Secured Income Fund plc

(Registered number 09682883)

Half-Yearly Report and Unaudited Condensed Financial Statements

For the six months ended 31 December 2022

Contents

Strategic Report

Key Points

	31 December 2022 ***(unaudited)***	**31 December 2021** ***(unaudited)***	**30 June 2022** ***(audited)***
Net assets [1]	£9,686,000	£13,218,000	£10,916,000
NAV per Ordinary Share	18.39p	25.10p	20.73p
Share price	12.00p	18.50p	12.00p
Discount to NAV	(34.8)%	(26.3)%	(42.1)%
Profit/(loss) for the period	£745,000	£(1,412,000)	£(554,000)
Dividend per share declared in respect of the period	0.75p	-	0.75p
B Share issue and redemption per Ordinary Share declared in respect of the period	3.00p	8.50p	14.50p
Total return per Ordinary Share *(based on NAV)* [2]	6.8%	-7.4%	-2.9%
Total return per Ordinary Share *(based on share price)* [2]	31.3%	-36.5%	-37.6%
Ordinary Shares in issue	52,660,350	52,660,350	52,660,350

[1] In addition to the Ordinary Shares in issue, 1 Management Share of £1 is in issue (31 December 2021 and 30 June 2022: 1) (see note 18).

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

www.securedincomefundplc.co.uk

Strategic Report
Chairman's Statement

Introduction
I am pleased to provide Shareholders with my Chairman's Statement, covering the interim period from 1 July 2022 to 31 December 2022. Secured Income Fund plc (the "Company") has continued to focus on returning capital to Shareholders efficiently and in a timely manner. Since the wind down proposals were adopted on 17 September 2020, the Company has maintained regular distributions to Shareholders and has returned £24.4 million (equivalent to 46.25p per Ordinary Share) through a combination of dividends and a B Share Scheme.

Performance
For the interim period ended 31 December 2022, the Company generated a net profit of £0.7 million and earnings per Ordinary Share of 1.41p (compared to a loss of £1.4 million and loss per Ordinary Share of 2.68p for the period ended 31 December 2021).

The Company's NAV at 31 December 2022 was £9.7 million (18.39p (cum income) per Ordinary Share) compared to £10.9 million (20.73p per Ordinary Share) as at 30 June 2022. The change in the NAV relates to the £1.6 million B Share distribution and £0.4 million dividend payment made during the period, with the balance being attributable to the net profit of £0.7 million.

During the reporting period, the IFRS 9 provision for the SME loan company has been increased as the Borrower has failed to secure a refinance of the facility thus far. The Borrower entered administration on 19 December 2022, however it is noted that the Company continues to receive monthly capital repayments along with interest payments. This position will be closely monitored by the Company through regular dialogue to assess the ongoing status.

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

During the reporting period, the Company traded at an average discount to NAV of 41.6%.

No foreign exchange hedging has been employed during the reporting period. Non-Sterling cash balances are converted into Sterling at the earliest opportunity. A table showing the FX exposure in the portfolio as at 31 December 2022 has been included in note 21.

The portfolio exposure by maturity, geography, type and currency are presented in the Company Analytics on page 8.

Corporate Activity
The Company has focused on the expeditious return of capital to investors. Costs have been monitored carefully.

As part of its ongoing management of the Company's running costs, a Special Resolution was proposed and approved at the Company's General Meeting held on 16 December 2021. Once the Company's NAV falls below £7 million, the Board will notify the London Stock Exchange of its intention to cancel the Company's admission to trading on the Specialist Fund Segment of the Main Market (the "Cancellation of Trading").

On 15 December 2022, a further Special Resolution was proposed and approved at the Company's General Meeting which involved the cancellation of the Company's capital redemption reserve (the "Reduction of Capital"). This was approved by the High Court of Justice in London and the Reduction of Capital taking effect on 28 February 2023, the amount cancelled was credited to the Company's distributable reserves on 10 March 2023. This improves the Company's distributable reserves position and will allow the Company to continue to operate the B Share scheme.

Strategic Report
Chairman's Statement *(continued)*

Dividends
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 under the Corporation Tax Act 2010 for so long as the Company remains listed. In line with this, on 2 September 2022, the Board declared a dividend of 0.75p per Ordinary Share for the year ended 30 June 2022, which was paid on 7 October 2022.

Capital Distributions
The Company adopted a B Share scheme, following approval by Shareholders at the General Meeting held on 23 March 2021. The Company is therefore able to issue redeemable B Shares to Shareholders which are subsequently redeemed for cash, this allows the capital returns to be made in a more tax efficient manner for some Shareholders.

During this reporting period, the Board distributed £1.6 million using the B Share Scheme, which is equivalent to 3.0p per Ordinary Share.

To date, a total of £19.5 million has been distributed to Shareholders via the B share scheme since the commencement of the managed wind down, this is equivalent to 37p per Ordinary Share. Moreover, an additional £4.9 million, equivalent to 9.25p per Ordinary Share, had been distributed in the form of dividends.

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, whilst the Company remains listed, a copy of which will be posted to Shareholders. The Board intends for a further capital return to be made within the next three months.

Shareholder Engagement
The Board has engaged with Shareholders over the reporting period, taking feedback and responding to their recommendations where appropriate. Brett Miller has led this activity and will continue to do so as we continue to wind down the Company.

Outlook
Achieving a balance between maximising the value of the remaining assets and ensuring timely returns of capital to Shareholders remains at the forefront for the Company. With the cancellation of the Company's capital redemption reserve, improving the Company's distributable reserves position, the Board remains committed to the progressive return of capital through the B Share scheme. The Company is efficiently positioned to finalise the realisation of the remaining assets, which the Board expects to be largely achieved within the next 12 to 18 months.

It is noted that the Company will shortly be approaching the £7 million NAV target which will activate the Special Resolution approved in December 2021 that triggers the cancellation of the Company's admission to trading on the Specialist Fund Segment of the Main Market.

We thank investors for their continued support throughout this period and hope to deliver investors total proceeds as close as possible for the remaining NAV. The Board will keep Shareholders updated regarding any upcoming changes over the next few months.

David Stevenson
Chairman
15 March 2023

Strategic Report

Investment Report

Overview

The Company is continuing to work closely with Borrowers, whilst optimising the return of capital to Shareholders in as expeditious a way as possible. Since the wind-down of the Company commenced in September 2020, 9.25 pence per Ordinary share has been returned to Shareholders via dividend distribution and 37 pence per Ordinary share via a B Share Scheme, which was adopted to ensure more tax efficient capital distributions for Shareholders.

Portfolio

There were ten direct loans in the portfolio as at 31 December 2022, with an average carrying value of £0.6 million per loan. A direct secured term loan to a LED manufacturer in Ireland that had been in place since May 2017 was fully repaid in December 2022.

A follow-on direct investment was made in October 2022 for a loan formerly classified as a legacy loan in previous reports. This broadband company merged with its competitor and the Company believe that this combined entity will yield superior results than the original standalone company and therefore hope to recoup some of the initial investment that was previously fully impaired in the process.

The IFRS 9 impairment provision for the SME loan company increased during the period due to further delays in obtaining refinancing. There have been marginal changes in provision across the remaining direct loans.

The legacy loans are fully impaired under IFRS 9 and therefore have zero carrying value assigned to them. This is due to various factors such as continuous delays in repayment and depleted borrower assets. The Company has continued to engage with each of these Borrowers for updates and will reassess the positions should there be any changes in circumstances.

Direct Loans

Borrower	Principal Balance Outstanding as at 31 December 2022 £	ECL provision at 31 December 2022 £	Loan Carrying Value at Amortised Cost [1] at 31 December 2022 £	Amortisation/ Bullet repayment/ other	Asset Type	Currency	Yield
Borrower 1	£2,555,019	£7,665	£2,547,354	Pass-through amortisation	SME and Leasing Fund	EUR	Variable
Borrower 2	£2,721,318	£1,089,233	£1,632,085	Bullet repayment/other	Wholesale Lending	GBP	10%
Borrower 3	£2,482,827	£1,241,414	£1,241,413	Interest only for 12 months, then amortisation	Medical Services	USD	12%
Borrower 4	£1,630,082	£1,309,241	£320,841	Cash sweep	Film Production Financing	USD	12%
Borrower 5	£413,805	£115,865	£297,940	Bullet repayment	Technology	USD	5%
Borrower 6	£1,624,925	£1,482,702	£142,223	Cash sweep	Film Production Financing	GBP	11%
Borrower 7	£506,945	£445,703	£61,242	Cash sweep	Film Production Financing	GBP	12%
Borrower 8	£632,877	£594,209	£38,668	Cash sweep	Film Production Financing	GBP	12%
Borrower 9	£1,418,401	£1,380,057	£38,344	Cash sweep	Film Production Financing	GBP	11%
Borrower 10	£2,395,295	£2,363,437	£31,858	Cash sweep	Film Production Financing	GBP	12%
Direct Loans Total	**£16,381,494**	**£10,029,526**	**£6,351,968**				

[1] The carrying values of loans at amortised cost disclosed in the table above do not include capitalised transaction fees, which totalled £6,133 at 31 December 2022.

Strategic Report

Investment 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.

Irish SME and Leasing Fund investment (Borrower 1) – 26.3% of NAV

This portfolio of 17 underlying loans has continued to perform well. Most of the underlying loans are delivering income and the manager has continued to make healthy distributions to the Company during the reporting period. As the Fund is in its harvest phase, the capital distributions are expected to accelerate as the loans mature or are refinanced.

During the reporting period, the Company has received €560,041 in capital repayments.

SME Loan company (Borrower 2) – 16.8% of NAV

This loan has been in place since May 2017 and is secured against a wholesale portfolio of working capital SME loans.

The Borrower was initially due to make a bullet repayment at the end of September 2021. An extension was granted until the end of 2021 so the Borrower could source new funding to refinance the facility, however at the time of writing nothing has come to fruition. There has been an increase in the IFRS 9 provision assigned to the loan over the period.

The portfolio is in run off as the Borrower entered administration in December 2022. The Company is currently working with the administrator to collect the outstanding loan.

During the period, the Company received £1,280,186 by way of capital repayments as a result of active collection efforts undertaken. A further £216,946 has been received in capital repayments post year end whilst monthly interest on the loan continues to be serviced.

US healthcare services company (Borrower 3) – 12.8% 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.

The Borrower is in default as it sold its core business assets in June 2021, rendering the business economically unviable. Several Reservations of Rights letters have been issued to the Borrower and Guarantor in relation to this.

The latest monthly payments of principal and interest have been made in line with the schedule by the Guarantor. At the time of writing, payments are up to date but we will be continuing to monitor these receivables very closely. Whilst there is necessarily a sizeable IFRS 9 provision against this position as it is in unremedied default, we believe it is in the Guarantor's best interest to ensure the loan is repaid in full as per the schedule. All rights over the Guarantor have been reserved.

Strategic Report

Investment Report *(continued)*

Direct Loans *(continued)*

Media financing (Borrowers 4, 6, 7, 8, 9 and 10) – 6.5% of NAV

The Film Production Financing portfolio, comprising of six film financings, has been heavily impacted by the changes in operating practises resulting from the Covid-19 pandemic. This has resulted in significant delays in recouping the outstanding balances within the "contracted cash flow" element (comprising Tax Credit, Receipts and Presold Income), hampered further by the political uncertainty across some of the remaining territories. Moreover, the level of uncertainty across the "non-contractual Future Sales" element, which is considered mezzanine in nature and carries a higher risk profile, has continued to increase.

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

External specialists have been engaged by the Company to independently value these positions and provide assistance in identifying the best approach in realising maximum value for Shareholders given the specialist nature of the sector.

UK Venture Debt (Borrower 5) – 3.1% of NAV

This loan note is assigned to a merged entity; a previous Borrower within the portfolio (Borrower 11 as at June 2022) and its competitor.

This entity leverages from the existing customer base gathered over time and with experience combined with the development of a new generation product, which together should accelerate sales. The Company has made a follow-on loan with an 18 month term in this combined entity in the hope of achieving a positive resolution for its Shareholders with regards to both the legacy and follow-on investments.

Legacy portfolio

Borrower	Principal Balance Outstanding at 31 December 2022 £	ECL provision at 31 December 2022 £	Loan Carrying Value at Amortised Cost at 31 December 2022 £	Currency	Yield
Borrower 11	£1,000,000	£1,000,000	-	GBP	-
Borrower 12	£415,714	£415,714	-	GBP	-
Borrower 13	£329,705	£329,705	-	EUR	-
Legacy Loans Total	**£1,745,419**	**£1,745,419**	**-**		

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

UK Offshore platform (Borrower 11) – 0.0% of NAV

The final credit from this offshore platform has been in place since early 2017 and is a real estate linked loan to a developer in Gibraltar. Despite continued assurances, we have not been repaid, and the position (including the accrued penalty interest) remains fully impaired, given the continuous delays. The platform has recently instructed legal counsel to pursue the Company’s claim and press for repayment. We remain uncertain of the balance that will be recovered.

Small company bond platform (Borrower 12) – 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.

Investment Report *(continued)*

Legacy portfolio *(continued)*

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

We have assigned zero probability of any further collections on the remaining loans within the portfolio. The platform is engaged in ongoing legal proceedings with the borrowers of the four remaining loans on the platform.

Outlook

The Company has continued to make good progress with the realisation of the portfolio to date. We expect that within the next 12-18 months the wind down will be largely complete.

The Company is working closely with the relevant borrowers to ensure all parties remain aligned to our objective of achieving the maximum returns for Shareholders from the outstanding loans. The Company has also engaged specialists to enhance returns where possible for the remaining loans.

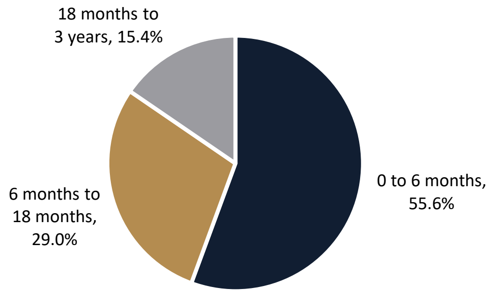
We would like to thank Shareholders for their continued support and will share any updates on the progress over the upcoming months.

Brett Miller
Director
15 March 2023

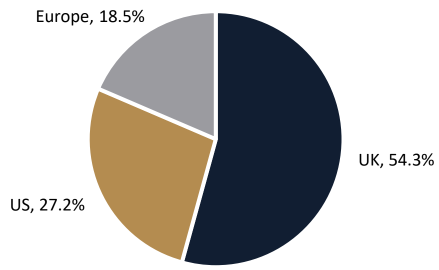
Strategic Report

Company analytics as at 31 December 2022

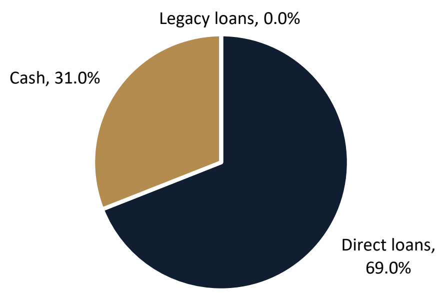
Portfolio Exposure by Maturity



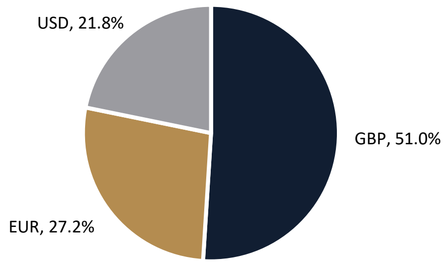
Portfolio Exposure by Geography



Portfolio Exposure by Type



Portfolio Exposure by Currency



The above charts comprise the Company’s loans at amortised cost (excluding capitalised transaction fees), accrued interest receivable and cash and cash equivalents.

Strategic Report

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, are set out below:

- macroeconomic risk;
- Russian invasion of Ukraine and the subsequent energy crisis;
- credit risk;
- platform risk;
- regulatory risk; and
- reputational risk.

Further details of each of these risks and how they are mitigated are discussed in the Principal Risks and Uncertainties section of the Strategic Report within the Company's Annual Report for the year ended 30 June 2022. The Board believes that these risks are applicable to the six month period ended 31 December 2022 and the remaining six months of the current financial year.

COVID-19

COVID-19 was a principal risk in the Company's Annual Report for the year ended 30 June 2022, and although the impact of COVID-19 continues to be seen across the world, the Directors do not believe that COVID-19 continues to pose a significant threat to the Company and therefore, it is no longer classified as a principal risk. Should another new variant lead to further lockdowns, however, this could change again.

On behalf of the Board.

David Stevenson
Chairman
15 March 2023

Governance

Statement of Directors' Responsibilities

The Directors are responsible for preparing the half-yearly report and condensed financial statements and are required to:

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

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

On behalf of the Board.

David Stevenson
Chairman
15 March 2023

Unaudited Condensed Statement of Comprehensive Income

for the six months ended 31 December 2022

	Note	*Period from 1 July 2022 to 31 December 2022 (unaudited)* £'000	*Period from 1 July 2021 to 31 December 2021 (unaudited)* £'000	*Year ended 30 June 2022 (audited)* £'000
Income				
Investment income		607	1,354	2,600
Impairment of interest income		(2)	(591)	(1,195)
Other income		4	-	-
Net interest income		609	763	1,405
Total revenue		**609**	**763**	**1,405**
Operating expenses				
Directors' remuneration	*8*	(122)	(72)	(195)
Other expenses	*10*	(119)	(146)	(243)
Legal and professional fees		(107)	(69)	(109)
Consultancy fees	*7c*	(70)	(23)	(71)
Administration fees	*7b*	(59)	(56)	(118)
Management fees	*7a*	-	(133)	(133)
Total operating expenses		**(477)**	**(499)**	**(869)**
Investment gains and losses				
Movement in unrealised gains and losses on loans due to movement in foreign exchange on non-Sterling loans	*13*	(77)	(210)	363
Movement in impairment losses on financial assets (or loans)	*13*	1,599	715	720
Realised loss on disposal of loans		(936)	(2,183)	(2,186)
Movement in carrying value of other receivables		13	-	-
Total investment gains and losses		**599**	**(1,678)**	**(1,103)**
Net profit/(loss) from operating activities before gain on foreign currency exchange		**731**	**(1,414)**	**(567)**
Net foreign exchange gain		14	2	13
Profit/(loss) and total comprehensive income for the period/year attributable to the owners of the Company		**745**	**(1,412)**	**(554)**
Earnings/(loss) per Ordinary Share *(basic and diluted)*	12	**1.41p**	**(2.68)p**	**(1.05)p**

There were no other comprehensive income items in the period/year.
Except for unrealised gains and losses, all of the Company's profit and loss items are distributable.
The accompanying notes on pages 15 to 42 form an integral part of the unaudited condensed half-yearly financial statements.

Unaudited Condensed Statement of Changes in Equity
for the six months ended 31 December 2022

Unaudited	*Note*	*Called up share capital £'000*	*Capital redemption reserve £'000*	*Special distributable reserve £'000*	*Profit and loss account £'000*	*Total £'000*
At 1 July 2022		527	17,955	7,997	(15,563)	10,916
Profit for the period	*19*	-	-	-	745	745
Transactions with Owners in their capacity as owners:						
Dividends paid	*5, 19*	-	-	(395)	-	(395)
B Shares issued during the period	*5, 18, 19*	1,580	-	(1,580)	-	-
B Shares redeemed during the period	*5, 18, 19*	(1,580)	1,580	(1,580)	-	(1,580)
At 31 December 2022		**527**	**19,535**	**4,442**	**(14,818)**	**9,686**

Unaudited Condensed Statement of Changes in Equity
for the six months ended 31 December 2021

Unaudited	*Note*	*Called up share capital £'000*	*Capital redemption reserve £'000*	*Special distributable reserve £'000*	*Profit and loss account £'000*	*Total £'000*
At 1 July 2021		527	10,319	23,269	(15,009)	19,106
Loss for the period	*19*	-	-	-	(1,412)	(1,412)
Transactions with Owners in their capacity as owners:						
B Shares issued during the period	*5, 18, 19*	4,476	-	(4,476)	-	-
B Shares redeemed during the period	*5, 18, 19*	(4,476)	4,476	(4,476)	-	(4,476)
At 31 December 2021		**527**	**14,795**	**14,317**	**(16,421)**	**13,218**

Audited Statement of Changes in Equity
for the year ended 30 June 2022

Audited	*Note*	*Called up share capital £'000*	*Capital redemption reserve £'000*	*Special distributable reserve £'000*	*Profit and loss account £'000*	*Total £'000*
At 1 July 2021		527	10,319	23,269	(15,009)	19,106
Loss for the year	*19*	-	-	-	(554)	(554)
Transactions with Owners in their capacity as owners:						
B Shares issued during the year	*5, 18, 19*	7,636	-	(7,636)	-	-
B Shares redeemed during the year	*5, 18, 19*	(7,636)	7,636	(7,636)	-	(7,636)
At 30 June 2022		**527**	**17,955**	**7,997**	**(15,563)**	**10,916**

There were no other comprehensive income items in the period/year.
The above amounts are all attributable to the owners of the Company.
The accompanying notes on pages 15 to 42 form an integral part of the unaudited condensed half-yearly financial statements.

Unaudited Condensed Statement of Financial Position
as at 31 December 2022

	Note	*31 December 2022 (unaudited) £'000*	*31 December 2021 (unaudited) £'000*	*30 June 2022 (audited) £'000*
Non-current assets				
Loans at amortised cost	*13*	2,845	4,743	3,440
Other receivables and prepayments	*15*	277	-	-
Total non-current assets		**3,122**	**4,743**	**3,440**
Current assets				
Loans at amortised cost	*13*	3,513	5,974	4,807
Other receivables and prepayments	*15*	155	152	65
Cash and cash equivalents		3,041	2,592	2,770
Total current assets		**6,709**	**8,718**	**7,642**
Total assets		**9,831**	**13,461**	**11,082**
Current liabilities				
Other payables and accruals	*16*	(145)	(243)	(166)
Total liabilities		**(145)**	**(243)**	**(166)**
Net assets		**9,686**	**13,218**	**10,916**
Capital and reserves attributable to owners of the Company				
Called up share capital	*18*	527	527	527
Other reserves	*19*	9,159	12,691	10,389
Equity attributable to the owners of the Company		**9,686**	**13,218**	**10,916**
Net asset value per Ordinary Share	*20*	**18.39p**	**25.10p**	**20.73p**

These unaudited condensed half-yearly financial statements of Secured Income Fund plc (registered number 09682883) were approved by the Board of Directors on 15 March 2023 and were signed on its behalf by:

David Stevenson
Chairman
15 March 2023

Gaynor Coley
Director
15 March 2023

The accompanying notes on pages 15 to 42 form an integral part of the unaudited condensed half-yearly financial statements.

Unaudited Condensed Statement of Cash Flows
for the six months ended 31 December 2022

	Period from 1 July 2022 to 31 December 2022 (unaudited) £'000	*Period from 1 July 2021 to 31 December 2021 (unaudited) £'000*	*Year ended 30 June 2022 (audited) £'000*
Cash flows from operating activities			
Net profit/(loss) before taxation	745	(1,412)	(554)
Adjustments for:			
Movement in unrealised gains and losses on receivables	(13)	-	-
Movement in unrealised gains and losses on loans due to movement in foreign exchange on non-Sterling loans	77	210	(363)
Movement in impairment losses on financial assets (or loans)	(1,599)	(715)	(720)
Realised loss on disposal of loans	936	2,183	2,186
Amortisation of transaction fees	10	17	28
Decrease in investments	2,465	2,258	5,291
Net cash inflow from operating activities before working capital changes	2,621	2,541	5,868
(Increase)/decrease in other receivables and prepayments	(354)	36	124
(Decrease)/increase in other payables and accruals	(21)	95	18
Net cash inflow from operating activities	**2,246**	**2,672**	**6,010**
Cash flows from financing activities			
B Share scheme redemptions	(1,580)	(4,476)	(7,636)
Dividends paid	(395)	-	-
Net cash outflow from financing activities	**(1,975)**	**(4,476)**	**(7,636)**
Increase/(decrease) in cash and cash equivalents in the period/year	**271**	**(1,804)**	**(1,626)**
Cash and cash equivalents at the beginning of the period/year	2,770	4,396	4,396
Cash and cash equivalents at 31 December 2022	**3,041**	**2,592**	**2,770**
Supplemental cash flow information			
Non-cash transaction – interest income	-	-	-

The accompanying notes on pages 15 to 42 form an integral part of the unaudited condensed half-yearly financial statements.

Notes to the Unaudited Condensed Half-Yearly Financial Statements
for the six months ended 31 December 2022

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.

The Investment Management Agreement between the Company and KKV Investment Management Ltd was terminated on 31 December 2021. There was a smooth transition of management back to the Company, which had been facilitated by retaining key personnel. Furthermore, with effect from 1 January 2022, the Company was approved by the FCA as a Small Registered UK AIFM.

Investment objective and policy
The Company is 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 pursues 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 has ceased to make any new investments or to undertake capital expenditure except where, in the opinion of the Board:

- 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 is 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.

2. Statement of compliance
a) Basis of preparation
These unaudited condensed half-yearly financial statements present the results of the Company for the six months ended 31 December 2022. These unaudited condensed half-yearly financial statements have been prepared in accordance with UK-adopted International Accounting Standard ("IAS") 34: *Interim Financial Reporting*.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

2. Statement of compliance *(continued)*

a) Basis of preparation *(continued)*

The unaudited condensed half-yearly financial statements for the period ended 31 December 2022 do not constitute statutory financial statements, as defined in s434 of the Companies Act 2006. The unaudited condensed half-yearly financial statements have been prepared on the same basis as the Company's annual financial statements.

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 15, 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 unaudited condensed half-yearly financial statements.

The Russian invasion of Ukraine and the subsequent energy crisis is a risk to the global economy. Details of the impact, as they may affect the Company, are provided in the Chairman's Statement, Investment Report and note 4. The Directors believe that the Company is well placed to survive the impact of the Russian invasion of Ukraine and the subsequent energy crisis, thereby enabling the Company to realise its assets in an orderly manner.

b) Basis of measurement

The unaudited condensed half-yearly financial statements have been prepared on a historical cost basis, except for investments at fair value through profit or loss, 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.

d) Use of estimates and judgements

The preparation of unaudited condensed half-yearly financial statements in conformity with UK-adopted International Accounting Standards 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 UK-adopted International Accounting Standards that have a significant effect on the unaudited condensed half-yearly financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

3. Significant accounting policies

a) Foreign currency

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

b) Financial assets and liabilities

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

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 has been a change in the investment objective and policy, there has been no change in the business model 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.

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.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

3. Significant accounting policies *(continued)*
b) Financial assets and liabilities *(continued)*
Initial measurement
Financial assets and financial liabilities at fair value through profit or loss are recorded in the Unaudited Condensed Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial 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 Unaudited Condensed 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 Board and, prior to 31 December 2021, the Former 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 Board (prior to 31 December 2021, the Former Investment Manager) requests data and management information from the platform. The Board (prior to 31 December 2021, the Former Investment Manager) will then actively pursue collections, giving guidance to the platforms on acceptable levels of impairment. In some cases, the Board (prior to 31 December 2021, the Former Investment Manager) will proactively take control of the process.

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).

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

3. Significant accounting policies *(continued)*
b) Financial assets and liabilities *(continued)*
Impairment (continued)

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 Board (prior to 31 December 2021, the Former 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 Board (prior to 31 December 2021, the Former 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 Board (prior to 31 December 2021, the Former Investment Manager) also takes into account the level of security to support each loan and the ease with which this security can be monetised.

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 Unaudited Condensed Statement of Comprehensive Income in the period in which they are incurred.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

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 Unaudited Condensed Statement of Comprehensive Income is added to this reserve, along with realised gains and losses on the disposal of financial assets. Dividends paid during the period are deducted from this reserve, where sufficient reserves are available.

(iv) Profit and loss accounts – non-distributable
Unrealised gains and losses on receivables and financial assets are taken to this reserve.

j) Changes in accounting policy and disclosures

New and amended standards and interpretations

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

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)*

IAS 37 Provisions, Contingent Liabilities and Contingent Assets – *Amendments regarding the costs to include when assessing whether a contract is onerous*

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

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 unaudited condensed half-yearly financial statements. Any standards that are not deemed relevant to the operations of the Company have been excluded. The Directors have chosen not to early adopt these standards and interpretations and they do not anticipate that they would have a material impact on the Company's financial statements in the period of initial application.

		Effective date
IAS 1	Presentation of Financial Statements – *amendments regarding the classification of liabilities*	1 January 2024
	Presentation of Financial Statements – *amendments regarding the disclosure of accounting policies*	1 January 2023
	Presentation of Financial Statements – *amendments regarding the classification of debt and covenants*	1 January 2024
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors – *Amendments regarding the definition of accounting estimate*	1 January 2023

4. Use of Judgements and estimates

The preparation of the Company's unaudited condensed half-yearly financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the unaudited condensed half-yearly financial statements. 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 judgements, which have had a significant effect on the amounts recognised in the unaudited condensed half-yearly financial statements:

COVID-19

The impact of COVID-19 continues to be seen across the world. However, the Directors do not believe that COVID-19 continues to pose a significant threat to the Company. Should another new variant lead to further lockdowns, however, this could change again.

Russian Invasion of Ukraine and the subsequent energy crisis

Russia's invasion of Ukraine is a risk to the global economy. The invasion itself and resulting international sanctions on Russia are believed to have already caused substantial economic damage to that country, which is likely to worsen the longer the sanctions are in place, and has had some wider global effect on the supply and prices of certain commodities and consequently on inflation and general economic growth of the global economy. The effects vary from country to country, depending, for example, on their dependence on Russian energy supplies, particularly gas, which cannot be so easily transported and substituted as oil. The full effects will take time to flow through fully and manifest themselves in the balance sheets of companies and impact their ability to repay loans. In this context, we can only express reservations on the near-term impact on credit risk and the impairment of securities, which may be more volatile as a result of the Russian invasion and the subsequent energy crisis.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

4. Use of Judgements and estimates *(continued)*
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.

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

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 Report). In such circumstances the level of estimation uncertainty and judgement of expected credit losses has increased. As noted in the Investment 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 an inherent uncertainty in relation to the level of provisioning made in these unaudited condensed half-yearly financial statements. The Board has updated the expected credit loss assessment (as set out in note 3b) to the best of its knowledge at the time of signing these financial statements 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 impact of the Russian invasion of Ukraine and the resultant energy crisis, 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 the Russian invasion of Ukraine and the subsequent energy crisis.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

4. Use of Judgements and estimates *(continued)*
Estimates and assumptions *(continued)*
i) Recoverability of loans and other receivables *(continued)*
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 will be 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.

12-month PD is calculated based on a 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%.

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

12-month ECL is calculated based on the following categorisation:

Category	**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

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

The following borrower information should be read in conjunction with the current economic environment and, in particular, the impact of the Russian invasion of Ukraine and the subsequent energy crisis.

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. This is a key component of the Company's 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, and a personal guarantee.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

4. Use of Judgements and estimates *(continued)*
Estimates and assumptions *(continued)*
i) Recoverability of loans and other receivables *(continued)*
<u>*Loans written off*</u>
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. No platform loans were written off in the period (31 December 2021: £1,878,000; 30 June 2022: £1,880,000), but the carrying value of the remaining platform loans was £nil at 31 December 2022 (31 December 2021 and 30 June 2022: £nil).

<u>*Renegotiated loans*</u>
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.

In addition to the methodology used, the Company has taken impairment data from platforms for the assessment of loans with third party exposure, which was consistent with the approach the Board would have expected to take in those circumstances as at 31 December 2022.

There were no new assets originated during the period 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 period to an amount equal to 12-month expected credit losses.

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

Please see note 3b, note 13 and note 21 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 period ended 31 December 2022 as interest distributions to its Shareholders. In doing so, the Company took advantage of UK tax treatment by "streaming" income from interest-bearing investments into dividends that will be taxed in the hands of Shareholders as interest income.

To date, the Company has declared the following dividends in respect of earnings for the period ended 31 December 2022:

	Total dividend declared in respect of earnings in the year £'000	*Amount per Ordinary Share pence*
Dividends declared (to date) for the period	-	-
Add, dividends paid in the period in respect of the prior year	395	0.75p
	------------	------------
Dividends paid in the period	395	0.75p
	------------	------------

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

5. Dividends *(continued)*
In accordance with UK-adopted International Accounting Standards, dividends are only provided for when they become a contractual liability of the Company. Therefore, during the period a total of £395,000 (31 December 2021 and 30 June 2022: £nil) was incurred in respect of dividends, none of which was outstanding at the reporting date (31 December 2021 and 30 June 2022: 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.

The Company made one B Share Scheme redemption in the period, totalling £1,580,000 (31 December 2021: £4,476,000, 30 June 2022: £7,636,000), equivalent to 3.00p per Ordinary Share (31 December 2021: 8.50p, 30 June 2022: 14.50p).

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 that applies to any transaction which it may enter into with any Director, the Investment Consultant and (prior to 1 January 2022), the Former 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.

See notes 7 and 8 for further details.

7. Key contracts
a) Former Investment Manager
The Former Investment Manager had responsibility for managing the Company's portfolio until 31 December 2021, and was entitled to a management fee and performance fee for their services.

On 20 August 2021, the Company agreed with the Former 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 believed that the revised Agreement provided the Company with certainty over the level of future management fees payable to the Former Investment Manager with the added flexibility of facilitating the Company becoming self-managed, whilst providing for the ongoing management of the portfolio to 31 December 2021. Overall, it allowed for an orderly transition of the management of the portfolio to the Company.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

7. Key contracts *(continued)*

a) Former Investment Manager *(continued)*

During the period, no management fees were incurred (31 December 2021: £133,000, 30 June 2022: £133,000) and nothing was payable in respect of management fees at the reporting date (31 December 2021: £21,000, 30 June 2022: £nil).

The performance fee ceased with effect from 1 January 2022, following the termination of the Investment Management Agreement on 31 December 2021, and during the period, no performance fee was paid, or payable, to the Former Investment Manager (31 December 2021 and 30 June 2022: none).

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 when pricing a transaction. When structuring services were provided by the Investment Manager (incumbent at the time of the transaction) 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 Investment Manager (incumbent at the time of the transaction), the funds they managed or where they or their affiliates did not provide such structuring advice.

During the period, transaction costs of £10,000 (31 December 2021: £17,000, 30 June 2022 £28,000) were amortised.

b) Administration fees

Elysium Fund Management Limited ("Elysium") is entitled to an administration fee in respect of the services provided in relation to the administration of the Company, together with time-based fees in relation to work on investment transactions. During the period, a total of £59,000 (31 December 2021: £56,000, 30 June 2022: £118,000) was incurred in respect of administration fees, of which £29,000 (31 December 2021: £28,000, 30 June 2022: £33,000) was payable at the reporting date.

c) Consultancy fees

With effect from 1 January 2022, the Company entered into a consultancy agreement to secure the services of one of the individuals previously employed by KKV.

During the period, a total of £70,000 (31 December 2021: £23,000, 30 June 2022: £71,000) was incurred in respect of consultancy fees, of which £7,000 (31 December 2021: £nil, 30 June 2022: £7,000) was payable at the reporting date and a further £27,000 (31 December 2021: £23,000, 30 June 2022: £18,000) had been accrued but was not yet payable at the reporting date.

8. Directors' remuneration

The Directors are paid such remuneration for their services as determined by the Remuneration and Nomination Committee, which comprises all of the Directors of the Company and is chaired by Gaynor Coley. Under the terms of their appointments, the Chairman of the Company receives £45,000 per annum, the chairman of the Audit and Valuation Committee receives £40,000 per annum, and other non-executive Directors receive £40,000 per annum.

The Remuneration and Nominations Committee agreed to pay Brett Miller an additional £10,000 per month, with effect from 1 January 2022, when he took over management of the Company's portfolio and became an Executive Director. The additional fee is reviewed every six months and, to date, has been extended on the same terms.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

8. Directors' remuneration *(continued)*

During the period, a total of £122,000 (31 December 2021: £72,000, 30 June 2022: £195,000) was incurred in respect of Directors' remuneration, none of which was payable at the reporting date (31 December 2021 and 30 June 2022: none). No bonus or pension contributions were paid or payable on behalf of the Directors.

9. Key management and employees

The Company had no employees during the period (31 December 2021 and 30 June 2022: none). Therefore, there were no key management (except for the Directors) or employees during the period (31 December 2021 and 30 June 2022: none).

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

	Period from 1 July 2022 to 31 December 2022 (unaudited)	*Period from 1 July 2021 to 31 December 2021 (unaudited)*	*Year ended 30 June 2022 (audited)*
Dividends	*£*	*£*	*£*
David Stevenson	152	-	-
Gaynor Coley	16	-	-
Brett Miller	-	-	-
B Share Scheme Redemptions			
David Stevenson	608	1,722	2,937
Gaynor Coley	64	181	310
Brett Miller	-	-	-

10. Other expenses

	Period from 1 July 2022 to 31 December 2022 (unaudited)	*Period from 1 July 2021 to 31 December 2021 (unaudited)*	*Year ended 30 June 2022 (audited)*
	£'000	*£'000*	*£'000*
Registrar fees	29	25	42
Audit fees	24	45	71
Broker fees	18	18	36
Directors' national insurance	18	10	24
Other expenses	20	31	42
Transaction fees *(note 7a)*	10	17	28
	119	**146**	**243**

11. Taxation

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

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

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

	Period from 1 July 2022 to 31 December 2022 (unaudited) £'000	*Period from 1 July 2021 to 31 December 2021 (unaudited) £'000*	*Year ended 30 June 2022 (audited) £'000*
Reconciliation of tax charge:			
Profit/(loss) before taxation	745	(1,412)	(554)
	------------	------------	------------
Tax at the standard UK corporation tax rate of 19%	142	(268)	(105)
Effects of:			
- Non-taxable gains and losses	(114)	319	209
- Adjustments for disallowable expenses	-	-	6
- Interest distributions [1]	(28)	(51)	(75)
- Relief claimed for carried forward losses	-	-	(35)
	------------	------------	------------
Total tax expense	-	-	-
	------------	------------	------------

[1] On 2 September 2022, the Board declared a dividend of 0.75p per Ordinary Share for the year ended 30 June 2022, which was paid on 7 October 2022.

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

	Period from 1 July 2022 to 31 December 2022 (unaudited)	*Period from 1 July 2021 to 31 December 2021 (unaudited)*	*Year ended 30 June 2022 (audited)*
United Kingdom	19%	19%	19%
Guernsey	nil	nil	nil

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

12. Earnings/(loss) per Ordinary Share
The earnings per Ordinary Share of 1.41p (31 December 2021: loss per Ordinary Share of 2.68p, 30 June 2022: loss per Ordinary Share of 1.05p) is based on a profit attributable to the owners of the Company of £745,000 (31 December 2021: loss of £1,412,000, 30 June 2022: loss of £554,000) and on a weighted average number of 52,660,350 (31 December 2021 and 30 June 2022: 52,660,350) Ordinary Shares in issue since Admission. There is no difference between the basic and diluted earnings per share.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

13. Loans at amortised cost

	31 December 2022 (unaudited) £'000	*31 December 2021 (unaudited) £'000*	*30 June 2022 (audited) £'000*
Loans	18,004	24,463	21,415
Unrealised loss*	(11,646)	(13,746)	(13,168)
Balance at period/year end	**6,358**	**10,717**	**8,247**
Loans: Non-current	2,845	4,743	3,440
Current	3,513	5,974	4,807
Loans at amortised cost	**6,358**	**10,717**	**8,247**
*Unrealised loss:			
Foreign exchange on non-Sterling loans	128	(368)	205
Impairments of financial assets	(11,774)	(13,378)	(13,373)
Unrealised loss	**(11,646)**	**(13,746)**	**(13,168)**

The movement in unrealised gain/loss on loans comprised:

	31 December 2022 (unaudited) £'000	*31 December 2021 (unaudited) £'000*	*30 June 2022 (audited) £'000*
Movement in foreign exchange on non-Sterling loans	(77)	(210)	363
Movement in impairment losses on financial assets (or loans)	1,599	715	720
Movement in unrealised gains and losses on loans	**1,522**	**505**	**1,083**

The movement in the impairment for the period/year comprised:

	31 December 2022 (unaudited) £'000	*31 December 2021 (unaudited) £'000*	*30 June 2022 (audited) £'000*
Impairment of interest income	(2)	(591)	(1,195)
Impairment losses on financial assets (or loans)	1,599	715	720
Total movement in impairment in the year	**1,597**	**124**	**(475)**

The weighted average interest rate of the loans as at 31 December 2022 was 10.40% (31 December 2021: 10.18%, 30 June 2022: 10.68%).

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

13. Loans at amortised cost *(continued)*

The table below details expected credit loss provision ("ECL") of financial assets in each stage at 31 December 2022:

	Stage 1 *£'000*	*Stage 2* *£'000*	*Stage 3* *£'000*	*Total* *£'000*
31 December 2022				
Direct loans [1]	2,555	413	13,413	16,381
ECL on direct loans	(8)	(115)	(9,906)	(10,029)
Direct loans net of the ECL	2,547	298	3,507	6,352
Platform loans [1]	-	-	1,745	1,745
ECL on platform loans	-	-	(1,745)	(1,745)
Platform loans net of the ECL	-	-	-	-
Accrued interest	124	4	25	153
Total loans [1]	2,555	413	15,158	18,126
Total ECL	(8)	(115)	(11,651)	(11,774)
Total net of the ECL	2,547	298	3,507	6,352

[1] These are the principal amounts outstanding at 31 December 2022 and do not include the capitalised transaction fees, which are not subject to credit risk. At 31 December 2022, the amortised cost of the capitalised transaction fees totalled £6,000.

The table below details the movements in the period 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 2022	3,245	(9)	-	-	18,359	(13,364)	21,604	(13,373)
Net new and further lending/repayments, and foreign exchange movements	(690)	1	413	(115)	(3,201)	1,713	(3,478)	1,599
At 31 December 2022	2,555	(8)	413	(115)	15,158	(11,651)	18,126	(11,774)

[1] These are the principal amounts outstanding at 31 December 2022 and do not include the capitalised transaction fees, which are not subject to credit risk. At 31 December 2022, the amortised cost of the capitalised transaction fees totalled £6,000.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

13. Loans at amortised cost *(continued)*
The table below details expected credit loss provision ("ECL") of financial assets in each stage at 31 December 2021:

	Stage 1 *£'000*	*Stage 2* *£'000*	*Stage 3* *£'000*	*Total* *£'000*
31 December 2021				
Direct loans [1]	3,819	-	17,299	21,118
ECL on direct loans	(11)	-	(10,417)	(10,428)
Direct loans net of the ECL	3,808	-	6,882	10,690
Platform loans [1]	-	-	2,950	2,950
ECL on platform loans	-	-	(2,950)	(2,950)
Platform loans net of the ECL	-	-	-	-
Accrued interest	117	-	6	123
Total loans [1]	3,819	-	20,249	24,068
Total ECL	(11)	-	(13,367)	(13,378)
Total net of the ECL	3,808	-	6,882	10,690

[1] These are the principal amounts outstanding at 31 December 2021 and do not include the capitalised transaction fees, which are not subject to credit risk. At 31 December 2021, the amortised cost of the capitalised transaction fees totalled £27,000.

The table below details the movements in the period 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 2021	4,940	(14)	5,633	(451)	18,145	(13,628)	28,718	(14,093)
Transfers from Stage 2 to Stage 3	-	-	(5,633)	451	5,633	(451)	-	-
Net new and further lending/repayments, and foreign exchange movements	(1,121)	3	-	-	(1,651)	(1,166)	(2,772)	(1,163)
Loans written-off in the period	-	-	-	-	(1,878)	1,878	(1,878)	1,878
At 31 December 2021	3,819	(11)	-	-	20,249	(13,367)	24,068	(13,378)

[1] These are the principal amounts outstanding at 31 December 2021 and do not include the capitalised transaction fees, which are not subject to credit risk. At 31 December 2021, the amortised cost of the capitalised transaction fees totalled £27,000.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

13. Loans at amortised cost *(continued)*
The table below details expected credit loss provision ("ECL") of financial assets in each stage at 30 June 2022:

	Stage 1 *£'000*	*Stage 2* *£'000*	*Stage 3* *£'000*	*Total* *£'000*
30 June 2022				
Direct loans [1]	3,245	-	15,405	18,650
ECL on direct loans	(9)	-	(10,410)	(10,419)
Direct loans net of the ECL	3,236	-	4,995	8,231
Platform loans [1]	-	-	2,954	2,954
ECL on platform loans	-	-	(2,954)	(2,954)
Platform loans net of the ECL	-	-	-	-
Accrued interest	57	-	2	59
Total loans [1]	3,245	-	18,359	21,604
Total ECL	(9)	-	(13,364)	(13,373)
Total net of the ECL	3,236	-	4,995	8,231

[1] These are the principal amounts outstanding at 30 June 2022 and do not include the capitalised transaction fees, which are not subject to credit risk. At 30 June 2022, the amortised cost of the capitalised transaction fees totalled £16,000.

The table below details the movements in the year 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 2021	4,940	(14)	5,633	(451)	18,145	(13,628)	28,718	(14,093)
Transfers from Stage 2 to Stage 3	-	-	(5,633)	451	5,633	(451)	-	-
Net re-measurement of ECL arising from transfer of stage	-	-	-	-	-	(1,239)	-	(1,239)
Net new and further lending/repayments, and foreign exchange movements	(1,695)	5	-	-	(3,539)	74	(5,234)	79
Loans written-off in the year	-	-	-	-	(1,880)	1,880	(1,880)	1,880
At 30 June 2022	3,245	(9)	-	-	18,359	(13,364)	21,604	(13,373)

[1] These are the principal amounts outstanding at 30 June 2022 and do not include the capitalised transaction fees, which are not subject to credit risk. At 30 June 2022, the amortised cost of the capitalised transaction fees totalled £16,000.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

13. Loans at amortised cost *(continued)*

An increase of 1% of total gross exposure into Stage 3 (from Stage 1) would result in an increase in ECL impairment allowance of £23,000 (31 December 2021: £33,000, 30 June 2022: £29,000) based on applying the difference in average impairment coverage ratios to the movement in gross exposure.

At 31 December 2022, the Board considered £11,774,000 (31 December 2021: £13,378,000, 30 June 2022: £13,373,000) of loans to be impaired:

	31 December 2022 (unaudited) £'000	*31 December 2021 (unaudited) £'000*	*30 June 2022 (audited) £'000*
Direct SME loans	10,029	10,428	10,419
Platform loans	1,745	2,950	2,954
Total impairment	**11,774**	**13,378**	**13,373**

During the period, no loans were written off and included within realised loss on disposal of loans in the Unaudited Condensed Statement of Comprehensive Income (31 December 2021: £1,878,000, 30 June 2022: £1,880,000).

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.

14. Fair value of financial instruments

Financial assets designated as at fair value through profit or loss

The carrying value of receivables are deemed to be a reasonable approximation of their fair values.

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.

15. Other receivables and prepayments

	31 December 2022 (unaudited) £'000	*31 December 2021 (unaudited) £'000*	*30 June 2022 (audited) £'000*
Non-current			
Other receivables	273	-	-
Accrued interest	4	-	-
	277	**-**	**-**
Current			
Accrued interest	149	123	59
Prepayments	6	14	6
Other receivables	-	15	-
	155	**152**	**65**

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

15. Other receivables and prepayments *(continued)*
The carrying values of the accrued interest and other receivables are deemed to be reasonable approximations of their fair values.

16. Other payables and accruals

	31 December 2022 (unaudited) £'000	*31 December 2021 (unaudited) £'000*	*30 June 2022 (audited) £'000*
Audit fee	40	78	64
Consultancy fee *(note 7c)*	34	23	25
Administration fee *(note 7b)*	29	28	33
Other payables and accruals	19	32	13
Legal fees	13	50	21
Directors' national insurance	10	11	10
Management fee *(note 7a)*	-	21	-
	145	**243**	**166**

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

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

As at 31 December 2022, the Company had no liabilities that would give rise to cash flows from financing activities (31 December 2021 and 30 June 2022: none).

18. Share capital

	31 December 2022 (unaudited) £'000	*31 December 2021 (unaudited) £'000*	*30 June 2022 (audited) £'000*
Authorised share capital:			
Unlimited number of Ordinary Shares of 1 pence each	-	-	-
43,857,133 B Shares of £1 each (31 December 2021 and 30 June 2022: 43,857,133)	43,857	43,857	43,857
Unlimited C Shares of 10 pence each	-	-	-
Unlimited Deferred Shares of 1 pence each	-	-	-
50,000 Management Shares of £1 each	50	50	50
Called up share capital:			
52,660,350 Ordinary Shares of 1 pence each	527	527	527
1 Management Share of £1 (31 December 2021 and 30 June 2022: 1)	-	-	-
	527	**527**	**527**

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

18. Share capital *(continued)*

Management Shares

The Management Share is 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 Share.

The Management Share does 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 Share does 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 period, no Management Shares were bought back or cancelled (31 December 2021 and 30 June 2022: none).

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 period, 1,580,000 (31 December 2021: 4,476,000, 30 June 2022: 7,636,000) 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.

19. Other reserves

Period ended 31 December 2022 (unaudited)	*Special distributable reserve* [1] / [3]	*Capital redemption reserve* [3]	*Profit and loss account* [2]		*Total*
			Distributable	*Non-distributable*	
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
At 30 June 2022	7,997	17,955	(2,394)	(13,169)	10,389
Realised revenue profit	-	-	146	-	146
Realised investment gains and losses	-	-	(936)	-	(936)
Unrealised gains and losses	-	-	-	1,535	1,535
Dividends paid	(395)	-	-	-	(395)
B Shares issued during the period (notes 5 and 18)	(1,580)	-	-	-	(1,580)
B Shares redeemed during the period (notes 5 and 18) [3]	(1,580)	1,580	-	-	-
At 31 December 2022	**4,442**	**19,535**	**(3,184)**	**(11,634)**	**9,159**

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

19. Other reserves *(continued)*

Period ended 31 December 2021 (unaudited)	*Special distributable reserve* [1] / [3]	*Capital redemption reserve* [3]	*Profit and loss account* [2] *Distributable*	*Non-distributable*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
At 30 June 2021	23,269	10,319	(757)	(14,252)	18,579
Realised revenue profit	-	-	266	-	266
Realised investment gains and losses	-	-	(2,183)	-	(2,183)
Unrealised investment gains and losses	-	-	-	505	505
B Shares issued during the period (notes 5 and 18)	(4,476)	-	-	-	(4,476)
B Shares redeemed during the period (notes 5 and 18) [3]	(4,476)	4,476	-	-	-
At 31 December 2021	**14,317**	**14,795**	**(2,674)**	**(13,747)**	**12,691**

Year ended 30 June 2022 (audited)	*Special distributable reserve* [1] / [3]	*Capital redemption reserve* [3]	*Profit and loss account* [2] *Distributable*	*Non-distributable*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
At 30 June 2021	23,269	10,319	(757)	(14,252)	18,579
Realised revenue profit	-	-	549	-	549
Realised investment gains and losses	-	-	(2,186)	-	(2,186)
Unrealised investment gains and losses	-	-	-	1,083	1,083
B Shares issued during the year (notes 5 and 18)	(7,636)	-	-	-	(7,636)
B Shares redeemed during the year (notes 5 and 18) [3]	(7,636)	7,636	-	-	-
At 30 June 2022	**7,997**	**17,955**	**(2,394)**	**(13,169)**	**10,389**

[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 18). On 28 February 2023, the Court approved the cancellation of the Company's Capital Redemption Reserve, totalling £19,535,000. The amount cancelled was credited to the Company's distributable reserves with effect from 10 March 2023 (see note 23).

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.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

20. 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 £9,686,000 (31 December 2021: £13,218,000, 30 June 2022: £10,916,000), less £1 (31 December 2021 and 30 June 2022: £1), being amounts owed in respect of Management Shares, and on 52,660,350 (31 December 2021 and 30 June 2022: 52,660,350) Ordinary Shares in issue at the period end.

21. Financial Instruments and Risk Management

The Board (prior to 31 December 2021, the Former 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.

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 Board (prior to 31 December 2021, the Former Investment Manager) is responsible for identifying and controlling risks. Prior to 31 December 2021, the Board of Directors supervised the Former Investment Manager and was 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 Consultant, Administrator, Broker, Registrar or any other third party service provider to perform in accordance with the terms of its appointment could have a significant detrimental impact on the operation of the Company.

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

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. At the period end, the Company did not hold any financial instruments that were exposed to price risk (31 December 2021 and 30 June 2022: none).

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

21. Financial Instruments and Risk Management *(continued)*
Market risk (continued)
(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.

The impact of foreign currency fluctuations during the period comprised:

	Period from 1 July 2022 to 31 December 2022 (unaudited) £'000	*Period from 1 July 2021 to 31 December 2021 (unaudited) £'000*	*Year ended 30 June 2022 (audited) £'000*
Movement in unrealised gains and losses on loans due to movement in foreign exchange on non-Sterling loans	(77)	(210)	363
Net foreign exchange gain	14	2	13
Foreign currency loss in the period	**(63)**	**(208)**	**376**

As at 31 December 2022, a proportion of the net financial assets of the Company were denominated in currencies other than Sterling as follows:

	Loans and receivables £'000	*Cash and cash equivalents £'000*	*Other payables and accruals £'000*	*Exposure £'000*
31 December 2022 *(unaudited)*				
US Dollars	2,139	-	(12)	2,127
Euros	2,672	-	-	2,672
	4,811	**-**	**(12)**	**4,799**
31 December 2021 *(unaudited)*				
US Dollars	2,021	1	(11)	2,011
Euros	3,721	-	-	3,721
	5,742	**1**	**(11)**	**5,732**
30 June 2022 *(audited)*				
US Dollars	1,836	451	(12)	2,275
Euros	3,188	-	-	3,188
	5,024	**451**	**(12)**	**5,463**

At 31 December 2022, if the exchange rates for US Dollars and Euros had strengthened/weakened by 5% against Sterling with all other variables remaining constant, net assets at 31 December 2022 and the profit/(loss) for the period ended 31 December 2022 would have increased/(decreased) by £253,000/£(229,000) (31 December 2021: £302,000/£(273,000), 30 June 2022: £288,000/£(260,000)).

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

21. Financial Instruments and Risk Management *(continued)*
Market risk (continued)
(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 £3,041,000 (31 December 2021: £2,592,000, 30 June 2022: £2,770,000) were the only interest bearing financial instruments subject to variable interest rates at 31 December 2022. Therefore, if interest rates had increased/decreased by 150 basis points, with all other variables held constant, the change in value of interest cash flows of these assets in the period would have been £46,000 (31 December 2021: £13,000, 30 June 2022: £14,000, both based on an increase/decrease in interest rates of 50 basis points).

31 December 2022 *(unaudited)*	*Fixed interest*	*Variable interest*	*Non-interest bearing*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Financial assets				
Loans [1]	6,358	-	-	6,358
Other receivables	-	-	426	426
Cash and cash equivalents	-	3,041	-	3,041
Total financial assets	**6,358**	**3,041**	**426**	**9,825**
Financial liabilities				
Other payables	-	-	(145)	(145)
Total financial liabilities	**-**	**-**	**(145)**	**(145)**
Total interest sensitivity gap	**6,358**	**3,041**	**281**	**9,680**
31 December 2021 *(unaudited)*				
Financial assets				
Loans [1]	10,717	-	-	10,717
Other receivables	-	-	138	138
Cash and cash equivalents	-	2,592	-	2,592
Total financial assets	**10,717**	**2,592**	**138**	**13,447**
Financial liabilities				
Other payables	-	-	(243)	(243)
Total financial liabilities	**-**	**-**	**(243)**	**(243)**
Total interest sensitivity gap	**10,717**	**2,592**	**(105)**	**13,204**

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

21. Financial Instruments and Risk Management *(continued)*
Market risk (continued)
(iii) Interest rate risk (continued)

30 June 2022 *(audited)*	*Fixed interest*	*Variable interest*	*Non-interest bearing*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Financial assets				
Loans [1]	8,247	-	-	8,247
Other receivables	-	-	59	59
Cash and cash equivalents	-	2,770	-	2,770
Total financial assets	**8,247**	**2,770**	**59**	**11,076**
Financial liabilities				
Other payables	-	-	(166)	(166)
Total financial liabilities	**-**	**-**	**(166)**	**(166)**
Total interest sensitivity gap	**8,247**	**2,770**	**(107)**	**10,910**

[1] Of the loans of £6,358,000 (31 December 2021: £10,717,000, 30 June 2022: £8,247,000), one loan amounting to £2,547,000 (31 December 2021: £3,605,000, 30 June 2022: £3,132,000) included both fixed elements and variable elements, based on the performance of the borrowers' underlying portfolios of loans.

The Board (prior to 31 December 2021, the Former Investment Manager) manages the Company's exposure to interest rate risk, paying heed to prevailing interest rates and economic conditions, market expectations and its own views as to likely moves in interest rates.

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

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

At 31 December 2022, credit risk arose principally from cash and cash equivalents of £3,041,000 (31 December 2021: £2,592,000, 30 June 2022: £2,770,000) and other receivables of £273,000 (31 December 2021 and 30 June 2022: £nil). The Company seeks to trade only with reputable counterparties that the Board (prior to 31 December 2021, the Former 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 Board (prior to 31 December 2021, the Former 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.

21. Financial Instruments and Risk Management *(continued)*

Credit risk (continued)

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 13 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 31 December 2022 was low since the ratio of cash and cash equivalents to unmatched liabilities was 21:1 (31 December 2021: 11:1, 30 June 2022: 17:1).

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:

	31 December 2022 (unaudited) Percentage	*31 December 2021 (unaudited) Percentage*	*30 June 2022 (audited) Percentage*
0 to 6 months	55.6	43.9	55.1
6 months to 18 months	29.0	21.7	31.0
18 months to 3 years	15.4	34.4	13.9
	100.0	**100.0**	**100.0**

Capital management

During the period, 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 period ended 31 December 2022, 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 (31 December 2021 and 30 June 2022: none).

During the period ended 31 December 2022, 1,580,000 B Shares were issued and bought back for £1,580,000 (see note 5) (31 December 2021: 4,476,000 B Shares issued and bought back for £4,476,000, 30 June 2022: 7,636,000 B Shares issued and bought back for £7,636,000).

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2022

21. Financial Instruments and Risk Management *(continued)*

Capital management (continued)

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.

22. Contingent assets and contingent liabilities

There were no contingent assets or contingent liabilities in existence at the period end (31 December 2021 and 30 June 2022: none).

23. Events after the reporting period

On 15 December 2022, shareholders approved the reduction of the Company's share capital by cancelling the entire amount standing to the credit of the Company's Capital Redemption Reserve. On 28 February 2023, the Court approved the cancellation of the Company's Capital Redemption Reserve, totalling £19,535,000. The amount cancelled was credited to the Company's distributable reserves with effect from 10 March 2023.

There were no other significant events after the reporting period.

24. Parent and Ultimate Parent

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

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Brett Miller (Executive Director)

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