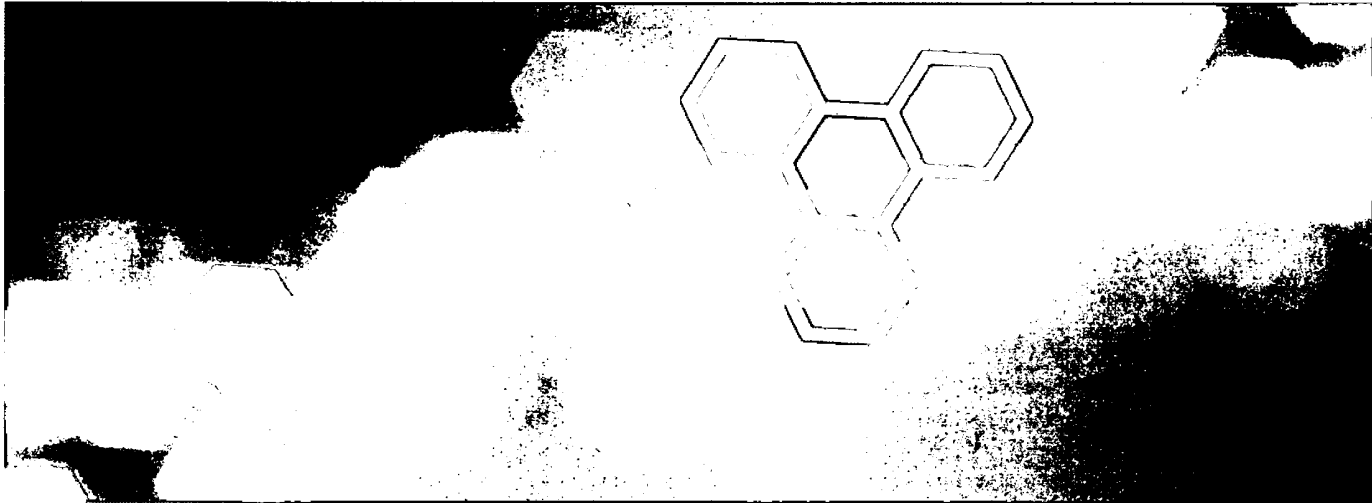


Registered Number: 09899024

# Honeycomb Investment Trust plc

## Interim Report and Unaudited Financial Statements

For the period from 1 January 2017 to 30 June 2017



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# 1 Strategic Report

# Investment Objective

The investment objective of Honeycomb Investment Trust plc (the "Company") is to provide shareholders with an attractive level of dividend income and capital growth through the acquisition of loans made to consumers and small businesses as well as other counterparties, together with related investments ("Credit Assets") and selected equity investments that are aligned with the Company's strategy and that present opportunities to enhance the Company's returns from its investments ("Equity Assets").

# Financial and Operational Highlights

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	31 December 2016 (Audited)
<b>NET ASSET VALUE (£'000)</b>			
NET ASSET VALUE (CUM INCOME) <sup>(1)</sup>	304,749	150,925	202,051
NET ASSET VALUE (EX INCOME) <sup>(2)</sup>	300,320	147,630	196,969
MARKET CAPITALISATION <sup>(3)</sup>	350,135	152,250	203,346
<b>PER SHARE METRICS</b>			
SHARE PRICE (AT CLOSE) <sup>(4)</sup>	1,170.0p	1,015.0p	1,020.5p
NAV PER SHARE (CUM INCOME)	1,018.3p	1,006.2p	1,014.0p
NAV PER SHARE (EX INCOME)	1,003.5p	984.2p	988.5p
SHARES IN ISSUE	29,926,110	15,000,001	19,926,110
<b>KEY RATIOS</b>			
PREMIUM / (DISCOUNT) <sup>(5)</sup>	14.9%	0.9%	0.6%
ITD TOTAL NAV PER SHARE RETURN <sup>(6)(7)</sup>	13.2%	2.7%	7.8%
DEBT TO EQUITY RATIO	10.0%	2.0%	0.0%
REVENUE RETURN <sup>(8)</sup>	3.8%	3.2%	8.8%
DIVIDEND RETURN <sup>(9)</sup>	4.0%	2.9%	8.0%
ONGOING CHARGES <sup>(10)</sup>	1.2%	1.7%	1.5%

(1) NET ASSET VALUE (CUM INCOME): will include all income not yet moved to reserves (both revenue and capital income), less the value of (i) any dividends paid in respect of that income and (ii) any dividends in respect of that income which have been declared and marked ex dividend but not yet paid.

(2) NET ASSET VALUE (EX INCOME): will be the NAV (Cum Income) excluding net income (both revenue and capital income) that is yet to be transferred to reserves as described below. For this purpose net income will comprise all income not yet moved to reserves (both revenue and capital income), less the value of (i) any dividends paid in respect of that income and (ii) any dividends in respect of that income which have been declared and marked ex dividend but not yet paid. Any income in respect of a financial year, which is intended to remain undistributed will be moved to reserves on the first business day of the immediately following year, meaning that each figure for NAV (Ex-Income) reported during a financial year will equate to the NAV (Cum Income) less undistributed income which has not been moved to reserves.

(3) MARKET CAPITALISATION: the closing mid-market share price multiplied by the number of shares outstanding at month end.

(4) SHARE PRICE (AT CLOSE): closing mid-market share price at month end (excluding dividends reinvested).

(5) PREMIUM / (DISCOUNT): the amount by which the price per share of an investment trust is either higher (at a premium) or lower (at a discount) than the net asset value per share (cum income), expressed as a percentage of the net asset value per share.

(6) ITD: Inception to date – excludes issue costs.

(7) TOTAL NAV PER SHARE RETURN: is calculated as Net Asset Value (Cum Income) at the end of the period, plus dividends declared during the period, divided by NAV (Cum Income) calculated on a per share basis at the start of the period. There was a 1.06% uplift on the inception to date total NAV per share return due to the effect of shares being issued at a premium during May-17 capital raise.

(8) REVENUE RETURN: based on revenue account net income divided by average Net Asset Value during the period.

(9) DIVIDEND RETURN: is calculated as the total of the dividends for the period divided by average Net Asset Value during the period.

(10) ONGOING CHARGES RATIO: is calculated as a percentage of annualised ongoing charge over average reported Net Asset Value. Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future. The Annualised Ongoing Charge is calculated using the Association of Investment Companies recommended methodology.

# Chairman's Statement

I am delighted to present the 2017 interim results for Honeycomb Investment Trust plc (the "Company"), covering the period 1 January 2017 to 30 June 2017.

The Board has been pleased with the continued progress during the first half of the year. At the start of 2017 we had successfully completed three share offerings raising a total of £200 million of gross proceeds. In the first half of 2017 we raised a further £105 million in May 2017. These gross proceeds were deployed quickly with a purchase of an unsecured personal loan portfolio on 9 June 2017 followed by a portfolio of secured consumer loans in early July 2017.

## PERFORMANCE

Continued strong performance of investments made in 2016 and careful selection of new attractive risk-adjusted assets has resulted in the Company performing well during the period. A detailed assessment of the progress of the Company follows in the Investment Manager's review. At 30 June 2017, the Company's net assets were £304.7 million (cumulative of income), with market capitalisation at £350.1 million. NAV per share (cumulative of income) was 1,018.3 pence, with the share price (at close) 1,170.0 pence, representing a premium of 14.9 per cent. Total NAV per share return was 13.2 per cent since inception. This includes the benefit of the May share placing being completed at a premium to NAV.

## DIVIDEND

The Q1 2017 dividend increased from 23.50 pence per share in Q4 2016 to 24.50 pence per share in Q1 2017 and continued to provide an above target yield on an annualised dividend of 9.8 per cent compared with 9.4 per cent (undiluted 12.5 per cent) in Q4 2016.

## GEARING

On 21 June 2017, the Company increased the size of its committed debt facility to £80.0 million, extended the term and brought in another European bank to the syndicate. The facility was £30.0 million drawn at the period end and it is expected that this facility will be further drawn in the second half of 2017 in order to fund further investment opportunities.

## OUTLOOK

Despite the competitive consumer finance marketplace, we believe that the retrenchment of mainstream lenders from specialist markets presents an opportunity to engage with customers in markets which are underserved by traditional lenders and platforms. We further believe that through targeting verticals that require a specialist understanding, more detailed underwriting, or where the vertical pre-selects higher quality borrowers, attractive risk-adjusted returns can be delivered with low volatility throughout the cycle.

We continue to closely monitor the political and economic uncertainty created by Brexit, however clear conclusions cannot yet be drawn. There remains intensified competition however credit losses within the portfolio remain stable. We remain vigilant.

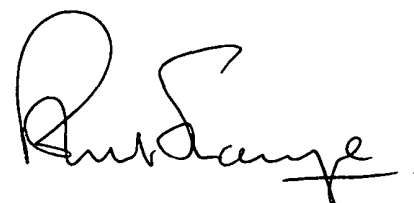
The supervisory framework for consumer credit continues to develop under the Financial Conduct Authority (the "FCA") and the Prudential Regulation Authority (the "PRA") with a focus on good customer outcomes, income verification, affordability and forbearance, all subjects which are at the heart of our business. Developments in these areas have the potential to require changes to the way the industry transacts business, but we welcome oversight which encourages good customer outcomes. We will closely monitor the impact of the removal of the Term Funding Scheme ("TFS") by the Bank of England in February 2018, and while we are not directly impacted by this it may have some impact on the overall liquidity and competitive dynamics in the market, opportunities as well as risks may exist.

The principal risks and uncertainties affecting the Company remain largely unchanged from the Annual Report at 31 December 16 – these can be found on pages 11 to 14.

The Company has made good progress on quantifying the impact of IFRS 9 which will be implemented from 1 January 2018.

We have had another excellent first half of 2017 and the Board remains confident of the long-term prospects for the Company with the Investment Manager continuing to exercise strong discipline in assessing risk adjusted returns.

**Robert Sharpe**  
Chairman  
31 August 2017



# Investment Manager's Report

The Company was established in December 2015 to provide investors with access to UK lending opportunities which Pollen Street Capital Limited (the "Investment Manager") believes have potential to provide attractive and consistent risk-adjusted returns throughout the cycle. These returns are delivered through the Investment Manager's focus on high-quality underwriting of borrowers in markets that are underserved by mainstream finance providers and platforms through direct origination through specialist channels, investments in loans to specialist lenders and the acquisition by the Company of interests in portfolios of Credit Assets from third parties.

The Investment Manager has significant experience in specialist lending, providing the Company with both deep insight to high quality underwriting and access to the Investment Manager's established eco-system, enabling whole of market, high-quality origination flow and portfolio acquisition opportunities.

After the Company completed its initial public offering on 23 December 2015, and subsequently raised a further total gross proceeds of £100.0 million during 2016, the Company has raised further gross proceeds of £105.0 million in May 2017. This was in conjunction with the Company increasing the size of its debt facility to £80.0 million, extending the term and bringing in another European bank to the syndicate. We have focused on building a strong portfolio of assets in line with our investment mandate and at the end of the period, we have built a total portfolio of investment assets of £300.2 million, with a strong pipeline of further opportunities to provide an attractive mix of assets combining both strong yields with low bad debt rates.

In Q1 2017, we focused on deploying the £50 million total gross proceeds from the December 2016 capital raise, and, as part of this, in January 2017 the Company provided finance of £40 million, which included the acquisition of a loan book from, and taking an equity stake of 28.6% in, The Green Deal Finance Company. This portfolio is an attractive mix of assets combining both strong yields with low bad debt rates.

The Company's Origination Partner has continued to grow its relationship with its referral partners and has seen continued steady growth of origination volumes during the period. Further referral partners are currently being on-boarded which will support this growth.

We have also grown our holdings of wholesale facilities. In these facilities, we gain exposure to the underlying credit assets, but with added protection of first loss from the relevant partner. All the borrowers are performing well.

In aggregate, the organic channels had a total investment of £75.8 million at 30 June 2017.

In Q2 2017, the Company purchased 3 further portfolios of consumer loans. One was a portfolio of secured loans and the other two were unsecured.

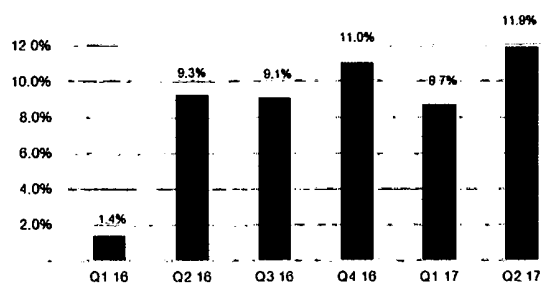
At acquisition, these portfolios comprised in aggregate over 40,000 loans with an average balance of £4,190. Together, with the portfolios we purchased in 2016, these provide a strong underpinning of results in 2017, with a total of £216.6 million investment remaining at the end of the period. All portfolios are performing in line with expectations.

To further enhance investor returns, the Company made selected investments in companies which are aligned with the Company's strategy, such as brokers and originators of loans and strategic providers of data and technology related to consumers and small and medium-sized enterprises. On top of the 15.6 per cent holding in Freedom Finance and 4.8 per cent holding in Pay4Later that were made in 2016, the Company invested 28.6% in The Green Deal Finance Company. Equity Assets as at 30 June 2017 totalled £7.7 million. All three businesses have faced different challenges in 2017 but continue to see new partnerships develop as well as continued investments in technology and management capabilities. The Investment Manager continues to selectively assess potential additional equity stakes in key suppliers to allow for growth in originations.

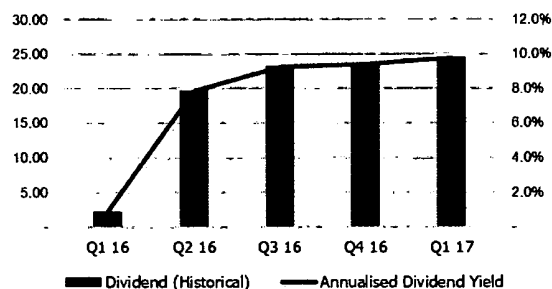
The financial performance of the Company has been strong. In the first half, investment income was £13.3 million (FY16 H1: £5.1 million), an increase of 161%, which has been driven by balances of investment assets increasing to £300.2 million at the period end (FY16 H1: £149.5 million). Earnings for the first half were £8.9 million (FY16 H1: £3.6 million), an increase of 147% on the same period last year which has been driven by low levels of impairments and leverage of the fixed cost base. This translated into earnings per share of 41.2 pence (FY16 H1: 34.8 pence), and NAV return of 5.16% (FY16 H1: 2.46%) for the period, which benefited by 1.03% from the issuance of shares at a premium in May-17. This reflects the high levels of deployment and strong underlying asset performance.

In our initial guidance, we were targeting a dividend yield of at least 8 per cent (based on issue price). As shown in the charts on the following page, we have outperformed these expectations.

Annualised Quarterly and Full Year NAV Returns (%)



Dividend Per Share (pence) and Annualised Fully Diluted Yield (%) (IPO issue price of 1,000p)



After initial listing costs, the Company had a NAV of 982 pence per share at the time of listing, with the NAV per share (cumulative of income) growing to 1,014 pence per ordinary share at 31 December 2016. The Company has continued to see NAV per share (cumulative of income) grow and by 30 June 2017 it reached 1,018 pence, which, including dividends declared or paid, is equivalent to a NAV return of 13.2 per cent since inception. Additionally, the share price of the Company at 30 June 2017 was 1,170.0 pence per share, representing a 14.9 per cent premium to NAV (cumulative of income). We are pleased that the Company is trading ahead of its net asset position, which we hope reflects the strong underlying performance we have seen so far this year. Performance and dividend history can be seen in the table below.

Looking ahead, we continue to position ourselves to address the economic challenges and opportunities that may arise as the long-term effects of the UK leaving the European Union becomes clearer. In addition, with household borrowing at high levels and increased competition in mainstream unsecured lending, we intend to proceed with caution. That said, we believe that the Company's business model, combined with our approach to risk, sets it in good stead to find suitable pockets of risk adjusted return. We believe that our ability to invest in wholesale facilities, combined with our focus on specialist markets where we expect enhanced credit performance, will allow us to continue to deploy the Company's funds and deliver strong returns. We continue to view the future with confidence.

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD*
Total NAV Return	2016	0.04%	0.13%	0.19%	0.92%	0.60%	0.79%	0.68%	0.70%	0.88%	0.89%	0.92%	0.94%	7.85%	7.83%
Total NAV Return	2017	0.69%	0.69%	0.78%	0.62%	1.80% <sup>(1)</sup>	0.55%	-	-	-	-	-	-	5.16%	13.16%
Share Price Performance**	2016	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	2.05%	2.05%	2.05%
Share Price Performance**	2017	6.05%	10.00%	10.50%	12.50%	11.50%	17.0%	-	-	-	-	-	-	17.00%	17.00%
Dividend Per Share (Pence)**	2016	-	-	-	-	2.11	-	-	-	19.66	-	23.13	-	44.90	44.90
Dividend Per Share (Pence)**	2017	-	-	23.50	-	24.50****	-	-	-	-	-	-	-	48.00	92.90

\* ITD: Inception to Date – excludes IPO Issue Costs

\*\* Based on IPO Issue Price of 1000p

\*\*\* Recognised in the month when marked ex-dividend

\*\*\*\* based upon the number of shares at the ex-dividend date

<sup>(1)</sup>NAV return excluding effect of capital raise and issuance at a premium would have been 0.77%

# Top Ten Holdings

	Country	Value of holding at 30 June 2017 (£m)	Percentage of assets <sup>(1)</sup>	
1	IWOCA Limited	United Kingdom	10.7	3.57%
2	1st Stop Group Limited <sup>(2)</sup>	United Kingdom	10.3	3.41%
3	Green Deal Finance Company Limited <sup>(3)</sup>	United Kingdom	8.2	2.73%
4	Freedom Finance Limited <sup>(2),(4)</sup>	United Kingdom	2.7	0.91%
5	EZBob Limited	United Kingdom	2.3	0.77%
6	Pay4Later Limited <sup>(4)</sup>	United Kingdom	2.0	0.67%
7	Individual consumer loan	United Kingdom	0.1	0.04%
8	Individual consumer loan	United Kingdom	0.1	0.03%
9	Individual consumer loan	United Kingdom	0.1	0.03%
10	Individual consumer loan	United Kingdom	0.1	0.03%

(1) Percentage of total investment assets.

(2) 1st Stop Group Limited and Freedom Finance Limited are also portfolio companies of funds managed or advised by Pollen Street Capital Limited.

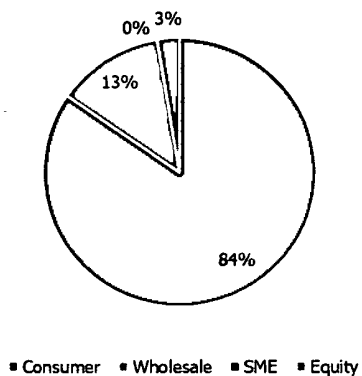
(3) Value of holding is a combination of debt and equity investment

(4) Indicates equity investment

# Portfolio Composition

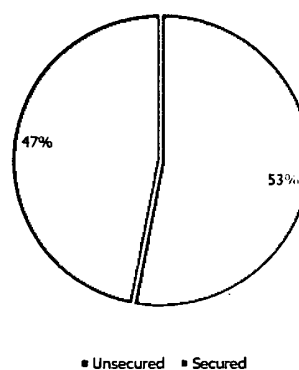
The composition of the Company's portfolio as at 30 June 2017 is set out below:

## Borrower Type (By balances)



## Loan Security

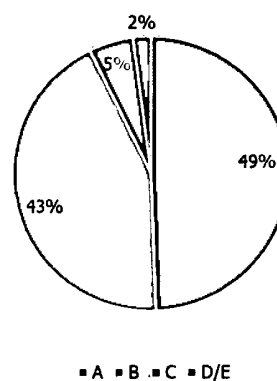
(excludes Equity investments)



## Credit Risk Bands (By balances)

(excludes Equity Investments)

Each credit risk band is defined on p 43.



## Geography (By balances)

All investments are located in the United Kingdom

# Interim Management Report

## INVESTMENT RESTRICTIONS

The Company will invest in Credit Assets originated across various sectors and across credit risk bands to ensure diversification and to seek to mitigate concentration risks. The following investment limits and restrictions apply to the Company to ensure that the diversification of the portfolio is maintained, that concentration risk is limited and that limits are placed on risk associated with borrowings.

The Company will not invest, in aggregate, more than 10 per cent of the aggregate value of total assets of the Company ("Gross Assets"), at the time of investment, in other investment funds that invest in Credit Assets.

The Company will not invest, in aggregate, more than 50 per cent of Gross Assets, at the time of investment, in Credit Assets comprising investments in loans (alongside or in conjunction with Shawbrook Bank ("Shawbrook")) referred to the Origination Partner by Shawbrook. Shawbrook is a portfolio company of funds managed or advised by Pollen Street Capital Limited.

The following restrictions apply, in each case at the time of the investment by the Company:

- no single Credit Asset comprising a consumer credit asset shall exceed 0.15 per cent of Gross Assets;
- no single SME or corporate loan, or trade receivable, shall exceed 5.0 per cent of Gross Assets;
- no single facility, security or other interest backed by a portfolio of loans, assets or receivables (excluding any borrowing ring-fenced within any SPV which would be without recourse to the Company) shall exceed 20% of Gross Assets. For the avoidance of doubt, this restriction shall not prevent the Company from directly acquiring portfolios of Credit Assets which comply with the other investment restrictions described in this section; and
- The Company will not invest in Equity Assets to the extent that such investment would, at the time of investment, result in the Company controlling more than 35 per cent of the issued and voting share capital of the issuer of such Equity Assets.

### Other restrictions

The Company may invest in cash, cash equivalents, money market instruments, money market funds, bonds, commercial paper or other debt obligations with banks or other counterparties having single-A (or equivalent) or higher credit rating as determined by an internationally recognised agency or systemically important bank, or any "governmental and public securities" (as defined for the purposes of the Financial Conduct Authority's Handbook of rules and guidance) for cash management purposes and with a view to enhancing returns to shareholders or mitigating credit exposure.

The Company will not invest in collateralised loan obligations or collateralised debt obligations.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board has carried out a thorough assessment of its risks and controls and in doing so, has established a robust process to identify and monitor the risks faced by the Company. The process involves the maintenance of a risk register, which identifies the risks facing the Company and assesses each risk on a scale, classifying the probability of the risk and the potential impact that an occurrence of the risk could have on the Company. The day-to-day risk management functions of the Company have been delegated to the Investment Manager, which reports to the Board.

### OPERATIONAL RISKS

#### Third Party Service Providers

The Company has no employees and the Directors have all been appointed on an independent non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for its executive function. In particular, the Investment Manager, Depositary, Administrator, Registrar and Servicers, amongst others, will be performing services which are integral to the day-to-day operation, including IT, of the Company.

The termination of service provision by any service provider, or failure by any service provider to carry out its obligations to the Company, or to carry out its obligations to the Company in accordance with the terms of its appointment, could have a material adverse effect on the Company's operations and its ability to meet its investment objective.

#### Mitigation

Day-to-day oversight of third party service providers is exercised by the Investment Manager and reported to the Board on a quarterly basis. As appropriate to the function being undertaken, each of the service providers is subject to regular performance and compliance monitoring. The performance of the Investment Manager in its duties to the Company is subject to ongoing review by the Board on a quarterly basis as well as formal annual review by the Company's Management Engagement Committee.

The appointment of each service provider is governed by agreements which contain the ability to terminate each of these counterparties with limited notice should they continually or materially breach any of their obligations to the Company.

#### Reliance on key individuals

The Company will rely on key individuals at the Investment Manager to identify and select investment opportunities and to manage the day-to-day affairs of the Company. There can be no assurance as to the continued service of these key individuals at the Investment Manager. The departure of key individuals from the Investment Manager without adequate replacement may have a material adverse effect on the Company's business prospects and results of operations. Accordingly, the ability of the Company to achieve its investment objective depends heavily on the experience of the Investment Manager's team, and more generally on the ability of the Investment Manager to attract and retain suitable staff.

#### Mitigation

The interests of the Investment Manager are closely aligned with the performance of the Company through the management and performance fee structures in place and direct investment by certain key individuals of the Investment Manager. Furthermore, investment decisions are made by a team of professionals, mitigating the impact loss of any single key professional within the Investment Manager's organisation. The performance of the Investment Manager in its duties to the Company is subject to ongoing review by the Board on a quarterly basis as well as formal annual review by the Company's Management Engagement Committee.

#### Fluctuations in the market price of Issue Shares

The market price of the issue shares may fluctuate widely in response to different factors and there can be no assurance that the issued shares will be repurchased by the Company even if they trade materially below their Net Asset Value. Similarly, the shares may trade at a premium to Net Asset Value whereby the shares can trade on the open market at a price that is higher than the value of the underlying assets. There can be no assurance, express or implied, that shareholders will receive back the amount of their investment in the issued shares.

#### Mitigation

The Investment Manager and the Board closely monitor the level of discount or premium at which the shares trade on the open market. The Company may purchase the shares in the market with the intention of enhancing the Net Asset Value per ordinary share, however there can be no assurance that any purchases will take place or that any purchases will have the effect of narrowing any discount to Net Asset Value at which the ordinary shares may trade. When the shares trade at a premium the Company may issue shares to reduce the premium at which shares trade. As at 30 June 2017 the shares were trading at a premium to Net Asset Value.

### INVESTMENTS

#### Achievement of the Investment Objective

There can be no assurance that the Investment Manager will continue to be successful in implementing the Company's investment objective.

#### Mitigation

The Company's investment decisions are delegated to the Investment Manager. Performance of the Company against its investment objectives is closely monitored on an ongoing basis by the Investment Manager and the Board and is reviewed in detail at each Board meeting. In the event it is required, any action required to mitigate underperformance is taken as deemed appropriate by the Investment Manager.

## **Borrowing**

The Company may use borrowings in connection with its investment activities including, where the Investment Manager believes that it is in the interests of shareholders to do so, for the purposes of seeking to enhance investment returns. Such borrowings may subject the Company to interest rate risk and additional losses if the value of its investments fall. Whilst the use of borrowings should enhance the Net Asset Value of the issue shares when the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the Company's income falls for whatever reason, the use of borrowings will increase the impact of such a fall on the Company's return and accordingly will have an adverse effect on the Company's ability to pay dividends to shareholders.

### **Mitigation**

The Investment Manager and the Board closely monitors the level of gearing of the Company. The Company has a maximum limitation on borrowings of 100 per cent of Net Asset Value (calculated at the time of draw down) which the Investment Manager may affect at its discretion. As at the date of this report, the Company had a target leverage ratio of 50-75 per cent of Net Asset Value and had £30.0 million borrowing outstanding (10.0% of NAV) as at 30 June 2017.

## **Exposure to Credit Risk**

The Company is expected to invest a significant proportion of its assets in Credit Assets which, by their nature, are exposed to credit risk and may be impacted by adverse economic and market conditions, including through higher impairment charges, increased capital losses and reduced opportunities for the Company to invest in Credit Assets. Additionally, competition could serve to reduce yields and lower the volume of loans generated by the Company. The Origination Partner has not guaranteed to provide a minimum number of Credit Assets.

### **Mitigation**

The Company will invest in a granular portfolio of assets, diversified by the number of borrowers, the type, and the credit risk (ranked A–E) of each borrower. Each loan is subject to, amongst other restrictions, a maximum single loan exposure limit. Additionally, the Company has made assumptions around loss and arrears rates within the portfolio in its financial projections. Further, the Investment Manager has established stringent underwriting criteria which includes credit referencing, income verification and affordability testing, identity verification and various forward-looking indicators of a borrower's likely financial strength.

Origination rates and performance of the underlying assets of the Company are closely monitored on an ongoing basis by the Investment Manager and the Board, and are reviewed in detail at each Board meeting. In addition to the Origination Partner, the Company has entered agreements with a number of referral partners to provide a diversified range of sources from which to select attractive assets. The Company looks to add additional referral partners on an ongoing basis in order to further diversify its origination sources.

## **Interest Rate Risk**

The Company intends to invest in Credit Assets which may be subject to a fixed rate of interest, or a floating rate of interest (which may be linked to base rates or LIBOR) and expects that its borrowings will be subject to a floating rate of interest. Any mismatches the Company has between the income generated by its Credit Assets, on the one hand, and the liabilities in respect of its borrowings, on the other hand, may subject the Company to interest rate risk.

### **Mitigation**

Interest rate risk exposures may be managed, in part, by matching any floating rate borrowings with investments in Credit Assets that are also subject to a floating rate of interest. The Company may use derivative instruments, including interest rate swaps, to reduce its exposure to fluctuations in interest rates, however some unmatched risk may remain.

## **Liquidity of Investments**

The Company may invest in Equity Assets that are aligned with the Company's strategy and that present opportunities to enhance the Company's return on its investments. Such Equity Assets are likely to be predominantly in the form of unlisted equity securities. Investments in unlisted equity securities, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed securities and therefore may be more difficult to realise.

### **Mitigation**

The Company has established investment restrictions on the extent to which it can invest in Equity Assets, such that no more than 10 per cent of the net proceeds of any placing are invested in Equity Assets. Compliance with these restrictions is monitored by the Investment Manager on an ongoing basis and by the Board quarterly.

## REGULATIONS

### **Tax**

Any changes in the Company's tax status or in taxation legislation could affect the value of investments held by the Company, affect the Company's ability to provide returns to shareholders and affect the tax treatment for shareholders of their investments in the Company.

### **Mitigation**

The Company intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010. Both the Board and the Investment Manager are aware of the requirements which are to be fulfilled in any accounting period for the Company to maintain its investment trust status. The conditions required to satisfy the investment trust status shall be monitored by the Investment Manager's compliance function and performance shall be reported to the Board on a quarterly basis.

### **Breach of applicable legislative obligations**

The Company and its third-party service providers are subject to various legislation and regulations, including, but not limited to, the Consumer Credit Act and the Data Protection Act. Any breach of applicable legislative obligations could have a negative impact on the Company and impact returns to shareholders.

### **Mitigation**

The Company engages only with third party service providers which hold the appropriate regulatory approvals for the function they are to perform, and can demonstrate that they can adhere to the regulatory standards required of them. Each appointment is governed by agreements which contain the ability to terminate each of these counterparties with limited notice should they continually or materially breach any of their legislative obligations, or their obligations to the Company more broadly. Additionally, each of the counterparties is subject to regular performance and compliance monitoring by the Investment Manager, as appropriate to their function, to ensure that they are acting in accordance with applicable regulations and are aware of any upcoming regulatory changes which may affect the Company. Performance of third party service providers is reported to the Board on a quarterly basis, whilst the performance of the Investment Manager in its duties to the Company is subject to ongoing review by the Board on a quarterly basis as well as formal annual review by the Company's Management Engagement Committee.

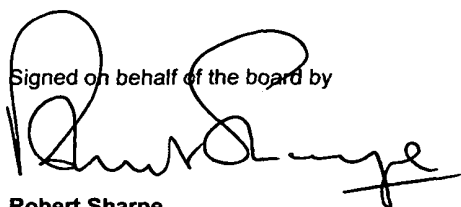
## **2 Statement of Directors' Responsibilities**

# Statement of Directors' Responsibilities

The Directors, being the persons responsible, confirm that to the best of their knowledge:

- a) the condensed set of Unaudited Financial Statements contained within the half-yearly financial report have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as adopted by the European Union, as required by the Disclosure and Transparency Rule 4.2.4R, and gives a true and fair view of the assets, liabilities and financial position of the Group;
- b) the Interim Management Report includes a fair review, as required by Disclosure and Transparency Rule 4.2.7R, of important events that have occurred during the first six months of the financial year, their impact on the condensed set of unaudited Financial Statements, and a description of the principal risks and perceived uncertainties for the remaining six months of the financial year; and
- c) the Interim Management Report includes a fair review of the information concerning related parties' transactions as required by Disclosure and Transparency Rule 4.2.8R.

Signed on behalf of the board by



**Robert Sharpe**  
Chairman

31 August 2017

# 3 Financial Statements

# Statement of Comprehensive Income

For the period from 1 January 2017 to 30 June 2017 (Unaudited)

	Notes	Revenue £'000	Capital £'000	Total £'000
<b>Income</b>				
Investment interest	5	13,288	-	13,288
Other income	5	2	-	2
		<b>13,290</b>	<b>-</b>	<b>13,290</b>
<b>Expenses</b>				
Management fee	6	(1,149)	(41)	(1,190)
Performance fee	6	(1,042)	-	(1,042)
Impairment of loans	10	(1,183)	-	(1,183)
Other expenses	7	(415)	-	(415)
		<b>(3,789)</b>	<b>(41)</b>	<b>(3,830)</b>
<b>Profit / (loss) before finance costs and taxation</b>		<b>9,501</b>	<b>(41)</b>	<b>9,460</b>
Finance costs	15	(548)	-	(548)
<b>Profit / (loss) before taxation</b>		<b>8,953</b>	<b>(41)</b>	<b>8,912</b>
Taxation on ordinary activities		-	-	-
<b>Profit / (loss) after taxation</b>		<b>8,953</b>	<b>(41)</b>	<b>8,912</b>
<b>Earnings per share (basic and diluted)</b>	<b>9</b>	<b>41.4p</b>	<b>(0.2)p</b>	<b>41.2p</b>

The total column of this statement represents the Statement of Comprehensive Income prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The supplementary revenue return and capital return columns are both prepared under guidance issued by the Association of Investment Companies. All items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the period.

The Company does not have any income or expense that is not included in net profit for the period. Accordingly, the net profit for the period is also the Total Comprehensive Income for the period, as defined in IAS1 (revised).

The notes on pages 26 to 45 form an integral part of these financial statements.

# Statement of Comprehensive Income (continued)

For the period from 2 December 2015 to 30 June 2016 (Unaudited)

	Notes	Revenue £'000	Capital £'000	Total £'000
<b>Income</b>				
Investment interest	5	5,092	-	5,092
Other income	5	12	-	12
		<b>5,104</b>	<b>-</b>	<b>5,104</b>
<b>Expenses</b>				
Management fee	6	(403)	(13)	(416)
Performance fee	6	(396)	-	(396)
Impairment of loans	10	(139)	-	(139)
Other expenses	7	(506)	-	(506)
		<b>(1,444)</b>	<b>(13)</b>	<b>(1,457)</b>
<b>Profit / (loss) before finance costs and taxation</b>		<b>3,660</b>	<b>(13)</b>	<b>3,647</b>
Finance costs	15	(31)	-	-
<b>Profit / (loss) before taxation</b>		<b>3,629</b>	<b>(13)</b>	<b>3,616</b>
Taxation on ordinary activities		-	-	-
<b>Profit / (loss) after taxation</b>		<b>3,629</b>	<b>(13)</b>	<b>3,616</b>
<b>Earnings per share (basic and diluted)</b>		<b>9</b>	<b>34.9p</b>	<b>(0.1)p</b>
				<b>34.8p</b>

The total column of this statement represents the Statement of Comprehensive Income prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The supplementary revenue return and capital return columns are both prepared under guidance issued by the Association of Investment Companies. All items in the above statement derive from continuing operations.

The Company does not have any income or expense that is not included in net profit for the period. Accordingly, the net profit for the period is also the Total Comprehensive Income for the period, as defined in IAS1 (revised).

The notes on pages 26 to 45 form an integral part of the financial statements.

# Statement of Comprehensive Income (continued)

For the period from 2 December 2015 to 31 December 2016 (Audited)

	Notes	Revenue £'000	Capital £'000	Total £'000
<b>Income</b>				
Investment interest	5	17,847	-	17,847
Other income	5	13	-	13
		<b>17,860</b>	<b>-</b>	<b>17,860</b>
<b>Expenses</b>				
Management fee	6	(1,164)	(44)	(1,208)
Performance fee	6	(1,314)	-	(1,314)
Impairment of loans	10	(2,322)	-	(2,322)
Other expenses	7	(674)	-	(674)
		<b>(5,474)</b>	<b>(44)</b>	<b>(5,518)</b>
<b>Profit / (loss) before finance costs and taxation</b>		<b>12,386</b>	<b>(44)</b>	<b>12,342</b>
Finance costs	15	(525)	-	(525)
<b>Profit / (loss) before taxation</b>		<b>11,861</b>	<b>(44)</b>	<b>11,817</b>
Taxation on ordinary activities		-	-	-
<b>Profit / (loss) after taxation</b>		<b>11,861</b>	<b>(44)</b>	<b>11,817</b>
<b>Earnings per share (basic and diluted)</b>		<b>9</b>	<b>(0.4)p</b>	<b>94.0p</b>

The total column of this statement represents the Statement of Comprehensive Income prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The supplementary revenue return and capital return columns are both prepared under guidance issued by the Association of Investment Companies. All items in the above statement derive from continuing operations.

The Company does not have any income or expense that is not included in net profit for the period. Accordingly, the net profit for the period is also the Total Comprehensive Income for the period, as defined in IAS1 (revised).

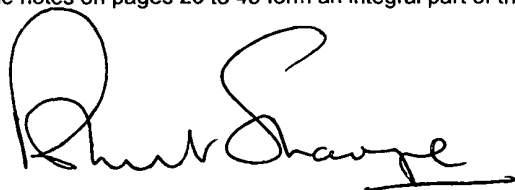
The notes on pages 26 to 45 form an integral part of the financial statements.

# Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) £'000	30 June 2016 (Unaudited) £'000	31 December 2016 (Audited) £'000
<b>Non-current assets</b>				
Loans at amortised cost	10	292,435	144,950	157,845
Investments held at fair value through profit or loss	11	7,730	4,730	4,730
Fixed assets	12	394	-	369
		300,559	149,680	162,944
<b>Current assets</b>				
Receivables	13	5,032	1,361	3,723
Cash and cash equivalents		34,465	5,380	38,877
		39,497	6,741	42,600
<b>Total assets</b>		<b>340,056</b>	<b>156,421</b>	<b>205,544</b>
<b>Current liabilities</b>				
Management fee payable		(283)	(170)	(136)
Performance fee payable		(1,042)	(396)	(1,314)
Other payables	14	(3,946)	(1,926)	(2,030)
		(5,271)	(2,492)	(3,480)
<b>Total assets less current liabilities</b>		<b>334,785</b>	<b>153,929</b>	<b>202,064</b>
Interest bearing borrowings	15	(30,036)	(3,000)	(13)
<b>Total net assets</b>		<b>304,749</b>	<b>150,929</b>	<b>202,051</b>
<b>Shareholders' funds</b>				
Ordinary share capital	16	299	150	199
Share premium		201,921	49,380	98,670
Revenue reserves		5,014	3,312	5,126
Capital reserves		(85)	(13)	(44)
Special distributable reserves	17	97,600	98,100	98,100
<b>Total shareholders' funds</b>		<b>304,749</b>	<b>150,929</b>	<b>202,051</b>
<b>Net asset value per share</b>	19	<b>1,018.3p</b>	<b>1,006.2p</b>	<b>1,014.0p</b>

The notes on pages 26 to 45 form an integral part of the financial statements.



Signed on behalf of the Board of  
Directors by:  
Robert Sharpe  
Chairman  
31 August 2017

# Statement of Changes in Shareholders' Funds

For the period from 1 January 2017 to 30 June 2017 (Unaudited)

	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserves £'000	Capital Reserves £'000	Special Distributable Reserves £'000	Total Equity £'000
<b>Shareholders' funds at 1 January 2017</b>	199	98,670	5,126	(44)	98,100	202,051
Management shares issued	-	-	-	-	-	-
Management shares bought back	-	-	-	-	-	-
Ordinary shares issued	100	104,900	-	-	-	105,000
Ordinary shares issue costs	-	(1,649)	-	-	-	(1,649)
Special distributable reserves transfer	-	-	-	-	-	-
Profit / (loss) after taxation	-	-	8,953	(41)	-	8,912
Dividends paid in the period	-	-	(9,065)	-	(500)	(9,565)
<b>Shareholders' funds at 30 June 2017</b>	<b>299</b>	<b>201,921</b>	<b>5,014</b>	<b>(85)</b>	<b>97,600</b>	<b>304,749</b>

As at 30 June 2017 the Company had distributable reserves of £102.529 million for the payment of future dividends. The distributable reserves are the revenue reserves of £5.014 million, realised capital reserves of (£0.085 million) and the special distributable reserves of £97.600 million.

The notes on pages 26 to 45 form an integral part of the financial statements.

# Statement of Changes in Shareholders' Funds

(continued)

For the period from 2 December 2015 to 30 June 2016 (Unaudited)

	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserves £'000	Capital Reserves £'000	Special Distributable Reserves £'000	Total Equity £'000
<b>Shareholders' funds at 2 December 2015</b>	-	-	-	-	-	-
Management shares issued	50	-	-	-	-	50
Management shares bought back	(50)	-	-	-	-	(50)
Ordinary shares issued	150	149,850	-	-	-	150,000
Ordinary shares issue costs	-	(2,370)	-	-	-	(2,370)
Special distributable reserves transfer	-	(98,100)	-	-	98,100	-
Profit / (loss) after taxation	-	-	3,629	(13)	-	3,616
Dividends paid in the period	-	-	(317)	-	-	(317)
<b>Shareholders' funds at 30 June 2016</b>	<b>150</b>	<b>49,380</b>	<b>3,312</b>	<b>(13)</b>	<b>98,100</b>	<b>150,929</b>

As at 30 June 2016 the Company had distributable reserves of £101.399 million for the payment of future dividends. The distributable reserves are the revenue reserves of £3.312 million, realised capital reserves of (£0.013 million) and the special distributable reserves of £98.100 million.

The notes on pages 26 to 45 form an integral part of the financial statements.

# Statement of Changes in Shareholders' Funds

(continued)

For the period from 2 December 2015 to 31 December 2016 (Audited)

	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserves £'000	Capital Reserves £'000	Special Distributable Reserves £'000	Total Equity £'000
<b>Shareholders' funds at 2 December 2015</b>	-	-	-	-	-	-
Management shares issued	50	-	-	-	-	50
Management shares bought back	(50)	-	-	-	-	(50)
Ordinary shares issued	199	199,801	-	-	-	200,000
Ordinary shares issue costs	-	(3,031)	-	-	-	(3,031)
Special distributable reserves transfer	-	(98,100)	-	-	98,100	-
Profit / (loss) after taxation	-	-	11,861	(44)	-	11,817
Dividends paid in the period	-	-	(6,735)	-	-	(6,735)
<b>Shareholders' funds at 31 December 2016</b>	<b>199</b>	<b>98,670</b>	<b>5,126</b>	<b>(44)</b>	<b>98,100</b>	<b>202,051</b>

As at 31 December 2016 the Company had distributable reserves of £103.182 million for the payment of future dividends. The distributable reserves are the revenue reserves of £5.126 million, realised capital reserves of (£0.044 million) and the special distributable reserves of £98.100 million.

The notes on pages 26 to 45 form an integral part of the financial statements.

# Statement of Cash Flows

For the period to 30 June 2017

	Notes	30 June 2017 (Unaudited) £'000	30 June 2016 (Unaudited) £'000	31 December 2016 (Audited) £'000
<b>Cash flows from operating activities:</b>				
Profit after taxation		8,912	3,616	11,817
Adjustments for:				
Impairment of loans	10	1,183	139	2,322
Amortisation	12	111	-	99
(Increase) in receivables	13	(1,309)	(1,361)	(3,723)
Increase in payables		1,801	2,492	3,480
<b>Net cash inflow from operating activities</b>		<b>10,698</b>	<b>4,886</b>	<b>13,995</b>
<b>Cash flows from investing activities:</b>				
Purchase of loans		(135,773)	(145,089)	(160,167)
Purchase of investments	11	(3,000)	(4,730)	(4,730)
Purchase of fixed assets	12	(136)	-	(468)
<b>Net cash (outflow) from investing activities</b>		<b>(138,909)</b>	<b>(149,819)</b>	<b>(165,365)</b>
<b>Cash flows from financing activities:</b>				
Proceeds from issue of ordinary shares	16	105,000	150,000	200,000
Share issue costs		(1,649)	(2,370)	(3,031)
Proceeds from issue of management shares	16	-	50	50
Redemption of management shares	16	-	(50)	(50)
Proceeds from interest bearing borrowings	15	88,013	3,000	19,013
Repayments of interest bearing borrowings	15	(58,000)	-	(19,000)
Dividends declared and paid	8	(9,565)	(317)	(6,735)
<b>Net cash inflow from financing activities</b>		<b>123,799</b>	<b>150,313</b>	<b>190,247</b>
<b>Net change in cash and cash equivalents</b>		<b>(4,412)</b>	<b>5,380</b>	<b>38,877</b>
Cash and cash equivalents at the beginning of the period		38,877	-	-
<b>Net cash and cash equivalents</b>		<b>34,465</b>	<b>5,380</b>	<b>38,877</b>

The notes on pages 26 to 45 form an integral part of the financial statements.

# Notes to the Financial Statements

## 1. GENERAL INFORMATION

Honeycomb Investment Trust plc (the "Company") is a closed-ended investment company incorporated in England and Wales on 2 December 2015 with registered number 09899024. The Company commenced operations on 23 December 2015 and carries on business as an investment trust within the meaning of chapter 4 of Part 24 of the Corporation Tax Act 2010.

The Company's investment objective is to provide shareholders with an attractive level of dividend income and capital growth through the acquisition of loans made to consumers and small businesses as well as other counterparties, together with related investments and selected equity investments that are aligned with the Company's strategy and that present opportunities to enhance the Company's returns from its investments.

The Company's investment manager is Pollen Street Capital Limited a UK-based company authorised and regulated by the FCA, who also acts as the Alternative Investment Fund Manager (the "AIFM") under the Alternative Investment Fund Managers Directive (the "AIFMD"). The Company is defined as an Alternative Investment Fund and is subject to the relevant articles of the AIFMD.

The Investment Manager, on behalf of the Company, actively identifies sub-segments of the large consumer and SME lending market that it believes delivers attractive net returns. It targets channels, origination partners and loan portfolio vendors through which to develop Credit Assets and diversify the Company's investment opportunities.

Each opportunity is underwritten by the Investment Manager or the Origination Partner to assess whether the risk of the borrower is acceptable. Various processes are adopted to underwrite each opportunity to ensure a consistent approach to risk based pricing to ensure the weighted risk adjusted return provides an attractive level of dividend income with acceptable risk profile for shareholders of the Company.

Through the Origination Partner's arrangements, together with wholesale lenders and vendors of portfolios, the Directors believe that the Company has access to diverse investment opportunities across several market segments, each with different borrower profiles and different risk return characteristics. Access to multiple Referral Partners and other counterparties, will reduce the Company's dependence on any one single source of opportunities to acquire Credit Assets and provide strong visibility of high quality assets.

The Company believes it is important to provide best-in-class servicing to ensure that Credit Assets forming part of the portfolio are managed efficiently throughout their lifecycle. As such, the Company appoints servicers best placed to service the investment asset.

The Company also has the ability to invest in Equity Assets that are aligned with the Company's strategy and that present opportunities to enhance the Company's returns from its investments. The Company expects, that most of its investments in Equity Assets will take the form of minority interests in Referral Partners, in pursuit of the Company's investment policy. The Directors believe that an ancillary benefit of these investments in Equity Assets will be to more closely align the interests of the Company with those of its commercial partners, and thereby improve the Company's underwriting and analysis capabilities and visibility of trends and opportunities in the specialist finance market.

As at 30 June 2017 the Company's share capital comprised 29,926,110 ordinary shares. These shares are listed and trade on the London Stock Exchange's Specialist Fund Market.

## 2. BASIS OF ACCOUNTING

The Company's financial statements are prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). They comprise standards and interpretations approved by the International Accounting Standards Board and International Financial Reporting Committee, interpretations issued by the International Accounting Standard Committee that remain in effect, to the extent they have been adopted by the European Union. The financial statements are also in compliance with relevant provisions of the Companies Act 2006 as applicable to companies reporting under IAS 34. The results for the half year ended 30 June 2017 constitute non-statutory accounts within the meaning of Section 435 of the Companies Act 2006. The latest published accounts which have been delivered to the Registrar of companies are for the year ended 31 December 2016; the report of the Auditor thereon was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The comparative figures for the year ended 31 December 2016 have been extracted from those accounts.

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the valuation of investments at fair value. The Directors consider that the Company has adequate financial resources to enable it to continue operations for a period no less than 12 months from the reporting date. Accordingly, the Directors believe that it is appropriate to adopt the going concern basis in preparing the company's financial statements.

The principal accounting policies adopted by the Company are set out below. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in November 2014 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

All values are rounded to the nearest thousand pounds unless otherwise indicated.

### Foreign Currency

The financial statements are prepared in Pounds Sterling because that is the currency of all of the transactions during the period, so has been selected as the presentational currency.

The primary objective of the Company is to generate returns in Pounds Sterling, its capital-raising currency. The liquidity of the Company is managed on a day-to-day basis in Pounds Sterling as the Company's performance is evaluated in that currency. Therefore, the Directors consider Pounds Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and is therefore the functional currency.

During the period under review there were no transactions in foreign currencies. Transactions involving foreign currencies would be converted at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities would be translated into Pounds Sterling at the exchange rate ruling on the year-end date. Foreign exchange differences arising on translation would be recognised in the Statement of Comprehensive Income.

### Presentation of Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

### Income

Interest from loans are recognised in the Statement of Comprehensive Income for all instruments measured at amortised cost using the effective interest rate method ("EIRM").

The EIRM is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company takes into account all contractual terms of the financial instrument, for example prepayment options, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees and commissions which are not considered integral to the EIRM and deposit interest income are recognised on an accruals basis when the service has been provided or received.

Dividend income from investments is recognised when the Company's right to receive payment has been established, normally the ex-dividend date.

### Expenses

All expenses are accounted for on the accruals basis. In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, all expenses have been presented as revenue items except as follows:

- Transaction costs which are incurred on the purchases or sales of investments designated as fair value through profit or loss are expensed to capital in the Statement of Comprehensive Income.
- Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated and, accordingly, the management fee for the financial period has been allocated 97.4 per cent to revenue and 2.6 per cent to capital (being the ratio of Credit Assets to Equity Assets at the financial year-end), in order to reflect the Directors' long term view of the nature of the expected investment returns of the Company.

### Finance costs

Finance costs are accrued on the effective interest rate basis. Since these costs are considered to be an indirect cost of maintaining the value of investments they are allocated in full to revenue.

## **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the period. The taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using a blended rate as applicable throughout the year.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the 'marginal basis'. Under this basis, if taxable income is capable of being entirely offset by expenses in the revenue column of the statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the revenue return column of the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Investment trusts which have approval under Part 24, Chapter 4 of the Corporation Tax Act 2010 are not liable for taxation on capital gains. The Company has been approved as an Investment Trust by HMRC.

Irrecoverable withholding tax is recognised on any overseas dividends on an accruals basis using the applicable rate for the country of origin.

## **Financial instruments**

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. The Company shall offset financial assets and financial liabilities if it has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis. Financial assets and liabilities are derecognised when the Company settles its obligations relating to the instrument.

## **Loans**

Loans are initially recognised at a carrying value equivalent to the funds advanced to the borrower plus the costs of acquisition such as broker and packaging fees. After initial recognition loans are subsequently measured at amortised cost using the effective interest rate method less impairment provisions (see note 10).

## **Investments**

All investments held by the Company have been designated at fair value through profit or loss ("FVPL") but are also described in these financial statements as investments held at fair value, and are valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEVCV") effective 1 January 2016 as recommended by the British Private Equity and Venture Capital Association.

Purchases and sales of unlisted investments are recognised when the contract for acquisition or sale becomes unconditional.

## **Fixed assets**

Fixed assets are shown at cost less accumulated depreciation. Depreciation is calculated by the Company on a straight-line basis by reference to the original cost, estimated useful life and residual value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The period of estimated useful life for this purpose is between one and three years. Residual values are assumed to be nil.

## **Receivables**

Receivables do not carry any interest and are short term in nature. They are initially stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts (if any).

## **Cash and cash equivalents**

Cash and cash equivalents (which are presented as a single class of asset on the Statement of Financial Position) comprise cash at bank and in hand and deposits with an original maturity of three months or less. The carrying value of these assets approximates their fair value.

## **Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

## **Payables**

Payables are non-interest bearing. They are initially stated at their nominal value.

### Interest bearing borrowings

Interest bearing borrowings are initially recognised at a carrying value equivalent to the proceeds received net of issue costs associated with the borrowings. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest rate method.

### Dividends

Interim dividends are recognised in the year in which they are paid.

### Associates

Associates are entities over which the Group has significant influence, but does not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights.

No associates are presented on the Statement of Financial Position as the Group elects to hold such investments at fair value through profit and loss. This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which permits investments held by entities that are venture capital organisations, mutual funds or similar entities to be excluded from its measurement methodology requirements where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement. Changes in fair value of associates are recognised in the Statement of Comprehensive Income in the period in which the change occurs. The Group has no interests in associates through which it carries on its business.

The disclosures required by Section 409 of the Companies Act 2006 for associated undertakings are included in Note 18 to the financial statements.

### Adoption of New and Revised Standards

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but were not yet effective (and in some cases, had not been adopted by the European Union):

#### IFRS 9 Financial Instruments

IFRS 9 "Financial Instruments", brings together the classification and measurement, impairment and hedge accounting phases of the IASB project to replace IAS 39, and is effective for annual periods beginning on or after 1 January 2018. The key elements of the standard are as follows:

- Classification and measurement – IFRS 9 applies one classification approach for all types of financial assets. Two criteria are used to determine how financial assets should be classified and measured: (a) the entity's business model (i.e. how an entity manages its financial assets in order to generate cash flows by collecting

contractual cash flows, selling financial assets or both); and (b) the contractual cash flow characteristics of the financial asset (i.e. whether the contractual cash flows are solely payments of principal and interest).

- Impairment – the incurred loss model under IAS 39 is replaced with a new expected loss model. Impairment provisions are driven by changes in credit risk of instruments, with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly since initial recognition. Risk of default and expected credit losses must incorporate forward-looking and macroeconomic information. Expected credit loss models will require more data and assumptions with impairment provisions potentially becoming more volatile.
- Hedge accounting – the new requirements align hedge accounting more closely with risk management. The revised standard also establishes a more principles-based approach to hedge accounting.

The Company is currently working on its ability to:

- review the classification and measurement of financial instruments under the requirements of IFRS 9;
- develop and validate a set of IFRS 9 models for calculating expected credit losses on the Company's loan portfolios; and
- implement internal governance processes which are appropriate for IFRS 9.

A detailed timetable has been prepared to ensure that credit loss models are developed and tested in advance of 1 January 2018, and that systems have been updated to report internally and externally under IFRS 9. The impact on the Company's balance sheet and income statement on adoption of IFRS 9 is being assessed.

#### IFRS 15 Revenue from Contracts with Customers

The Directors do not anticipate that the adoption of this standard and interpretations will have a material impact on the financial statements in the period of initial application.

Other future developments include the IASB undertaking a comprehensive review of existing IFRSs. The Company will consider the financial impact of these new standards as they are finalised.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS adopted in the EU requires the Company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amount, actual results may differ ultimately from those estimates.

The areas requiring a higher degree of judgement or complexity and areas where assumptions and estimates are significant to the financial statements, are in relation to effective interest rate impairment of loans and investments at fair value through profit or loss described below.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### Impairment of Loans

The allowance for impairment losses on loans and receivables is the Company's best estimate of losses incurred in the portfolio at the reporting date. In determining the required level of impairment provisions, the Company uses the outputs from the analysis of historical data. Judgement is required to assess the robustness of the outputs from this analysis and, where necessary, make appropriate adjustments. Impairment allowances are made up of two components, those determined collectively ("Collective Impairment") and those determined individually ("Individual Impairment"). Both components are applied to Consumer Loans, whilst only individual impairment provisions are calculated for Wholesale loans.

#### Collective Impairment

Collective Impairment allowances are applied to Consumer Loans with their smaller balances and homogenous product. This impairment provision is established where it is believed that a loan is impaired but this is not evidenced by way of a default on contractual terms. Analysis takes into account factors such as the type of asset, collateral type, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets as they are indicative of the borrower's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Generally, the impairment trigger used within the impairment calculation for a loan, or group of loans, is when they reach a pre-defined level of delinquency or where the customer is bankrupt. Loans where the Company provides arrangements that forgive a

portion of interest or principal are also deemed to be impaired.

In addition, the collective provision also includes provision for inherent losses, that is losses that have been incurred but have not been separately identified at the reporting date. The loans that are not currently recognised as impaired are grouped into homogenous portfolios by product type. An assessment is made of the likelihood of assets being impaired at the balance sheet date and being identified subsequently; the length of time taken to identify that an impairment event has occurred is known as the loss emergence period. The loss emergence period is determined by the Investment Manager for each portfolio which are dependent upon the characteristics of the portfolio. Loss emergence periods are reviewed regularly and updated when appropriate. In general the period used is 3 months based on historical experience. This provision is sensitive to changes in the loss emergence period. Management use a significant level of judgement when determining the collective unidentified impairment provision, including the assessment of the level of overall risk existing within particular sectors and the impact of the low interest rate environment on loss emergence periods.

The collective impairment allowance is also subject to estimation uncertainty and in particular is sensitive to changes in economic and credit conditions, including the interdependency of house prices, unemployment rates, interest rates, borrowers' behaviour, and consumer bankruptcy trends. It is, however, inherently difficult to estimate how changes in one or more of these factors might impact the collective impairment allowance.

#### Individual Impairment

Individual Impairment provisions are considered against the assets based on pools of assets of a similar nature.

Consumer - The Company calculates specific impairment provisions based on the Probability of Default ("PD") multiplied by the Exposure at Default ("EAD") multiplied by the Loss Given Default ("LGD"):

- The PD is based on the probability, dependent on stage of arrears, that the loan will not recover to perform in line with contractual payment terms; the assessment of the PD uses historical experience of cohorts of similar products. Future cash flows are estimated on the basis of the contractual cash flows of the assets in the cohort and historical loss experience for similar assets. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Investment Manager to reduce any differences between loss estimates and actual loss experience.
- The EAD is an estimate of the remaining exposure once a loan defaults taking into account expected further repayments and is dependent on stage of arrears.
- The LGD is based upon the Investment Manager's view of losses, taking into consideration any collateral and

the likely recovery of any unsecured portion of the loan. The estimated cash flows are calculated based on historical experience and are dependent on estimates of the expected value of collateral which takes into account house prices, and the net proceeds which might be achieved in the event the property is repossessed and any prior mortgages are repaid. The value of collateral supporting the Company's secured loan portfolio is estimated by applying changes in the house price indices to the original assessed value of the property and periodic updates of the first mortgage balances.

**Wholesale – Wholesale assets** are reviewed on a regular basis and those showing potential or actual vulnerability are placed on a watch list where greater monitoring is undertaken by the Investment Manager and any adverse or potentially adverse impact on ability to repay is used in assessing whether an asset should receive more detailed scrutiny and support.

Specific examples of trigger events that could lead to the initial recognition of impairment allowances against lending to wholesale borrowers (or the recognition of additional impairment allowances) include (i) trading losses, loss of business or major customer of a borrower; (ii) material breaches of the terms and conditions of a loan facility, including non-payment of interest or principal, or a fall in the value of security such that it is no longer considered adequate; (iii) disappearance of an active market because of financial difficulties; or (iv) restructuring a facility with preferential terms to aid recovery of the lending (such as a debt for equity swap). For such individually identified financial assets, a review is undertaken of the expected future cash flows which requires significant management judgement as to the amount and timing of such cash flows. Where the debt is secured, the assessment reflects the expected cash flows from the realisation of the security, net of costs to realise, whether or not foreclosure or realisation of the collateral is probable. The determination of individual impairment allowances requires the exercise of considerable judgement by management involving matters such as local economic conditions and the resulting trading performance of the customer, and the value of the security held, for which there may not be a readily accessible market. The actual amount of the future cash flows and their timing may differ significantly from the assumptions made for the purposes of determining the impairment allowances and consequently these allowances can be subject to variation as time progresses and the circumstances of the customer become clearer.

There were no provisions as at 30 June 2017 as this asset class is performing satisfactorily.

### **Effective Interest Rate Model**

Within the EIRM there are several areas of judgement that need to be applied which impact the rate at which interest, fees and expenses are recognised. These areas of judgement are required to be updated on a periodic basis to ensure that they accurately reflect management's best estimate of future cash flows. Key areas of judgement within the policy include:

- Estimated cash flow excluding expected losses
- Incurred losses at acquisition
- Fees and expenses

### **Equity Investments**

The unquoted equity assets are valued on a periodic basis using techniques including a market approach, costs approach and/or income approach. The valuation process is collaborative, involving the finance and investment functions within the Investment Manager with the final valuations being reviewed by the Investment Manager's Valuation Committee. Given the recent nature of the equity investments currently held, the valuations have been completed using the transaction prices. In future years the specific techniques used will typically include earnings multiples, discounted cash flow analysis, the value of recent transactions, and, where appropriate, industry rules of thumb. The valuations will often reflect a synthesis of a number of different approaches in determining the final fair value estimate. The individual approach for each investment will vary depending on relevant factors that a market participant would take into account in pricing the asset. These might include the specific industry dynamics, the Investee's stage of development, profitability, growth prospects or risk as well as the rights associated with the particular security.

Shareholders should note that increases or decreases in any of the inputs in isolation may result in higher or lower fair value measurements. Changes in fair value of all investments held at fair value are recognised in the Statement of Comprehensive Income as a capital item. On disposal, realised gains and losses are also recognised in the Statement of Comprehensive Income. Transaction costs are included within gains or losses on investments held at fair value, although any related interest income, dividend income and finance costs are disclosed separately in the financial statements.

## **4. SEGMENTAL REPORTING**

The Board and Investment Manager consider investment activity in Credit Assets and selected Equity Assets as the single operating segment of the Company, being the sole purpose for its existence. No other activities are performed.

Whilst visibility over originations, portfolios, wholesale lending and equity assets is afforded at an operational level, all are considered 'routes to market' for acquiring interests in credit assets, and thus act merely as indicators of the key drivers of financial performance and position of the Company.

The four routes to market are not determinants of resource allocations, rather each investment opportunity is considered on its own merits. Additionally, there are no segment managers directly accountable for the individual routes to market.

The Directors are of the opinion that the Company is engaged in a single segment of business and operations of the Company are wholly in the United Kingdom.

## 5. INCOME

	30 Jun 2017 (Unaudited) £'000	30 Jun 2016 (Unaudited) £'000	31 Dec 2016 (Audited) £'000
<b>Investment income</b>			
Effective Interest from loans	13,079	5,052	17,594
Commitment fee income	101	21	157
Arrangement fee income	108	19	96
<b>Total investment income</b>	<b>13,288</b>	<b>5,092</b>	<b>17,847</b>
<b>Other income</b>			
Deposit interest	2	12	13
<b>Total income</b>	<b>13,290</b>	<b>5,104</b>	<b>17,860</b>

## 6. MANAGEMENT AND PERFORMANCE FEE

Under the terms of the management agreement, the Investment Manager is entitled to a management fee and a performance fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties.

### Management Fee

The management fee is calculated and payable monthly in arrears at a rate equal to 1/12 of 1.0 per cent. per month of Gross Asset Value (the "Management Fee"). The aggregate fee payable on this basis must not exceed 1.0 per cent of the gross assets of the Company and its group in any year.

In respect of any issue of Ordinary Shares or C Shares, until the date on which 80 per cent of the net proceeds of such issue have been invested or committed to be invested in Credit Assets or Equity Assets, the Net Asset Value attributable to such Ordinary Shares or C Shares shall, for the purposes of the Management Fee, exclude any portion of the issue proceeds in cash, or invested in cash deposits or cash equivalent investments. Where there are C Shares in issue, the Management Fee will be calculated separately on the gross assets attributable to the Ordinary Shares and the C Shares.

For so long as the Origination Partner is part of the same group as the Investment Manager, the amount of all fees payable by the Company to the Origination Partner shall be deducted from the Management Fee.

### Performance Fee

The Investment Manager is also entitled to a performance fee, which is calculated in respect of each twelve-month period starting on 1 January and ending on 31 December in each calendar year ("Calculation Period"), and the final Calculation Period shall end on the day on which the management agreement is terminated or, if earlier, the business day immediately preceding the day on which the Company goes into liquidation.

The performance fee will only be payable if the Adjusted Net Asset Value at the end of a Calculation Period exceeds a hurdle threshold, equal to the Adjusted Net Asset Value immediately following admission to trading on the London Stock Exchange, compounded at a rate equal to 5 per cent per annum (the "Hurdle").

If, on the last day of a Calculation Period (each a "Calculation Date"), the Adjusted Net Asset Value exceeds the Hurdle, the Investment Manager shall be entitled to a performance fee equal to the lower of:

- the amount by which the Adjusted Net Asset Value exceeds the Hurdle, in each case as at the Calculation Date; and
- 10 per cent of the amount by which total growth in Adjusted Net Asset Value since first admission (being the aggregate of the growth in Adjusted Net Asset Value in the relevant Calculation Period and in each previous Calculation Period), after adding back any performance fees paid to the Investment Manager, exceeds the aggregate of all performance fees payable to the Investment Manager in respect of all previous Calculation Periods.

'Adjusted Net Asset Value' means the Net Asset Value after: (i) excluding any increases or decreases in net asset value attributable to the issue or repurchase of any ordinary shares; (ii) adding back the aggregate amount of any dividends paid or distributions made in respect of any ordinary shares; (iii) excluding the aggregate amount of any dividends or distributions accrued but unpaid in respect of any ordinary shares; and (iv) excluding the amount of any performance fees accrued but unpaid, in each case without double counting.

In the event that C Shares are in issue, the Investment Manager shall be entitled to a performance fee in respect of the net assets referable to the C Shares on the same basis as summarised above, except that a Calculation Period shall be deemed to end on the date of the conversion of the relevant tranche of C Shares into Ordinary Shares.

#### Fee payable to Origination Partner

The Origination Partner is entitled to be paid a fee calculated on the purchase price for each Credit Asset acquired by the Company from the Origination Partner. For so long as the Origination Partner is part of the same group as the Investment Manager, the amount of all fees payable by the Company to the Origination Partner shall be deducted from the Management Fee payable to the Investment Manager.

The Company reimburses the Origination Partner for the fees of Referral Partners, and Servicers (to the extent paid by the Origination Partner) in connection with Credit Assets in which the Company acquires an interest. The amount of such fees are agreed between the Origination Partner and the relevant counterparties on arm's length commercial terms, taking account of the strength of the relationship between the Origination Partner, the Investment Manager and each relevant counterparty. There was £nil payable to the Origination Partner at 30 June 2017.

## 7. OTHER EXPENSES

	30 Jun 2017 (Unaudited) £'000	30 Jun 2016 (Unaudited) £'000	31 Dec 2016 (Audited) £'000
Directors' fees	54	57	103
Administrator's fees	62	39	92
Auditor's remuneration – Audit of the company	35	13	65
Auditor's remuneration – Audit related assurance services	-	20	20
Auditor's remuneration – Other assurance services	-	4	4
Amortisation	111	-	99
Other expenses	153	373	291
<b>Total other expenses</b>	<b>415</b>	<b>506</b>	<b>674</b>

All expenses are inclusive of VAT where applicable. Directors' fees above include £47,750 paid to Directors' and £5,921 of employment taxes and valid business expenses. During the period, the auditor provided reporting accountant services on the Company's prospectus in relation to the issuance of ordinary shares in May 2017. These non-audit fees amounted to £65,898.

#### Company Secretary

Apex Fund Services (UK) Ltd (the "Company Secretary") has been appointed as the company secretary of the Company. Under the terms of the administration agreement, the fee for the provisions of the Company Secretary's services will be included in the fee payable to the administrator.

#### Administrator

Apex Fund Services (UK) Ltd (the 'Administrator'), a company authorised and regulated by the FCA, has been appointed as the administrator of the Company. The Administrator provides the day-to-day administration of the Company. The Administrator is also responsible for the Company's general administrative functions, such as the calculation of the Net Asset Value and maintenance of the Company's accounting records, and ensures that the Company complies with its continuing obligations as an investment trust.

Under the terms of the administration agreement, the Administrator charges a fee for its fund administration services equal to the greater of: (i) £5,150 per month (increased by 3 per cent on 1 January in each year); and (ii) an amount equal to the sum of 1/12 of 0.06 per cent of the portion of Net Asset Value up to £150 million, and 1/12 of 0.05 per cent of the excess of Net Asset Value above £150 million. The Administrator is also entitled to reimbursement of all reasonable out of pocket expenses incurred by it in connection with the performance of its duties. The administration agreement can be terminated by either party by providing 90 days' written notice.

The Administrator invoices the Company monthly in arrears in respect of the periodic fee (together, if applicable, with any VAT thereon), which is payable by the Company within 30 days of the relevant invoice.

### **Depository**

The Company's depository is Indos Financial Limited (the "Depository"), a company authorised and regulated by the FCA. Under the terms of the depository services agreement the Depository is entitled to a periodic fee calculated as follows:

- (A) where NAV is less than or equal to £200 million, 0.02 per cent. of NAV per annum, subject to a minimum monthly fee of £2,500; and
- (B) where NAV is greater than £200 million, 0.02 per cent. of NAV per annum in respect of the first £200 million of NAV and:
  - i. 0.0175 per cent. per annum of that part of NAV which is in excess of £200 million but less than or equal to £400 million; plus
  - ii. 0.015 per cent. per annum of that part of NAV which is in excess of £400 million.

The Depository invoices the Company monthly in arrears in respect of the periodic fee (together, if applicable, with any VAT thereon), which is payable by the Company within 30 days of the relevant invoice.

The Depository is entitled to charge an additional fee where the Company undergoes a lifecycle event (e.g. a reorganisation or a distribution) which entails additional work for the Depository. Such a fee is agreed with the Company on a case by case basis.

All charges may be subject to change from time to time, with the agreement of the Depository and the Company. All charges are exclusive of VAT, if applicable.

The Depository is entitled to be reimbursed for certain expenses properly incurred in performing or arranging for the performance of functions conferred upon it under the agreement.

The Company may terminate the depository services agreement for convenience on nine months' written notice. If the Depository wishes to retire and stop providing the services under the agreement, it must give the Company not less than nine months' written notice of its wish to do so. To the extent that the Company is required to have a depository under applicable law, the Depository may not retire until a successor is appointed. The depository agreement may be terminated immediately by either the Company or the Depository on the occurrence of certain events, including: (i) if the other party has committed a material and continuing breach of the terms of the agreement; or (ii) in the case of the other's insolvency.

### **Corporate broker and financial adviser**

Liberum Capital Limited ("Liberum"), a company authorised and regulated in the United Kingdom by the FCA, has been appointed as the Company's corporate broker and financial adviser. Liberum is entitled to a retainer fee of £1 per annum (exclusive of VAT and out of pocket expenses). Liberum was also appointed as the placing agent for the Company's initial public offering and subsequent share issues, and under the terms of the placing agreement was entitled to placing commission equal to 1 per cent of gross proceeds (exclusive of VAT and out of pocket expenses). The broker agreement between Liberum and the Company can be terminated by either party providing three months' written notice.

## 8. ORDINARY DIVIDENDS

The following table summarises the interim dividends payable to equity shareholders:

	30 Jun 2017 (Unaudited) £'000	30 Jun 2016 (Unaudited) £'000	31 Dec 2016 (Audited) £'000
2.11p Interim dividend for the period to 31 March 2016 (paid on 30 June 2016)	-	316	316
19.66p Interim dividend for the period to 30 June 2016 (paid on 22 September 2016)	-	-	2,949
23.13p Interim dividend for the period to 30 September 2016 (paid on 16 December 2016)	-	-	3,470
23.50p Interim dividend for the period to 31 December 2016 (paid on 28 March 2017)	4,683	-	-
24.50p Interim dividend for the period to 31 March 2017 (paid on 16 June 2017)	4,882	-	-
<b>Total dividend paid in period</b>	<b>9,565</b>	<b>316</b>	<b>6,735</b>
20.00p Interim dividend for the period to 30 June 2017 (declared 31 Aug 2017)	5,985	-	-
<b>Total dividend</b>	<b>15,550</b>	<b>316</b>	<b>6,735</b>

## 9. EARNINGS PER SHARE

	30 Jun 2017 (Unaudited) £'000	30 Jun 2016 (Unaudited) £'000	31 Dec 2016 (Audited) £'000
Revenue pence	41.4p	34.9p	94.4p
Capital pence	(0.2)p	(0.1)p	(0.4)p
<b>Earnings per ordinary share</b>	<b>41.2p</b>	<b>34.8p</b>	<b>94.0p</b>

The calculation at 30 June 2017 is based on revenue returns of £8.953 million, capital returns of £(0.041) million and total returns of £8.912 million and a weighted average number of ordinary shares of 21,638,817.

The calculation at 30 June 2016 is based on revenue returns of £3.629 million, capital returns of £(0.013) million and total returns of £3.616 million and a weighted average number of ordinary shares of 10,386,741.

The calculation at 31 December 2016 is based on revenue returns of £11.861 million, capital returns of £(0.044) million and total returns of £11.817 million and a weighted average number of ordinary shares of 12,560,147.

## 10. LOANS AT AMORTISED COST

### (a) Loans at amortised cost

The table below provides details of the loans at amortised cost held by the Company as at 30 June 2017.

	30 Jun 2017 (Unaudited) £'000	30 Jun 2016 (Unaudited) £'000	31 Dec 2016 (Audited) £'000
Amortised cost before impairment	300,087	148,953	164,032
Cumulative Impairment Provision	(7,652)	(4,003)	(6,187)
Amortised cost	292,435	144,950	157,845
<b>Carrying Value</b>	<b>292,435</b>	<b>144,950</b>	<b>157,845</b>

Cumulative impairment includes incurred losses already present on the loan portfolios acquired at a discount to face value in secondary transactions which are brought onto the Statement of Financial Position at an amount that includes impairment losses up to the date of their acquisition. Impairment included in the Statement of Financial Position for the period is reported in impairment of loans in the Statement of Comprehensive Income. As at 30 June 2017 the cumulative impairment provision consisted of £4.147 million of incurred losses (portfolio acquisition) and £3.505 million of impairment charges.

#### (b) Impairment provision

The Company segments its assets into 2 categories when considering impairment provisions; Consumer and Wholesale. Impairment provisions are subject to periodic review conducted by the Investment Manager's Valuation Committee, with the underlying assumptions monitored on an on-going basis and are revised accordingly based on actual loss experience of the business. The methodology for these judgements, estimates and assumptions is set out on pages 30 to 31.

There is no impairment of Wholesale assets at the period end. The following impairment amounts have been recorded in the Statement of Financial Position relating to loans at amortised cost:

	30 Jun 2017 (Unaudited) £'000	30 Jun 2016 (Unaudited) £'000	31 Dec 2016 (Audited) £'000
Loans with no payments past due <sup>(1)</sup>	1,252	1,272	1,234
Loans up to 1 payment past due	71	123	68
Loans 1–2 payments past due	291	244	297
Loans 2–3 payments past due	228	278	292
Loans 3–4 payments past due	396	165	347
Loans more than 4 payments past due	5,414	1,921	3,949
<b>Cumulative impairment</b>	<b>7,652</b>	<b>4,003</b>	<b>6,187</b>

<sup>(1)</sup> Collective provision for losses not reported

The table below sets out the movement of the impairment provision during the period.

	Total £'000
At 1 January 2017	6,187
Incurred Losses (Portfolio Acquisition)	282
Charge for the period	1,183
Amounts written off during the period	-
Amounts recovered during the period	-
<b>Cumulative impairment 30 June 2017</b>	<b>7,652</b>

The table below sets out the movement of the impairment provision from inception to 30 June 2016.

	Total £'000
At 2 December 2015	-
Incurred Losses (Portfolio Acquisition)	3,864
Charge for the period	139
Amounts written off during the period	-
Amounts recovered during the period	-
<b>Cumulative impairment 30 June 2016</b>	<b>4,003</b>

The table below sets out the movement of the impairment provision from inception to 31 December 2016.

	Total £'000
At 2 December 2015	-
Incurred Losses (Portfolio Acquisition)	3,865
Charge for the period	2,322
Amounts written off during the period	-
Amounts recovered during the period	-
<b>Cumulative impairment 31 December 2016</b>	<b>6,187</b>

Write-offs take place where it is deemed the balance is irrecoverable or it is no longer considered economically viable to try and recover the asset or final settlement is reached and the shortfall written off. In the event of write off, the customer balance and any related impairment balance are removed from the balance sheet. Before any balance is written off an extensive set of collections processes will have been completed, or the status of the account reaches a point where policy dictates that forbearance is no longer appropriate.

## 11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

### (a) Movements in the period

	30 Jun 2017 £'000
Opening cost at 1 January 2017	4,730
<b>Opening fair value</b>	<b>4,730</b>
Purchases at cost	3,000
<b>Closing fair value at 30 June 2017</b>	<b>7,730</b>
Comprising:	
Closing cost as at 30 June 2017	7,730
<b>Closing fair value as at 30 June 2017 (Unaudited)</b>	<b>7,730</b>
	<b>30 Jun 2016 £'000</b>
Opening cost at 2 December 2015	-
<b>Opening fair value</b>	<b>-</b>
Purchases at cost	4,730
<b>Closing fair value at 30 June 2016</b>	<b>4,730</b>
Comprising:	
Closing cost as at 30 June 2016	4,730
<b>Closing fair value as at 30 June 2016 (Unaudited)</b>	<b>4,730</b>
	<b>31 Dec 2016 £'000</b>
Opening cost at 2 December 2015	-
<b>Opening fair value</b>	<b>-</b>
Purchases at cost	4,730
<b>Closing fair value at 31 December 2016</b>	<b>4,730</b>
Comprising:	
Closing cost as at 31 December 2016	4,730
<b>Closing fair value as at 31 December 2016 (Audited)</b>	<b>4,730</b>

### (b) Fair value of financial instruments

IFRS 13 requires the Company to classify its financial instruments held at fair value using a hierarchy that reflects the significance of the inputs used in the valuation methodologies. These are as follows:

- Level 1 – quoted prices in active markets for identical investments;

- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc.); and
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

The following sets out the classifications used as at 30 June 2017 in valuing the Company's investments:

	Closing fair value as at 30 Jun 2017 (Unaudited) £'000	Closing fair value as at 30 Jun 2016 (Unaudited) £'000	Closing fair value as at 31 Dec 2016 (Audited) £'000
Level 1	-	-	-
Level 2	-	-	-
Level 3	7,730	4,730	4,730
<b>Total</b>	<b>7,730</b>	<b>4,730</b>	<b>4,730</b>

Given the equity assets are unquoted the fair value has been determined to be the transaction price. Sensitivity analysis is not considered appropriate at this stage as there are not multiple inputs used for valuation.

## 12. FIXED ASSETS

Period ended 30 June 2017 (Unaudited)	IT Development and Software £'000	Total £'000
Opening net book amount	369	369
Additions	136	136
Depreciation charge	(111)	(111)
<b>Closing net book amount</b>	<b>394</b>	<b>394</b>
As at 30 June 2017		
Cost	604	604
Accumulated depreciation	(210)	(210)
<b>Net book amount</b>	<b>394</b>	<b>394</b>

Period ended 30 June 2016 (Unaudited)	IT Development and Software £'000	Total £'000
Opening net book amount	-	-
Additions	-	-
Depreciation charge	-	-
<b>Closing net book amount</b>	-	-
As at 30 June 2016		
Cost	-	-
Accumulated depreciation	-	-
<b>Net book amount</b>	-	-

Period ended 31 December 2016 (Audited)	IT Development and Software £'000	Total £'000
Opening net book amount	-	-
Additions	468	468
Depreciation charge	(99)	(99)
<b>Closing net book amount</b>	<b>369</b>	<b>369</b>
As at 31 December 2016		
Cost	468	468
Accumulated depreciation	(99)	(99)
<b>Net book amount</b>	<b>369</b>	<b>369</b>

### 13. RECEIVABLES

	30 Jun 2017 (Unaudited) £'000	30 Jun 2016 (Unaudited) £'000	31 Dec 2016 (Audited) £'000
Prepayments	3,080	1,109	1,249
Other receivables	1,952	252	2,474
<b>Total receivables</b>	<b>5,032</b>	<b>1,361</b>	<b>3,723</b>

The above receivables do not carry any interest and are short term in nature. The Directors consider that the carrying values of these receivables approximate their fair value.

### 14. OTHER PAYABLES

	30 Jun 2017 (Unaudited) £'000	30 Jun 2016 (Unaudited) £'000	31 Dec 2016 (Audited) £'000
Accruals and deferred income	(3,946)	(1,926)	(1,578)
Withholding taxation	-	-	(452)
<b>Total other payables</b>	<b>(3,946)</b>	<b>(1,926)</b>	<b>(2,030)</b>

The above payables do not carry any interest and are short term in nature. The Directors consider that the carrying values of these payables approximate their fair value.

#### Withholding Taxation

The Company's revenue income from loans is subject to tax, but offset by the interest distribution paid, which has the effect of reducing that corporation tax to nil. The Finance Bill 2017 included a provision which removed the requirement to deduct income tax at source from dividends notionally designated as interest distributions by investment trust companies when they were made on or after 6 April 2017. Before this time interest distribution may be taxable in the hands of the Company's shareholders, certain shareholders did not elect to or were not eligible to have interest paid gross of tax, therefore withholding tax was retained by the Company and paid directly to HMRC.

### 15. INTEREST BEARING BORROWINGS

	30 Jun 2017 (Unaudited) £'000	30 Jun 2016 (Unaudited) £'000	31 Dec 2016 (Audited) £'000
Term and revolving credit facility	(30,036)	(3,000)	(13)
<b>Total interest-bearing borrowings</b>	<b>(30,036)</b>	<b>(3,000)</b>	<b>(13)</b>

The two-year revolving credit facility that was initially signed on 17 June 2016 with Royal Bank of Scotland plc had its 2-year term reset on 21 June 2017. Along with this the Company increased the size of its debt facility to £80m and brought in another European bank to the syndicate. The facility is secured upon the assets of the Company, has a term of two years and interest is charged at one, three or six-month LIBOR plus a margin. As at 30 June 2017, the Company had £30 million drawn-down under the term credit facility.

	30 Jun 2017 (Unaudited) £'000	30 Jun 2016 (Unaudited) £'000	31 Dec 2016 (Audited) £'000
Interest and commitment fees paid	264	16	228
Other finance charges	284	15	297
<b>Total finance costs</b>	<b>548</b>	<b>31</b>	<b>525</b>

## 16. ORDINARY SHARE CAPITAL

The table below details the issued share capital of the Company as at the 30 June 2017.

	30 Jun 2017 (Unaudited) £'000	30 Jun 2016 (Unaudited) £'000	31 Dec 2016 (Audited) £'000
No. Issued, allotted and fully paid shares	29,926,110	15,000,000	19,926,110
£'000	299	150	199

On incorporation, the issued share capital of the Company was £50,000.01 represented by one ordinary share of 1p and 50,000 management shares of £1 each, all of which were held by Honeycomb Holdings Limited as subscriber to the Company's memorandum of association. The ordinary share and management shares were fully paid up.

The management shares, which were issued to enable the Company to obtain a certificate of entitlement to conduct business and to borrow under Section 761 of the Companies Act 2006, were redeemed immediately following admission of 23 December 2015 out of the proceeds of the issue.

On 23 December 2015, 10,000,000 ordinary shares of 1p each were issued to shareholders as part of the placing and offer for subscription in accordance with the Company's prospectus dated 18 December 2015.

During 2016 a further 9,926,109 ordinary shares were issued. The price paid per share ranged from 1,000p to 1,015p and the total paid for the shares during the period amounted to £98.8 million.

During the period under review a further 10,000,000 ordinary shares were issued. The price paid per share was 1,050p and the total paid for the shares during the period amounted to £103.3 million.

### Rights attaching to the Ordinary Shares

The holders of Ordinary Shares shall be entitled to all of the Company's net assets.

The holders of Ordinary Shares are only entitled to receive, and to participate in, any dividends declared in relation to the relevant class of shares that they hold.

The Ordinary Shares shall carry the right to receive notice of, attend and vote at general meetings of the Company.

The consent of the holders of Ordinary Shares will be required for the variation of any rights attached to the relevant class of shares.

### Voting rights

Subject to any rights or restrictions attached to any shares, on a show of hands every Shareholder present in person has one vote and every proxy present who has been duly appointed by a Shareholder entitled to vote has one vote, and on a poll every Shareholder (whether present in person or by proxy) has one vote for every share of which they are the holder.

A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way. In the case of joint holders, the vote of the senior who tenders a vote shall be accepted to the exclusion of the vote of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register.

No Shareholder shall have any right to vote at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid.

### Variation of rights and distribution on wind up

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied either in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class.

The Company has no fixed life but, pursuant to the Articles, an ordinary resolution for the continuation of the Company will be proposed at the annual general meeting of the Company to be held in 2021 and, if passed, every five years thereafter. Upon any such resolution not being passed, proposals will be put forward to the effect that the Company be wound up, liquidated, reconstructed or unitised.

If the Company is wound up, the liquidator may divide among the shareholders in specie the whole or any part of the assets of the Company and for that purpose may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders.

## 17. SPECIAL DISTRIBUTABLE RESERVE

At a general meeting of the Company held on 14 December 2015, special resolutions were passed approving the cancellation of the amount standing to the credit of the Company's share premium account as at 23 December 2015.

Following the approval of the Court and the subsequent registration of the Court order with the Registrar of Companies on 21 March 2016, the reduction became effective. Accordingly, £98.1 million, that was held in the share premium account, was transferred to the special distributable reserve as disclosed in the Statement of Financial Position.

During the period £0.5 million of the special distributable reserve was used to pay the Q4 2016 Dividend which was paid on 28 March 2017.

## 18. INVESTMENTS IN ASSOCIATES

As at 30 June 2017, the Company has a single associate, being a 28.57% investment in The Green Deal Finance Company Limited. This is a UK platform responsible for setting-up, financing and administering Green Deal Plans in The Green Deal programme. As permitted by IAS 28 'Investment in Associates' and in accordance with the Company's accounting policy the investment is accounted for at fair value through profit or loss. No dividends were declared during the period in respect of the investment.

The Green Deal Finance Company Limited is incorporated in England and Wales.

The Company has also provided £5.0 million of debt funding to the platform.

The Company has entered into an agreement which gives it the right to participate in qualifying loans originated by the platform.

There are no significant restrictions on the ability of the associate from repaying loans from, or distributing dividends to, the Company.

## 19. NET ASSET VALUE PER ORDINARY SHARE

	30 Jun 2017 (Unaudited) £'000	30 Jun 2016 (Unaudited) £'000	31 Dec 2016 (Audited) £'000
Net asset value per ordinary share pence	1,018.3p	1,006.2p	1,014.0p
Net assets attributable £'000	304,749	150,929	202,051

The net asset value per ordinary share at 30 June 2017 is based on net assets of £304.749 million and on 29,926,110 ordinary shares in issue.

The net asset value per ordinary share at 30 June 2016 is based on net assets of £150.929 million and on 15,000,001 ordinary shares in issue.

The net asset value per ordinary share at 31 December 2016 is based on net assets of £202.051 million and on 19,926,110 ordinary shares in issue.

## 20. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2017 there were no contingent liabilities or capital commitments for the Company.

## 21. RELATED PARTY TRANSACTIONS AND TRANSACTION WITH THE INVESTMENT MANAGER

IAS 24 'Related party disclosures' requires the disclosure of the details of material transactions between the Company and any related parties. Accordingly, the disclosures required are set out below:

### Directors

From the start of the period until 1 April 2017 Directors' fees were set at the rate of £30,000 per annum for the Chairman and £25,000 for the other Directors. The Nomination and Remuneration Committee considered the time commitment required to carry out their duties and approved an increase of the Board's fees. The new fees are a rate of £40,000 per annum for the Chairman and £33,000 per annum for the other Directors. A further £5,000 per annum will be paid to the Chairman of the Audit Committee. There were no contracts subsisting during or at the end of the period in which a Director of the Company is or was interested and which are or were significant in relation to the Company's business. There were no other transactions during the year with the Directors of the Company. The Directors do not hold any ordinary shares of the Company.

At 30 June 2017, there was £nil payable to the Directors for fees and expenses.

### Investment Manager

The Investment Manager has been appointed the Company's investment manager and AIFM for the purposes of the AIFMD. Details of the services provided by the Investment Manager and the fees paid are given on page 32 to 33.

During the period, the Company paid £0.9 million of fees and at 30 June 2017, there was £1.3 million payable to the Investment Manager.

## Origination Partner

The Origination Partner has been appointed as one of the Company's origination partners. Honeycomb Finance Limited is a wholly owned subsidiary of the Investment Manager's parent company. Details of the services provided by the Origination Partners are given on page 33.

During the period given that the Origination Partner was part of the same group as the Investment Manager, the fees payable to the Origination Partner by the Company were deducted from the management fee payable to the Investment Manager and totalled £26,409, and at 30 June 2017, there was £nil payable to the Origination Partner.

## 22. FINANCIAL RISK MANAGEMENT

The Company's investing activities undertaken in pursuit of its investment objective, as set out on page 4, involve certain inherent risks. The main financial risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks as summarised below.

### Market risk

The fair value or future cash flows of a financial instrument or investment property held by the Company may fluctuate because of changes in market prices. Market risk can be summarised as comprising three types of risk:

- Price risk – the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk);
- Interest rate risk – the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates; and
- Currency risk – the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Company's exposure, sensitivity to and management of each of these risks is described in further detail below. Management of market risk is fundamental to the Company's investment objective. The investment portfolio is continually monitored to ensure an appropriate balance of risk and reward. The Board has also established a series of investment parameters, which are reviewed annually, designed to limit the risk inherent in managing a portfolio of investments.

#### (a) Price risk

Price risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements (other than those arising from interest rate risk or currency risk).

The Company is exposed to price risk arising from its equity investments. Given the Company's equity assets are unquoted, the fair value has been determined to be the transaction price. Sensitivity analysis is not considered appropriate at this stage as there are not multiple inputs used for valuation.

#### (b) Interest rate risk

The Company invests in Credit Assets which may be subject to a fixed rate of interest, or a floating rate of interest (which may be linked to base rates or LIBOR). The Company's borrowings may be subject to a floating rate of interest.

The Company intends to manage the mismatch it has in respect of the income generated by its Credit Assets, on the one hand, with the liabilities in respect of its borrowings, on the other hand, by matching any floating rate borrowings with investments in Credit Assets that are also subject to a floating rate of interest. To the extent that the Company is unable to match its funding in this way, it may use derivative instruments, including interest rate swaps, to reduce its exposure to fluctuations in interest rates, however some unmatched risk may remain.

The Company finances its operations mainly through its share capital and reserves, including realised gains on investments. In addition, the Company increased the size of its debt facility to £80m, extended the term and brought in another European bank to the syndicate. As at 30 June 2017 the Company had £30 million drawn-down under this facility.

Exposure of the Company's financial assets and liabilities to floating interest rates (giving cash flow interest rate risk when rates are reset) and fixed interest rates (giving fair value risk) as at 30 June 2017 is shown below:

Financial instrument	Floating	Fixed or	Total
	Rate	Administered	
	Rate	Rate	Total
	£'000	£'000	£'000
Loans at amortised cost	23,305	269,130	292,435
Cash and cash equivalents	34,465	-	34,465
Interest bearing borrowings	(30,000)	-	(30,000)
<b>Total exposure</b>	<b>27,770</b>	<b>269,130</b>	<b>296,900</b>

Exposure of the Company's financial assets and liabilities to floating interest rates (giving cash flow interest rate risk when rates are reset) and fixed interest rates (giving fair value risk) as at 30 June 2016 is shown on the following page:

Financial instrument	Floating Rate £'000	Fixed or Administered Rate £'000	Total £'000
Loans at amortised cost	3,612	141,193	144,805
Cash and cash equivalents	5,379	-	5,379
Interest bearing borrowings	(3,000)	-	(3,000)
<b>Total exposure</b>	<b>5,991</b>	<b>141,193</b>	<b>147,184</b>

Exposure of the Company's financial assets and liabilities to floating interest rates (giving cash flow interest rate risk when rates are reset) and fixed interest rates (giving fair value risk) as at 31 December 2016 is shown below:

Financial instrument	Floating Rate £'000	Fixed or Administered Rate £'000	Total £'000
Loans at amortised cost	17,532	140,313	157,845
Cash and cash equivalents	38,877	-	38,877
Interest bearing borrowings	-	-	-
<b>Total exposure</b>	<b>56,409</b>	<b>140,313</b>	<b>196,722</b>

An administered rate is not like a floating rate, movements in which are directly linked to LIBOR. The administered rate can be changed at the discretion of the lender.

#### (c) Currency risk

The Company has no assets, liabilities or income denominated in currencies other than Pounds Sterling (the Company's functional currency, in which it reports its results). Thus, the Company is not exposed to currency risk.

## 23. CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's credit risks arise principally through exposures to loans originated or acquired by the Company and cash deposited with banks, both of which are subject to risk of borrower default.

The Investment Manager and the Origination Partner established and adheres to stringent underwriting criteria. For consumer loans, underwriting includes credit referencing, income verification and affordability testing, identity verification and various forward-looking indicators of a borrower's likely financial strength. The Company invests in a granular portfolio of assets, diversified at the underlying borrower level, with each loan being subject to a maximum single loan exposure limit.

The credit quality of loans is assessed through evaluation of various factors, including credit scores, payment data, collateral available from the borrower and other information.

Below analyses the closing balances of the Company's credit assets split by type of loan and the credit risk band as at 30 June 2017:

Credit Risk Band	Unsecured £'000	Secured £'000	Total £'000
A & B	136,817	139,087	275,904
C, D & E	20,177	362	20,539
<b>Total</b>	<b>156,994</b>	<b>139,459</b>	<b>296,443</b>

Below analyses the closing balances of the Company's credit assets split by the type of loan and the credit risk band as at 30 June 2016:

Credit Risk Band	Unsecured £'000	Secured £'000	Total £'000
A & B	10,676	123,193	133,869
C, D & E	7,326	42	7,368
<b>Total</b>	<b>18,002</b>	<b>123,235</b>	<b>141,237</b>

Below analyses the closing balances of the Company's credit assets split by the type of loan and the credit risk band as at 31 December 2016:

Credit Risk Band	Unsecured £'000	Secured £'000	Total £'000
A & B	18,809	126,594	145,403
C, D & E	14,577	37	14,614
<b>Total</b>	<b>33,386</b>	<b>126,631</b>	<b>160,017</b>

Each credit risk band is defined below:

<b>Credit Risk</b>	
<b>Band</b>	<b>Definition</b>
A	Highest quality with minimal indicators of credit risk
B	High quality, with minor adverse indicators
C	Medium-grade, moderate credit risk, may have some adverse credit risk indicators
D	Elevated credit risk, elevated adverse indicators
E	High credit risk, with adverse indicators (e.g. lower borrowing ability, credit history, existing debt)

The Company ensures that it only deposits cash balances with institutions with appropriate financial standing or those deemed to be systemically important.

### **Liquidity risk**

Liquidity risk is the risk that the Company will have difficulty in meeting its obligations in respect of financial liabilities as they fall due.

The Company manages its liquid resources to ensure sufficient cash is available to meet its expected contractual commitments. It monitors the level of short-term funding and balances the need for access to short-term funding, with the long-term funding needs of the Company.

Liquidity risk is not viewed as significant as a substantial proportion of the Company's net assets are in loans, whose cash collections could be utilised to meet funding requirements if necessary. The Company has the power, under its Articles of Association, to take out both short and long-term borrowings subject to a maximum value of one times its share capital and reserves.

The Company credit facility is disclosed in note 15.

**Assets and liabilities not carried at fair value but for which fair value is disclosed**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets at 30 June 2017</b>				
Loans at amortised cost	-	-	292,435	292,435
Receivables	-	5,032	-	5,032
Cash and cash equivalents	34,465	-	-	34,465
<b>Total assets at 30 June 2017</b>	<b>34,465</b>	<b>5,032</b>	<b>292,435</b>	<b>331,932</b>
<b>Liabilities at 30 June 2017</b>				
Management fee payable	-	283	-	283
Performance fee payable	-	1,042	-	1,042
Other payables	-	3,946	-	3,946
Interest bearing borrowings	-	30,036	-	30,036
<b>Total liabilities at 30 June 2017</b>	<b>-</b>	<b>35,307</b>	<b>-</b>	<b>35,307</b>
<b>Assets at 30 June 2016</b>				
Loans at amortised cost	-	-	144,950	144,950
Receivables	-	1,361	-	1,361
Cash and cash equivalents	5,379	-	-	5,379
<b>Total assets 30 June 2016</b>	<b>5,379</b>	<b>1,361</b>	<b>144,950</b>	<b>151,690</b>
<b>Liabilities 30 June 2016</b>				
Management fee payable	-	170	-	170
Performance fee payable	-	396	-	396
Other payables	-	1,926	-	1,926
Interest bearing borrowings	-	3,000	-	3,000
<b>Total liabilities 30 June 2016</b>	<b>-</b>	<b>5,492</b>	<b>-</b>	<b>5,492</b>
<b>Assets 31 December 2016</b>				
Loans at amortised cost	-	-	157,845	157,845
Receivables	-	3,723	-	3,723
Cash and cash equivalents	38,877	-	-	38,877
<b>Total assets 31 December 2016</b>	<b>38,877</b>	<b>3,723</b>	<b>157,845</b>	<b>200,445</b>
<b>Liabilities 31 December 2016</b>				
Management fee payable	-	136	-	136
Performance fee payable	-	1,314	-	1,314
Other payables	-	2,030	-	2,030
Interest bearing borrowings	-	13	-	13
<b>Total liabilities 31 December 2016</b>	<b>-</b>	<b>3,493</b>	<b>-</b>	<b>3,493</b>

Categorisation within the hierarchy has been determined based on the lowest level input that is significant to the fair value measurement of the relevant asset or liability (see note 11 Investments at Fair Value Through Profit or Loss for details). Further details of the loans at amortised cost held by the Company can be found in note 10.

### **Capital Management**

The Company's primary objectives in relation to the management of capital are:

- to ensure its ability to continue as a going concern; and
- to maximise the long-term capital growth for its shareholders through an appropriate balance of equity capital and gearing.

The Company is subject to externally imposed capital requirements:

- the Company's Articles of Association restrict borrowings to the value of its share capital and reserves;
- as a public company, the Company has a minimum share capital of £50,000;
- to be able to pay dividends out of profits available for distribution by way of dividends, the Company must be able to meet one of the two capital restriction tests imposed on investment companies by company law; and
- the Company's borrowings are subject to covenants limiting the total exposure based on interest cover ratios, a minimum total net worth and a cap of borrowings as a percentage of the eligible borrowing base.

The Company has complied with all the above requirements during this financial period.

## **24. ULTIMATE CONTROLLING PARTY**

It is the opinion of the Directors that there is no ultimate controlling party.

## **25. SUBSEQUENT EVENTS**

Save as noted below, there have been no important events to disclose since the period end under review.

On 31 August 2017, a dividend of 20.00 pence per Ordinary Share was declared with an ex-dividend date 7 September 2017 and a payment date of 29 September 2017.

Other than this, there has been no significant change in the financial condition and operating results of the Company during or since the end of the period covered by this report.

## **26. APPROVAL OF FINANCIAL STATEMENTS**

The unaudited financial statements were approved by the board of Directors of Honeycomb Investment Trust plc (a public limited company incorporated in England and Wales with company number 09899024) and authorised for issue on 25 August 2017.

# 4 Shareholders' Information

# Directors, Portfolio Manager and Advisers

## **Directors**

Robert Sharpe  
Jim Coyle  
Ravi Takhar

*all of the registered office below*

## **Registered Office**

Veritas House  
125 Finsbury Pavement  
London EC2A 1NQ  
England

## **Investment Manager and AIFM**

Pollen Street Capital Limited  
8 Hanover Street  
London W1S 1YF  
England

## **Financial Adviser and Broker**

Liberum Capital Limited  
Level 12, Ropemaker Place  
25 Ropemaker Place  
London EC2Y 9LY  
England

## **Website**

<http://www.honeycombplc.com/>

## **Administrator and Company Secretary**

Apex Fund Services (UK) Ltd  
Veritas House  
125 Finsbury Pavement  
London EC2A 1NQ  
England

## **Registrar**

Computershare Investor Services PLC  
The Pavilions, Bridgewater Road  
Bristol BS99 6ZZ  
England

## **Depository**

Indos Financial Limited  
25 North Row  
London W1K 6DJ  
England

## **Independent Auditor**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT  
England

## **Share Identifiers**

ISIN: GB00BYQDNR86  
Sedol: BYZV3G2  
Ticker: HONY

# 5 Definitions

<b>Credit Assets</b>	Credit Assets are loans made to consumers and small businesses as well as other counterparties, together with related investments.
<b>Equity Assets</b>	Equity Assets are selected equity investments that are aligned with the Company's strategy and that present opportunities to enhance the Company's returns from its investments.
<b>Net asset value (NAV)</b>	Net asset value represents the total value of the Company's assets less the total value of its liabilities. For valuation purposes, it is common to express the net asset value on a per share basis.
<b>Ongoing charges</b>	Total expenses (excluding finance costs and taxation) incurred by the Company as a percentage of average net asset values.
<b>Premium</b>	If the share price of the Company is higher than the net asset value per share, the Company's shares are said to be trading at a premium. The premium is shown as a percentage of the net asset value.
<b>Discount</b>	If the share price of the Company is lower than the net asset value per share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the net asset value.
<b>Registrar</b>	An entity that manages the Company's shareholder register. The Company's registrar is Computershare Investor Services PLC.
<b>AIFM</b>	An Alternative Investment Fund Manager, as defined in the AIFM Directive. Pollen Street Capital Limited undertakes this role on behalf of the Company.
<b>Hedging</b>	An investment to reduce the risk of adverse price movements in an asset.