Secured Income Fund plc

(Registered number 09682883)

Half-Yearly Report and Unaudited Condensed Financial Statements

For the six months ended 31 December 2021

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Key Points

	31 December 2021 *(unaudited)*	31 December 2020 *(unaudited)*	30 June 2021 *(audited)*
Net assets [1]	£13,218,000	£41,262,000	£19,106,000
NAV per Ordinary Share	25.10p	78.26p	36.28p
Share price	18.50p	66.50p	42.50p
(Discount)/premium to NAV	(26.3)%	(15.0)%	17.1%
(Loss)/profit for the period	£(1,412,000)	£820,000	£(11,017,000)
Dividend per share declared in respect of the period	-	8.50p	8.50p
B Share issue and redemption per Ordinary Share declared in respect of the period	8.50p	-	19.50p
Total return per Ordinary Share *(based on NAV)* [2]	-7.4%	+1.8%	-25.6%
Total return per Ordinary Share *(based on share price)* [2]	-36.5%	-0.4%	-7.8%
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 2020: 50,000, 30 June 2021: 1) (see note 20).

[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.

Strategic Report

Chairman's Statement

Introduction

I am pleased to provide Shareholders with my Chairman's statement, covering the interim period from 1 July 2021 to 31 December 2021. 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 £19.2m (equivalent to 36.5p per Ordinary Share) through a combination of dividends and a B Share Scheme.

Performance

For the interim period ended 31 December 2021, the Company suffered a net loss of £1.4 million and loss per Ordinary Share of 2.68p (compared to a profit of £0.8 million and earnings per Ordinary Share of 1.56p for the period ended 31 December 2020). The Company's NAV at 31 December 2021 was £13.2 million (25.10p (cum income) per Ordinary Share) compared to £19.1 million (36.28p per Ordinary Share) as at 30 June 2021. £4.5 million of the £5.9 million reduction in the NAV in the period related to the B Share distribution of £4.5 million, with the remainder being attributable to the net loss of £1.4 million.

The IFRS 9 provision across some of the direct loans has been increased further during the reporting period. Ongoing monitoring of the Film Production Financing portfolio has highlighted further deterioration of the expected cash flow. The portfolio remains heavily impacted by the changes in operating practises resulting from the Covid-19 pandemic. Furthermore, there continues to be delays in the principal repayment of the largest position in the portfolio. The Company is in regular dialogue with the Borrower to ensure maximum returns for Shareholders.

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 10.9%.

No foreign exchange hedging has been employed during the reporting period. Non-Sterling cash balances are converted into Sterling at the earliest opportunity. The table below shows the FX exposure in the portfolio as at 31 December 2021.

FX exposure (millions)	Loan Carrying Value at Amortised Cost at 31 December 2021	
	CCY	GBP
GBP	7.7	7.7
EUR	4.4	3.7
USD	2.7	2.0

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

Corporate Activity

The Company has made a good start on the expeditious return of capital to investors. Costs have been monitored carefully and no new underwriting commitments were made in the period.

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 £7m, 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").

Management Arrangements

On 20 August 2021, the Company announced that it had reached agreement with KKV Investment Management Ltd ("KKVIM") for termination of the Investment Management Agreement between the Company and KKVIM; the IMA was duly terminated on 31 December 2021.

Strategic Report

Chairman's Statement *(continued)*

In order to assist the Board with the management of the portfolio, the Company has, with effect from 1 January 2022, entered into a consultancy agreement to secure the services of one of the individuals previously employed by KKVIM and who has the greatest knowledge of the Company's assets. In addition, Brett Miller, a Director of the Company who is highly experienced in this area, will continue to be directly involved in the managed wind down of the Company's portfolio.

The Company had its application to become a small self-managed AIFM approved by FCA and entered into the register of the Small Registered UK AIFMs with effect from 1 January 2022.

The Board believes that the Company has the necessary resource and expertise for the efficient and effective realisation of the balance of the portfolio. However, the Board will engage specialist consultants where it is considers that such appointments will assist in maximising returns for, and/or expediting capital returns to, shareholders.

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 for so long as the Company remains listed.

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 interim period, the Board distributed a further £4.48m using the B Share Scheme, which is equivalent to 8.5p per Ordinary Share. To date, a total of £14.74m has been distributed to Shareholders via the B share scheme since the commencement of the managed wind down, this is equivalent to 28p per Ordinary Share. Moreover, an additional £4.48m, equivalent to 8.5p per Ordinary Share, had been distributed in the form of dividends prior to the B share being set up.

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.

Shareholder Engagement

The Board have 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

The Board has successfully navigated a smooth transition of the management back to the Company. The primary focus remains unchanged in the managed wind-down, achieving a balance between maximising the value received from the remaining assets and making timely returns of capital to Shareholders. The Board expects to have realised most of the remaining portfolio within the next two years.

The Covid-19 pandemic has resulted in a marked deterioration of some of the assets within the portfolio, the economic effects of which are expected to continue well into 2022. The Company is working closely with the relevant borrowers to ensure maximum returns for Shareholders in all cases.

We thank investors for their continued support throughout this period and shall keep investors informed of any developments as they occur.

David Stevenson
Chairman
24 March 2022

Strategic Report

Investment Report

Overview

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

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, 8.5 pence per Ordinary share has been returned to Shareholders via dividend distribution and 28 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 2021, with an average carrying value of £1.07m per loan. A direct loan to a UK leasing company that had been in place since July 2017 was fully repaid at the end of September 2021.

During the reporting period, there has been further increases in IFRS 9 impairment provisions for some of the direct loans. In particular, the six film financings have suffered the effects of the Covid-19 pandemic with a marked deterioration of the expected cash flows, through cancelled film festivals and cinema screenings, and changes in operating practices whereby future sales are expected to be made via longer tail earn-outs, instead of the customary large upfront payments.

The remaining legacy loans that formed part of the portfolio prior to April 2017 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, depleted borrower assets and uncertainties in relation to a borrower’s going concern. The Company will continue to engage with each of these Borrowers for updates and will reassess the positions should there be any changes in circumstances.

No leverage has been used throughout the reporting period and no foreign exchange hedging has been employed, all assets are held in their base currency.

Strategic Report
Investment Report *(continued)*

Direct Loans

Borrower	Principal Balance Outstanding as at 31 December 2021 £	ECL provision at 31 December 2021 £	Loan Carrying Value at Amortised Cost [1] at 31 December 2021 £	Amortisation/ Bullet repayment/ other	Asset Type	Currency	Yield
Borrower 1	£5,632,560	£1,689,768	£3,942,792	Bullet repayment/other	Wholesale Lending	GBP	10%
Borrower 2	£3,616,108	£10,848	£3,605,259	Pass-through amortisation	SME and Leasing Fund	EUR	Variable
Borrower 3	£3,262,406	£1,631,203	£1,631,203	Interest only for 12 months, then scheduled amortisation	Medical Services	USD	12%
Borrower 4	£1,455,534	£1,074,414	£381,120	Cash sweep	Film Production Financing	USD	12%
Borrower 5	£1,673,510	£1,362,174	£311,336	Cash sweep	Film Production Financing	GBP	11%
Borrower 6	£1,661,925	£1,433,547	£228,378	Cash sweep	Film Production Financing	GBP	11%
Borrower 7	£202,777	£608	£202,169	Scheduled amortisation	Laser and LED Manufacturer	GBP	10%
Borrower 8	£2,433,795	£2,238,295	£195,500	Cash sweep	Film Production Financing	GBP	12%
Borrower 9	£506,945	£383,904	£123,042	Cash sweep	Film Production Financing	GBP	12%
Borrower 10	£672,048	£603,476	£68,572	Cash sweep	Film Production Financing	GBP	12%
Direct Loans Total	**£21,117,608**	**£10,428,237**	**£10,689,371**				

[1] The carrying values of loans at amortised cost disclosed in the table above do not include capitalised transaction fees, which totalled £27,227 at 31 December 2021.

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

SME Loan company (Borrower 1) – 29.8% of NAV

This is the largest individual facility provided by the Company and has been in place since May 2017. The loan is secured against a wholesale portfolio of working capital SME loans.

The Borrower was due to repay the remaining balance at the end of September but was unable to refinance the facility. An extension was granted until the end of 2021 to source new funding, which has not been met. However, the Borrower is continuing to pursue refinance opportunities. If the refinance fails to progress, then it appears possible that the underlying portfolio may enter run off and require collections over the coming years. Since the period end, the Company has received £653,052 by way of capital repayments as a result of active collection efforts undertaken.

Irish SME and Leasing Fund investment (Borrower 2) – 27.3% of NAV

This portfolio of approximately 20 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. The fund is in its harvest phase, and we expect capital distribution to accelerate as loans mature or are refinanced. Since the period end, the Company has received a capital repayment of €427,619.

Investment Report *(continued)*

US healthcare services company (Borrower 3) – 12.3% 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 the core business assets, rendering the business economically unviable. A Reservations of Rights letter was issued during the reporting period.

That said, all amortised payments continue to be made on time; however, given the current situation we are monitoring the receivables very closely.

Media financing (Borrowers 4, 5, 6, 8, 9 and 10) – 9.9% of NAV

Ongoing monitoring of the Film Production Financing portfolio has highlighted further deterioration of the expected cash flow. The 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.

An external specialist has 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.

Since the period end, a further approximately £468,000 has been provided for against these borrowers.

LED manufacturer in Ireland (Borrower 7) – 1.5% of NAV

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

During the reporting period, with the Company's consent, the guarantor was sold to a US company for approximately 40% premium to the share price.

The loan continues to make timely amortised payments and is due to mature in December 2022.

Legacy portfolio

Borrower	Principal Balance Outstanding at 31 December 2021 £	ECL provision at 31 December 2021 £	Loan Carrying Value at Amortised Cost at 31 December 2021 £	Currency	Yield
Borrower 11	£1,218,063	£1,218,063	-	GBP	-
Borrower 12	£1,000,000	£1,000,000	-	GBP	-
Borrower 13	£415,714	£415,714	-	GBP	-
Borrower 14	£316,364	£316,364	-	EUR	-
Legacy Loans Total	**£2,950,141**	**£2,950,141**	**-**		

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

Investment Report *(continued)*

UK Venture Debt (Borrower 11) – 0.0% of NAV

The final position within the current portfolio, a broadband company, was previously restructured and is facing key decisions with regards to its going concern. As such, we have continued to fully provide for this position and will reassess once there is further clarity on next steps.

UK Offshore platform (Borrower 12) – 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. We remain in regular contact with the platform to monitor progress and will continue to press for repayment. However, we remain uncertain of the balance that will be recovered.

Small company bond platform (Borrower 13) – 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.

Spanish peer to peer loan platform (Borrower 14) – 0.0% of NAV

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

Outlook

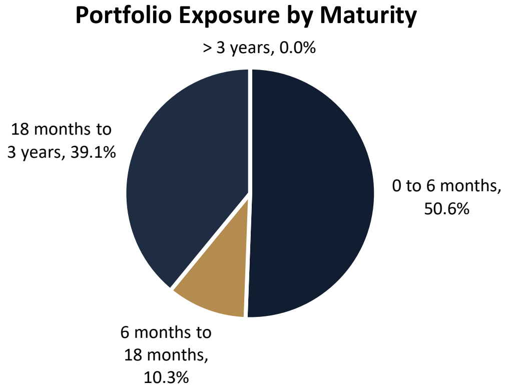
There has been good progress made so far with the realisation of the Company's portfolio. The remaining positions are closely monitored and we engage in regular dialogue with each of the Borrowers to ensure we remain aligned to our objective of achieving the maximum returns for Shareholders from the outstanding loans.

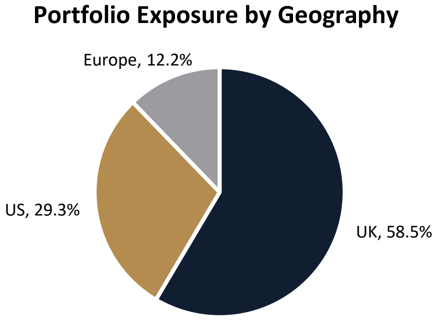
We would like to thank Shareholders for their support and will continue to share any updates on the progress over the upcoming months.

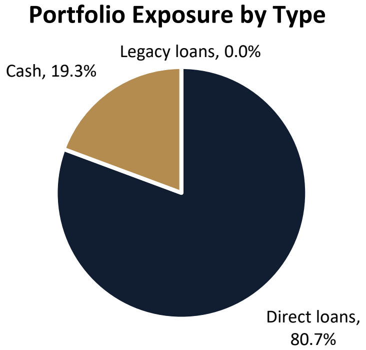
Brett Miller
Director
24 March 2022

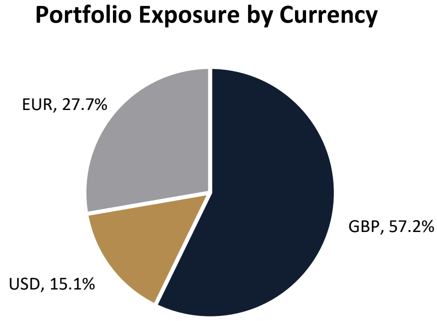
Strategic Report

Company analytics as at 31 December 2021









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;
- Covid-19;
- Russian invasion of Ukraine;
- 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 2021. The Board believes that these risks are applicable to the six month period ended 31 December 2021 and the remaining six months of the current financial year.

Covid-19
The Covid-19 pandemic is a risk to the global economy. Details of the macroeconomic impact, as it may affect the Company, are provided in the Chairman's Statement and Investment Report. The situation continues to change and future cashflows and valuations are more uncertain at the current time and may be more volatile than pre-pandemic. Indeed, the level of estimation uncertainty and judgement for the calculation of expected credit losses has increased as a result of the economic effects of the Covid-19 pandemic (see note 4 for further details). However, the Directors believe that the Company is well placed to survive the impact of the Covid-19 pandemic, thereby enabling the Company to realise its assets in an orderly manner.

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

Russian Invasion of Ukraine
Russia's invasion of Ukraine is a new emerging 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 may well have 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 will 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.

On behalf of the Board.

David Stevenson
Chairman
24 March 2022

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
24 March 2022

Independent Review Report to Secured Income Fund plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2021 which comprises the Unaudited Condensed Statement of Comprehensive Income, the Unaudited Condensed Statement of Changes in Equity, the Unaudited Condensed Statement of Financial Position, the Unaudited Condensed Statement of Cash Flows and the accompanying notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34.

Basis of conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with UK adopted IFRSs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting'.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the non-going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules ("DTR") of the United Kingdom's Financial Conduct Authority.

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

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Independent Review Report to Secured Income Fund plc (*continued)*

Use of our report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Moore Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD
24 March 2022

Unaudited Condensed Statement of Comprehensive Income
for the six months ended 31 December 2021

	Note	*Period from 1 July 2021 to 31 December 2021 (unaudited) £'000*	*Period from 1 July 2020 to 31 December 2020 (unaudited) £'000*	*Year ended 30 June 2021 (audited) £'000*
Income				
Investment income		1,354	2,346	4,010
Impairment of interest income		(591)	-	(877)
Net interest income		763	2,346	3,133
Total revenue		**763**	**2,346**	**3,133**
Operating expenses				
Management fees	*7a*	(133)	(190)	(309)
Other expenses	*10*	(111)	(68)	(147)
Directors' remuneration	*8*	(72)	(56)	(119)
Legal and professional fees		(69)	(8)	(139)
Administration fees	*7b*	(56)	(57)	(130)
Consultancy fees	*7c*	(23)	-	-
Broker fees		(18)	(37)	(56)
Transaction fees	*7a*	(17)	(24)	(46)
Total operating expenses		**(499)**	**(440)**	**(946)**
Investment gains and losses				
Movement in unrealised gains and losses on loans due to movement in foreign exchange on non-Sterling loans	*13*	(210)	(977)	(1,283)
Impairment losses on financial assets (or loans)	*13*	715	1,020	(9,657)
Movement in unrealised gain on investments at fair value through profit or loss	*14*	-	4	(92)
Movement in unrealised gain on derivative financial instruments	*16*	-	6	6
Realised loss on disposal of loans		(2,183)	(1,410)	(2,544)
Realised gain on disposal of investments at fair value through profit or loss	*14*	-	-	94
Realised gain on derivative financial instruments	*16*	-	269	269
Total investment gains and losses		**(1,678)**	**(1,088)**	**(13,207)**
Net (loss)/profit from operating activities before gain on foreign currency exchange		**(1,414)**	**818**	**(11,020)**
Net foreign exchange gain		2	2	3
(Loss)/profit and total comprehensive income for the period/year attributable to the owners of the Company		**(1,412)**	**820**	**(11,017)**
(Loss)/earnings per Ordinary Share *(basic and diluted)*	12	**(2.68)p**	**1.56p**	**(20.92)p**

There were no other comprehensive income items in the period/year.
Except for unrealised investment gains and losses, all of the Company's profit and loss items are distributable.
The accompanying notes on pages 17 to 48 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 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	*21*	-	-	-	(1,412)	(1,412)
Transactions with Owners in their capacity as owners:						
B Shares issued during the year	*5, 20, 21*	4,476	-	(4,476)	-	-
B Shares redeemed during the year	*5, 20, 21*	(4,476)	4,476	(4,476)	-	(4,476)
At 31 December 2021		**527**	**14,795**	**14,317**	**(16,421)**	**13,218**

Unaudited Condensed Statement of Changes in Equity
for the six months ended 31 December 2020

Unaudited	*Note*	*Called up share capital £'000*	*Special distributable reserve £'000*	*Profit and loss account £'000*	*Total £'000*
At 1 July 2020		577	48,181	(3,226)	45,532
Profit for the period	*21*	-	-	820	820
Transactions with Owners in their capacity as owners:					
Dividends paid	*5, 21*	-	(4,323)	(767)	(5,090)
At 31 December 2020		**577**	**43,858**	**(3,173)**	**41,262**

Audited Statement of Changes in Equity
for the year ended 30 June 2021

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 2020		577	-	48,181	(3,226)	45,532
Loss for the year	*21*	-	-	-	(11,017)	(11,017)
Transactions with Owners in their capacity as owners:						
Dividends paid	*5,22*	-	-	(4,324)	(766)	(5,090)
B Shares issued during the year	*5, 20, 21*	10,269	-	(10,269)	-	-
B Shares redeemed during the year	*5, 20, 21*	(10,269)	10,269	(10,269)	-	(10,269)
Management Share buy backs	*20, 21*	(50)	50	(50)	-	(50)
At 30 June 2021		**527**	**10,319**	**23,269**	**(15,009)**	**19,106**

There were no other comprehensive income items in the period/year.
The above amounts are all attributable to the owners of the Company.
The accompanying notes on pages 17 to 48 form an integral part of the unaudited condensed half-yearly financial statements.

Unaudited Condensed Statement of Financial Position
as at 31 December 2021

	Note	*31 December 2021 (unaudited) £'000*	*31 December 2020 (unaudited) £'000*	*30 June 2021 (audited) £'000*
Non-current assets				
Loans at amortised cost	*13*	4,743	23,149	7,336
Investments at fair value through profit or loss	*14, 15*	-	255	-
Total non-current assets		**4,743**	**23,404**	**7,336**
Current assets				
Loans at amortised cost	*13*	5,974	14,927	7,333
Other receivables and prepayments	*17*	152	574	189
Cash and cash equivalents		2,592	2,500	4,396
Total current assets		**8,718**	**18,001**	**11,918**
Total assets		**13,461**	**41,405**	**19,254**
Current liabilities				
Other payables and accruals	*18*	(243)	(143)	(148)
Total liabilities		**(243)**	**(143)**	**(148)**
Net assets		**13,218**	**41,262**	**19,106**
Capital and reserves attributable to owners of the Company				
Called up share capital	*20*	527	577	527
Other reserves	*21*	12,691	40,685	18,579
Equity attributable to the owners of the Company		**13,218**	**41,262**	**19,106**
Net asset value per Ordinary Share	*22*	**25.10p**	**78.26p**	**36.28p**

These unaudited condensed half-yearly financial statements of Secured Income Fund plc (registered number 09682883) were approved by the Board of Directors on 24 March 2022 and were signed on its behalf by:

David Stevenson
Chairman
24 March 2022

Gaynor Coley
Director
24 March 2022

The accompanying notes on pages 17 to 48 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 2021

	Period from 1 July 2021 to 31 December 2021 (unaudited) £'000	*Period from 1 July 2020 to 31 December 2020 (unaudited) £'000*	*Year ended 30 June 2021 (audited) £'000*
Cash flows from operating activities			
Net (loss)/profit before taxation	(1,412)	820	(11,017)
Adjustments for:			
Movement in unrealised gains and losses on loans due to movement in foreign exchange on non-Sterling loans	210	977	1,283
Impairment losses on financial assets (or loans)	(715)	(1,020)	9,657
Movement in unrealised gain on investments at fair value through profit or loss	-	(4)	92
Movement in unrealised gain on derivative financial instruments	-	(6)	(6)
Realised loss on disposal of loans	2,183	1,410	2,544
Realised gain on disposal of investments at fair value through profit or loss	-	-	(94)
Realised gain on derivative financial instruments	-	(269)	(269)
Amortisation of transaction fees	17	24	46
Interest received and reinvested by platforms	-	(1)	(1)
Capitalised interest	-	(748)	(1,174)
Decrease in investments	2,258	4,184	16,131
	------------	------------	------------
Net cash inflow from operating activities before working capital changes	2,541	5,367	17,192
Decrease in other receivables and prepayments	36	1,051	1,436
Increase/(decrease) in other payables and accruals	95	(21)	(16)
	------------	------------	------------
Net cash inflow from operating activities	**2,672**	**6,397**	**18,612**
Cash flows from financing activities			
Dividends paid	-	(5,090)	(5,090)
B Share scheme redemptions	(4,476)	-	(10,269)
Management share buy backs	-	-	(50)
	------------	------------	------------
Net cash outflow from financing activities	**(4,476)**	**(5,090)**	**(15,409)**
	------------	------------	------------
(Decrease)/increase in cash and cash equivalents in the period/year	**(1,804)**	**1,307**	**3,203**
Cash and cash equivalents at the beginning of the period/year	4,396	1,193	1,193
	------------	------------	------------
Cash and cash equivalents at 31 December 2021	**2,592**	**2,500**	**4,396**
	------------	------------	------------
Supplemental cash flow information			
Non-cash transaction – interest income	-	749	1,175

The accompanying notes on pages 17 to 48 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 2021

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

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

The Investment Management Agreement between the Company and KKV Investment Management Ltd was terminated on 31 December 2021. There has been a smooth transition of management back to the Company, which has been facilitated by retaining key personnel. Furthermore, with effect from 1 January 2022, the Company has been 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 both the Board and, until the date its contract was terminated, the Investment Manager (or, where relevant, the Investment Manager's successors):

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

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

The Company will not undertake new borrowing.

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

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 2021. 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 2021

2. Statement of compliance *(continued)*

a) Basis of preparation *(continued)*

The unaudited condensed half-yearly financial statements for the period ended 31 December 2021 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.

Non-Going Concern

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 17, 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 ongoing Covid-19 pandemic and Russian invasion of Ukraine are risks 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 Covid-19 pandemic and Russian invasion of Ukraine, 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 and derivative instruments, which are measured at fair value through profit or loss.

Given the Company's investment policy to carry out an orderly realisation of the Company's portfolio of assets and distribution of cash to Shareholders, the financial statements have been prepared on a non-going concern basis.

c) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single economic segment of business, being investment in a range of SME loan assets. Consequently, no segmental analysis is required.

d) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

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

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

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, derivative instruments and other payables.

Classification

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

- they are held within a “hold to collect” business model with the objective to hold the assets to collect contractual cash flows; and
- the contractual terms of the loans give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Although there 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 2021

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 2021

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. This has a meaningful impact on the way in which impairments are assessed, particularly as the Former Investment Manager had a very strong track record in managing write-downs and reclaim of assets.

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

c) Cash and cash equivalents

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

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

d) Receivables and prepayments

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

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

e) Transaction costs

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

f) Income and expenses

Interest income and bank interest are recognised on a time-proportionate basis using the effective interest rate method.

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

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

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 and derivative positions. 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 financial assets and derivative positions 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 7 Financial Instruments: Disclosures – *amendments regarding replacement issues in the context of the IBOR reform*
IFRS 9 Financial Instruments - *amendments regarding replacement issues in the context of the IBOR reform*

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.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

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

4. Use of Judgements and estimates

The preparation of the Company's 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 judgement, which has had a significant effect on the amounts recognised in the unaudited condensed half-yearly financial statements:

Covid-19

The ongoing Covid-19 pandemic is a risk to the global economy. Details of the macroeconomic impact, as it may affect the Company, are provided in the Chairman's Statement and Investment Report. The situation continues to change and future cashflows and valuations are more uncertain at the current time and may be more volatile than pre-pandemic. Indeed, the level of estimation uncertainty and judgement for the calculation of expected credit losses has increased as a result of the economic effects of the Covid-19 pandemic. However, the Directors believe that the Company is well placed to survive the impact of the Covid-19 pandemic, thereby enabling the Company to realise its assets in an orderly manner.

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

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

4. Use of Judgements and estimates *(continued)*
Judgements *(continued)*
Russian Invasion of Ukraine
Russia's invasion of Ukraine is a new emerging 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 may well have 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 will 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.

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

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.

Since November 2020, 12-month PD has been 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%.

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

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

Since November 2020, 12-month ECL has been calculated based on the 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

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

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

The following borrower information should be read in conjunction with the current economic environment and, in particular, the impact of Covid-19.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

4. Use of Judgements and estimates *(continued)*
Estimates and assumptions *(continued)*
i) Recoverability of loans and other receivables *(continued)*
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, a personal guarantee, coverage ratios between 130% to 150%, and an average LTV of 85%.

Loans written off
Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. Platform loans of £1,878,000 were written off in the period (31 December 2020: £1,410,000; 30 June 2021: £1,887,000).

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

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 2021.

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 23 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.

To date, the Company has not declared any dividends in respect of earnings for the period ended 31 December 2021. The Company elected to designate all of the dividends for the year ended 30 June 2021 as interest distributions to its Shareholders. In doing so, the Company took advantage of UK tax treatment by "streaming" income from interest-bearing investments into dividends that will be taxed in the hands of Shareholders as interest income.

In accordance with IFRS, dividends are only provided for when they become a contractual liability of the Company. Therefore, during the period a total of £nil (31 December 2020: £5,090,000, 30 June 2021: £5,090,000) was incurred in respect of dividends, none of which was outstanding at the reporting date (31 December 2020 and 30 June 2021: none).

5. Dividends *(continued)*

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 two B Share Scheme redemptions in the period, totalling £4,476,000 (31 December 2020: nil, 30 June 2021: £10,269,000), equivalent to 8.50p per Ordinary Share (31 December 2020: nil, 30 June 2021: 19.50p).

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 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.

7. Key contracts

a) Former Investment Manager

The Former Investment Manager had responsibility for managing the Company's portfolio until 31 December 2021. For their services, until 16 September 2020, the Former Investment Manager was entitled to a management fee at a rate equivalent to the following schedule (expressed as a percentage of NAV per annum, before deduction of accruals for unpaid management fees for the current month):

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

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

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

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.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

7. Key contracts *(continued)*

a) Former Investment Manager *(continued)*

The key terms of the revised agreement were as follows:

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

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

During the period, a total of £133,000 (31 December 2020: £190,000, 30 June 2021: £309,000) was incurred in respect of management fees, of which £21,000 was payable at the reporting date (31 December 2020: £53,000, 30 June 2021: £25,000).

Performance fee

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

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

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

During the period, no performance fee was paid, or payable, to the Former Investment Manager (31 December 2020 and 30 June 2021: none).

The performance fee ceased with effect from 1 January 2022, following the termination of the Investment Management Agreement on 31 December 2021.

Transaction costs

Prior to the change in the investment policy, the Company incurred transaction costs for the purposes of structuring investments for the Company. These costs formed part of the overall transaction costs that were capitalised at the point of recognition and were taken into account by the Previous Investment Manager when pricing a transaction. When structuring services were provided by the Previous Investment Manager or an affiliate of them, they were entitled to charge an additional fee to the Company equal to up to 1.0% of the cost of acquiring the investment (ignoring gearing and transaction expenses). This cost was not charged in respect of assets acquired from the Previous Investment Manager, the funds they managed or where they or their affiliates did not provide such structuring advice.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

7. Key contracts *(continued)*

a) Former Investment Manager *(continued)*

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

During the period, transaction costs of £17,000 (31 December 2020: £24,000, 30 June 2021 £46,000) were amortised.

b) Administration fees

Elysium Fund Management Limited ("Elysium") is entitled to an administration fee of £100,000 per annum in respect of the services provided in relation to the administration of the Company, together with time-based fees in relation to work on investment transactions. During the period, a total of £56,000 (31 December 2020: £57,000, 30 June 2021: £130,000) was incurred in respect of administration fees, of which £28,000 (31 December 2020: £28,000, 30 June 2021: £37,000) was payable at the reporting date.

c) Consultancy fees

With effect from 1 January 2022, the Company entered into a consultancy agreement with Syon Arc Limited ("Syon" or the "Consultant") to secure the services of one of the individuals previously employed by KKV. From that date, Syon will be entitled to £6,000 exclusive of VAT (if applicable) per month plus an additional £15,000 exclusive of VAT (if applicable) upon the publication of these unaudited condensed half-yearly financial statements and a further £15,000 exclusive of VAT (if applicable) upon the publication of the 30 June 2022 audited financial statements.

At the Company's discretion, the Consultant may also be eligible for an additional success fee in the event that the Company achieves recoveries in excess of £100,000 in respect of positions carried at zero as referenced by the Company's management accounts and IFRS 9 table from which the Net Asset Value for 31 October 2021 was derived, if it is determined by the Board that the Consultant is instrumental to the work involved to achieve such recoveries. The amount of such additional fee would be determined at the Company's sole discretion, however, no less than £10,000 exclusive of VAT (if applicable).

During the period, a total of £23,000 (31 December 2020 and 30 June 2021: nil) was incurred in respect of consultancy fees, all of which (31 December 2020 and 30 June 2021: nil) 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, with effect from 17 September 2020, the Chairman of the Company receives £45,000 (prior to 17 September 2020: £37,500) per annum, the chairman of the Audit and Valuation Committee receives £40,000 (prior to 17 September 2020: £31,250) per annum, and other non-executive Directors receive £40,000 (prior to 17 September 2020: £27,500) per annum.

During the period, an additional £10,000 was paid to Brett Miller in recognition of his additional time commitment during the period in relation to the investments.

During the period, a total of £72,000 (31 December 2020: £56,000, 30 June 2021: £119,000) was incurred in respect of Directors' remuneration, none of which was payable at the reporting date (31 December 2020 and 30 June 2021: 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 2020 and 30 June 2021: none). Therefore, there were no key management (except for the Directors) or employees during the period (31 December 2020 and 30 June 2021: none).

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

9. Key management and employees *(continued)*
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 2021 to 31 December 2021 (unaudited)	*Period from 1 July 2020 to 31 December 2020 (unaudited)*	*Year ended 30 June 2021 (audited)*
Dividends	*£*	*£*	*£*
David Stevenson	-	1,958	1,958
Gaynor Coley	-	206	206
Brett Miller	-	-	-
B Share Scheme Redemptions			
David Stevenson	1,722	-	3,950
Gaynor Coley	181	-	417
Brett Miller	-	-	-

10. Other expenses

	Period from 1 July 2021 to 31 December 2021 (unaudited)	*Period from 1 July 2020 to 31 December 2020 (unaudited)*	*Year ended 30 June 2021 (audited)*
	£'000	*£'000*	*£'000*
Audit fees	45	20	46
Registrar fees	25	17	49
Other expenses	10	11	15
Directors' national insurance	10	7	12
Website costs	10	-	-
Listing fees	7	10	16
Accountancy and taxation fees	4	3	9
	111	**68**	**147**

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

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

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

11. Taxation *(continued)*

	Period from 1 July 2021 to 31 December 2021 (unaudited) £'000	*Period from 1 July 2020 to 31 December 2020 (unaudited) £'000*	*Year ended 30 June 2021 (audited) £'000*
Reconciliation of tax charge:			
(Loss)/profit before taxation	(1,412)	820	(11,017)
Tax at the standard UK corporation tax rate of 19%	(268)	156	(2,093)
Effects of:			
- Non-taxable investment gains and losses	319	207	2,509
- Interest distributions [1]	(51)	(363)	(416)
Total tax expense	-	-	-

[1] Although no dividends have yet been paid for the year ending 30 June 2022, it is the intention for dividends for the year to be paid in future, or for tax losses to be used, to minimise tax due for the year ending 30 June 2022.

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

	Period from 1 July 2021 to 31 December 2021 (unaudited)	*Period from 1 July 2020 to 31 December 2020 (unaudited)*	*Year ended 30 June 2021 (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. (Loss)/earnings per Ordinary Share

The (loss)/earnings per Ordinary Share of (2.68)p (31 December 2020: 1.56p, 30 June 2021: (20.92)p) is based on a (loss)/profit attributable to the owners of the Company of £(1,412,000) (31 December 2020: £820,000, 30 June 2021: £(11,017,000)) and on a weighted average number of 52,660,350 (31 December 2020 and 30 June 2021: 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 2021

13. Loans at amortised cost

	31 December 2021 (unaudited) £'000	*31 December 2020 (unaudited) £'000*	*30 June 2021 (audited) £'000*
Loans	24,463	41,344	28,920
Unrealised loss*	(13,746)	(3,268)	(14,251)
Balance at period/year end	**10,717**	**38,076**	**14,669**
Loans: Non-current	4,743	23,149	7,336
Current	5,974	14,927	7,333
Loans at amortised cost	**10,717**	**38,076**	**14,669**
*Unrealised loss:			
Foreign exchange on non-Sterling loans	(368)	148	(158)
Impairments of financial assets	(13,378)	(3,416)	(14,093)
Unrealised loss	**(13,746)**	**(3,268)**	**(14,251)**

The movement in unrealised gain/loss on loans comprises:

	31 December 2021 (unaudited) £'000	*31 December 2020 (unaudited) £'000*	*30 June 2021 (audited) £'000*
Movement in foreign exchange on non-Sterling loans	(210)	(977)	(1,283)
Movement in impairment losses on financial assets (or loans)	715	1,020	(9,657)
Movement in unrealised gains and losses on loans	**505**	**43**	**(10,940)**

13. Loans at amortised cost *(continued)*

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

	31 December 2021 (unaudited) £'000	*31 December 2020 (unaudited) £'000*	*30 June 2021 (audited) £'000*
Impairment of interest income	(591)	-	(877)
Impairment losses on financial assets (or loans)	715	1,020	(9,657)
Total movement in impairment in the year	**124**	**1,020**	**(10,534)**

The weighted average interest rate of the loans as at 31 December 2021 was 10.18% (31 December 2020: 10.55%, 30 June 2021: 6.48%).

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

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 2021

13. Loans at amortised cost *(continued)*

The table below details expected credit loss provision ("ECL") of financial assets in each stage at 31 December 2020:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
31 December 2020				
Direct loans [1]	32,956	-	-	32,956
ECL on direct loans	(233)	-	-	(233)
Direct loans net of the ECL	32,723	-	-	32,723
Platform loans [1]	5,128	-	3,342	8,470
ECL on platform loans	(48)	-	(3,135)	(3,183)
Platform loans net of the ECL	5,080	-	207	5,287
Accrued interest	547	-	-	547
Total loans [1]	38,084	-	3,342	41,426
Total ECL	(281)	-	(3,135)	(3,416)
Total net of the ECL	37,803	-	207	38,010

[1] These are the principal amounts outstanding at 31 December 2020 and do not include the capitalised transaction fees, which are not subject to credit risk. At 31 December 2020, the amortised cost of the capitalised transaction fees totalled £66,000.

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]	*Allowance for ECL*	*Principal outstanding*[1]	*Allowance for ECL*	*Principal outstanding*[1]	*Allowance for ECL*	*Principal outstanding*[1]	*Allowance for ECL*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
At 1 July 2020	41,633	(24)	-	-	5,346	(4,412)	46,979	(4,436)
Net new and further lending/repayments, and foreign exchange movements	(3,549)	(257)	-	-	(594)	(133)	(4,143)	(390)
Loans written-off in the period	-	-	-	-	(1,410)	1,410	(1,410)	1,410
At 31 December 2020	38,084	(281)	-	-	3,342	(3,135)	41,426	(3,416)

[1] These are the principal amounts outstanding at 31 December 2020 and do not include the capitalised transaction fees, which are not subject to credit risk. At 31 December 2020, the amortised cost of the capitalised transaction fees totalled £66,000.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

13. Loans at amortised cost *(continued)*
The table below details expected credit loss provision ("ECL") of financial assets in each stage at 30 June 2021:

	Stage 1 *£'000*	*Stage 2* *£'000*	*Stage 3* *£'000*	*Total* *£'000*
30 June 2021				
Direct loans [1]	4,940	5,633	12,637	23,210
ECL on direct loans	(14)	(451)	(8,228)	(8,693)
Direct loans net of the ECL	4,926	5,182	4,409	14,517
Platform loans [1]	-	-	5,508	5,508
ECL on platform loans	-	-	(5,400)	(5,400)
Platform loans net of the ECL	-	-	108	108
Accrued interest	175	-	7	182
Total loans [1]	4,940	5,633	18,145	28,718
Total ECL	(14)	(451)	(13,628)	(14,093)
Total net of the ECL	4,926	5,182	4,517	14,625

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

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

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

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

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 £33,000 (31 December 2020: An increase of 1% of total gross exposure into stage 2 (from stage 1) would result in an increase in ECL impairment allowance of £43,000, 30 June 2021: An increase of 1% of total gross exposure into stage 3 (from stage 1) would result in an increase in ECL impairment allowance of £43,000) based on applying the difference in average impairment coverage ratios to the movement in gross exposure.

At 31 December 2021, the Board considered £13,378,000 (31 December 2020: £3,416,000, 30 June 2021: £14,093,000) of loans to be impaired:

	31 December 2021 (unaudited) £'000	*31 December 2020 (unaudited) £'000*	*30 June 2021 (audited) £'000*
Direct SME loans	10,428	233	8,693
Platform loans	2,950	3,183	5,400
Total impairment	**13,378**	**3,416**	**14,093**

During the period, £1,878,000 (31 December 2020: £1,410,000, 30 June 2021: £1,887,000) of loans were written off and included within realised loss on disposal of loans in the Unaudited Condensed Statement of Comprehensive Income.

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

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

14. Investments at fair value through profit or loss

	Period from 1 July 2021 to 31 December 2021 (unaudited) £'000	*Period from 1 July 2020 to 31 December 2020 (unaudited) £'000*	*Year ended 30 June 2021 (audited) £'000*
Balance brought forward	-	251	251
Disposals in the period/year	-	-	(253)
Realised gain on disposal of investments at fair value through profit or loss	-	-	94
Movement in unrealised gain on investments at fair value through profit or loss	-	4	(92)
Balance at period/year end	**-**	**255**	**-**
Cost at period/year end	**-**	**159**	**-**

The investment at fair value through profit or loss related to an investment in a Luxembourg fund which was sold during the previous financial year. For further information on the investments at fair value through profit or loss, see note 15.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

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

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

Financial assets and liabilities designated as at fair value through profit or loss
At 31 December 2021, the financial instruments designated at fair value through profit or loss were as follows:

	31 December 2021 (unaudited)			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets	*£'000*	*£'000*	*£'000*	*£'000*
Unlisted equity shares	-	-	-	-
Total financial assets designated as at fair value through profit or loss	**-**	**-**	**-**	**-**

At 31 December 2020, the financial instruments designated at fair value through profit or loss were as follows:

	31 December 2020 (unaudited)			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets	*£'000*	*£'000*	*£'000*	*£'000*
Unlisted equity shares	-	-	255	255
Total financial assets designated as at fair value through profit or loss	**-**	**-**	**255**	**255**

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

	30 June 2021 (audited)			
	Level 1	*Level 2*	*Level 3*	*Total*
Financial assets	*£'000*	*£'000*	*£'000*	*£'000*
Unlisted equity shares	-	-	-	-
Total financial assets designated as at fair value through profit or loss	**-**	**-**	**-**	**-**

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

Transfers between levels
There were no transfers between levels in the period (31 December 2020 and 30 June 2021: none).

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.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

16. Derivative financial instruments
In order to limit the exposure to foreign currency risk, the Company had previously entered into hedging contracts. However, in September 2020, the Company closed out its foreign currency forward contracts and it is not intended to enter into foreign exchange hedging contracts in the future. The Company realised no gain/loss (31 December 2020: gain of £269,000, 30 June 2021: gain of £269,000) on forward foreign exchange contracts that settled during the period.

As at 31 December 2021, there were no open forward foreign exchange contracts (31 December 2020 and 30 June 2021: none).

17. Other receivables and prepayments

	31 December 2021 (unaudited) £'000	*31 December 2020 (unaudited) £'000*	*30 June 2021 (audited) £'000*
Accrued interest	123	547	182
Other receivables	15	16	1
Prepayments	14	11	6
	152	**574**	**189**

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

18. Other payables and accruals

	31 December 2021 (unaudited) £'000	*31 December 2020 (unaudited) £'000*	*30 June 2021 (audited) £'000*
Audit fee	78	36	62
Legal fees	50	-	-
Other payables and accruals	32	20	20
Administration fee	28	28	37
Consultancy fee	23	-	-
Management fee	21	53	25
Directors' national insurance	11	6	4
	243	**143**	**148**

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

19. 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 2021, the Company had no liabilities that would give rise to cash flows from financing activities (31 December 2020 and 30 June 2021: none).

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

20. Share capital

	31 December 2021 (unaudited) £'000	*31 December 2020 (unaudited) £'000*	*30 June 2021 (audited) £'000*
Authorised share capital:			
Unlimited number of Ordinary Shares of 1 pence each	-	-	-
43,857,133 B Shares of £1 each (31 December 2020: nil, 30 June 2021: 43,857,133)	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 2020: 50,000, 30 June 2021: 1)	-	50	-
	527	**577**	**527**

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

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

During the period, no Management Shares were bought back and cancelled (31 December 2020: none, 30 June 2021: 49,999 bought back for £49,999 and cancelled).

B Shares
The B Shares are entitled (in priority to any payment of dividend of any other class of share, with the exception of the Management Shares) to a fixed cumulative preferential dividend of 1% per annum on the nominal amount of the B Shares, such dividend to be paid annually on the date falling six months after the date on which the B Shares are issued and thereafter on each anniversary. The B Shares do not confer the right to participate in any surplus of assets of the Company on winding-up, other than the repayment of the nominal amount of capital.

During the period, 4,476,000 (31 December 2020: none, 30 June 2021: 10,269,000) B Shares of £1 each were issued and immediately redeemed by the Company in accordance with the B Share Scheme approved by Shareholders at a General Meeting held on 23 March 2021 (see note 5 for further details). As the B Shares were redeemed immediately upon issue, no cumulative preferential dividend was earned on those shares.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

21. Other reserves

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
Dividends paid	-	-	-	-	-
B Shares issued during the period (notes 5 and 20)	(4,476)	-	-	-	(4,476)
B Shares redeemed during the period (notes 5 and 20) [3]	(4,476)	4,476	-	-	-
At 31 December 2021	**14,317**	**14,795**	**(2,674)**	**(13,747)**	**12,691**

Period ended 31 December 2020 (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 2020	48,181	-	-	(3,226)	44,955
Realised revenue profit	-	-	1,908	-	1,908
Realised investment gains and losses	-	-	(1,141)	-	(1,141)
Unrealised investment gains and losses	-	-	-	53	53
Dividends paid	(4,323)	-	(767)	-	(5,090)
At 31 December 2020	**43,858**	**-**	**-**	**(3,173)**	**40,685**

Year ended 30 June 2021 (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 2020	48,181	-	-	(3,226)	44,955
Realised revenue profit	-	-	2,190	-	2,190
Realised investment gains and losses	-	-	(2,181)	-	(2,181)
Unrealised investment gains and losses	-	-	-	(11,026)	(11,026)
Dividends paid	(4,324)	-	(766)		(5,090)
B Shares issued during the year (notes 5 and 20)	(10,269)	-	-	-	(10,269)
B Shares redeemed during the year (notes 5 and 20) [3]	(10,269)	10,269	-	-	-
Management Share buy backs	(50)	50	-	-	-
At 30 June 2021	**23,269**	**10,319**	**(757)**	**(14,252)**	**18,579**

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

21. Other reserves *(continued)*

[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 20)

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.

22. 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 £13,218,000 (31 December 2020: £41,262,000, 30 June 2021: £19,106,000), less £1 (31 December 2020: £50,000, 30 June 2021: £1), being amounts owed in respect of Management Shares, and on 52,660,350 (31 December 2020 and 30 June 2021: 52,660,350) Ordinary Shares in issue at the period end.

23. 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.

Prior to the change in investment policy on 17 September 2020, the Company sought to ensure that diversification of its portfolio was maintained, with the aim of spreading investment risk.

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

Risk management structure

The 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 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 Former Investment Manager, Administrator, Broker, Registrar or any other third party service provider to perform in accordance with the terms of its appointment could have a significant detrimental impact on the operation of the Company.

The market in which the Company participates is competitive and rapidly changing. The risks have not changed from those detailed on pages 20 to 30 in the Company's Prospectus, which is available on the Company's website, and as updated in the circular of 20 August 2020.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

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

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.

With the aim of maintaining a diversified investment portfolio, and thus mitigating concentration risks, the Company had established (prior to the change in the investment policy on 17 September 2020) the following investment restrictions in respect of the general deployment of assets:

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

The Company complied with the investment restrictions up to the change in investment policy on 17 September 2020, except that, on 9 September 2020, in preparation for the upcoming change in investment policy, additional foreign currency forward contracts were entered into in order to equally and oppositely match the open contracts at that date.

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

Market risk

(i) Price risk

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

At 31 December 2021, if the valuation of the investments at fair value through profit or loss had moved by 5% with all other variables remaining constant, the change in net assets and profit/(loss) would amount to approximately +/- £nil (31 December 2020: +/- £13,000, 30 June 2021: +/- £nil). The maximum price risk resulting from financial instruments is equal to the £nil carrying value of the investments at fair value through profit or loss (31 December 2020: £255,000, 30 June 2021: £nil).

(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 ended 31 December 2021 (unaudited) £'000	*Period ended 31 December 2020 (unaudited) £'000*	*Year ended 30 June 2021 (audited) £'000*
Movement in unrealised gains and losses on loans due to movement in foreign exchange on non-Sterling loans	(210)	(977)	(1,283)
Net foreign exchange gain	2	2	3
Foreign currency loss in the period excluding the effect of foreign currency hedging	**(208)**	**(975)**	**(1,280)**
Movement in unrealised gain on foreign currency derivative financial instruments	-	6	6
Realised gain on foreign currency derivative financial instruments	-	269	269
Foreign currency loss in the period including the effect of foreign currency hedging	**(208)**	**(700)**	**(1,005)**

As at 31 December 2021, a proportion of the net financial assets of the Company were denominated in currencies other than Sterling as follows:

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

23. Financial Instruments and Risk Management *(continued)*
Market risk (continued)
(ii) Foreign currency risk (continued)

	Investments at fair value through profit or loss £'000	*Loans and receivables £'000*	*Cash and cash equivalents £'000*	*Other payables and accruals £'000*	*Exposure £'000*
31 December 2021 *(unaudited)*					
US Dollars	-	2,021	1	(11)	2,011
Euros	-	3,721	-	-	3,721
	-	**5,742**	**1**	**(11)**	**5,732**
31 December 2020 *(unaudited)*					
US Dollars	-	6,825	-	-	6,825
Euros	-	4,600	-	-	4,600
	-	**11,425**	**-**	**-**	**11,425**
30 June 2021 *(audited)*					
US Dollars	-	2,713	1	-	2,714
Euros	-	4,293	-	-	4,293
	-	**7,006**	**1**	**-**	**7,007**

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

At 31 December 2021, if the exchange rates for US Dollars and Euros had strengthened/weakened by 5% against Sterling with all other variables remaining constant, net assets at 31 December 2021 and the profit/(loss) for the period ended 31 December 2021 would have increased/(decreased) by £302,000/£(273,000) (31 December 2020: £601,000/£(544,000), 30 June 2021: £369,000/£(334,000)), after accounting for the effects of the hedging contracts mentioned above, where applicable.

(iii) Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial instruments and cash flow. However, due to the fixed rate nature of the majority of the loans, cash and cash equivalents of £2,592,000 (31 December 2020: £2,500,000, 30 June 2021: £4,396,000) were the only interest bearing financial instruments subject to variable interest rates at 31 December 2021. Therefore, if interest rates had increased/decreased by 50 basis points, with all other variables held constant, the change in value of interest cash flows of these assets in the period would have been £13,000 (31 December 2020: £13,000, 30 June 2021: £22,000).

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

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

31 December 2021 *(unaudited)*	*Fixed interest*	*Variable interest*	*Non-interest bearing*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
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**
31 December 2020 *(unaudited)*				
Financial assets				
Loans [1]	38,076	-	-	38,076
Investments at fair value through profit or loss	-	-	255	255
Other receivables	-	-	563	563
Cash and cash equivalents	-	2,500	-	2,500
Total financial assets	**38,076**	**2,500**	**818**	**41,394**
Financial liabilities				
Other payables	-	-	(143)	(143)
Total financial liabilities	**-**	**-**	**(143)**	**(143)**
Total interest sensitivity gap	**38,076**	**2,500**	**675**	**41,251**

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

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

30 June 2021 *(audited)*	*Fixed interest*	*Variable interest*	*Non-interest bearing*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Financial assets				
Loans [1]	14,669	-	-	14,669
Other receivables	-	-	183	183
Cash and cash equivalents	-	4,396	-	4,396
Total financial assets	**14,669**	**4,396**	**183**	**19,248**
Financial liabilities				
Other payables	-	-	(148)	(148)
Total financial liabilities	**-**	**-**	**(148)**	**(148)**
Total interest sensitivity gap	**14,669**	**4,396**	**35**	**19,100**

[1] Of the loans of £10,717,000 (31 December 2020: £38,076,000, 30 June 2021: £14,669,000), one loan amounting to £3,605,000 (31 December 2020: two loans amounting to £8,072,000, 30 June 2021: one loan amounting to £4,119,000) 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 2021, credit risk arose principally from cash and cash equivalents of £2,592,000 (31 December 2020: £2,500,000, 30 June 2021: £4,396,000) and balances due from the platforms and SMEs of £10,717,000 (31 December 2020: £38,076,000, 30 June 2021: £14,669,000). 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.

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

23. 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 2021 was low since the ratio of cash and cash equivalents to unmatched liabilities was 11:1 (31 December 2020: 17:1, 30 June 2021: 30:1).

The Board (prior to 31 December 2021, the Former Investment Manager) managed the Company's liquidity risk by investing primarily in a diverse portfolio of loans, in line with the Prospectus and as stated in the "risk concentration" section earlier in this note. However, the Company is 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 2021 (unaudited) Percentage	*31 December 2020 (unaudited) Percentage*	*30 June 2021 (audited) Percentage*
0 to 6 months	43.9	11.4	54.7
6 months to 18 months	21.7	28.9	7.6
18 months to 3 years	34.4	39.7	27.9
Greater than 3 years	-	20.0	9.8
	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 2021, the Company did not issue any new Ordinary or C shares, nor did it buy back any Ordinary Shares for cancellation or to be held in treasury (31 December 2020 and 30 June 2021: none). 49,999 Management Shares were bought back for £49,999 and cancelled during the year ended 30 June 2021 (see note 20).

During the period ended 31 December 2021, 4,476,000 B Shares were issued and bought back for £4,476,000 (see note 5) (31 December 2020: none, 30 June 2021: 10,269,000 B Shares issued and bought back for £10,269,000).

Notes to the Unaudited Condensed Half-Yearly Financial Statements *(continued)*
for the six months ended 31 December 2021

23. 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.

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

24. Contingent assets and contingent liabilities

There were no contingent assets or contingent liabilities in existence at the period end (31 December 2020 and 30 June 2021: none).

25. Events after the reporting period

Following FCA approval of its application, with effect from 1 January 2022, the Company became a self-managed AIFM.

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

Ongoing monitoring of the Film Production Financing portfolio has highlighted further deterioration of the expected cash flow. The portfolio, comprising of six film financings, has been heavily impacted by the changes in operating practises resulting from the COVID 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.

Therefore, in January 2022 and February 2022, the Company increased the provision by £468,000, for the combined film portfolio.

Russian Invasion of Ukraine

Russia invaded Ukraine in February 2022 and is a new emerging 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 may well have 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 will 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.

There were no other significant events after the reporting period.

26. 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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Gaynor Coley (non-executive Director)
Brett Miller (Executive Director)

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