Board, are committed to diversity at Board level. However, as the Company is now in a managed wind-down, the Remuneration and Nominations Committee are not aiming to increase the diversity of the Board at this stage.

Implementation of Remuneration Policy

The Company implemented the Directors' Remuneration Policy, after receiving Shareholder approval at the Company's AGM, in the financial year in line with the approach taken to Directors' remuneration during the year under review. Following the year end, the Remuneration and Nominations Committee undertook a review of fees against peer companies and in light of the time commitment and skills of the Directors. The outcome of the review was that the Remuneration and Nominations Committee recommended an increase in the Directors' remuneration with effect from 17 September 2020, as disclosed in the Remuneration Policy.

On behalf of the Board

Gaynor Coley
Chairman of the Remuneration and Nominations Committee
20 October 2021

Regulatory Disclosures

AIFMD disclosures

In accordance with the AIFMD, the Company is classified as an Alternative Investment Fund ("AIF") and has appointed KSL, with effect from 5 June 2020, as its AIFM (previously SQN US) to provide portfolio management and risk management services to the Company in accordance with the investment management agreement.

The Company is categorised as an externally managed European Economic Area ("EEA") domiciled AIF for the purposes of the AIFMD. As KSL is a non-EEA AIFM, KSL is only subject to the AIFMD to the extent that it markets an EEA AIF in the EEA. Therefore, KSL is required to make certain financial and non-financial disclosures.

Report on remuneration

The AIFMD requires certain disclosures to be made with regard to the remuneration policy of the Company's AIFM. However, KSL is a Small Authorised UK AIFM so remuneration disclosure is not required.

SQN US was the Company's AIFM Prior to KSL's appointment as AIFM on 5 June 2020. The total remuneration of the staff of SQN US for the period ended 5 June 2020 was £357,000, all fixed remuneration. There were three beneficiaries. The aggregate amount of remuneration of senior management and members of staff of SQN US whose actions had a material impact on the risk profile of the Company during the period ended 5 June 2020 was £123,000.

Key Information Document ("KID")

The Company's KID, which has been prepared in accordance with the requirements of the packaged retail investment products legislation, is available on the Company's section of the Investment Manager's website (https://kkvim.com/ secured-income-fund/).

Risk disclosures

The financial risk disclosures relating to the risk framework and liquidity risk, as required by the AIFMD, are set out on pages 14 and 15 and in note 24.

Pre-investment disclosures

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. The Company's Prospectus, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and Shareholder information, is available on the Company's website (https://kkvim.com/secured-income-fund/). Except for the changes to the investment restrictions, which were approved by Shareholders at the general meeting held on 27 April 2017, and the disapplication of pre-emption rights in respect of allotment of shares from treasury representing 20% of the Company's issued Ordinary Share capital, which was approved by Shareholders at the general meeting held on 18 December 2018, there have been no changes to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange.

Independent Auditor's Report to the members of Secured Income Fund plc

Opinion

We have audited the financial statements of Secured Income Fund plc ('the Company') for the year ended 30 June 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of the company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter financial statements prepared on a basis other than going concern

We draw attention to note 2 of the financial statements which describes the preparation of the financial statements on a non-going concern basis. As detailed in note 2, following the outcome of the Company's continuation vote on 19 June 2020 and general meeting on 17 September 2020, a special resolution was approved by the shareholders to put the Company into a managed wind-down. The Directors are in the process of completing an orderly realisation of the Company's portfolio of assets in order to maximise the distribution of cash to shareholders. Accordingly, the financial statements have been prepared on a basis other than going concern as described in note 2.

There have been no adjustments made to the recognition and measurement of assets and liabilities included within the financial statements as a result of the application of the non-going concern basis of preparation. Our opinion is not modified in respect of this matter.

Our approach to the audit

Our audit was scoped by obtaining an understanding of the Company and it's environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement. The Company is not part of a group and is subject to a full scope statutory audit.

Key audit matters

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

Investments valuation

Key audit matter description

As disclosed in note 14, the Company holds a loan book with a total carrying value of £14.7 million (2020: £42.6 million) as at 30 June 2021. The accounting policy adopted and judgements made in relation to the valuation of these assets is set out in note 3b) and note 4. There is significant management judgement involved in assessing the recoverability of these loans, taking into consideration the Company's contractual rights, available evidence of work performed and ongoing commercial negotiations. Therefore, there is a risk in relation to the valuation and potential impairment of the loans.

The continued economic impact of the COVID-19 pandemic on the global economy has increased the overall level of volatility and uncertainty which has impacted management's assessment of the recoverability of the loans which has been detailed in note 4. This has resulted in a continued material uncertainty in relation to the level of impairment provision that has been recognised.

In the current year the Company has recognised an impairment charge of £9,657,000 (2020: £3,299,000) and written off loans of £1,887,000 (2020: £268,000), as detailed in note 14. The Board considers £14,093,000 (2020: £4,436,000) of loans to be impaired at 30 June 2021.

Independent Auditor's Report to the members of Secured Income Fund plc (continued)

Investments valuation

How the matter was addressed in the audit

We have reviewed the impairment summary provided by management as at 30 June 2021 in line with the methodology and judgements made by management as described in note 4.

Our work included critically assessing and challenging management's assessment of the allocation of the individual loans as stage 1, stage 2 or stage 3, including the level of expected credit losses applied to each loan, obtaining an understanding of the security held in respect of specific loans and reviewing and testing a sample of cash receipts in the period and post year-end to support the explanations provided to us by management.

We obtained and reviewed updated legal documentation and official communications for any COVID related payment holidays or loan extensions offered by the Company. In addition, for platform loans, we requested and reviewed additional supporting evidence, provided by the platforms, to support the current monitoring update and credit worthiness of a sample of the platforms underlying borrowers and compared this information to managements own impairment assessment as at 30 June 2020 to highlight any significant discrepancies or defaults that may have occurred after 30 June 2020.

We have discussed our work with management and reviewed the disclosures made in the financial statements in relation to management's review of impairments and the uncertainties involved.

We found the valuation of investments to be acceptable.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users of the financial statements we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

Overall materiality

Our overall materiality is £148,000 with a specific materiality of £44,000 for income statement items.

Basis for determining overall materiality

Our materiality is based on 0.8% of Net Assets. The specific materiality for Statement of Comprehensive Income items is based on 1.4% of total revenue. The rationale for our materiality calculation is that following the Continuation Vote the Company has been in managed wind-down with the aim of extracting the maximum value for shareholders from the remaining investment portfolio. Net Asset Value is thus considered to be the most appropriate benchmark for the managed wind-down.

The Statement of Comprehensive Income includes several lower value income and expense balances in comparison to the Statement of Financial Position, and therefore we consider it appropriate to maintain a revenue based materiality for Statement of Comprehensive Income items.

Performance materiality

Our overall performance materiality has been calculated at £74,000, and £22,000 for the income statement items, which have been calculated as 50% of overall materiality.

Reporting of misstatements to the Audit and Valuation Committee

We agreed with the Audit and Valuation Committee that we would report all individual audit differences in excess of £7,400. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the members of Secured Income Fund plc (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' Remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the audit of the financial statements

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

A further description of our responsibilities is available on the FRC's website at https://www.frc.org.uk/auditors/auditor-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor's-responsibilities-for

This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the Company.

Independent Auditor's Report to the members of Secured Income Fund plc (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud *(continued)*

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the Company and considered that the most significant are [the Companies Act 2006, UK adopted international financial reporting standards, the Listing Rules, the Disclosure and Transparency Rules, and UK taxation legislation.
- We obtained an understanding of how the Company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.
- We evaluated managements' incentives to fraudulently manipulate the financial statements and determined that the principal risks related to management bias in accounting estimates and judgemental areas of the financial statements. We challenged the assumptions and judgements made by management in the valuation of investment valuation, which is the significant area of estimation, as described in the key audit matter above.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Other matters which we are required to address

We were appointed by the Audit and Valuation Committee on 24 June 2021 to audit the financial statements for the year ended 30 June 2021. Our total uninterrupted period of engagement is one year, covering the year ended 30 June 2021 only.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit and valuation committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the Company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the Company and Company's members as a body, for our work, for this report, or for the opinions we have formed.

Matthew Banton (Senior Statutory Auditor)
for and on behalf of
Moore Kingston Smith LLP, Statutory Auditor
Devonshire House
60 Goswell Road
London, EC1M 7AD
20 October 2021

Statement of Comprehensive Income

for the year ended 30 June 2021

	Note	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Revenue			
Interest income	3f	4,010	4,315
Impairment of interest income	14	(877)	–
Net interest income		3,133	4,315
Total revenue		**3,133**	**4,315**
Operating expenses			
Management fees	7a	(309)	(483)
Other expenses	11	(147)	(164)
Legal and professional fees		(139)	(97)
Administration fees	7b	(130)	(117)
Directors' remuneration	8	(119)	(94)
Broker fees		(56)	(197)
Transaction fees	7a	(46)	(147)
Total operating expenses		**(946)**	**(1,299)**
Investment gains and losses			
Movement in unrealised gains and losses on loans due to movement in foreign exchange on non-Sterling loans	14, 24	(1,283)	410
Impairment losses on financial assets (or loans)	14	(9,657)	(3,299)
Movement in unrealised (loss)/gain on investments at fair value through profit or loss	15	(92)	19
Movement in unrealised gain on derivative financial instruments	17, 24	6	345
Realised loss on disposal of loans		(2,544)	(536)
Realised gain on disposal of investments at fair value through profit or loss	15	94	–
Realised gain/(loss) on derivative financial instruments	17, 24	269	(852)
Total investment gains and losses		**(13,207)**	**(3,913)**
Net loss from operating activities before gain/(loss) on foreign currency exchange		**(11,020)**	**(897)**
Net foreign exchange gain/(loss)	24	3	(16)
Loss and total comprehensive income for the year attributable to the owners of the Company		**(11,017)**	**(913)**
Loss per Ordinary Share *(basic and diluted)*	13	**(20.92)p**	**(1.73)p**

There were no other comprehensive income items in the year.

Except for unrealised investment gains and losses, all of the Company's profit and loss items are distributable.

The accompanying notes on pages 43 to 68 form an integral part of the financial statements.

Statement of Changes in Equity

for the year ended 30 June 2021

	Note	Called up share capital £'000	Capital redemption reserve £'000	Special distributable reserve £'000	Profit and loss account £'000	Total £'000
At 1 July 2019		577	–	50,253	(701)	50,129
Loss for the year	*22*	–	–	–	(913)	(913)
Transactions with Owners in their capacity as owners:						
Dividends paid	*5, 22*	–	–	(2,072)	(1,612)	(3,684)
At 30 June 2020		**577**	**–**	**48,181**	**(3,226)**	**45,532**
Loss for the year	*22*	–	–	–	(11,017)	(11,017)
Transactions with Owners in their capacity as owners:						
Dividends paid	*5, 22*	–	–	(4,324)	(766)	(5,090)
B Shares issued during the year	*5, 21, 22*	10,269	–	(10,269)	–	–
B Shares redeemed during the year	*5, 21, 22*	(10,269)	10,269	(10,269)	–	(10,269)
Management Share buy backs	*21, 22*	(50)	50	(50)	–	(50)
At 30 June 2021		**527**	**10,319**	**23,269**	**(15,009)**	**19,106**

There were no other comprehensive income items in the year.

The above amounts are all attributable to the owners of the Company.

The accompanying notes on pages 43 to 68 form an integral part of the financial statements.

Statement of Financial Position

as at 30 June 2021

	Note	30 June 2021 £'000	30 June 2020 £'000
Non-current assets			
Loans at amortised cost	*14*	7,336	31,942
Investments at fair value through profit or loss	*15, 16*	–	251
Total non-current assets		**7,336**	**32,193**
Current assets			
Loans at amortised cost	*14*	7,333	10,691
Other receivables and prepayments	*18*	189	1,625
Cash and cash equivalents		4,396	1,193
Total current assets		**11,918**	**13,509**
Total assets		**19,254**	**45,702**
Current liabilities			
Other payables and accruals	*19*	(148)	(164)
Derivative financial instruments	*16, 17*	–	(6)
Total liabilities		**(148)**	**(170)**
Net assets		**19,106**	**45,532**
Capital and reserves attributable to owners of the Company			
Called up share capital	*21*	527	577
Other reserves	*22*	18,579	44,955
Equity attributable to the owners of the Company		**19,106**	**45,532**
Net asset value per Ordinary Share	*23*	**36.28p**	**86.37p**

These financial statements of Secured Income Fund plc (registered number 09682883) were approved by the Board of Directors on 20 October 2021 and were signed on its behalf by:

David Stevenson	Gaynor Coley
Chairman	Director
20 October 2021	20 October 2021

The accompanying notes on pages 43 to 68 form an integral part of the financial statements.

Statement of Cash Flows

for the year ended 30 June 2021

	Year ended 30 June 2021 £'000	*Year ended 30 June 2020 £'000*
Cash flows from operating activities		
Net loss before taxation	(11,017)	(913)
Adjustments for:		
Movement in unrealised gains and losses on loans due to movement in foreign exchange on non-Sterling loans	1,283	(410)
Impairment losses on financial assets (or loans)	9,657	3,299
Movement in unrealised loss/(gain) on investments at fair value through profit or loss	92	(19)
Movement in unrealised gain on derivative financial instruments	(6)	(345)
Realised loss on disposal of loans	2,544	536
Realised gain on disposal of investments at fair value through profit or loss	(94)	–
Realised (gain)/loss on derivative financial instruments	(269)	852
Amortisation of transaction fees	46	147
Interest received and reinvested by platforms	(1)	(50)
Capitalised interest	(1,174)	(1,486)
Decrease in investments	16,131	1,783
Net cash inflow from operating activities before working capital changes	17,192	3,394
Decrease/(increase) in other receivables and prepayments	1,436	(484)
Decrease in other payables and accruals	(16)	(20)
Net cash inflow from operating activities	**18,612**	**2,890**
Cash flows from financing activities		
Dividends paid	(5,090)	(3,684)
B Share scheme redemptions	(10,269)	–
Management share buy backs	(50)	–
Net cash outflow from financing activities	**(15,409)**	**(3,684)**
Increase/(decrease) in cash and cash equivalents in the year	**3,203**	**(794)**
Cash and cash equivalents at the beginning of the year	1,193	1,987
Cash and cash equivalents at the year end	**4,396**	**1,193**
Supplemental cash flow information		
Non-cash transaction – interest income	1,175	1,536

The accompanying notes on pages 43 to 68 form an integral part of the financial statements.

Notes to the Financial Statements

for the year ended 30 June 2021

1. GENERAL INFORMATION

The Company is a public company (limited by shares) and was incorporated and registered in England and Wales under the Companies Act 2006 on 13 July 2015 with registered number 09682883. The Company's shares were admitted to trading on the London Stock Exchange Specialist Fund Segment on 23 September 2015 ("Admission"). The Company is domiciled in England and Wales.

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

Change of name

On 18 July 2020, the Company changed its name from SQN Secured Income Fund plc to Secured Income Fund plc.

2. STATEMENT OF COMPLIANCE

a) Basis of preparation

These financial statements present the results of the Company for the year ended 30 June 2021. These financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards ("IFRS").

These financial statements have not been prepared in full accordance with the Statement of Recommended Practice ("SORP") for investment trusts issued by the AIC in October 2019, as the main driver of the SORP is to disclose the allocation of expenses between revenue and capital, thereby enabling a user of the financial statements to determine distributable reserves. However, 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. Therefore, the Directors believe that full compliance with the SORP would not be of benefit to users of the financial statements. Further details on the distributable reserves are provided in note 22.

The Company's capital is raised in Sterling, expenses are paid in Sterling, the majority of the Company's financial assets and liabilities are Sterling based, and (until September 2020) the Company hedged substantially all of its foreign currency risk back to Sterling. Therefore, the Board of Directors consider that Sterling most faithfully represents the economic effects of the underlying transactions of the Company, events and conditions. These financial statements are presented in Sterling, which is the Company's functional and presentation currency. All amounts are rounded to the nearest thousand.

Financial statements prepared on a non-going concern basis

On 19 June 2020, the Company held a continuation vote (the "Continuation Vote") that, in line with the Directors' recommendation, did not pass. This vote was required under the Articles as the Company did not have a Net Asset Value of at least £250 million as at 31 December 2019. As this vote did not pass, the Directors (as required under the Articles) convened a further general meeting of the Company on 17 September 2020 at which a special resolution approved the managed wind-down of the Company and the adoption of the new investment policy of the Company, as set out on page 4, to carry out an orderly realisation of the Company's portfolio of assets and distribution of cash to Shareholders.

This has had no significant impact on the accounting policies, judgements or recognition of and carrying value of assets and liabilities within the financial statements as the loans are included net of their expected credit loss provision ("ECL") and are expected to be realised in an orderly manner, and the estimated costs of winding up the Company are immaterial and therefore have not been provided for in the financial statements.

The Covid-19 pandemic is a risk to the global economy. Details of the macroeconomic impact and the impact on credit risk are provided in the Investment Manager's Report. The Investment Manager and Administrator invoked their business continuity plans to help ensure the safety and well-being of their staff thereby retaining the ability to maintain business operations. These actions helped to ensure business resilience. The situation continues to change so the full impact cannot yet be understood, but the Company will continue to monitor the situation.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for investments at fair value through profit or loss and derivative instruments, which are measured at fair value through profit or loss.

Given the Company's investment policy to carry out an orderly realisation of the Company's portfolio of assets and distribution of cash to Shareholders, the financial statements have been prepared on a non-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. Consequently, no segmental analysis is required.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

2. STATEMENT OF COMPLIANCE (CONTINUED)

d) Use of estimates and judgements

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

The estimates and 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 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 Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities are recognised in the 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, derivative instruments and other payables.

Classification

IFRS 9 requires the classification of financial assets to be determined on both the business model used for managing the financial assets and the contractual cash flow characteristics of the financial assets. Loans have been classified at amortised cost as:

– they are held within a "hold to collect" business model with the objective to hold the assets to collect contractual cash flows; and

– the contractual terms of the loans give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Although there was a change in the investment objective and policy, there was no change in the business model in the year as the loans continued to be held under a 'hold to collect' model.

The Company's unquoted investments have been classified as held at fair value through profit or loss as they are held to realise cash flows from the sale of the investments.

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Financial assets and liabilities *(continued)*

Derecognition (continued)

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.

Initial measurement

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

Financial assets and 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 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 Statement of Comprehensive Income when the asset or liability is derecognised or impaired. Interest earned on these instruments is recorded separately as investment 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.

The carrying value of cash and cash equivalents and other receivables and payables equals fair value due to their short-term nature.

Impairment

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.

Each direct loan is assessed on a continuous basis by the Investment Manager's own underwriting team with peer review occurring on a regular basis.

Each platform loan is monitored via the company originally deployed to conduct underwriting and management of the borrower relationship. When a potential impairment is identified, the Investment Manager requests data and management information from the platform. The Investment Manager will then actively pursue collections, giving guidance to the platforms on acceptable levels of impairment. In some cases, the Investment Manager will proactively take control of the process.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Financial assets and liabilities *(continued)*

Impairment (continued)

Impairment of financial assets is recognised on a loan-by-loan basis 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. This stage is triggered by scrutiny of management accounts and information gathered from regular updates from the borrower by way of email exchange or face-to-face meetings. The Investment Manager extends specific queries to borrowers if they acquire market intelligence or channel-check the data received. A covenant breach may be a temporary circumstance due to a one-off event and will not trigger an immediate escalation in risk profile to stage 2.

At all times, the Investment Manager considers the risk of impairment relative to the cash flows and general trading conditions of the company and the industry in which the borrower resides.

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. This stage is triggered by a marked deterioration in the management information received from the borrower and a view taken on the overall credit conditions for the sector in which the company resides. A permanent breach of covenants and a deterioration in the valuation of security would also merit a move to stage 3.

The Investment Manager also takes into account the level of security to support each loan and the ease with which this security can be monetised. This has a meaningful impact of the way in which impairments are assessed, particularly as the Investment Manager has a very strong track record in managing write-downs and reclaim of assets.

For more details in relation to judgements, estimates and uncertainty see note 4.

c) 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.

The carrying values of cash and cash equivalents are deemed to be a reasonable approximation of their fair values.

d) Receivables and prepayments

Receivables are carried at the original invoice amount, less impairments, as discussed above.

The carrying values of the accrued interest and other receivables are deemed to be reasonable approximations of their fair values.

e) 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.

f) Income and expenses

Interest income and bank 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 Statement of Comprehensive Income in the period in which they are incurred.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) 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".

h) B Shares

B Shares are redeemable at the Company's option and are classified as equity as the potential indicator of a liability, being the fixed rate cumulative dividend, is immaterial given the shares are allotted and redeemed on the same day. B Shares, which are redeemed immediately following issue, are measured at the redemption amount.

i) Reserves

Under the Company's articles of association, the Directors may, having obtained the relevant authority of Shareholders pursuant to the implementation of the B share scheme, capitalise any sum standing to the credit of any reserve of the Company for the purposes of paying up, allotting and issuing B Shares to Shareholders.

(i) Capital Redemption Reserve

The nominal value of Ordinary Shares if bought back and cancelled and the nominal value of B Shares redeemed and subsequently cancelled are added to this reserve. This reserve is non-distributable.

(ii) Special Distributable Reserve

During the period ended 30 June 2016, and following the approval of the Court, the Company cancelled the share premium account and transferred £51,143,000 to a special distributable reserve, being premium on issue of shares of £52,133,000 less share issue costs of £990,000. The special distributable reserve is available for distribution to Shareholders, including the payment of dividends, return capital to shareholders, buy back of Ordinary Shares or redemption of B Shares.

(iii) Profit and loss account – distributable

The net profit/loss arising from realised revenue (income, expenses, foreign exchange gains and losses and taxation) in the Statement of Comprehensive Income is added to this reserve, along with realised gains and losses on the disposal of financial assets and derivative positions. Dividends paid during the year are deducted from this reserve, where sufficient reserves are available.

(iv) Profit and loss accounts – non-distributable

Unrealised gains and losses on financial assets and derivative positions are taken to this reserve.

j) Changes in accounting policy and disclosures

New and amended standards and interpretations

The Company adopted the following new and amended relevant IFRS in the year:

IFRS 7 Financial Instruments: Disclosures – *amendments regarding pre-replacement issues in the context of the IBOR reform*

IFRS 9 Financial Instruments – *amendments regarding pre-replacement issues in the context of the IBOR reform*

IAS 1 Presentation of Financial Statements – *amendments regarding the definition of materiality*

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – *amendments regarding the definition of materiality*

The adoption of these accounting standards did not have any effect on the Company's Statement of Comprehensive Income, Statement of Financial Position or equity.

A number of other amendments and interpretations are applicable for the year but are not relevant to the Company.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) 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 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 7	Financial Instruments: Disclosures – *amendments regarding replacement issues in the context of the IBOR reform*	1 January 2021
IFRS 9	Financial Instruments – *amendments regarding replacement issues in the context of the IBOR reform*	1 January 2021
IFRS 9	Financial Instruments – *amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the "10 per cent" test for derecognition of financial liabilities)*	1 January 2022
IAS 1	Presentation of Financial Statements – *amendments regarding the classification of liabilities*	1 January 2023
IAS 1	Presentation of Financial Statements – *amendments regarding the disclosure of accounting policies*	1 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors – *amendments regarding the definition of accounting estimates*	1 January 2023
IAS 37	Provisions, Contingent Liabilities and Contingent Assets – *amendments regarding the costs to include when assessing whether a contract is onerous*	1 January 2022

4. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. 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.

Judgements

In the process of applying the Company's accounting policies, management made the following judgement, which has had a significant effect on the amounts recognised in the financial statements:

Covid-19

The Covid-19 pandemic is impacting virtually all businesses and the Board expects that it will continue to impact economies over the coming months. The Board and Investment Manager is monitoring any impact this may have on the Company, its investments and income. The situation continues to change rapidly so the full impact cannot yet be understood, a result of which is that future cashflows and valuations are more uncertain at the current time, and may be more volatile than in recent years. Indeed, the level of estimation uncertainty and judgement for the calculation of expected credit losses has increased as a result of the economic effects of the Covid-19 pandemic. However, the impact of defaults that might occur in future under different economic scenarios has been reflected in various models to enable the Board to evaluate the Company's viability, and the Directors believe that the Company is well placed to survive the impact of the Covid-19 pandemic, thereby enabling the Company to realise its assets in an orderly manner.

Classification of B Shares

The B Shares pay a fixed rate cumulative preferential cash dividend of 1% per annum of the nominal value of £1, and have limited rights, including that: the holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of the Company; and the B Shares are redeemable at the Company's option.

However, as the potential indicator of a liability, being the fixed rate cumulative dividend, is immaterial given the B Shares are allotted and redeemed on the same day, the B Shares are classified as equity.

B Shares, which are redeemed immediately following issue, are measured at the redemption amount.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

4. USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimates and assumptions

The Company based its assumptions and estimates on parameters available when the 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.

The current economic uncertainty (and the frequent changes in outlook for different economic sectors) has created increased volatility and uncertainty (as mentioned above and in the Investment Manager's Report). In such circumstances the level of estimation uncertainty and judgement of expected credit losses has increased. As noted in the Investment Manager's Report, there are uncertainties about the need for future provisions that may need to be made against individual loans and receivables. Notwithstanding the best endeavours of management to obtain full repayment there is a material uncertainty in relation to the level of provisioning made in these financial statements. Due to this material uncertainty the Directors are unable to update the expected credit loss assessment (as set out in note 3b) to reflect the likely impact on the Company's loan portfolio.

i) Recoverability of loans and other receivables

In accordance with IFRS 9, the impairment of loans and other receivables has been assessed as described in note 3b. When assessing the credit loss on a loan, and the stage of impairment of that loan, the Company considers whether there is an indicator of credit risk 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 classified as a loan at amortised cost is credit-impaired and whether a loan's credit risk or the expected loss rate has changed significantly. As part of this process:

- Platforms are contacted to determine default and delinquency levels of individual loans; and
- Recovery rates are estimated.

The analysis of credit risk is based on a number of factors and a degree of uncertainty is inherent in the estimation process.

As mentioned above, due to the Covid-19 pandemic future cashflows and valuations are more uncertain at the current time, and may be more volatile than in recent years. Indeed, the level of estimation uncertainty and judgement for the calculation of expected credit losses has increased as a result of the economic effects of the Covid-19 pandemic.

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. 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. Events that the Company will assess when deciding if a financial asset is credit impaired include:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past-due event; and
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Although it may not always be the case (e.g. if discussions with a borrower are ongoing), generally a loan is deemed to be in default if the borrower has missed a payment of principal or interest by more than 180 days, unless the Company has good reason not to apply this rule. If the Company has evidence to the contrary, it may make an exception to the 180 day rule to deem that a borrower is, or is not, in default. Therefore, the definitions of credit impaired and default are aligned as far as possible so that stage 3 represents all loans that are considered defaulted or otherwise credit impaired.

IFRS 9 confirms that a Probability of Default ("PD") must never be zero as everything is deemed to have a risk of default; this has been incorporated into the assessment of expected credit losses. All PDs are assessed against historic data as well as the prevailing economic conditions at the reporting date, adjusted to account for estimates of future economic conditions that are likely to impact the risk of default.

Since November 2020, 12-month PD has been calculated based on the Investment Manager's 10 level grading system, where:

- levels 1 to 6 fall into Stage 1, with 12-month PD ranging from 0.01% to 10%;
- levels 7 to 9 fall into Stage 2, with 12-month PD ranging from 20% to 60%, and
- level 10 falls into Stage 3, with a 12-month PD of 100%.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

4. USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimates and assumptions *(continued)*

i) Recoverability of loans and other receivables (continued)

Prior to November 2020, 12-month PD was applied across the collective as a cumulative in Stage 1, set at 2% in line with the Investment Manager's historic performance data, market knowledge, and credit enhancements (that was equivalent to there being 1 default for an average portfolio of 50 unique borrowers). Once an investment moved to Stage 2 then PD was calculated on an individual basis (and adjusted for Stage 3 if appropriate).

All assessment is based on reasonable and supportive information available at the time.

Since November 2020, 12-month ECL has been calculated based on the Investment Manager's categorisation, as follows:

Category	*KKV loss given default ("LGD") approach*
Easily Realisable	Asset value less 10% haircut discounted at 10% IRR for 12 months to recovery
Realisable	Asset value less 20% discounted at 20% IRR for 2 years to recovery
Highly Specialised/Unsecured	70% LGD
Subordinated Debt	100% LGD

Prior to November 2020, 12-month ECL was applied across the collective as a cumulative in Stage 1, split according to the investment's classification. For direct loan investments this was calculated as 2% of the individual investment's Contracted Cash Flows ("CCF"), and 2% of the investment's CCF for platform investments. Those Stage 1 12-month ECL amounts were taken to be the investments' floor amounts – the Lifetime ECL for any investment could never be less than its floor amount. Once an investment moved to Stage 2, Lifetime ECL was calculated on an individual basis.

Lifetime ECL is reviewed at each reporting date based on reasonable and supportive information available at the time.

Details of the judgements applied in assessing the recoverability of loans can be found in the Investment Manager's Report and should be read in conjunction with the current economic environment and, in particular, the impact of Covid-19.

Collateral

While the presence of collateral is not a key element in the assessment of whether there has been a significant increase in credit risk, it is of great importance in the measurement of ECL. IFRS 9 states that estimates of cash shortfalls reflect the cash flows expected from collateral and other credit enhancements that are integral to the contractual terms. Due to the business nature of the Investment Manager, this is a key component of its ECL measurement and interpretation of IFRS 9, as any investment would include elements of (if not all): a fully collateralised position, fixed and floating charges, a corporate guarantee, a personal guarantee, coverage ratios between 130% to 150%, and an average LTV of 85%.

Loans written off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. Platform loans of £1,887,000 were written off in the year (2020: £268,000).

Renegotiated loans

A loan is classed as renegotiated when the contractual payment terms of the loan are modified because the Company has significant concerns about a borrower's ability to meet payments when due. On renegotiation, the loan will also be classified as credit impaired, if it is not already. Renegotiated loans will continue to be considered to be credit impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future payments.

All data calculated for IFRS 9 purposes is consistent with the overall methodology employed by KKV and its parent company, Kvika Securities Ltd, across all of their 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 KKV would expect to take in these circumstances.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

4. USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimates and assumptions *(continued)*

i) Recoverability of loans and other receivables (continued)

There were no new assets originated during the year that were credit-impaired at the point of initial recognition. There were no financial assets that have been modified since initial recognition at a time when the loss allowance was measured at an amount equal to lifetime expected credit losses and for which the loss allowance changed during the year to an amount equal to 12-month expected credit losses.

There were no financial assets for which cash flows were modified in the year while they had a loss allowance measured at an amount equal to the lifetime expected credit loss.

Please see note 3b, note 14 and note 24 for further information on the loans at amortised cost and credit risk.

5. DIVIDENDS

The Company distributes at least 85% of its distributable income earned in each financial year by way of dividends.

The Company elected to designate all of the dividends for the year ended 30 June 2021 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 year ended 30 June 2021:

Announcement date	*Pay date*	*Total dividend declared in respect of earnings in the year £'000*	*Amount per Ordinary Share*
26 August 2020	25 September 2020	1,843	3.50p
26 November 2020	23 December 2020	2,633	5.00p
Dividends declared (to date) for the year		4,476	8.50p
Less, dividends paid after the year end		–	–
Add, dividends paid in the year in respect of the prior year		614	1.17p
Dividends paid in the year		5,090	9.67p

In accordance with IFRS, dividends are only provided for when they become a contractual liability of the Company. Therefore, during the year a total of £5,090,000 (2020: £3,684,000) was incurred in respect of dividends, none of which was outstanding at the reporting date (2020: none).

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

Mechanics for returning cash to Shareholders

The Board carefully considered the potential mechanics for returning cash to Shareholders and the Company's ability to do so. The Board believes it is in the best interests of Shareholders as a whole to make distributions to Shareholders without a significant delay following realisations of a material part of the Portfolio (whether in a single transaction or through multiple, smaller transactions concluded on similar timing), whether by dividend or other method.

After careful consideration and discussions with a number of Shareholders, the Board believes that one of the fairest and most cost-efficient ways of returning substantial amounts of cash to Shareholders is by adopting a B Share Scheme, whereby the Company will be able to issue redeemable B Shares to Shareholders. These are then redeemed on a Redemption Date without further action being required by Shareholders.

The B Shares are issued out of the special distributable reserve, then the special distributable reserve is utilised again when the B Shares are redeemed – the B Share capital is cancelled and an equal amount credited to the capital redemption reserve.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

5. DIVIDENDS (CONTINUED)

Mechanics for returning cash to Shareholders (continued)
Notice of a General Meeting of Shareholders was published on 26 February 2021 and these arrangements were accepted by Shareholders at the General Meeting held on 23 March 2021.

The Company made two B Share Scheme redemptions between 23 March 2021 and 30 June 2021, totalling £10,269,000, equivalent to 19.50p per Ordinary Share. A further B Share Scheme redemption of £3,160,000 (6.00p per Ordinary Share) was made on 23 July 2021.

The Board also intends to make quarterly dividend payments, where possible, in accordance with the Company's dividend policy and to maintain investment trust status for so long as the Company remains listed.

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 was Neil Roberts, who was chairman of SQN Capital Management, LLC at that time. The loan bore interest at 10.0% per annum and was for a period of five years from the date of drawdown. The loan was to be repaid via 60 monthly payments. The loan was repaid early in March 2020.

No loan interest was earned in the year (2020: £57,000), and no loan interest was outstanding at 30 June 2021 (2020: £nil).

At 30 June 2021, the balance of the loan was £nil (2020: £nil).

The Directors and the Investment Manager are also considered to be related parties. See notes 7 and 8 for further details.

7. KEY CONTRACTS

a) Investment Manager

On 5 June 2020, the Company novated the contract to manage the portfolio to KKV Investment Management Limited, following the management team into their new entity from the Former Investment Manager (SQN UK).

The Investment Manager has responsibility for managing the Company's portfolio. For their services, until 16 September 2020, the Investment Manager was entitled to a management fee (on the same terms as the Former Investment Manager) 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.

From 17 September 2020, the 1.0% per annum base management fee was reduced as follows:

- for 12 months from 17 September 2020 to 16 September 2021, to 0.75% per annum of the Company's NAV; and
- from 17 September 2021, to 0.55% of the Company's NAV.

The management fee is payable monthly in arrears on the last calendar day of each month.

During the year, a total of £309,000 (all KKV) (2020: £483,000 (SQN UK, £452,000 and KKV, £31,000)) was incurred in respect of management fees, of which £25,000 was payable at the reporting date (all KKV) (2020: £37,000 (SQN UK, £6,000 and KKV, £31,000)).

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

7. KEY CONTRACTS (CONTINUED)

a) Investment Manager *(continued)*

Performance fee

From 17 September 2020, the Investment Manager is entitled to a performance fee. The performance fee is calculated using the most recent NAV prior to the Company failing the June 2020 Continuation Vote (being the NAV as at 31 May 2020) as the benchmark NAV (the "Benchmark NAV"). If 99% of the Benchmark NAV is returned to Shareholders by way of dividend, share buy backs or other methods of return of capital within 12 months from 17 September 2020 then a performance fee of 0.6% of the value returned to Shareholders would be payable to KKV. This will be reduced by 0.1% for every 1% less than 99% of Benchmark NAV that is returned to Shareholders.

Should the time taken to realise the Portfolio exceed 12 months from 17 September 2020, then for the period from 17 September 2021 to 17 September 2022, the incentive fee reduces by 33% (so that, for example if 99% of Benchmark NAV is returned by month 17, the performance fee would be two-thirds of 0.6%).

The introduction of an outperformance fee, under the terms of the amended Investment Management Agreement, states that KKV will be entitled to 10% of all funds returned to Shareholders in excess of the Benchmark NAV within 12 months from 17 September 2020, reducing to 5% within 12-24 months.

During the year, no performance fee was paid, or payable, to the Investment Manager (2020: £nil).

Termination of Investment Management Agreement

On 20 August 2021, the Company agreed with the Investment Manager and its AIFM to amend the investment management agreement and for the agreement to terminate with effect from midnight on 31 December 2021.

The key terms of the revised agreement are set out below:

- Management fees payable by the Company to the Investment Manager of £20,500 per month from 1 August 2021 to 31 December 2021;
- A payment of £20,000 in total payable by the Company to the Investment Manager, but conditional on a senior employee providing continued services to the Company to 31 December 2021; and
- The agreement will terminate with effect from midnight on 31 December 2021. No party has the right to terminate the agreement prior to this date without cause. No fees shall be payable by either party on termination other than the amount referred to above.

The Board believes that the revised Agreement provides the Company with certainty over the level of future management fees payable to the Investment Manager with the added flexibility of facilitating the Company becoming self-managed should the Board deem that appropriate, whilst providing for the ongoing management of the portfolio to 31 December 2021. Overall, it allows for an orderly transition of the management of the portfolio to the Company.

Transaction costs

Prior to the change in the investment policy, the Company incurred transaction costs for the purposes of structuring investments for the Company. These costs formed part of the overall transaction costs that were capitalised at the point of recognition and were taken into account by the Former Investment Manager when pricing a transaction. When structuring services were provided by the Former Investment Manager or an affiliate of them, they were 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 was not charged in respect of assets acquired from the Former Investment Manager, the funds they managed or where they or their affiliates did not provide such structuring advice.

The Former Investment Manager agreed to bear all the broken and abortive transaction costs and expenses incurred on behalf of the Company. Accordingly, the Company agreed that the Former Investment Manager may retain any commitment commissions received by the Former 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.

During the year, transaction costs of £46,000 (2020: £147,000) were amortised.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

7. KEY CONTRACTS (CONTINUED)

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 year, a total of £130,000 (2020: £117,000) was incurred in respect of administration fees, of which £37,000 (2020: £28,000) was payable at the reporting date.

8. DIRECTORS' REMUNERATION

During the year, a total of £119,000 (2020: £94,000) was incurred in respect of Directors' remuneration, none of which was payable at the reporting date (2020: none). No bonus or pension contributions were paid or payable on behalf of the Directors. Further details can be found in the Directors' Remuneration Report on pages 32 to 35.

9. KEY MANAGEMENT AND EMPLOYEES

The Company had no employees during the year (2020: none). Therefore, there were no key management (except for the Directors) or employees during the year.

The following dividends were paid to the Directors during the year by virtue of their holdings of Ordinary Shares (these dividends were not additional remuneration):

David Stevenson	£1,958 (2020: £1,417)
Gaynor Coley	£206 (2020: £143)
Ken Hillen *(resigned 26 May 2020)*	n/a (2020: £291)

10. AUDITOR'S REMUNERATION

For the year ended 30 June 2021, total fees, plus VAT, charged by MKS, together with amounts accrued at 30 June 2021, amounted to £46,000 (2020: £40,000 to RSM UK Audit LLP), all of which related to audit services (2020: £40,000).

As at 30 June 2021, £46,000 was due to MKS and £16,000 was due to RSM UK Audit LLP (2020: £40,000 due to RSM UK Audit LLP).

11. OTHER EXPENSES

	Year ended 30 June 2021 £'000	*Year ended 30 June 2020 £'000*
Registrar fees	49	36
Audit fees *(note 10)*	46	40
Listing fees	16	18
Other expenses	15	33
Directors' national insurance	12	26
Accountancy and taxation fees	9	11
	147	**164**

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

12. 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".

	Year ended 30 June 2021 £'000	*Year ended 30 June 2020 £'000*
Reconciliation of tax charge:		
Loss before taxation	(11,017)	(913)
Tax at the standard UK corporation tax rate of 19% (2020: 19%)	(2,093)	(173)
Effects of:		
– Non-taxable investment gains and losses	2,509	743
– Interest distributions	(416)	(570)
Total tax expense	–	–

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

	Year ended 30 June 2021	*Year ended 30 June 2020*
United Kingdom	19%	19%
Guernsey	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.

13. LOSS PER ORDINARY SHARE

The loss per Ordinary Share of 20.92p (2020: loss per Ordinary Share of 1.73p) is based on a loss attributable to the owners of the Company of £11,017,000 (2020: Loss of £913,000) and on a weighted average number of 52,660,350 (2020: 52,660,350) Ordinary Shares in issue since Admission. There is no difference between the basic and diluted earnings per share.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

14. LOANS AT AMORTISED COST

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Loans	28,920	45,944
Unrealised loss*	(14,251)	(3,311)
Balance at year end	**14,669**	**42,633**
Loans: Non-current	7,336	31,942
Current	7,333	10,691
Loans at amortised cost and cash held on client accounts with platforms	**14,669**	**42,633**
*Unrealised loss		
Foreign exchange on non-Sterling loans	(158)	1,125
Impairments of financial assets	(14,093)	(4,436)
Unrealised loss	**(14,251)**	**(3,311)**

The movement in unrealised gains/losses on loans comprised:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Movement in foreign exchange on non-Sterling loans	(1,283)	410
Movement in impairment losses on financial assets (or loans)	(9,657)	(3,299)
Movement in unrealised gains and losses on loans	(10,940)	(2,889)

The movement in the impairment for the year comprised:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Impairment of interest income	(877)	–
Impairment losses on financial assets (or loans)	(9,657)	(3,299)
Total movement in impairment in the year	**(10,534)**	**(3,299)**

The weighted average interest rate of the loans as at 30 June 2021 was 6.48% (2020: 10.44%).

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

14. LOANS AT AMORTISED COST (CONTINUED)

The table below details expected credit loss provision ("ECL") of financial assets in each stage at 30 June 2021:

	30 June 2021				30 June 2020			
	Stage 1 £'000	*Stage 2 £'000*	*Stage 3 £'000*	*Total £'000*	*Stage 1 £'000*	*Stage 2 £'000*	*Stage 3 £'000*	*Total £'000*
Direct loans [1]	4,940	5,633	12,637	23,210	34,419	–	–	34,419
ECL on direct loans	(14)	(451)	(8,228)	(8,693)	(17)	–	–	(17)
Direct loans net of the ECL	4,926	5,182	4,409	14,517	34,402	–	–	34,402
Platform loans [1]	–	–	5,508	5,508	7,214	–	5,346	12,560
ECL on platform loans	–	–	(5,400)	(5,400)	(7)	–	(4,412)	(4,419)
Platform loans net of the ECL	–	–	108	108	7,207	–	934	8,141
Accrued interest	175	–	7	182	1,585	–	–	1,585
Total loans [1]	4,940	5,633	18,145	28,718	41,633	–	5,346	46,979
Total ECL	(14)	(451)	(13,628)	(14,093)	(24)	–	(4,412)	(4,436)
Total net of the ECL	4,926	5,182	4,517	14,625	41,609	–	934	42,543

[1] These are the principal amounts outstanding at 30 June 2021 and do not include the capitalised transaction fees, which are not subject to credit risk. At 30 June 2021, the amortised cost of the capitalised transaction fees totalled £44,000 (2020: £90,000).

The table below details the movements in the year ended 30 June 2021 of the principal amounts outstanding and the ECL on those loans:

	Non-credit impaired				*Credit impaired*			
	Stage 1		*Stage 2*		*Stage 3*		*Total*	
	Principal outstanding[1] £'000	*Allowance for ECL £'000*	*Principal outstanding[1] £'000*	*Allowance for ECL £'000*	*Principal outstanding[1] £'000*	*Allowance for ECL £'000*	*Principal outstanding[1] £'000*	*Allowance for ECL £'000*
At 1 July 2020	41,633	(24)	–	–	5,346	(4,412)	46,979	(4,436)
Transfers from:								
– stage 1 to stage 2	(10,000)	5	10,000	(5)	–	–	–	–
– stage 1 to stage 3	(19,552)	11	–	–	19,552	(11)	–	–
Net re-measurement of ECL arising from transfer of stage	–	–	–	(795)	–	(9,579)	–	(10,374)
Net new and further lending/ repayments, and foreign exchange movements	(5,736)	(1,411)	(4,367)	349	(6,271)	(108)	(16,374)	(1,170)
Loans written-off in the year	(1,405)	1,405	–	–	(482)	482	(1,887)	1,887
At 30 June 2021	4,940	(14)	5,633	(451)	18,145	(13,628)	28,718	(14,093)

[1] These are the principal amounts outstanding at 30 June 2021 and do not include the capitalised transaction fees, which are not subject to credit risk. At 30 June 2021, the amortised cost of the capitalised transaction fees totalled £44,000.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

14. LOANS AT AMORTISED COST (CONTINUED)

The table below details the movements in the year ended 30 June 2020 of the principal amounts outstanding and the ECL on those loans:

	Non-credit impaired				*Credit impaired*			
	Stage 1		*Stage 2*		*Stage 3*		*Total*	
	Principal outstanding[1] £'000	*Allowance for ECL £'000*	*Principal outstanding[1] £'000*	*Allowance for ECL £'000*	*Principal outstanding[1] £'000*	*Allowance for ECL £'000*	*Principal outstanding[1] £'000*	*Allowance for ECL £'000*
At 1 July 2019	44,617	(28)	3,117	(735)	426	(374)	48,160	(1,137)
Transfers from:								
– stage 1 to stage 3	(2,066)	2	–	–	2,066	(2)	–	–
– stage 2 to stage 3	–	–	(3,117)	735	3,117	(735)	–	–
Net re-measurement of ECL arising from transfer of stage	–	–	–	–	–	(3,584)	–	(3,584)
Net new and further lending/ repayments, and foreign exchange movements	(918)	2	–	–	5	15	(913)	17
Loans written-off in the year	–	–	–	–	(268)	268	(268)	268
At 30 June 2020	41,633	(24)	–	–	5,346	(4,412)	46,979	(4,436)

[1] These are the principal amounts outstanding at 30 June 2020 and do not include the capitalised transaction fees, which are not subject to credit risk. At 30 June 2020, the amortised cost of the capitalised transaction fees totalled £90,000.

An increase of 1% of total gross exposure into stage 3 (from stage 1) would result in an increase in ECL impairment allowance of £43,000 (2020: An increase of 1% of total gross exposure into stage 2 (from stage 1) would result in an increase in ECL impairment allowance of £11,000) based on applying the difference in average impairment coverage ratios to the movement in gross exposure.

At 30 June 2021, the Board considered £14,093,000 (2020: £4,436,000) of loans to be impaired:

	30 June 2021 £'000	*30 June 2020 £'000*
Direct SME loans	8,693	17
Platform loans	5,400	4,419
Total impairment	14,093	4,436

During the year, £1,887,000 (2020: £268,000) of loans were written off and included within realised (loss)/gain on disposal of loans in the Statement of Comprehensive Income.

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

The carrying values of the loans at amortised cost (excluding capitalised transaction costs) are deemed to be a reasonable approximation of their fair values.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 30 June 2021 £'000	*Year ended 30 June 2020 £'000*
Balance brought forward	251	232
Disposals in the year	(253)	–
Realised gain on disposal of investments at fair value through profit or loss	94	–
Movement in unrealised gain on investments at fair value through profit or loss	(92)	19
Balance at year end	**–**	**251**
Cost at year end	**–**	**159**

The investment at fair value through profit or loss related to an investment in a Luxembourg fund which was sold during the year. For further information on the investments at fair value through profit or loss, see note 16.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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).

Financial assets and liabilities designated as at fair value through profit or loss

At 30 June 2021, the financial instruments designated at fair value through profit or loss were as follows:

	30 June 2021				*30 June 2020*			
Financial assets/(liabilities)	*Level 1 £'000*	*Level 2 £'000*	*Level 3 £'000*	*Total £'000*	*Level 1 £'000*	*Level 2 £'000*	*Level 3 £'000*	*Total £'000*
Unlisted equity shares	–	–	–	–	–	–	251	251
Derivative financial instruments *(note 17)*	–	–	–	–	–	(6)	–	(6)
Total financial assets/(liabilities) designated as at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**(6)**	**251**	**245**

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

Level 3 financial instruments included unlisted equity shares. Net asset value was considered to be an appropriate approximation of fair value as, if the Company were to dispose of the holdings, it would expect to do so at, or around, net asset value.

Transfers between levels

There were no transfers between levels in the year (2020: none).

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

16. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and liabilities not designated as at fair value through profit or loss

The carrying values of the loans at amortised cost (excluding capitalised transaction costs) are deemed to be a reasonable approximation of their fair values. The carrying values of all other assets and liabilities not designated as at fair value through profit or loss are deemed to be a reasonable approximation of their fair values due to their short duration.

17. DERIVATIVE FINANCIAL INSTRUMENTS

In order to limit the exposure to foreign currency risk, the Company had previously entered into hedging contracts. However, in September 2020, the Company closed out its foreign currency forward contracts and it is not intended to enter into foreign exchange hedging contracts in the future. The Company realised a gain of £269,000 (2020: loss of £852,000) on forward foreign exchange contracts that settled during the year.

As at 30 June 2021, there were no open forward foreign exchange contracts (2020: £(6,000)).

18. OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2021 £'000	*30 June 2020 £'000*
Accrued interest	182	1,585
Prepayments	6	27
Other receivables	1	13
	189	**1,625**

The carrying values of the accrued interest and other receivables are deemed to be reasonable approximations of their fair values.

19. OTHER PAYABLES AND ACCRUALS

	30 June 2021 £'000	*30 June 2020 £'000*
Audit fee	62	40
Administration fee	37	28
Management fee	25	37
Other payables and accruals	20	21
Directors' national insurance	4	2
Legal fees	–	36
	148	**164**

The carrying values of the other payables and accruals are deemed to be reasonable approximations of their fair values.

20. 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 30 June 2021, the Company had no liabilities that would give rise to cash flows from financing activities (2020: none).

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

21. SHARE CAPITAL

	30 June 2021 £'000	*30 June 2020 £'000*
Authorised share capital:		
Unlimited number of Ordinary Shares of 1 pence each	–	–
43,857,133 B Shares of £1 each (2020: nil)	43,857	–
Unlimited C Shares of 10 pence each	–	–
Unlimited Deferred Shares of 1 pence each	–	–
50,000 Management Share of £1 (2020: 50,000 of £1 each)	50	50
Called up share capital:		
52,660,350 Ordinary Shares of 1 pence each	527	527
1 Management Share of £1 (2020: 50,000 of £1 each)	–	50
	527	**577**

Management Shares

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.

During the year, 49,999 Management Shares were bought back for £49,999 and cancelled.

B Shares

The B Shares are entitled (in priority to any payment of dividend of any other class of share, with the exception of the Management Shares) to a fixed cumulative preferential dividend of 1% per annum on the nominal amount of the B Shares, such dividend to be paid annually on the date falling six months after the date on which the B Shares are issued and thereafter on each anniversary. The B 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.

During the year 10,269,000 B Shares of £1 each were issued and immediately redeemed by the Company in accordance with the B Share Scheme approved by Shareholders at a General Meeting held on 23 March 2021 (see note 5 for further details). As the B Shares were redeemed immediately upon issue, no cumulative preferential dividend was earned on those shares.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

22. OTHER RESERVES

	Special distributable reserve[1], [3] £'000	Capital redemption reserve[3] £'000	Profit and loss account[2] Distributable £'000	Profit and loss account[2] Non-distributable £'000	Total £'000
At 30 June 2019	50,253	–	–	(701)	49,552
Realised revenue profit	–	–	3,000	–	3,000
Realised investment gains and losses	–	–	(1,388)	–	(1,388)
Unrealised investment gains and losses	–	–	–	(2,525)	(2,525)
Dividends paid	(2,072)	–	(1,612)	–	(3,684)
At 30 June 2020	**48,181**	**–**	**–**	**(3,226)**	**44,955**
Realised revenue profit	–	–	2,190	–	2,190
Realised investment gains and losses	–	–	(2,181)	–	(2,181)
Unrealised investment gains and losses	–	–	–	(11,026)	(11,026)
Dividends paid	(4,324)	–	(766)	–	(5,090)
B Shares issued during the year (notes 5 and 21)	(10,269)	–	–	–	(10,269)
B Shares redeemed during the year (notes 5 and 21)[3]	(10,269)	10,269	–	–	–
Management Share buy backs	(50)	50	–	–	–
At 30 June 2021	**23,269**	**10,319**	**(757)**	**(14,252)**	**18,579**

[1] During the period ended 30 June 2016, and following the approval of the Court, the Company cancelled the share premium account and transferred £51,143,000 to a special distributable reserve, being premium on issue of shares of £52,133,000 less share issue costs of £990,000. The special distributable reserve is available for distribution to Shareholders.

[2] The profit and loss account comprises both distributable and non-distributable elements, as defined by Company Law. Realised elements of the Company's profit and loss account are classified as "distributable", whilst unrealised investment gains and losses are classified as "non-distributable".

[3] The B Shares were issued out of the special distributable reserve, then the special distributable reserve was utilised again when the B Shares were redeemed, the B Share capital cancelled and an equal amount credited to the capital redemption reserve (see notes 5 and 21).

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.

23. 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 £19,106,000 (2020: £45,532,000), less £1 (2020: £50,000), being amounts owed in respect of Management Shares, and on 52,660,350 (2020: 52,660,350) Ordinary Shares in issue at the year end.

Reconciliation to NAV announced on 11 August 2021

Subsequent to the year end, the Company was informed that a borrower had not finalised refinancing ahead of the 30 September 2021 repayment date and, consequently, repayment of the loan was to be delayed. As a result, the expected credit loss as at 30 June 2021 for the loan has been amended, resulting in a difference in the net asset value disclosed in these financial statements from that announced on 11 August 2021, as follows:

	30 June 2021 £'000	30 June 2021 pence per share
Net asset value announced on 11 August 2021	19,539	37.10
Increase in expected credit loss	(433)	(0.82)
	19,106	**36.28**

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

24. 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.

Prior to the change in investment policy on 17 September 2020, the Company sought to ensure that diversification of its portfolio was 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 14 and 15 in the Company's Prospectus, which is available on the Company's website, and as updated in the circular of 20 August 2020.

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.

In a Managed Wind-Down, the value of the Portfolio will be reduced as investments are realised and concentrated in fewer holdings, and the mix of asset exposure will be affected accordingly.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

With the aim of maintaining a diversified investment portfolio, and thus mitigating concentration risks, the Company had established (prior to the change in the investment policy on 17 September 2020) 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 up to the change in investment policy on 17 September 2020, except that, on 9 September 2020, in preparation for the upcoming change in investment policy, additional foreign currency forward contracts were entered into in order to equally and oppositely match the open contracts at that date.

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 15 and 16) are exposed to price risk and it is not the intention to mitigate the price risk.

At 30 June 2021, 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 and profit/(loss) would amount to approximately +/- £nil (2020: +/- £13,000). The maximum price risk resulting from financial instruments is equal to the £nil (2020: £251,000) carrying value of the investments at fair value through profit or loss.

(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.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The impact of foreign currency fluctuations during the year comprised:

	Year ended 30 June 2021 £'000	*Year ended 30 June 2020 £'000*
Movement in unrealised gains and losses on loans due to movement in foreign exchange on non-Sterling loans	(1,283)	410
Net foreign exchange gain/(loss)	3	(16)
Foreign currency (loss)/gain in the year excluding the effect of foreign currency hedging	**(1,280)**	**394**
Movement in unrealised gain on foreign currency derivative financial instruments	6	345
Realised gain/(loss) on foreign currency derivative financial instruments	269	(852)
Foreign currency loss in the year including the effect of foreign currency hedging	**(1,005)**	**(113)**

As at 30 June 2021, a proportion of the net financial assets of the Company, excluding the foreign currency forward contracts (where applicable for 30 June 2020), 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 contracts £'000*	*Net exposure £'000*
30 June 2021							
US Dollars	–	2,713	1	–	2,714	–	2,714
Euros	–	4,293	–	–	4,293	–	4,293
	–	**7,006**	**1**	**–**	**7,007**	**–**	**7,007**
30 June 2020							
US Dollars	–	7,552	–	–	7,552	(7,531)	21
Euros	–	4,316	1	–	4,317	(4,121)	196
	–	**11,868**	**1**	**–**	**11,869**	**(11,652)**	**217**

In order to limit the exposure to foreign currency risk, the Company had previously entered into hedging contracts. However, in September 2020, the Company closed out its foreign currency forward contracts and it is not intended to enter into foreign exchange hedging contracts in the future.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk *(continued)*

(ii) Foreign currency risk (continued)

At 30 June 2021, the Company held no open foreign currency forward contracts (30 June 2020: foreign currency forward contracts to sell US$9,340,000 and €4,550,000).

At 30 June 2021, 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 30 June 2021 and the profit/(loss) for the year ended 30 June 2021 would have increased/(decreased) by £369,000/£(334,000) (2020: increased/(decreased) by £11,000/£(10,000)), after accounting for the effects of the hedging contracts mentioned above, where applicable.

(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 £4,396,000 (2020: £1,193,000) were the only interest bearing financial instruments subject to variable interest rates at 30 June 2021. 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 year would have been £22,000 (2020: £6,000).

30 June 2021	*Fixed interest £'000*	*Variable interest £'000*	*Non-interest bearing £'000*	*Total £'000*
Financial assets				
Loans[1]	14,669	–	–	14,669
Other receivables	–	–	183	183
Cash and cash equivalents	–	4,396	–	4,396
Total financial assets	**14,669**	**4,396**	**183**	**19,248**
Financial liabilities				
Other payables	–	–	(148)	(148)
Total financial liabilities	**–**	**–**	**(148)**	**(148)**
Total interest sensitivity gap	**14,669**	**4,396**	**35**	**19,100**
30 June 2020				
Financial assets				
Loans[1]	42,633	–	–	42,633
Investments at fair value through profit or loss	–	–	251	251
Other receivables	–	–	1,598	1,598
Cash and cash equivalents	–	1,193	–	1,193
Total financial assets	**42,633**	**1,193**	**1,849**	**45,675**
Financial liabilities				
Other payables	–	–	(164)	(164)
Derivative financial instruments	–	–	(6)	(6)
Total financial liabilities	**–**	**–**	**(170)**	**(170)**
Total interest sensitivity gap	**42,633**	**1,193**	**1,679**	**45,505**

[1] Of the loans of £14,669,000 (2020: £42,633,000), one loan amounting to £4,119,000 (2020: £10,527,000) included both fixed elements and variable elements, based on the performance of the borrowers' underlying portfolios of loans.

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk *(continued)*

(iii) Interest rate risk (continued)

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 30 June 2021, credit risk arose principally from cash and cash equivalents of £4,396,000 (2020: £1,193,000) and balances due from the platforms and SMEs of £14,669,000 (2020: £42,633,000). 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.

Please see note 3b and note 4 for further information on credit risk and note 14 for information on the loans at amortised cost.

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 30 June 2021 was low since the ratio of cash and cash equivalents to unmatched liabilities was 30:1 (2020: 7:1).

The Investment Manager managed 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. However, in a Managed Wind-Down, the value of the Portfolio will be reduced as investments are realised and concentrated in fewer holdings, and the mix of asset exposure and liquidity will be affected accordingly.

The maturity profile of the portfolio is as follows:

	30 June 2021 Percentage	*30 June 2020 Percentage*
0 to 6 months	54.7	5.4
6 months to 18 months	7.6	30.1
18 months to 3 years	27.9	35.5
Greater than 3 years	9.8	29.0
	100.0	100.0

Notes to the Financial Statements

for the year ended 30 June 2021 (continued)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital management

During the year, the Board's policy was to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future operation of the Company. The Company's capital comprises issued share capital, retained earnings, a capital redemption reserve (see note 3(i)) and a distributable reserve created from the cancellation of the Company's share premium account. To maintain or adjust the capital structure, the Company could issue new Ordinary Shares, B Shares and/or C Shares, buy back shares for cancellation, buy back shares to be held in treasury or redeem B Shares. The Company returned capital to Shareholders through the use of a B Share Scheme, which was approved by Shareholders on 23 March 2021 (see note 5).

During the year ended 30 June 2021, the Company did not issue any new Ordinary or C shares, nor did it buy back any Ordinary Shares for cancellation or to be held in treasury (2020: none). 49,999 Management Shares were bought back for £49,999 and cancelled (see note 22).

During the year ended 30 June 2021, 10,269,000 B Shares were issued and bought back for £10,269,000 (see note 5), and a further B Share Scheme redemption of £3,160,000 (6.00p per Ordinary Share) was made on 23 July 2021.

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.

Following the Shareholder's approval of the change to investment policy and the managed wind-down of the Company, the Board manages the Company's capital to enable it to make quarterly dividend payments for the time being (instead of the previous monthly dividends), although this will be kept under review, and the return of capital via the B Share Scheme. The Company will also look to structure its dividend payments to maintain investment trust status for so long as it remains listed.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets or contingent liabilities in existence at the year end (2020: none).

26. EVENTS AFTER THE REPORTING PERIOD

A B Share Scheme redemption of £3,160,000 (6.00p per Ordinary Share) was made on 23 July 2021.

On 20 August 2021, the Company agreed with the Investment Manager and its AIFM to amend the investment management agreement and for the agreement to terminate with effect from midnight on 31 December 2021 (see note 7a).

Subsequent to the year end, the Company was informed that a borrower had not finalised refinancing ahead of the 30 September 2021 repayment date and, consequently, repayment of the loan was to be delayed. As a result, the expected credit loss as at 30 June 2021 for the loan has been amended, resulting in a difference in the net asset value disclosed in these financial statements from that announced on 11 August 2021 (see the reconciliation in note 23).

There were no other significant events after the reporting period.

27. PARENT AND ULTIMATE PARENT

The Directors do not believe that the Company has an individual Parent or Ultimate Parent, or an ultimate controlling party.

Notice of Annual General Meeting Secured Income Fund plc

*(incorporated in England and Wales with registered number 09682883 and registered as an investment company under section 833 of the Companies Act 2006) (the "**Company**")*

NOTICE is hereby given that an annual general meeting of the Company (the "**AGM**") will be held at the offices of Dickson Minto, 16 Charlotte Square, Edinburgh, EH2 4DF on 16 December 2021 at 1:30pm to consider and, if thought fit, to pass the following resolutions which are proposed as ordinary resolutions:

ORDINARY BUSINESS

1. To receive the Company's audited financial statements for the year ended 30 June 2021, together with the Directors' Report and the Independent Auditor's Report on those statements.

2. To approve the Directors' Remuneration Policy.

3. To approve the Remuneration Report for the year ended 30 June 2021.

4. To elect Moore Kingston Smith LLP as auditor of the Company until the conclusion of the next annual general meeting.

5. To authorise the Company's Audit and Valuation Committee to determine the remuneration of the auditor.

6. To re-elect Gaynor Coley as a Director of the Company.

7. To re-elect David Clive Stevenson as a Director of the Company.

8. To re-elect Brett Miller as a Director of the Company.

SPECIAL BUSINESS

9. That the Company be and is hereby generally authorised, in accordance with section 701 of the Companies Act 2006, to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of Ordinary Shares in the capital of the Company, provided that:

   a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 7,893,786 (or, if less, the number representing 14.99% of the issued Ordinary Share capital of the Company as at the date of this notice of AGM);

   b) the minimum price which may be paid for an Ordinary Share shall be £0.01;

   c) the maximum price, exclusive of expenses, which may be paid for an Ordinary Share shall be the higher of:

      (i) 5% above the average of the mid-market values of the Ordinary Shares for the five business days before the purchase is made; and

      (ii) that stipulated by the regulatory technical standards adopted by the EU pursuant to the regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("**MAR**");

   d) such authority shall expire at the earlier of (i) the date on which the maximum number of Ordinary Shares authorised to be purchased pursuant to this Resolution 9 have been purchased by the Company, (ii) the conclusion of the next annual general meeting of the Company to be held in 2022 and (iii) the date which is 18 months from the date on which this authority is passed; and

   e) the Company may, before the expiry of this authority, make a contract to purchase Ordinary Shares under such authority which will or may be executed wholly or partly after its expiration and the Company may make a purchase of Ordinary Shares pursuant to any such contract.

Notice of Annual General Meeting (continued)

Explanatory note:
The Board monitors the level of the Ordinary Share price compared to the NAV per Ordinary Share. Where appropriate on investment grounds, the Company may from time to time repurchase its Ordinary Shares, but the Board recognises that movements in the Ordinary Share price, premium or discount, are driven by numerous factors, including investment performance, gearing and market sentiment. Accordingly, it focuses its efforts principally on addressing sources of risk and return as the most effective way of producing long term value for Shareholders. Any repurchase of Ordinary Shares will be made subject to applicable laws and regulations and within any guidelines established from time to time by the Board. The making and timing of any repurchases will be at the absolute discretion of the Board, although the Board will have regard to the effects of any such repurchase on long-term Shareholders in exercising its discretion.

Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing NAV of the Ordinary Shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with applicable provisions of the CA 2006, the Listing Rules and MAR. Any Ordinary Shares purchased under this authority will be cancelled or may be held in treasury.

By order of the Board
SECURED INCOME FUND PLC
20 October 2021

Registered Office:
Level 13 Broadgate Tower
20 Primrose Street
London
EC2A 2EW

Notes to the Notice of Annual General Meeting

1 On account of the Covid-19 pandemic, Shareholders are discouraged from attending this year's AGM and entry will be refused if the law and/or Government guidance so requires and/or the Board believes it is necessary to ensure the health, wellbeing and safety of the Company's Shareholders and officers. In the light of the current circumstances, arrangements are being made by the Company to ensure that only the minimum number of Shareholders or their proxies required to form a quorum will attend the AGM. Shareholders are therefore strongly encouraged to participate in the business of the AGM by exercising their votes in advance of the AGM and appointing the Chairman of the AGM as their proxy to vote on their behalf.

2 A member entitled to attend and vote at the AGM may appoint a proxy or proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company but in the light of the circumstances with the Covid-19 pandemic it is recommended that you appoint the Chairman of the AGM as your proxy. A Form of Proxy is enclosed which, if used, must be lodged at the Company's Registrars, Link Group, at PXS1, Central Square, 29 Wellington Street, Leeds LS1 4DL no later than 48 hours before the AGM (ignoring any part of a day that is not a working day), being 14 December 2021. To appoint more than one proxy you may photocopy the Form of Proxy. You may appoint a person other than the Chairman as your proxy. Please indicate the proxy holder's name and the number of Shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by looking at the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first being the most senior). The completion and return of the Form of Proxy will not preclude a member from attending the AGM and voting in person.

3 To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's Register of Members at close of business on 14 December 2021. If the AGM is adjourned then, to be so entitled, members must be entered on the Company's Register of Members at the time which is 48 hours before the time fixed for the adjourned AGM or, if the Company gives notice of the adjourned AGM, at the time specified in that notice.

4 As at 20 September 2021 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 52,660,350 Ordinary Shares, carrying one vote each. There are no shares held in treasury. Therefore, as at 20 September 2021, the total number of voting rights in the Company is 52,660,350.

Notice of Annual General Meeting (continued)

5 The vote "Withheld" is provided to enable you to abstain on any particular resolution. However, it should be noted that a "Withheld" vote is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.

6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent ID (RA10) by the latest time(s) for receipt of proxy appointments specified in this notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7 Any person to whom this notice of AGM is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

8 Corporate representatives are entitled to attend and vote on behalf of a corporate member in accordance with section 323 of the Companies Act 2006. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporate member) the same powers as the corporate member could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.

9 Members have a right under section 319A of the Companies Act 2006 to require the Company to answer any question raised by a member at the AGM, which relates to the business being dealt with at the meeting, although no answer need be given: (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.

10 A copy of this notice of AGM, and other information required by section 311A of the Companies Act 2006, can be found at https://kkvim.com/secured-income-fund/.

11 To be passed, an ordinary resolution requires a simple majority of the votes cast by those members voting in person or by proxy at the AGM (excluding any votes to be withheld) to be voted in favour of the resolution.

Directors

David Stevenson *(non-executive Chairman)*
Gaynor Coley *(non-executive Director)*
Brett Miller *(non-executive Director)*

Advisers

Registered Office
Level 13 Broadgate Tower
20 Primrose Street
London
EC2A 2EW

Administrator and Secretary
Elysium Fund Management Limited
PO Box 650
1st Floor
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey
GY1 3JX

Guernsey Legal Adviser
Carey Olsen
PO Box 98
Carey House
Les Banques
St Peter Port
Guernsey
GY1 4BZ

Broker
FinnCap Limited
60 New Broad Street
London
EC2M 1JJ

Investment Manager
KKV Investment Management Ltd
25 Upper Brook Street
London
W1K 7QD

Auditor
Moore Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD

Registrar
Link Group
PXS1, Central Square
29 Wellington Street
Leeds
LS1 4DL

AIFM
Kvika Securities Ltd
25 Upper Brook Street
London
W1K 7QD

English Legal Adviser
Dickson Minto
16 Charlotte Square
Edinburgh
EH2 4DF

Bankers
Royal Bank of Scotland International Limited
PO Box 62
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey
GY1 4BQ

KKV Investment Management Ltd
25 Upper Brook Street
Mayfair
London
W1K 7QD

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