KKV SECURED LOAN FUND LIMITED

(formerly known as SQN Asset Finance Income Fund Limited)

Half-Yearly Report and Unaudited Condensed Consolidated Financial Statements for the six months ended 31 December 2020

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GROUP METRICS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

As at 31 December 2020, the investment objective of the KKV Secured Loan Fund Limited (the "Company" and together with its subsidiaries, the "Group") is to realise all remaining assets in the portfolio of the Ordinary Share class and the 2016 C Share class in a prudent manner consistent with the principles of good investment management and to return cash to shareholders in an orderly manner.

9.2% per Ordinary Share[1]
3.4% per 2016 C Share[1]

NAV total return per share for the six months ended 31 December 2020

39.5p per Ordinary Share
70.5p per 2016 C Share

NAV per Share as at 31 December 2020

(55.5)% Ordinary Share[1]
(49.5)% 2016 C Share[1]

Share price discount to NAV as at 31 December 2020

£112 million

Market capitalisation of Ordinary Shares and 2016 C Shares as at 31 December 2020

The NAV total return for the six months ended 30 December 2019 was (21.4)% for Ordinary Shares and 2.5% for 2016 C Shares. The comparatives for the other group metrics detailed above are disclosed on page 2.

[1] These are Alternative Performance Measures, refer to pages 53 and 54 for details.

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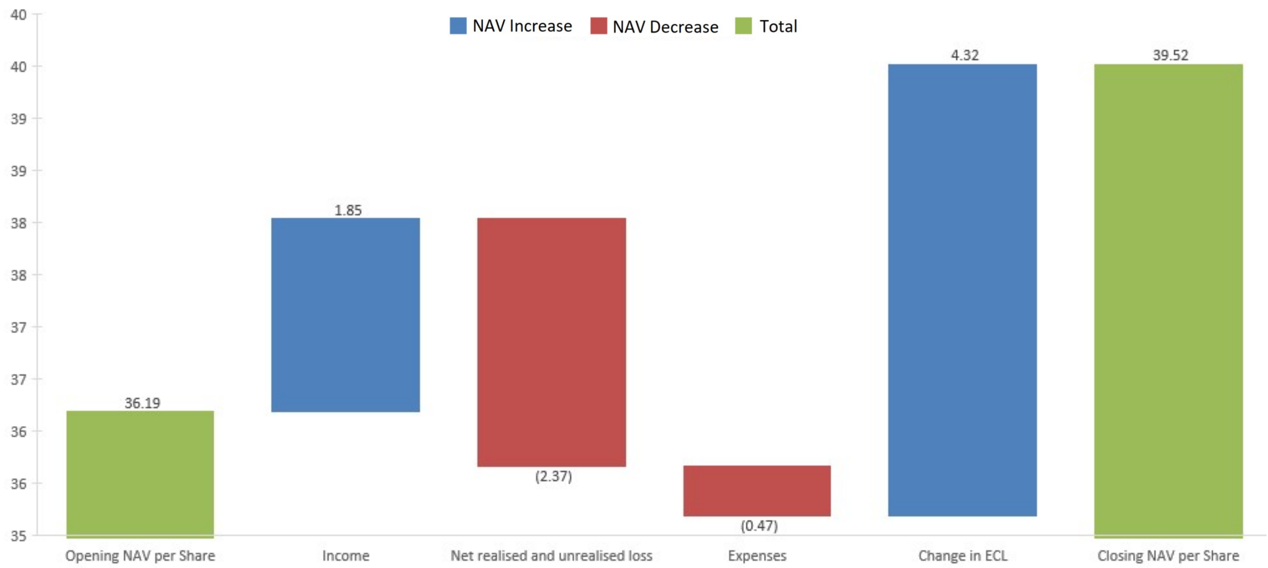
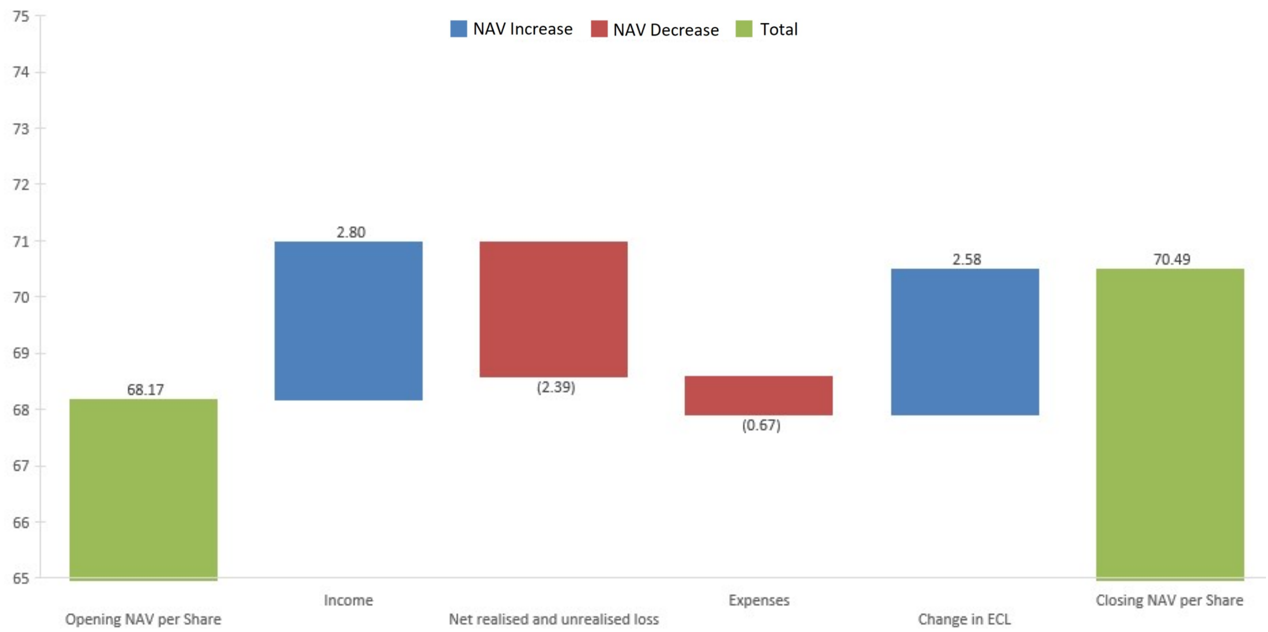
GROUP METRICS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

The key drivers of the change in net asset value ("NAV") per share between 1 July 2020 and 31 December 2020 are highlighted in the graphs below:

Ordinary Share



2016 C Share



During the period ended 31 December 2020, there was a significant reduction in the expected credit loss due to the improved performance of a loan which had a £nil net carrying value as at 30 June 2020. Post period end in February 2021, the borrower bought back their debt at a price of 60c (on the US Dollar), net proceeds were $24.3 million. Refer to Borrowers 7 and 9 in the Portfolio Manager's Report for further information.

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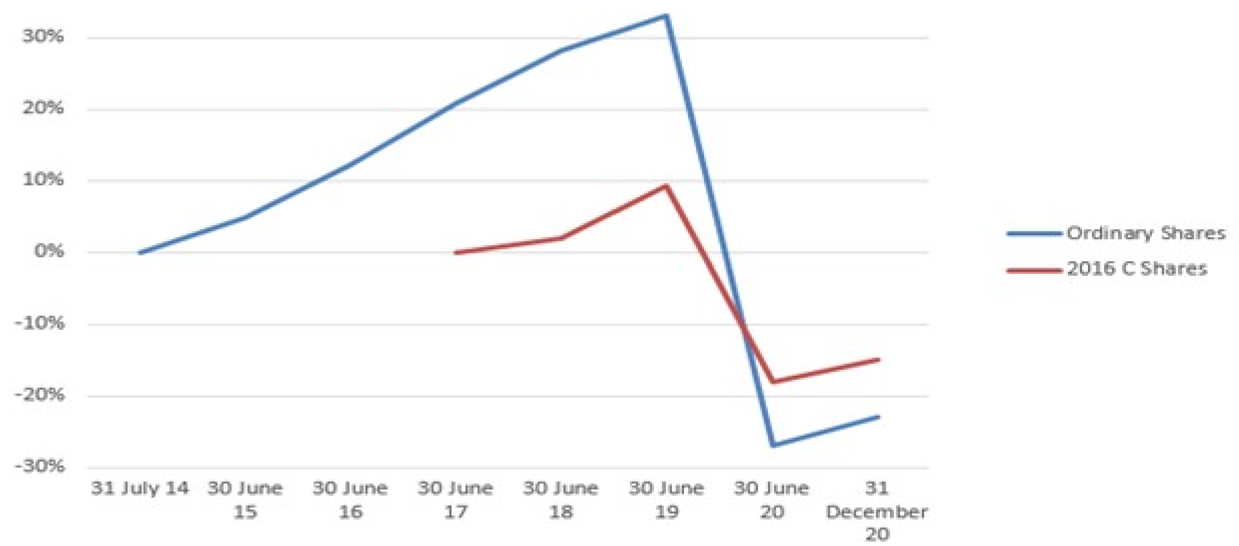
FINANCIAL METRICS AND PERFORMANCE SUMMARY

Financial Metrics

NAV Total Return[1]
The NAV total return details the change in NAV from the start of the relevant period and assumes that dividends paid to shareholders are reinvested at NAV. The NAV total return achieved by the Group is detailed in the table below:

Relevant Period	Ordinary Shares	2016 C Shares
Six months to 31 December 2020	9.2%	3.4%
Year to 31 December 2020	(43.0)%	(26.3)%
3 year[2]	(43.7)%	(14.6)%
Since inception	(23.3)%	(15.4)%

The NAV total return since inception is illustrated in the graph below:



Dividend History
In light of the ongoing uncertainty in the market due to the Covid-19 pandemic, and in order to preserve liquidity, dividends were suspended until further notice on 18 March 2020 on both the Ordinary Shares and the 2016 C Shares. With the Company in managed wind down, the Board does not intend to declare any further dividends, other than is necessary for regulatory purposes. No dividends were paid during the six months ended 31 December 2020. Refer to note 15 for details on dividends paid during the prior period, the six months ended 31 December 2019.

Acquisition of Own Ordinary Shares
The Group did not repurchase any Ordinary or 2016 C shares during the period. 288,156 Ordinary Shares were repurchased during the year ended 30 June 2020 for a total cost of £237,845. The repurchased Ordinary Shares are being held in treasury. As at 31 December 2020, 1,731,838 (30 June 2020: 1,731,838) Ordinary Shares are held in treasury. No 2016 C Shares are held in treasury.

[1] Refer to pages 53 to 54 for the calculation of these alternative performance measures.
[2] NAV total return over a 3 year period from 1 January 2017 to 31 December 2020.

FINANCIAL METRICS AND PERFORMANCE SUMMARY (CONTINUED)

Performance Summary

Sterling in millions, except per share data (disclosed in pence) and number of shares in issue	**31 December 2020 (Unaudited)**	**30 June 2020 (Audited)**	**31 December 2019 (Unaudited)**
Number of shares in issue			
- Ordinary Shares[1]	355,975,669	355,975,669	355,975,669
- 2016 C Shares	138,924,222	138,924,222	138,924,222
NAV			
- Ordinary Shares	£140.69	£128.81	£256.19
- 2016 C Shares	£97.93	£94.71	£135.35
NAV per share			
- Ordinary Shares	39.52p	36.19p[2]	71.97p
- 2016 C Shares	70.49p	68.17p[2]	97.43p
Share price[3]			
- Ordinary Shares	17.60p	31.90p	82.80p
- 2016 C Shares	35.60p	57.00p	86.50p
Share price (discount)/premium			
- Ordinary Shares	(55.5)%	(11.9)%	15.0%
- 2016 C Shares	(49.5)%	(16.4)%	(11.2)%
Market capitalisation[3]			
- Ordinary Shares	£62.65	£113.56	£294.75
- 2016 C Shares	£49.46	£79.19	£120.17
Earnings/(loss) per share			
- Ordinary Shares	3.34p	(53.28)p	(18.71)p
- 2016 C Shares	2.32p	(24.54)p	3.51p
Dividend paid per share			
- Ordinary Shares	-	5.44p	3.63p
- 2016 C Shares	-	5.44p	3.63p
Comprehensive income/ (loss) before dividends	£15.10	£(223.81)	£(61.77)
Investments	£218.76	£213.16	£374.07
Cash and cash equivalents	£17.99	£9.00	£10.67

[1] The number of Ordinary Shares in issue is presented after deducting 1,731,838 (31 December 2019 and 30 June 2020: 1,731,838) treasury shares.
[2] Refer to Note 20 for a reconciliation between the NAV announced via the RNS and the NAV per the consolidated financial statements.
[3] Source: Bloomberg

FINANCIAL METRICS AND PERFORMANCE SUMMARY (CONTINUED)

Performance Summary (Continued)

	31 December 2020 (Unaudited)	30 June 2020 (Audited)	31 December 2019 (Unaudited)
Weighted average portfolio yield[4]			
- Ordinary Shares – performing	9.58%	9.61%	9.35%
- 2016 C Shares - performing	9.57%	9.37%	9.56%
- Consolidated - performing	9.58%	9.49%	9.44%
Weighted average remaining term[4]			
- Ordinary Shares – performing	69.93 months	78.33 months	70.49 months
- 2016 C Shares - performing	52.81 months	57.57 months	65.59 months
- Consolidated - performing	61.59 months	68.23 months	68.25 months

[4] Of the invested portfolio. Calculated using performing assets only. These are Alternative Performance Measures, refer to pages 53 and 54 for details.

COMPANY OVERVIEW

Company	**KKV Secured Loan Fund Limited** (formerly known as SQN Asset Finance Income Fund Limited) Incorporated in Guernsey on 28 May 2014. Change of Name registered on 16 July 2020 Registered Guernsey Closed-ended Collective Investment Scheme. Admitted to the Premium Segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange on 14 July 2014 for Ordinary Shares, 9 November 2015 for the first issuance of C Shares (which were converted into Ordinary Shares on the 25 October 2016) and 12 December 2016 for the second issuance of C Shares (the "2016 C Shares"). Registration number 58519.
Investment Managers and Alternative Investment Fund Manager (from inception to 5 June 2020)	**SQN Capital Management, LLC (the "US Investment Manager")** Incorporated in the United States of America on 7 December 2007. A Registered Investment Adviser with the United States Securities and Exchange Commission. File number 4466472. **SQN Capital Management (UK) Limited (the "UK Investment Manager")** Incorporated in England & Wales on 12 May 2014. A wholly owned subsidiary of the US Investment Manager. Registration number 09033846. **(together the "Investment Managers")** The US Investment Manager was the Alternative Investment Fund Manager from inception to 5 June 2020
Portfolio Manager (from 6 June 2020 to date)	**KKV Investment Management Limited** Incorporated in England and Wales on 20 February 2020. A subsidiary of Kvika Securities Limited, the UK operation of Kvika Banki hf, a Nordic bank listed on the NASDAQ Iceland main market. Registration number 12475228 **(the "Portfolio Manager")**
Alternative Investment Fund Manager (from 6 June 2020 to date)	**International Fund Management Limited ("IFM")** Regulated by the Guernsey Financial Services Commission under the Protection of Investors (Bailiwick of Guernsey) Law 1989, as amended. Incorporated in Guernsey with registration number 17484. **(the "AIFM")**

Details of other service providers are provided on pages 55 to 56.

CHAIRMAN'S STATEMENT

Introduction
I am pleased to provide shareholders with my first interim Chairman's Statement, covering the period from 1 July 2020 to 31 December 2020. During the reporting period, the Company has been through a significant transformation. Following the appointment of the Portfolio Manager as adviser at the end of the last reporting period, the Board have conducted an independent review of the loan valuation methodology, refined the valuation policy under International Financial Reporting Standard 9 ("IFRS 9") accounting rules and reconstituted the Board. Following shareholder votes, both share classes are now in managed wind down and the new Directors and adviser are all working hard to achieve maximum value in a timely fashion. I am pleased that post the period end we have been able to commence returning capital to shareholders in both share classes, with 10.5p per share returned to Ordinary Shareholders and 18p per share returned to 2016 C Shareholders.

Performance
The Net Asset Value ("NAV") total return per Ordinary Share was 9.2% and the NAV total return per C Share was 3.4% for the period ended 31 December 2020. Other key metrics were:
- For the reporting period, the Company has reported a combined net profit of £15.1 million (30 June 2020: loss of £223.8 million).
- The Ordinary Share NAV at 31 December 2020 was £140.7 million (39.52p per Ordinary Share) compared to £128.8 million (36.19p per Ordinary Share) as at 30 June 2020.
- The C Share NAV at 31 December 2020 was £97.93 million (70.49p per 2016 C Share) compared to £94.7 million (68.17p per 2016 C Share) as at 30 June 2020.

Share Price
During the reporting period the share prices of both the Ordinary Shares and the 2016 C Shares continued to trade at a significant discount to the NAV.

As at 31 December 2020, the Ordinary Share Class was at a discount to NAV of 58.3% and the 2016 C Share Class was at a discount of 50.6%.

I am pleased to note that since 27 January 2021, when the Annual Report and consolidated financial statements for the year ended 30 June 2020 were published providing much needed transparency, I have noted a welcome reduction in volatility of the share price and a total return for the Company's Ordinary Share Price of (26.0)% and the 2016 C Share Price of (31.6)% for the period 1 July 2020 to 16 April 2021.

Board of Directors
As referenced above, since the accounting year end there have been changes to the composition of the Board to reflect the change in strategy to one of managed wind down. Although mentioned in the last Chairman's Statement, for completeness the following resignations and appointments occurred during the reporting period.

Resignations:

- On 29 October 2020, Chris Spencer and Jacqueline Redmond stepped down from the Board.
- Paul Meader and John Falla did not seek re-election at the recent AGM held on 31 December 2020. I would like to thank the four of them for their substantial contributions to the Board and wish them every success in the future.
- Furthermore, as signposted in the Annual Report and consolidated financial statements for the year ended 30 June 2020, Peter Niven remained Chairman until I joined the Board on 24 February 2021. I would like to thank Peter for all his work over a very difficult time and wish him well in his future endeavours.

CHAIRMAN'S STATEMENT (CONTINUED)

Appointments:

- On 16 September 2020, the Board appointed Brett Miller as a Director of the Company. He is a Director of Secured Income Fund plc which is also managed by the Portfolio Manager and, as such, is considered non-independent.
- David Copperwaite was appointed to the Board as a Non-Executive Director following the AGM held on 31 December 2020.
- I was appointed post the period end on 24 February 2021.

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

Post Period End Events
Since the period end, the Company has:

- realised $24.3 million (representing 60% of principal) from its exposure to a US based reinsurance company (borrowers 7 and 9 in the Portfolio Manager's Report);
- disposal of two loans (Glasshouse Generation Limited and Harvest Generation Services Limited) realising £16 million (borrowers 14 and 15 in the Portfolio Manager's Report);
- sold an Anaerobic Digestion ("AD") plant for £2.9 million (borrower 13 in the Portfolio Manager's Report); and
- commenced the capital return to shareholders in both share classes, with 10.5p per share returned to Ordinary Shareholders and 18p per share returned to 2016 C Shareholders

Outlook
The Board expects the wind-down plan will likely take two or three years to execute with the objective of delivering investors total proceeds as close to NAV as possible net of the unavoidable expenses required in the process. However, we have already taken steps to reduce costs and will continue to do this over the coming months. Our goal is to achieve a balance between maximising value received for assets and making timely returns of capital. Shareholders will note that we have already been able to commence capital distributions and we expect to make further distributions in the coming months.

Market conditions have continued to be challenging but the immediate risks to the portfolio as presented at the start of the pandemic in Q1 2020 have dissipated. As always, we shall keep investors informed of any developments as they occur.

We thank investors for their continued support and hope that the commencement of capital repayments and the healthy start to the wind down of the Company is welcomed by shareholders.

Brendan Hawthorne
Chairman
22 April 2021

PORTFOLIO MANAGER'S REPORT

Overview
KKV Investment Management Limited "KKVIM" assumed the role of Portfolio Manager on 6 June 2020.

Following our review of the loan portfolio, we recommended downgrade of some loans in accordance with IFRS 9, the NAV was suspended and publication of the Annual Report and consolidated financial statements for the year ended 30 June 2020 was delayed until 27 January 2021, allowing the Board of Directors to consider an independent review of loan valuations for six AD Plants, along with performing due diligence on some of the assets by KPMG in Ireland and KPMG LLP. Throughout the period, in addition to giving assistance to these external counterparties, we have continued to manage relationships with our borrowers remotely due to Covid-19 restrictions and to devise ways of retaining and recouping value for shareholders.

As previously reported, both share classes are in managed wind down. We are implementing our plan to seek opportunities to refinance loans to allow us to return capital to shareholders in an expeditious manner. In some circumstances, this has meant revision of loan documentation, workouts of non-performing loans, restructure, negotiation, repair and project management of complex sales involving numerous counterparties. The work undertaken has been intense, with the whole team focused on delivering positive outcomes for the Board and shareholders.

During the half-year period, finance income of £10.1m was earned and after the decision to suspend dividends in March 2020, no distributions were paid. The amount of cash income received was £3.5m. The remainder of income in the Consolidated Statement of Comprehensive Income was accrued, but in pure cash terms had not been received. Where appropriate, provisions have now been made against income that is not expected to be received in full.

No FX hedging has been undertaken during the reporting period. Details of FX exposures are published in this report to allow for shareholders to make their own FX hedging decisions if they wish to.

In February 2021, the Ordinary Share Class was able to repay the inter-company loan of £2.15m back to the 2016 C Share Class. The Company remains unlevered.

In the interests of brevity, we shall focus on the loans where changes have occurred since our last report published on 27 January 2021 and we urge shareholders to refer to that report for a full description of the loans and their composition.

Business Update
During the reporting period, we have recruited further fund management personnel to replace and enhance our capability within the team.

Despite continued disruption to business as usual due to the Covid-19 pandemic, we are pleased to report that KKVIM has been able to deliver operational management with no issues, all employees have been equipped to work remotely throughout the period. All processes are functioning well and business continuity has been maintained to a good level.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

We have applied a rigorous approach to these standards as reported in the Annual Report and consolidated financial statements for the year ended 30 June 2020 that resulted in revised impairment provisions. We have made adjustments to these provisions throughout the interim reporting period and where an external valuation has been available this has been used as a basis to create a bespoke expected credit loss ("ECL") to take account of a lifetime ECL for the investments that are classified under Stage 2 and Stage 3.

Please refer to the Annual Report and consolidated financial statements for the year ended 30 June 2020 for a full description of KKVIM's methodology.

Market backdrop

In our last report to June 2020, we were circumspect as to the overall outlook for Small and Medium Sized Enterprises ("SME") businesses in the short term and urged caution regarding a so-called V shaped recovery. This was borne out during the second half of 2020, as the pandemic continued into the later part of the calendar year with a return to a strict lock down by December. However, continued support from developed market governments via business grants, furlough schemes and a determination to provide unprecedented liquidity to capital markets has given us a more positive environment. Consumer spending and business optimism is rising and this trend is expected to continue into 2021. This is based upon positive assumptions about the roll out of vaccines being effective and that government interventions shall continue for as long as it takes. In normal circumstances monetary expansion of this magnitude would cause us to consider inflation to be the biggest threat and this remains a risk in the medium term. However, at present, on reading business surveys and economic data, confidence across different types of industry continues to move on a positive trajectory. Listed companies are the most optimistic, possibly reflecting easier access to finance than privately-owned companies, and their greater exposure to the global economy.

Among privately-owned companies, a key concern at the onset of the pandemic was whether SME's might be vulnerable to the economic downturn. Instead, they were able to weather the storm better than expected and have begun recovering quickly. This has been reflected in the performance of our wholesale segment of the portfolios we manage. This all leads us to the conclusion that alternative funding will be in demand for the lower mid-market segment of the market where we are most active. Longer duration fixed income product (seven years plus) is likely to be at risk to inflationary pressures but short duration, high coupon loans sit in the sweet spot for positive returns for investors. This bodes well for opportunities to refinance loans which are Stage 1 graded under IFRS 9.

The Ordinary Share Class and 2016 C Share Class Portfolios

As the whole portfolio is now in wind down, we have been focused on urging our third-party borrowers to repay debt. As announced on 24 February 2021 and 9 April 2021, after the period end, we have begun to return capital to shareholders via capital repayments.

To date, 10.5 pence per share has been returned to Ordinary Shareholders, which equates to £37.4m and 18 pence per share to 2016 C Shareholders, which equates to £25.0m.

FX exposures

The FX exposures in the portfolio as at 31 December 2020 are as follows.

(millions)	*Ordinary Share Class*	*C Share Class*	*Total*
GBP	82.9	66.9	149.8
USD	28.5	20.8	49.3
EUR	30.4	8.2	38.6

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Dividends

No dividends were distributed during the reporting period.

Portfolio

There are 55 lines of credit in the portfolio with an average credit exposure of £7.9 million per loan, at an average rate of 9.6% on a performing basis. Our review has progressed throughout the reporting period. This has included a significant amount of remedial legal work to allow for loans to be serviced efficiently and to enable sale.

There are some equity and equity participation exposures in the portfolio. These have been clearly marked as such in the narrative.

Ordinary Share Class

Ordinary Share Class

Borrower	Credit Exposure at 31 Dec 20 (£m)	ECL Provision at 31 Dec 20 (£m)	Carrying Value at 31 Dec 20 (£m)	Amortisation / Bullet Repayment / Other	Term Remaining Years	Asset Type	Asset Class	Currency	Gross Yield	IFRS 9 Stage
Borrower 1	42.74	28.45	14.29	Initial 12-month interest only period, followed by interest and amortisation	11.50	Finance Lease	Anaerobic Digestion	GBP	9.80%	3
Borrower 2	32.86	21.84	11.02	Interest and amortisation	10.17	Finance Lease	Anaerobic Digestion	GBP	10.00%	3
Borrower 3	30.88	24.55	6.33	Interest and cash sweep	16.17	Finance Lease	Anaerobic Digestion	GBP	10.00%	3
Borrower 4	26.42	20.57	5.85	Interest and amortisation	10.42	Finance Lease	Anaerobic Digestion	GBP	10.00%	3
Borrower 5	25.35	25.35	-	Initial 12-month interest only period, followed by interest and amortisation	-	Term Loan	Manufacturing	USD	11.00%	3
Borrower 6	21.67	0.61	21.06	Interest only, bullet at maturity	2.39	Term Loan	Manufacturing	EUR	9.20%	1
Borrower 7	16.07	6.35	9.72	Interest and amortisation	5.75	Term Loan	Insurance	USD	10.00%	3
Borrower 8	14.41	5.47	8.94	Interest and amortisation, bullet at maturity	0.29	Term Loan	Shipping	USD	10.40%	3

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Borrower	Credit Exposure at 31 Dec 20 (£m)	ECL Provision at 31 Dec 20 (£m)	Carrying Value at 31 Dec 20 (£m)	Amortisation / Bullet Repayment / Other	Term Remaining Years	Asset Type	Asset Class	Currency	Gross Yield	IFRS 9 Stage
Borrower 9	12.84	5.08	7.76	Interest and amortisation	5.75	Term Loan	Insurance	USD	10.40%	3
Borrower 10	10.05	7.04	3.01	Initial 12-month interest only period, followed by interest and amortisation	11.25	Hire Purchase	Wholesale Portfolios	GBP	9.50%	3
Borrower 11	9.53	0.67	8.86	Interest and amortisation, bullet at maturity	10.92	Finance Lease	Anaerobic Digestion	EUR	10.80%	1
Borrower 12	9.03	9.03	-	Initial interest only period, followed by interest and amortisation	-	Term Loan	IT & Telecom	EUR	6.90%	3
Borrower 13	8.79	5.89	2.90	Interest and amortisation + final 1/3 original principal balloon payment	11.24	Finance Lease	Anaerobic Digestion	GBP	9.30%	3
Borrower 14	8.06	0.23	7.83	Interest and amortisation	6.50	Hire Purchase	CHP	GBP	10.00%	1
Borrower 15	7.58	0.21	7.37	Interest and amortisation	6.50	Hire Purchase	CHP	GBP	10.00%	1
Borrower 16	5.43	5.43	-	Interest only	-	Term Loan	IT & Telecom	USD	6.90%	3
Borrower 17	5.24	0.15	5.09	Interest only and pre-payments when asset delivered	6.00	Hire Purchase	CHP	GBP	10.00%	1
Borrower 18	4.63	4.63	-	Interest and amortisation	9.67	Finance Lease	Anaerobic Digestion	GBP	10.00%	3
Borrower 19	4.09	1.02	3.07	Initial 12-month interest only period, followed by interest and amortisation	3.50	Finance Lease	Manufacturing	GBP	6.60%	3
Borrower 20	3.99	0.03	3.96	Interest and amortisation	0.75	Revolving Loan	Wholesale Portfolios	GBP	9.50%	1
Borrower 21	3.20	2.24	0.96	Interests and amortisation	4.50	Term Loan	Medical	USD	5.00%	3
Borrower 22	2.32	0.06	2.26	Interest and amortisation	12.01	Finance Lease	Anaerobic Digestion	GBP	10.50%	1

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Borrower	Credit Exposure at 31 Dec 20 (£m)	ECL Provision at 31 Dec 20 (£m)	Carrying Value at 31 Dec 20 (£m)	Amortisation / Bullet Repayment / Other	Term Remaining Years	Asset Type	Asset Class	Currency	Gross Yield	IFRS 9 Stage
Borrower 23	2.17	1.52	0.65	Interest only, bullet at maturity	13.01	Finance Lease	Anaerobic Digestion	GBP	10.00%	3
Borrower 24	2.08	0.06	2.02	Interest and amortisation	11.76	Finance Lease	Anaerobic Digestion	GBP	10.00%	1
Borrower 25	1.35	1.35	-	Interest and amortisation	-	Term Loan	IT & Telecom	GBP	9.50%	3
Borrower 26	1.20	0.17	1.03	Initial 12-month interest only period, followed by interest and amortisation	8.25	Finance Lease	Wind Turbines	GBP	10.30%	2
Borrower 27	1.14	0.03	1.11	Interest and amortisation, bullet at maturity	10.67	Finance Lease	Wind Turbines	GBP	10.60%	1
Borrower 28	0.60	0.60	-	Hire Payments -interest and amortisation	1.49	Hire Purchase	Infrastructure Equipment	GBP	10.50%	3
Borrower 29	0.27	0.27	-	Interest and amortisation + final 1/3 original principal balloon payment	-	Term loan	IT & Telecom	GBP	9.50%	3
Borrower 30	0.27	0.27	-	Interest and amortisation	16.17	N/a	Anaerobic Digestion	EUR	10.00%	3
Borrower 31	0.18	0.18	-	Interest accrued and capitalised, then interest and amortisation	3.04	Finance Lease	Manufacturing	GBP	10.10%	3
Borrower 32	0.15	0.15	-	Interest and amortisation	16.17	N/a	Anaerobic Digestion	GBP	10.00%	3
Borrower 33	0.09	0.06	0.03	Interest only and pre-payments when asset delivered	0.33	Operating Lease	Marine Equipment (ex. Vessels)	GBP	9.90%	3
Borrower 34	0.06	-	0.06	Interest only	0.34	Finance Lease	Finance Lease - Manufacturing Equipment	GBP	10.80%	1
TOTAL	**314.74**	**179.56**	**135.18**							

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Property, Plant and Equipment Investments

*Borrower**	*Carrying value at 31 Dec 20 (£m)*	*Impairment at 31 Dec 20 (£m)*	*Net Realisable Value at 31 Dec 20 (£m)*	*Investment Type*	*Asset Class*	*Currency*
Borrower 35	5.73	5.73	-	Operating Lease	Hotels	GBP
Borrower 36	3.07	2.14	0.94	Operating Lease	Equipment	GBP
Borrower 37	0.99	0.99	-	Operating Lease	Equipment for construction	GBP
TOTAL	**9.79**	**8.86**	**0.94**			

* Used Borrower terminology to be consistent throughout report, however these are PPE assets.

Equity Holdings and other Investments

*Borrower**	*Fair Value before Adjustment at 31 Dec 20 (£m)*	*Fair Value Adjustment at 31 Dec 20 (£m)*	*Fair Value at 31 Dec 20 (£m)*	*Investment Type*	*Asset Class*	*Currency*
Borrower 38	6.08	6.08	-	Equity	Medical	USD
Borrower 39	2.11	2.11	-	Lease Participation	Helicopters	USD
TOTAL	**8.19**	**8.19**	**-**			

* Used Borrower terminology to be consistent throughout report, however these are lease participation and equity investments.

The following are the key developments that have taken place during the period ended 31 December 2020.

AD Plants
We have separated our comment on AD Plants into two categories: those that had been subject to a valuation review by KPMG in Ireland and other smaller facilities.

The six plants revalued by KPMG in Ireland are Borrowers 1, 2, 3, 4, 13 and 18.

As previously reported, we have built upon prior activities to exit these investments and have engaged sales agents to consider the best routes for achieving this in an orderly and expeditious manner. We have had requests for additional funding to cover operating expenses and provided £3.0m during the period ended 31 December 2020. With no viable equity funder for these projects, the Company has become the primary source of cash for these businesses to remain going concerns. Where there has been a valid case, we have provided relief. A slower disposal process has become the reality due to contractual complexities between various counterparties, feedstock provision and changing buyer expectations. We have been focusing our efforts on the sale of the two largest exposures in Northern Ireland and Scotland (Borrowers 3 and 4 respectively), together with a smaller plant in the north of England (Borrower 13).

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Borrower 1 – AD Plant – NE England

Stage 3 Credit Exposure £42.74m ECL £28.45m Net Carrying Value ("NCV") £14.29m

The plant faced cash flow issues due to delays experienced in the grant of accreditation for subsidy via Renewable Obligation Certificates ("ROCs"). Without these the plant would have had uncertain value. Fortunately, in August 2020 accreditation was achieved on a back-dated basis, and the first cash flows were received in September. However, a backlog of creditors remained, some of which have been long overdue and a lease remedy was required due to a number of breaches predating our appointment. Legal costs and fees associated with resolving disputes over land rights have continued to be a draw on cash.

Borrower 2 – AD Plant - NE England

Stage 3 Credit Exposure £32.86m ECL £21.84m NCV £11.02m

After several years of struggling, the plant has now obtained required regulatory permissions and maintained a broadly stable bacterial state. Covid-19 has impacted feedstock availability and hence revenues, but the plant is broadly cash flow neutral. We intend to explore a sale of this investment in the first half of 2021 as, given the ramp-up status of the plant, we are hopeful it will be of interest to potential purchasers.

Borrowers 3, 30 & 32 – AD Plant – Donegal (Borrowers 30 & 32 are the VAT reclaim positions)

Stage 3 Credit Exposure £31.30m ECL £24.97m NCV £6.33m

Since our last report, this loan position has had to be impaired by a further £6.98m, based upon a bid under an exclusivity agreement with another institutional counterparty. Having had a protracted period of due diligence this transaction has fallen away as they were unable to complete given their view on contractual obligations held by the plant. Note that significant remedial work has already been undertaken and we have begun to negotiate alternate options with the borrower.

As previously reported, Borrowers 30 and 32 reference VAT reclaims that have very little probability of recovery and have been assigned zero value as at June 2020. These were capitalised and formed part of the overall NAV from February 2016.

Borrower 4 – AD Plant – Scotland

Stage 3 Credit Exposure £26.42m ECL £20.57m NCV £5.85m

We remain at an advanced stage of due diligence with an institutional buyer and expect to close this transaction by end April. Attempts have been made to amend and redraft the terms of the deal by other counterparties which have been robustly countered.

Borrower 13 – AD Plant – England

Stage 3 Credit Exposure £8.79m ECL £5.89m NCV £2.90m

As previously reported, this plant has been subject to a sale process for most of the year with KKVL holding a 50% share of the facility along with another institutional investor. In March 2021, we successfully sold our 50% share in the facility for £2.90m, in line with the net carrying value as at 31 December 2020, and no longer have any exposure to the plant.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Borrower 18 – AD Plant – NE England

Stage 3 Credit Exposure £4.63m ECL £4.63m NCV £0.00m

There has been no change in the status of this loan. Despite the administrator finding a prospective buyer, assurance given that they were able to proceed and commencement of legal documentation, they have been unable to complete. We are therefore seeking alternative buyers with the capital base to support the capital investment required.

We expect no recovery on our position.

Borrower 5 – Suniva

Stage 3 Credit Exposure £25.35m ECL £25.35m NCV £0.00m

Since reporting on the overall position in January there have been some developments regarding the parental guarantee provided by Shunfeng International Clean energy Ltd, ("SFCE").

Pursuit of the former majority shareholder of Suniva for the shortfall on the original debt has been ongoing (calculated as a total of $25.5 million plus costs for all lenders within the legal documents, noting that KKVL has claim to 60% of the total amount) via a parent company guarantee given by SFCE, a Hong Kong listed Cayman domiciled company with operations largely based in China. Since 2017, the service company has engaged with lawyers to validate and enforce this claim in the US courts, with a large degree of success. In the latest round of hearings, the court found in favour of the service company filing the claim and SFCE submitted an appeal shortly afterwards. Although the court ruling allows for enforcement to proceed, the likelihood of success is in the balance and will incur significant legal costs and time. We are seeking alternative avenues to release proceeds through sale or settlement.

No progress on the tariff opportunity has been made.

Borrowers 7 and 9 – US based reinsurance company

Stage 3 Credit Exposure £28.91m ECL £11.43m NCV £17.48m

As previously reported, KKV engaged actively with the borrower to give them an opportunity to buy back their debt and we were pleased to be able to conclude a transaction successfully at a price of 60c on the US Dollar achieving net proceeds of $24.3m. We are pleased to be able to conclude this complex transaction to the benefit of shareholders.

Borrower 8 – Shipping Vessels

Stage 3 Credit Exposure £14.41m ECL £5.47m NCV £8.94m

Same borrower as Borrowers 47, 48 and 51 in 2016 C Share class

Stage 3 Credit Exposure £15.92m ECL £5.77m NCV £10.15m

During December, we continued negotiations with the borrower to consider a number of options for refinance of their debt. On exploring the validity of the corporate guarantee we have been advised that the group has suffered significant liquidity issues as a result of the majority of their capital held in preference shares in a European bank investment in distress. Having had an open and constructive dialogue with the borrower and guarantor, we concluded that no suitable route was open for us to consider refinance at the discounted level they were proposing.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Borrower 8 – Shipping Vessels (Continued)

Quarterly valuations of the vessels provided by an independent counterparty were delayed by a month and received in February 2021. On receipt, valuations had been upgraded by £9.5m allowing us to revalue our position and this has been reflected in these condensed consolidated financial statements.

The loans are due to mature in April 2021 and the assets still have a book value significantly lower than the KKVL exposure as corroborated by independent valuations. The primary reason for this difference is due to the fact there are $7.6 million of costs attached to the vessels in priority to KKVL in the form of supplier loans (including crew, fuel, servicing etc.) that are payable immediately upon sale.

Borrower 11 – AD Plant

Stage 1	**Credit Exposure £9.53m**	**ECL £0.67m**	**NCV £8.86m**

This is an AD plant based in Ireland and is well run with a strong management team. Prior to the Covid-19 pandemic it was running at over 70% capacity but has been running at 30% since the second quarter of 2020. This is largely driven by a lower supply of high-yielding feedstock (e.g., waste cooking oil from the hospitality sector). This borrower has now missed three quarterly payments (June, September and December 2020) and we have issued a Reservation of Rights letter and will seek remedy from the guarantor.

Following a meeting in February 2021 with management, the investment has been downgraded to Stage 2, with effect from 31 March 2021. However, as of 31 December 2020, Stage 1 was deemed appropriate based on the information available to us at the time as we expected the borrower to rebound in 2021. In addition, we benefit from a guarantee from their financially strong parent company. We are currently exploring exercising this guarantee to bring the payments in line with the schedule.

Borrowers 12, 25 & 29 – Hotel Technology Provider

Stage 3	**Credit Exposure £10.65m**	**ECL £10.65m**	**NCV £0.00m**

As at March 2021, we have agreed Head of Terms with a third-party leisure company. Under this proposed transaction, litigation and administration costs will be indemnified by the new investor and would provide working capital to allow the business to continue trading. The Company shall retain 20% equity interest in the business as part of the agreement.

Borrowers 14 & 15 – Electricity Generation

Stage 1	**Credit Exposure £15.64m**	**ECL £0.44m**	**NCV £15.20m**

Both loans have been refinanced by an institutional investor and achieved an IRR to the Company of 9.50% across both loans. Total consideration payable to the Company is £16,043,732 and settlement proceeds are net of introducer and structuring fees of £257,000 capitalised at the time of underwriting in 2016.

Borrowers 21 & 38 – US based medical facility (debt and equity)

Stage 3	**Credit Exposure £3.20m**	**ECL £2.24m**	**NCV £0.96m**
Equity	**FV before Adj. £6.08m**	**FV Adj. £6.08m**	**FV £0.00m**

Post balance sheet, in March, we were informed that the borrower intends to seek alternative funding via debt options that have opened up to them. For the purpose of audit and marketing the proposed debt issuance, they asked us to formalise our forbearance of debt that commenced in April 2020 and "tidy up" undocumented agreements made at the time. This has allowed us to capitalise penalty interest accrued since April 2020 to the end of forbearance in mid-March 2021. We have received the first payment on the new principal balance at the end of March.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

2016 C Share Class

Borrower	Credit Exposure at 31 Dec 20 £m	ECL Provision at 31 Dec 20 £m	Carrying Value at 31 Dec 20 £m	Amortisation / Bullet Repayment / Other	Term Remaining Years	Asset Type	Asset Class	Currency	Gross Yield	IFRS 9 Stage
Borrower 40	18.99	11.71	7.28	Interest and amortisation	4.58	Term Loan	Marine Equipment (ex: Vessels)	GBP	9.5%	3
Borrower 41	17.72	0.19	17.53	Initial 12 months interest only period, followed by interest and amortisation	7.67	Term Loan	Waste Processing	GBP	9.5%	1
Borrower 42	10.13	10.13	0.00	Initial 12 months interest only period, followed by interest and amortisation	12.25	Term Loan	Insurance	USD	10.0%	3
Borrower 43	9.33	2.63	6.70	Interest and cash sweep	2.50	Term Loan	Wholesale Portfolios	USD	10.8%	3
Borrower 44	8.43	0.07	8.36	Interest and amortisation	0.75	Revolving Loan	Wholesale Portfolios	GBP	9.5%	1
Borrower 45	6.83	5.80	1.03	Interests and amortisation	4.24	Finance Lease	Manufacturing	EUR	9.2%	3
Borrower 46	5.87	0.65	5.22	Interests only, bullet at maturity	0.08	Term Loan	Aviation	EUR	9.6%	2
Borrower 47	5.60	2.02	3.58	Interest and amortisation	0.48	Term Loan	Shipping	USD	10.4%	3
Borrower 48	5.52	2.00	3.52	Interest and amortisation, bullet at maturity	0.30	Term Loan	Shipping	USD	10.4%	3
Borrower 49	5.03	0.50	4.53	Initial 12 months interest only period, followed by Interest and amortisation	8.33	Term Loan	Infrastructure Equipment	GBP	9.0%	1
Borrower 50	4.83	0.14	4.69	Interest accrued and capitalised during construction period, then switched to Hire Payments (covering interest and amortisation)	6.42	Finance Lease	Waste Processing	GBP	10.0%	1

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Borrower	Credit Exposure at 31 Dec 20 £m	ECL Provision at 31 Dec 20 £m	Carrying Value at 31 Dec 20 £m	Amortisation / Bullet Repayment / Other	Term Remaining Years	Asset Type	Asset Class	Currency	Gross Yield	IFRS 9 Stage
Borrower 51	4.80	1.75	3.05	Interest and amortisation, bullet at maturity	0.30	Term Loan	Shipping	USD	10.4%	3
Borrower 52	4.12	0.12	4.00	Hire Payments -Interest and amortisation	4.67	Finance Lease	Waste Processing	GBP	9.8%	1
Borrower 53	3.80	0.11	3.69	Interest and amortisation + final 1/3 original principal balloon payment	2.64	Term Loan	Constructi on	GBP	8.8%	1
Borrower 54	2.90	0.20	2.70	Interest and amortisation	2.73	Receivable s Purchase	Infrastructu re Equipment	GBP	9.9%	2
Borrower 55	2.43	0.07	2.36	Interest accrued and capitalised during construction period, then switched to Hire Payments (covering interest and amortisation)	1.19	Term Loan	Material Handling	USD	10.0%	1
Borrower 56	2.25	0.06	2.19	Interest and amortisation	2.41	Term Loan	Marine Equipment (ex. Vessels)	GBP	9.5%	1
Borrower 57	1.80	0.05	1.75	Interests only and pre-payments when asset delivered	0.50	Term Loan	Aviation	EUR	8.8%	1
Borrower 58	1.56	1.56	0.00	Interest only	12.25	Term Loan	Insurance	USD	10.0%	3
Borrower 59	0.48	0.03	0.45	Interest and amortisation	1.86	Finance Lease	Marine Equipment (ex. Vessels)	GBP	10.3%	1
Borrower 60	0.07	0.00	0.07	Interest and amortisation	0.00	Finance Lease	Marine Equipment (ex. Vessels)	GBP	10.8%	1
TOTAL	**122.49**	**39.79**	**82.70**							

PORTFOLIO MANAGER'S REPORT (CONTINUED)

The following changes in Expected Credit Losses have taken place since 30 June 2020.

Borrower 40 – Remote Operating Vehicles

Stage 3	**Credit Exposure £18.99m**	**ECL £11.71m**	**NCV £7.28m**

Same borrower as Borrowers 33 & 36 in Ordinary Share Class

Stage 3	**Credit Exposure £0.09m**	**ECL £0.06m**	**NCV £0.03m**
PPE	**Carrying Value £3.07m**	**Impairment £2.14m**	**NRV £0.94m**

This suite of loans was restructured in July 2020 and we are exploring options for a sale by end of the second quarter of 2021 with expected realisation of the NRV.

Borrower 43 – A Leasing portfolio based in Mexico

Stage 3	**Credit Exposure £9.33m**	**ECL £2.63m**	**NCV £6.70m**

There has been a further deterioration in the LTV of the performing lease portfolio, which is now (post balance sheet) in excess of 100%. Some leases have been sold by the borrower and we are seeking repayment of the money associated with them. Extensive legal work has been undertaken and this project is ongoing.

Borrower 42 & 58 – Reinsurance Company

Stage 3	**Credit Exposure £11.69m**	**ECL £11.69m**	**NCV £0.00m**

Having suspended interest payments in July 2020, the company has been able to cure its breach of their Risk Based Capital ratios. However, they have yet to recommence interest payments on their loans and we have commenced discussions regarding a settlement.

The business continues to trade and if it continues to do so successfully over a fourteen-year period to maturity, there is potential for recovery, however it is too early to quantify with any level of certainty.

Borrower 44 – Wholesale Lender

Stage 1	**Credit Exposure £8.43m**	**ECL £0.07m**	**NCV £8.36m**

Same borrower as Borrower 20 in Ordinary Share Class

Stage 1	**Credit Exposure £3.99m**	**ECL £0.03m**	**NCV £3.96m**

Loans within the portfolio were affected at the start of the Covid-19 pandemic but management have reported that the position has steadily improved and has continued to do so throughout the second half of 2020. They have commenced amortisation and have being paying down additional sums since January 2021. We expect the whole facility to be repaid by October 2021 in accordance with their loan documentation.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Borrower 46 – Helicopter Finance

Stage 2 Credit Exposure £5.87m ECL £0.65m NCV £5.22m

There has been substantial work undertaken by our investment managers to repair the structure of the loan with the intention that we look to refinance later in 2021.

It should be noted that due to the limitations of German Mortgage/German Security, this transaction is proving difficult to close out in a conventional manner. This also gives credible explanation to how this 3-month Bridge financing became a perpetually extending short term finance arrangement. The current lease ends on 31 May, our loan ends 31 March, however, we expect to extend our loan to match the lease termination date.

Borrower 54 – Battery storage

Stage 2 Credit Exposure £2.90m ECL £0.20m NCV £2.70m

This borrower continues to accumulate debt from other sources and has been on our watch list for improvement in debt servicing for the last quarter. The borrower is confident of a sale of the business and we are encouraging them to consider all options in this regard. Furthermore, key management have been impacted by poor health. We are monitoring the status of the business very closely and have engaged in dialogue to discuss repayment of their debt obligation to the Company.

Outlook

At the time of writing, the economic effects of the pandemic seem likely to continue for some time and we will therefore keep ECL provisions under regular review. Having observed some improvement in debt service on our Stage 1 loans from June 2020 onwards, we have not identified any marked increase in overall volatility as the second wave of the Covid-19 pandemic began in the fourth quarter of 2020. However, we continue to monitor the portfolio carefully and it would be unwise for us to ignore the elevated risk that this uncertainty represents to our borrowers and to not flag the possibility of further loan loss provisions we may have to apply in the future. Certain loans will have issues pertinent to their own circumstances that will also present continued challenges.

The reporting period has been a relatively quiet one in relation to credit events impacted by Covid-19 and/ or Brexit and we continue to work on returning capital to shareholders under the plan presented to the Board at the time of the EGM. In some circumstances, we will endeavour to shorten this timetable by our careful management of relationships and encouragement to refinance. We are working well with the Board to achieve this in an efficient and expeditious manner.

We would like to thank shareholders for their support through an immensely challenging time and look forward to sharing further updates on the progress made on wind down in future months.

Dawn Kendall

Chief Investment Officer, KKV Investment Management Ltd

22 April 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The principal risks and uncertainties of the Group remain unchanged from those disclosed in the Annual Report and audited consolidated financial statements for the year ended 30 June 2020. The Board's view is that these risks and uncertainties remain unchanged as at 31 December 2020.

We confirm to the best of our knowledge that:

- the unaudited condensed consolidated financial statements within the Half-Yearly Report have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting" ("IAS 34") as adopted by the European Union ("EU") and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as at 31 December 2020, as required by the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rule ("DTR") 4.2.4R; and

- the Chairman's Statement, the Portfolio Manager's Report and the notes to the unaudited condensed consolidated financial statements include a fair view of the information required by:

a) DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of unaudited condensed consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

Signed on behalf of the Board of Directors on 22 April 2021 by:

Brendan Hawthorne	**David Copperwaite**
Chairman	**Director**

INDEPENDENT REVIEW REPORT TO KKV SECURED LOAN FUND LIMITED

We have been engaged by KKV Secured Limited Fund Limited (the "Company") to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 31 December 2020 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 22. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 31 December 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

We draw attention to note 2.1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our conclusion is not modified in respect of this matter.

INDEPENDENT REVIEW REPORT TO KKV SECURED LOAN FUND LIMITED (CONTINUED)

Use of our report

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

Deloitte LLP
Recognised Auditor
Guernsey, Channel Islands
22 April 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2020

	Notes	Six months ended 31 December 2020 (Unaudited)	Six months ended 31 December 2019 (Unaudited) Restated
		£	£
Income			
Finance income[1]		10,069,721	20,635,929
Interest on cash and cash equivalents		(1,669)	44,658
Other income		413,011	954,951
Total income		**10,481,063**	**21,635,538**
Net unrealised gain/(loss) on revaluation of investments		(5,544)	(298,362)
Net unrealised foreign exchange loss on investments	9,10	(10,580,395)	(6,966,958)
Net unrealised foreign exchange gain on forward contracts[2]		-	9,889,658
Net realised gain on investments	9,10	269,907	164,042
Net realised foreign exchange (loss)/gain on investments	9,10	(486,715)	50,152
Net realised foreign exchange loss on forward contracts	18	-	(2,674,516)
Foreign exchange loss on other monetary items[2]		(947,866)	(927,691)
Net realised and unrealised loss		**(11,750,613)**	**(763,675)**
Expenses			
Investment management fees		(989,693)	(2,272,037)
Directors' fees		(195,092)	(114,579)
Other operating expenses	5	(1,374,559)	(1,091,961)
Depreciation	8	(52,774)	(1,145,981)
Impairment	8	(1,710)	-
Expected credit loss reversal/(provision)[1]	9/10	18,987,050	(78,020,997)
Total operating expenses		**16,373,222**	**(82,645,555)**
Profit/(loss) before tax		**15,103,672**	**(61,773,692)**
Taxation		-	-
Profit/(loss) after tax		**15,103,672**	**(61,773,692)**
Total comprehensive income/(loss) for the period analysed as follows:			
Attributable to Ordinary shareholders		11,877,602	(66,645,831)
Attributable to 2016 C shareholders		3,226,070	4,872,139
Total		**15,103,672**	**(61,773,692)**
Basic and diluted earnings/(loss) per Ordinary Share	6	3.34p	(18.71)p
Basic and diluted earnings per 2016 C Share	6	2.32p	3.51p

The period ended 31 December 2020 has been presented on a basis other than a going concern. No operations were acquired or discontinued during the period.

The Group has no items of other comprehensive income/(loss), and therefore the income/(loss) for the period is also the total comprehensive income/(loss).

[1]The comparatives have been restated to reflect gross position of finance income on stage 3 assets, which has led to a corresponding increase to expected credit loss provision during the period. Refer to note 22 for further information.
[2] The comparatives for foreign exchange loss has been disclosed separately. Refer to note 22 for further information.

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	31 December 2020 (Unaudited) £	30 June 2020 (Audited) £
Non-current assets			
Residual value of finance lease investments	10	119,155	127,557
Property, plant and equipment	8	913,025	967,509
Loans and other investments	9	76,608,809	81,845,596
Finance lease and hire-purchase investments	10	47,377,145	51,720,665
		125,018,134	134,661,327
Current assets			
Loans and other investments	9	75,870,763	58,831,596
Finance lease and hire-purchase investments	10	17,870,992	19,669,682
Cash and cash equivalents		17,987,496	8,997,906
Interest receivables		997,351	1,073,111
Investment receivables		14,162	-
Other receivables and prepayments	11	1,322,271	745,557
		114,063,035	89,317,852
Total assets		**239,081,169**	**223,979,179**
Current liabilities			
Other payables and accrued expenses	12	(442,638)	(460,349)
Investment payables		(16,029)	-
		(458,667)	(460,349)
Net assets		**238,622,502**	**223,518,830**
Equity			
Share capital	14	488,655,945	488,655,945
Retained reserves		(250,033,443)	(265,137,115)
		238,622,502	**223,518,830**
NAV per Share			
- Ordinary Shares	7	39.52p	36.19p
- 2016 C Shares	7	70.49p	68.17p

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 April 2021, and signed on its behalf by:

Brendan Hawthorne
Chairman

David Copperwaite
Director

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2020 (Unaudited)

	Share Capital £	Retained Reserves £	Total £
As at 1 July 2020	**488,655,945**	**(265,137,115)**	**223,518,830**
Total comprehensive income for the period	-	15,103,672	15,103,672
Total transactions with shareholders	**-**	**15,103,672**	**15,103,672**
As at 31 December 2020	**488,655,945**	**(250,033,443)**	**238,622,502**

For the six months ended 31 December 2019 (Unaudited)

	Notes	Share Capital £	Retained Reserves £	Total £
As at 1 July 2019		**488,893,790**	**(14,401,320)**	**474,492,470**
Total comprehensive loss for the period		-	(61,773,692)	(61,773,692)
Transactions with shareholders				
Ordinary Shares repurchased	14	(237,845)	-	(237,845)
Dividends declared	15	-	(20,941,370)	(20,941,370)
Total transactions with shareholders		**(237,845)**	**(20,941,370)**	**(21,941,370)**
As at 31 December 2019		**488,655,945**	**(97,116,382)**	**391,539,563**

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

KKV Secured Loan Fund Limited
Half-Yearly Report and Unaudited Condensed Consolidated Financial Statements for the six months ended 31 December 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2020

	Notes	Six months ended 31 December 2020 (Unaudited) £	Six months ended 31 December 2019 (Unaudited) Restated £
Cash flow from operating activities:			
Total comprehensive income/(loss) for the period		15,103,672	(61,773,692)
Adjustments for:			
Finance income[1]		(10,069,721)	(20,635,929)
Net unrealised (gain)/loss on revaluation of investments		5,544	298,362
Net unrealised foreign exchange loss/(gain)		11,528,261	(1,995,009)
Net realised foreign exchange loss/(gain) on investments		486,715	(50,152)
Net realised gain on investments		(269,907)	(164,042)
Depreciation	8	52,774	1,145,981
Impairment	8	1,710	-
(Increase)/decrease in investment receivables[1]		(14,162)	122,465
(Increase)/decrease in other receivables and prepayments[1]		(576,714)	229,133
Decrease in due from broker		-	630,000
Increase in investment payables[1]		16,029	1,532
Decrease in other payables and accrued expenses[1]		(17,711)	(319,240)
Increase in due to broker		-	1,780,000
Acquisition of investments[1]	9,10	(3,028,499)	(26,757,984)
Amortisation of investment principal[1, 2]	9,10	11,995,506	24,253,530
Sale of investments designated at fair value through profit or loss[2]		186,060	372,426
Expected credit loss reversal/(provision)[1]	9,10	(18,987,050)	77,877,481
Collective interest income received[1]		3,524,949	12,732,746
Net cash inflow provided by operating activities		**9,937,456**	**7,747,608**
Cash flow from financing activities			
Ordinary Shares repurchased	14	-	(237,845)
Dividends paid	15	-	(17,950,500)
Net cash used in financing activities		**-**	**(18,188,345)**
Net increase/(decrease) in cash and cash equivalents		**9,937,456**	**(10,440,737)**
Cash and cash equivalents at start of the period[1]		8,997,906	22,039,165
Effect of exchange rate changes on cash and cash equivalents		(947,866)	(927,691)
Cash and cash equivalents at end of the period		**17,987,496**	**10,670,737**

[1] The comparatives have been restated as other receivables, interest receivable, investment receivable and other payables have been reclassified to loans and other investments and finance lease and hire purchase investments. Refer to note 22 for further information.

[2] The comparatives have been restated to disclose the sale of investments designated at fair value through profit or loss separately from amortisation of investment principal. Refer to note 22 for further information.

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The Company was incorporated on 28 May 2014 and registered in Guernsey as a Closed-ended Collective Investment Scheme. The Company's registered office is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA. The Company's Ordinary Shares were admitted to the FCA's Official List and to trading on the Main Market of the London Stock Exchange on 14 July 2014.

The 2016 C Shares are listed separately on the Main Market of the London Stock Exchange and were admitted on 12 December 2016. The investments held by the 2016 C Shares are accounted for and managed as a separate pool of assets in accordance with the Company's investment policy. Expenses are split between Ordinary Shares and 2016 C Shares in proportion to their respective NAV.

During the period, nil Ordinary Shares and nil 2016 C Shares (30 June 2020: 288,156 Ordinary Shares and nil 2016 C Shares) were repurchased and are being held in treasury. In total 1,731,838 (30 June 2020: 1,731,838) Ordinary Shares and nil (30 June 2020: nil) 2016 C Shares are held in treasury.

On 17 July 2020 the name of the Company was changed from the SQN Asset Finance Income Fund Limited to the KKV Secured Loan Fund Limited.

The Company's subsidiaries, KKV (Guernsey) Limited, KKV (Amber) Limited, KKV (Bronze) Limited, KKV (Cobalt) Limited and KKV (Diamond) Limited (the "Subsidiaries") are wholly owned subsidiaries incorporated in Guernsey and established for the primary purpose of acting as investment holding companies.

The names of the Subsidiaries were changed on 20 July 2020 and were previously called SQN Asset Finance (Guernsey) Limited, SQN AFIF (AMBER) Limited, SQN AFIF (BRONZE) Limited SQN AFIF (Cobalt) Limited and SQN AFIF (Diamond) Limited. The Subsidiaries' registered office is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA.

2. Accounting Policies

The preparation of the unaudited condensed consolidated financial statements in accordance with IAS 34 requires the application of certain critical accounting estimates and also requires the Directors to exercise judgement in applying its accounting policies. The areas where significant judgements and estimates have been used are included in note 3.

The Group has applied the same accounting policies as in its Annual Report and audited consolidated financial statements for the year ended 30 June 2020.

2.1 Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the EU. They do not include all the disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Annual Report and audited consolidated financial statements for the year ended 30 June 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. These financial statements have been prepared using the same accounting policies applied for the year ended 30 June 2020 Annual Report, except for new amendments adopted by the Group as set out on the following page. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

Definition of material (amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)

The International Accounting Standards Board has redefined its definition of material, issued practical guidance on applying the concept of materiality and issued proposals focused on the application of materiality to disclosure of other accounting policies. The amendments are not expected to have a material impact on the Company's condensed consolidated financial statements.

Several other amendments and interpretations are effective from 1 January 2020, but these do not have an impact on the condensed consolidated financial statements.

Going Concern

At the Extraordinary General Meeting ("EGM") of the Company held on 16 July 2020, shareholders voted for the continuation of the Ordinary Share Class and against the continuation of the 2016 C Share class, following which proposals were to be put forward for the managed wind-down of the 2016 C Share class only, with a further continuation vote to be held in respect of the Ordinary Share Class in 2021.

While Ordinary shareholders as a whole supported continuation of the Ordinary Share Class, a substantial proportion of the Ordinary shareholders voted against continuation. In addition, since the EGM held on 16 July 2020, the Portfolio Manager raised concerns over the valuation of certain assets held within the Company's portfolios. In light of this and continuing feedback from several major shareholders, both the Board and the Portfolio Manager were of the view that shareholder value was best maximised by placing the Ordinary Share Class into a managed wind-down alongside the 2016 C Share class.

On 13 November 2020, the Company published a circular containing recommended proposals, to be tabled at the EGM held on 4 December 2020. The proposals included changes, which would allow the Company to go into managed wind down, including updates to the articles, to the investment objective and investment policy, to allow a realisation strategy and to return capital to investors.

At the EGM held on 4 December 2020, the adoption of the new articles, the new investment objective and investment policy were passed with the requisite majority and subsequently the Company was placed into managed wind down.

These condensed consolidated financial statements have been prepared on a basis other than going concern as the Company is in managed wind down.

With the condensed consolidated financial statements being prepared on a basis other than going concern, IFRS 9 requires financial assets to be measured at fair value through profit or loss with the change in measurement to be effective in the financial period following the wind down decision. As such, this change in fair value recognition will only be effective from the period beginning 1 January 2021. During the period ended 31 December 2020, Property, Plant and Equipment has been measured at net realisable value given that the condensed consolidated financial statements are prepared on a basis other than going concern. The Board are not aware of any additional impact on the condensed consolidated financial statements in regard to the Company being in managed wind down. These condensed consolidated financial statements do not include provisions for the wind down of the Company that have not been contractually committed. The Board expects the wind down of the Company to be over a two to three year period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

There have been no material revisions to the estimates and judgements reported in the Annual Report and audited consolidated financial statements for the year ended 30 June 2020.

The preparation of the condensed consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Key Sources of Estimation Uncertainty

Expected credit losses ("ECL") provision

Key estimates and assumptions applied by the Board and Portfolio Manager when considering expected credit losses provision relate to the determination of the probability of default and the loss given default. As at 31 December 2020, the ECL reversal was £18,987,050 (30 June 2020: provision of £230,468,999).

Although these estimates and assumptions are based on best knowledge of current facts, circumstances and, to some extent, future events and actions, the actual results may ultimately differ from those estimates, possibly significantly. Uncertainty over these provisions exist due to the broad range of possible valuations arising from the quality and accessibility of underlying collateral as well as its specialist nature, volatile market conditions, the binary nature of certain positions, the outcomes of ongoing negotiations and the assumptions used in determining the valuations.

The portfolio includes a number of positions with a gross value of £58.3 million (30 June 2020: £90.2 million) where there are limited enforcement options, and hence recoverable value, and as a consequence these positions have been fully provided for. The Group is engaged in negotiations in respect of some of these facilities which if successful could lead to material recoveries to the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Changes to Material Agreements and Related Party Transactions

There were no changes to any material agreements during the six month period ended 31 December 2020.

Below are details of any significant updates to the related party disclosure in the Annual Report and audited consolidated financial statements for the year ended 30 June 2020.

The Portfolio Manager Fee

2016 C Share

For the period 1 July 2020 to 16 July 2020 (the date that the continuation vote was not passed), the Portfolio Manager was entitled to a management fee calculated and accrued monthly and payable monthly in arrears at the following rate per annum of the 2016 C Share NAV:

On first £300 million of the NAV	1.00%
On £300 million - £500 million of the NAV	0.90%
Any amount greater than £500 million of the NAV	0.80%

From 17 July 2020 (following the continuation vote not passing), the Portfolio Manager fee for the 2016 C Shares is calculated by segregating the portfolio into performing and non-performing assets. The split between performing and non-performing assets is based on the position as at 31 March 2020.

The performing assets will be subject to a management fee of 1.0% of NAV per annum. The non-performing assets will be subject to a lower management fee of 0.75% of NAV per annum plus a performance fee calculated on the realised capital value of the non-performing assets. The performance fee is calculated as 10% of any net gains on realisations during each financial year in excess of the carrying value of those assets as at 31 March 2020.

The total fees payable is capped at 1.0% of the average NAV for the financial year of that class, with any excess performance fee being carried forward to the following years and which may be offset by the Group against any net negative realisations, with any final balance outstanding becoming payable on the conclusion of the wind-down for the relevant class.

Ordinary Shares

The Portfolio Manager is entitled to a management fee calculated and accrued monthly and payable monthly in arrears at the following rate per annum of the Ordinary Share NAV:

On first £300 million of the NAV	1.00%
On £300 million - £500 million of the NAV	0.90%
Any amount greater than £500 million of the NAV	0.80%

For the period ended 31 December 2020, the Portfolio Manager received their fee based on the published NAV. The financial statements for the year ended 30 June 2020, which were signed off in January 2021, included additional ECL provisions which resulted in an overpayment being made to the Portfolio Manager. Portfolio Manager fees from January 2021 onwards are subject to a 40% clawback until the overpaid amount has been repaid. Refer to note 11.

During the period, the management fees due to the Portfolio Manager amounted to £989,693 (31 December 2019: £2,272,037 to the Investment Managers). At 31 December 2020, £179,705 of the management fees was payable to the Portfolio Manager (30 June 2020: £281,489 of management fees was payable, £234,575 to the Portfolio Manager and £46,914 to the Investment Managers).

The management fee was amended subsequent to the reporting period and the changes are detailed in note 19.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Changes to Material Agreements and Related Party Transactions (Continued)

The Portfolio Manager Fee (Continued)
Under the Investment Management Agreement, the Portfolio Manager (formerly the Investment Managers) are also entitled to structuring fees for Ordinary Shares, which are calculated as 1% on the value of new investments. With the Company in managed wind down it is not anticipated that the Portfolio Manager will receive any future structuring fees. During the period, structuring fees of £nil were received by the Portfolio Manager (31 December 2019: £148,479 was received by the Investment Managers).

The Investment Managers were entitled to receive commitment fees, that were paid by investees direct (these are not paid by the Group). During the period, commitment fees of £nil were received by the Portfolio Manager (31 December 2019: £80,534 was received by the Investment Managers).

The Portfolio Manager did not receive any other fees during the period ended 31 December 2020.

Share Interest
The table below details the Ordinary Shares and 2016 C Shares held by the Directors in the Company:

	31 December 2020		30 June 2020	
Director	**Number of Ordinary Shares (Unaudited)**	**Number of 2016 C Shares (Unaudited)**	**Number of Ordinary Shares (Audited)**	**Number of 2016 C Shares (Audited)**
Peter Niven	79,858	3,860	79,858	3,860
John Falla	19,637	3,829	19,637	3,829
Paul Meader	47,000	-	47,000	-
Brett Miller	-	-	-	-
David Copperwaite	310,000	-	210,000	-
Christopher Spencer	n/a	n/a	19,929	3,845
Jacqueline Redmond	n/a	n/a	-	-

Brett Miller was appointed on 16 September 2020 as a non-independent Director. In addition to his Director fee, Mr Miller also received £20,000 per month from 1 October 2020 to 31 March 2021, increasing to £25,000 per month from 1 April 2021, for his additional duties assigned by the Board.

Christopher Spencer and Jacqueline Redmond resigned from the Board on 30 October 2020. They are not related parties as at 31 December 2020.

David Copperwaite was appointed as a non-executive, independent Director on 31 December 2020.

Paul Meader and John Falla did not stand for re-election at the annual general meeting ("AGM") held on 31 December 2020. Paul Meader's shares are held in the name of his spouse Sarah Kingwell.

Refer to note 19 for Board and Committee changes subsequent to the period ended 31 December 2020.

The table below details the Ordinary Shares and 2016 C Shares held by a Director on the Board of the Portfolio Manager in the Company:

	31 December 2020		30 June 2020	
Director	**Number of Ordinary Shares (Unaudited)**	**Number of 2016 C Shares (Unaudited)**	**Number of Ordinary Shares (Audited)**	**Number of 2016 C Shares (Audited)**
Dawn Kendall	-	22,959	-	22,959

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Changes to Material Agreements and Related Party Transactions (Continued)

Entities related to the Portfolio Manager

SQN Asset Finance (Ireland) DAC ("SQN Ireland")
Certain investments in the loans and construction finance investment categories as disclosed in note 9.1, have been invested through SQN Ireland. SQN Ireland purchases investments by issuing bonds to the Group.
From the inception of SQN Ireland to 5 June 2020, the UK Asset Manager, the wholly owned subsidiary of the US Investment Manager was the authorised investment fund manager, and acted as investment manager to SQN Ireland.

From 6 June 2020, the Portfolio Manager has acted as investment manager to SQN Ireland.

5. Other Operating Expenses

	Six months ended 31 December 2020 (Unaudited) £	Six months ended 31 December 2019 (Unaudited) £
Administration and secretarial fees	289,247	237,420
Audit fees	125,000	30,000
Non audit related services fee	18,000	18,000
Brokerage fees	24,417	25,285
Public relation fees	38,335	30,154
Registrar fees	24,336	32,561
Professional fees	105,915	100,099
Legal fees	295,999	489,879
Transaction fees	49,905	55,642
Other expenses	52,816	72,921
Investment valuation fees	350,589	-
Total	**1,374,559**	**1,091,961**

Audit fees of £125,000, include £95,000 of overrun fees on the audit of the Group's financial statements for the year ended 30 June 2020. Non-audit related services for the six months ended 31 December 2020 and 31 December 2019 relate to the review of the Half-Yearly Report and unaudited condensed consolidated financial statements.

Legal fees in the sum of £70,854 (31 December 2019: £419,841) relate to the Suniva investment.

Investment valuation fees relate to the expenses associated with the engagement of independent third parties to assist the Board with the review and /or security valuation of certain investments held by the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Basic and Diluted Earnings/(Loss) per Share

31 December 2020 (Unaudited)	**Ordinary Shares**	**2016 C Shares**
Total comprehensive income for the period	£11,877,602	£3,226,070
Weighted average number of shares in issue during the period	355,975,669	138,924,222
Basic and diluted earnings per share	3.34p	2.32p
31 December 2019 (Unaudited)	**Ordinary Shares**	**2016 C Share**
Total comprehensive (loss)/income for the period	£(66,645,831)	£4,872,139
Weighted average number of shares in issue during the period	356,222,993	138,924,222
Basic and diluted (loss)/earnings per share	(18.71)p	3.51p

7. NAV per Share

31 December 2020 (Unaudited)	**Ordinary Shares**	**2016 C Shares**
NAV	£140,689,640	£97,932,862
Number of shares in issue at period end	355,975,669	138,924,222
NAV per share	39.52p	70.49p
30 June 2020 (Audited)	**Ordinary Shares**	**2016 C Shares**
NAV	£128,812,045	£94,706,785
Number of shares in issue at year end	355,975,669	138,924,222
NAV per share	36.19p	68.17p

The number of Ordinary Shares in issue is presented after deducting 1,731,838 (30 June 2020: 1,731,838) treasury shares.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Property, Plant and Equipment

Property, Plant and Equipment comprises plant and machinery originally subject to:

a) A hire purchase investment which was re-leased to an alternative third party under an operating lease. The asset has a remaining useful life of 9 years (30 June 2020: 9.5 years).
b) A finance lease which was re-leased to an alternative third party under an operating lease. The asset has a remaining useful life of 5.5 years (30 June 2020: 6 years).
c) A hire purchase investment which was re-leased to an alternative third party under an operating lease. The asset has a remaining useful life of 2.5 years (30 June 2020: 3 years).

The carrying amount is detailed in the table below:

	31 December 2020 (Unaudited)	30 June 2020 (Audited)
Cost	**£**	**£**
Opening balance	**15,775,272**	**17,748,326**
Disposals during the period/year	-	(1,973,054)
Closing balance	**15,775,272**	**15,775,272**
Accumulated depreciation and impairment		
Opening balance	**(14,807,763)**	**(3,395,646)**
Disposals during the period/year	-	419,640
Depreciation during the period/year	(52,774)	(2,256,921)
Impairment/impairment reversal during the period/year	(1,710)	(9,574,836)
Closing balance	**(14,862,247)**	**(14,807,763)**
Net realisable value	**913,025**	**967,509**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments

Loans and Other Investments
The Group holds construction finance investments, which comprise initial drawings or advances made under loan agreements, finance leases or hire-purchase agreements during a period of procurement or construction of underlying assets (the "Construction Period"). During the Construction Period, interest or similar service payments on the advances may be paid or (more usually) rolled-up and capitalised on expiry of the Construction Period, typically when the assets have been commissioned and (if applicable) commercial operations have commenced. Following the expiry of the Construction Period, construction finance investments are converted into either loans, finance leases or hire purchase and reclassified in the consolidated financial statements to the loans, finance lease and hire-purchase investment categories.

The following table summarises the changes in investments measured at amortised cost using the effective interest method:

31 December 2020 (Unaudited)	**Loans**	**Construction Finance**	**Total**
	£	**£**	**£**
Opening balance	**193,909,752**	**153,786,440**	**347,696,192**
Advances and purchases during the period	-	3,028,499	3,028,499
Principal amortisation during the period	(5,086,252)	(2,110,620)	(7,196,872)
Realised foreign exchange loss on investments	(507,098)	(6,371)	(513,469)
Unrealised foreign exchange loss on revaluation	(7,254,443)	(3,156,429)	(10,410,872)
Capitalised interest	2,049,324	2,600,535	4,649,859
Closing balance	**183,111,283**	**154,142,054**	**337,253,337**
ECL provision			
Opening balance	**(87,920,052)**	**(119,098,948)**	**(207,019,000)**
Movement of ECL provision during the period	10,699,058	11,546,177	22,245,235
Closing balance	**(77,220,994)**	**(107,552,771)**	**(184,773,765)**
Closing balance	**105,890,289**	**46,589,283**	**152,479,572**

Refer to note 17 for further details on the ECL provision.

As at 31 December 2020, total loans and other investments of £152,479,572 has been classified as non-current assets (£77,205,165) and current assets (£75,274,407) in the Unaudited Condensed Consolidated Statement of Financial Position.

In the above table, loans and construction finance investments with a carrying value of £96,700,491 (net of £36,843,659 ECL) (30 June 2020: £93,397,211 (net of £43,592,322 ECL)) have been invested through SQN Ireland. Refer to note 4 for further information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

Loans and Other Investments (Continued)

30 June 2020 (Audited)	Loans	Construction Finance	Total
	£	£	£
Opening balance	**188,193,139**	**144,009,107**	**332,202,246**
Advances and purchases during the year	2,665,085	15,995,267	18,660,352
Principal amortisation during the year	(7,310,904)	(583,599)	(7,894,503)
Reclassified investments[1]	-	(9,372,536)	(9,372,536)
Reclassified investments[2]	(775,443)	-	(775,443)
Realised foreign exchange gain/(loss) on investments	505,416	(360,460)	144,956
Unrealised foreign exchange gain on revaluation	2,419,266	957,571	3,376,837
Capitalised interest[3]	8,213,193	3,141,090	11,354,283
Closing balance	**193,909,752**	**153,786,440**	**347,696,192**
ECL provision			
Opening balance	**(2,676,787)**	**(4,564,992)**	**(7,241,779)**
Movement in ECL provision during the year	(85,243,265)	(114,533,956)	(199,777,221)
Closing balance	**(87,920,052)**	**(119,098,948)**	**(207,019,000)**
Closing balance	**105,989,700**	**34,687,492**	**140,677,192**

[1] This item relates to advances in the construction finance investment category that were converted to finance leases and hire purchase following the expiry of the Construction Period and have been reclassified as additions in the finance lease and hire-purchase investment categories in the sum of £8,681,411 and £691,125 respectively, as detailed in note 10.
[2] This item relates to an investment that has been reclassified to the finance lease investment category following a restructuring. Refer to note 10 for additional information.
[3] Capitalised interest represents interest on investments due to the Group which has not been received and is past due. Capitalised interest on investments has been included in the principal balance and has been fully provided for as part of the ECL.

Refer to note 17 and the Portfolio Manager report for further details regarding the ECL provision.

As at 30 June 2020, total loans and other investments of £140,677,192 has been classified as non-current assets (£81,845,596) and current assets (£58,831,596) in the Unaudited Condensed Consolidated Statement of Financial Position.

In the above table, loans and construction finance investments with a carrying value of £93,397,211 (net of £43,592,322 ECL) have been invested through SQN Ireland. Refer to note 4 for further information.

The amortisation period (in the case of a loan) or lease/hire term (in the case of a finance lease or hire-purchase) commences at the end of the Construction Period and the service payments or lease/hire payments rentals are calculated by reference to the total advances during the Construction Period plus interest accrued (if not paid). In the case of a finance lease, the advances (and accrued interest) are repayable in full if a default or insolvency event occurs or if the Construction Period has not ended by a specified long-stop date.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

Loans and Other Investments (Continued)
Receivables comprise the legal right to streams of contracted payments arising under lease, hire, licence or similar agreements made between an end-user, lessee or licensee and lessor, owner or licensor of goods or other assets, in respect of which the right to receive payment has been sold or assigned absolutely to the Group by a third party, but legal title to the goods or other assets lies with that third party.

The Group has provided debtor-in-possession financing for a US solar manufacturing company, in order to protect the Group's interest in the equipment that secures its loan. US$2.18 million remained outstanding as at 31 December 2020 (equivalent to £1.60 million) (30 June 2020: US$2.18 million (equivalent to £1.77 million)). This amount has been reclassified in these consolidated financial statements to the loan investment category from other receivables and a 100% ECL provision applied given the material uncertain timing and quantum of outcomes possible.

10. Finance Lease and Hire-Purchase Investments

The Group's investments include a portfolio of leases of plant and machinery leased under finance lease agreements that transfer substantially all the risks and rewards incidental to ownership to the lessee and in hire-purchase agreements that include a purchase option exercisable by the lessee upon fulfilment of specified conditions. Under these agreements, the lessee pays periodic rent for the use of the assets for a fixed or minimum initial term of typically 3 to 10 years. At the end of the fixed or minimum term, the lessee can typically elect to:

- return the asset to the Group;
- in the case of hire-purchase, exercise an option to purchase the assets, typically at a 'bargain' price;
- extend the lease for a further minimum term or from year to year on payment of a pre-agreed rent (which is typically substantially lower than the rent paid during the initial term); or
- arrange a sale of the asset to a third party and (typically) receive all or the majority of the proceeds of sale. Legal title to the leased assets remains with the Group at all times prior to such sale.

The following tables summarise the changes in finance lease and hire-purchase investments:

31 December 2020 (Unaudited)	**Finance Lease**	**Hire-Purchase**	**Total**
	£	**£**	**£**
Opening balance	**61,081,038**	**41,584,106**	**102,665,144**
Realised gain on investment	104,348	-	104,348
Principal amortisation during the period	(2,568,488)	(2,230,146)	(4,798,634)
Unrealised foreign exchange loss on revaluation	(169,523)	-	(169,523)
Realised foreign exchange gain on investments	9,111	-	9,111
Capitalised interest	1,271,506	699,167	1,970,673
Closing balance	**59,727,992**	**40,053,127**	**99,781,119**
ECL Provision			
Opening balance	**(20,980,690)**	**(10,294,107)**	**(31,274,797)**
Movement in ECL provision during the period	(2,556,842)	(701,343)	(3,258,185)
Closing balance	**(23,537,532)**	**(10,995,450)**	**(34,532,982)**
Closing balance	**36,190,460**	**29,057,677**	**65,248,137**

Refer to note 17 for further details on the ECL provision.

As at 31 December 2020, finance lease and hire-purchase investments of £65,248,137 has been classified as non-current assets (£47,377,145) and current assets (£17,870,992) in the Unaudited Condensed Consolidated Statement of Financial Position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Finance Lease and Hire-Purchase Investments (Continued)

30 June 2020 (Audited)	Finance Lease	Hire-Purchase	Total
	£	£	£
Opening balance	**51,916,033**	**50,551,340**	**102,467,373**
Additions during the year	9,089,307	5,651,863	14,741,170
Reclassified Construction Finance investments[1]	8,681,411	691,125	9,372,536
Reclassified Lease investment[2]	775,443	-	775,443
Realised gain on investment	81,033	-	81,033
Principal amortisation during the year	(12,691,176)	(15,307,192)	(27,998,368)
Realised foreign exchange gain on investments	120,093	-	120,093
Unrealised foreign exchange gain on investments	529,721	-	529,721
Capitalised interest[3]	2,579,173	(3,030)	2,576,143
Closing balance	**61,081,038**	**41,584,106**	**102,665,144**
ECL provision			
Opening balance	**(208,512)**	**(374,507)**	**(583,019)**
Movement in ECL provision during the year	(20,772,178)	(9,919,600)	(30,691,778)
Closing balance	**(20,980,690)**	**(10,294,107)**	**(31,274,797)**
Closing balance	**40,100,348**	**31,289,999**	**71,390,347**

[1] This item relates to advances that previously appeared in the Construction Finance investment category in note 9.1 and have been reclassified as Finance Lease or Hire-Purchase Investments. The item has been reclassified as construction was completed during the year.
[2] This item relates to an investment that has been reclassified from the Loans investments category. Please refer to note 9.1 for additional information.
[3] Capitalised interest represents interest on investments due to the Group which has not been received and is past due. Capitalised interest on investments has been included in the principal balance and has been fully provided for as part of the ECL.

Refer to note 17 and the Portfolio Manager report for further details on the ECL provision.

As at 30 June 2020, finance lease and hire-purchase investments of £71,390,347 has been classified as non-current assets (£51,720,665) and current assets (£19,669,682) in the Unaudited Condensed Consolidated Statement of Financial Position.

Residual Value

Assets leased to third parties under finance leases had an unguaranteed residual value at the end of the period of £119,155 (30 June 2020: £127,557).

During the period, one residual investment was sold for £13,946. During the year ended 30 June 2020, two residual investments were sold for £304,712.

Interest Receivables

Interest receivables represent accrued interest receivable on performing leases and loans.

The Group has financial risk management policies in place to monitor that all receivables are received within the credit time frame. The Directors considers that the carrying amount of all receivables approximates to their fair value.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Other Receivables and Prepayments

	31 December 2020 (Unaudited) £	30 June 2020 (Audited) £
Prepaid transaction fees	714,055	745,557
Portfolio Manager fees claw back	608,216	-
	1,322,271	**745,557**

For the period ended 31 December 2020, the Portfolio Manager received their fee based on the published NAV. The financial statements for the year ended 30 June 2020, which were signed off in January 2021, included additional ECL provisions which resulted in an overpayment being made to the Portfolio Manager. Portfolio Manager fees from January 2021 onwards are subject to a 40% clawback until the overpaid amount has been repaid.

12. Other Payables and Accrued Expenses

	31 December 2020 (Unaudited) £	30 June 2020 (Audited) £
Investment management fees – due to Investment Mangers	-	46,914
Investment management fees – due to Portfolio Manager	179,705	234,575
Administration and secretarial fees	37,251	74,500
Audit fees	149,000	30,000
Printing fees	23,423	17,438
Brokerage fees	8,068	7,980
Other payables	45,191	48,942
	442,638	**460,349**

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of all payables approximates to their fair value.

13. Commitments and Contingent Liabilities

As at 31 December 2020, the Group had committed to invest a further £nil (30 June 2020: £925,500). These commitments are classified as ‘hard commitments’ of £nil (30 June 2020: £925,500) which represent investments for which the documentation is finalised and ‘soft commitments’ of £nil (30 June 2020: £nil) which represent investments at varying stages of documentation.

The Group did not have any contingent liabilities as at 31 December 2020 and 30 June 2020.

14. Share Capital

The authorised share capital of the Company is represented by an unlimited number of shares of no par value which may be designated as Ordinary Shares, C Shares or otherwise as the Directors may from time to time determine. All shares hold equal rights with no restrictions and no shares carry special rights with regard to the control of the Company. There are no special rights attached to the shares in the event that the Company is wound up. In accordance with the Company’s articles, the Company holds separate share class meetings, for both the Ordinary Shares and the 2016 C Shares, at which shareholders vote on resolutions specific to each share class.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Share Capital (Continued)

The 2016 C Share investments are accounted for and managed as a separate pool of assets in accordance with the Company's investment policy. Shared expenses which relate to both classes are split between Ordinary Shares and 2016 C Shares based on their respective NAV.

The Company's share capital is denominated in Sterling.

	Number of Shares	Stated Capital	Number of Shares	Stated Capital
	31 December 2020 (Unaudited)	31 December 2020 (Unaudited)	30 June 2020 (Audited)	30 June 2020 (Audited)
		£		£
Ordinary Shares	355,975,669	352,151,873	355,975,669	352,151,873
2016 C Shares	138,924,222	136,504,072	138,924,222	136,504,072
Total	**494,899,891**	**488,655,945**	**494,899,891**	**488,655,945**

The number of shares in issue does not include 1,731,838 (30 June 2020: 1,731,838) treasury shares.

Share Buybacks

On 31 December 2020 the Directors were granted authority to repurchase 53,360,753 Ordinary Shares and 20,824,741 2016 C Shares (being equal to 14.99% of the number of Ordinary Shares and 2016 C Shares in issue) for cancellation. This authority will expire at the forthcoming AGM. The Directors intend to seek annual renewal of this authority from shareholders. Pursuant to this authority, and subject to Companies Law and the discretion of the Directors, the Company may purchase Ordinary Shares and 2016 C Shares in the market if they believe it to be in shareholders' interests.

During the period, nil (30 June 2020: 288,156, 31 December 2019: 288,156) Ordinary Shares were repurchased. Nil (30 June 2020: Nil) 2016 C Shares were repurchased during the period. As at 31 December 2020, 1,731,838 (30 June 2020: 1,731,838, 31 December 2019: 1,731,838) Ordinary Shares are held in treasury.

Issued Share Movements

	31 December 2020		30 June 2020	
	Number (Unaudited)	Stated Capital (Unaudited)	Number (Audited)	Stated Capital (Audited)
		£		£
Balance at the start of the period	**494,899,891**	**488,655,945**	**495,188,047**	**488,893,790**
Ordinary Shares repurchased	-	-	(288,156)	(237,845)
Balance at the end of the period	**494,899,891**	**488,655,945**	**494,899,891**	**488,655,945**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Dividends

On 18 March 2020, dividend payments on both the Ordinary and 2016 C share classes were suspended, the last dividend paid was for January 2020. Up to 17 March 2020, the Company targeted a dividend of 7.25 pence per Ordinary Share and 2016 C Share. Dividend payments to shareholders were subject to the Company being able to satisfy the solvency test immediately after payment of such dividend.

No dividends were declared by the Company to its shareholders during the period ended 31 December 2020.

The table below details the dividends declared by the Company to its shareholders each month from May 2019 to November 2019. The dividend for December 2019 had an announcement date after the period ended 31 December 2019.

Period (Unaudited)	Announcement Date	Payment Date	Amount per Share	Amount
Ordinary Shares				**£**
1 to 31 May 2019	24 June 2019	26 July 2019	0.6042p	2,152,546
1 to 30 June 2019	23 July 2019	23 August 2019	0.6042p	2,152,546
1 to 31 July 2019	27 August 2019	27 September 2019	0.6042p	2,152,546
1 to 31 August 2019	30 September 2019	25 October 2019	0.6042p	2,152,546
1 to 30 September 2019	28 October 2019	29 November 2019	0.6042p	2,152,546
1 to 31 October 2019	22 November 2019	27 December 2019	0.6042p	2,151,490
1 to 30 November 2019	20 December 2019	24 January 2020	0.6042p	2,151,490
Total				**15,065,710**
2016 C Shares				**£**
1 to 31 May 2019	24 June 2019	26 July 2019	0.6042p	839,380
1 to 30 June 2019	23 July 2019	23 August 2019	0.6042p	839,380
1 to 31 July 2019	27 August 2019	27 September 2019	0.6042p	839,380
1 to 31 August 2019	30 September 2019	25 October 2019	0.6042p	839,380
1 to 30 September 2019	28 October 2019	29 November 2019	0.6042p	839,380
1 to 31 October 2019	22 November 2019	27 December 2019	0.6042p	839,380
1 to 30 November 2019	20 December 2019	24 January 2020	0.6042p	839,380
Total				**5,875,660**
Grand Total				**20,941,370**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Segmental Reporting

There are two reportable segments as at 31 December 2020: Ordinary Shares and 2016 C Shares. Each Share Class has its own portfolio, is listed separately on the Main Market of the London Stock Exchange and the Directors review internal management reports for each segment separately on a quarterly basis.

The Directors view the operations of the two reportable segments as one operating segment, being investment business and both segments have the same investment objectives. All significant operating decisions are based upon analysis of the Group's investments as one segment. The financial results from this segment are equivalent to the financial results of the Group as a whole.

The Directors do not view the classification of investments held in the Group's portfolio (as detailed on the consolidated statement of financial position) to be reportable segments. Additional information is included in notes 8, 9 and 10, to assist users with their understanding of these consolidated financial statements.

The tables below provide a breakdown of the condensed Consolidated Statement of Comprehensive Income between the reportable segments:

31 December 2020 (Unaudited)	**Ordinary Shares £**	**2016 C Shares £**	**Total £**
Total income	6,594,532	3,886,531	10,481,063
Net realised and unrealised loss	(8,435,501)	(3,315,112)	(11,750,613)
Total operating expenses (excluding ECL)	(1,684,570)	(929,258)	(2,613,828)
ECL reversal	15,403,141	3,583,909	18,987,050
Total comprehensive income for the period	**11,877,602**	**3,226,070**	**15,103,672**

31 December 2019 (Unaudited) – Restated[1]	**Ordinary Shares £**	**2016 C Shares £**	**Total £**
Total income	15,405,962	6,229,576	21,635,538
Net realised and unrealised loss	(323,356)	(440,319)	(763,675)
Total operating expenses (excluding ECL)	(3,727,248)	(897,310)	(4,624,558)
ECL	(78,001,189)	(19,808)	(78,020,997)
Total comprehensive (loss)/income for the period	**(66,645,831)**	**4,872,139**	**(61,773,692)**

[1] Refer to note 22 for further information on the restatement.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Segmental Reporting (Continued)

The tables below provide a breakdown of the condensed Consolidated Statement of Financial Position between the reportable segments:

31 December 2020 (Unaudited)	Ordinary Share	2016 C Share	Total
	£	£	£
Non-current assets	63,414,522	62,199,968	125,614,490
Current assets	77,508,041	35,958,638	113,466,679
Total assets	**140,922,563**	**98,158,606**	**239,081,169**
Current liabilities	(232,923)	(225,744)	(458,667)
Net assets	**140,689,640**	**97,932,862**	**238,622,502**
Equity	**140,689,640**	**97,932,862**	**238,622,502**

30 June 2020 (Audited)	Ordinary Share	2016 C Share	Total
	£	£	£
Non-current assets	66,290,597	68,370,730	**134,661,327**
Current assets	62,819,871	26,497,981	**89,317,852**
Total assets	**129,110,468**	**94,868,711**	**223,979,179**
Current liabilities	(298,423)	(161,926)	**(460,349)**
Net assets	**128,812,045**	**94,706,785**	**223,518,830**
Equity	**128,812,045**	**94,706,785**	**223,518,830**

17. Credit Risk

The IFRS 9 impairment requirements are based on an expected credit loss model. Impairment of financial assets is recognised in stages:

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Credit Risk (Continued)

The Directors after taking advice from and consulting with the Portfolio Manager have applied an ECL to each of the investments in the portfolio.

Gross exposure reconciliation

The following tables below detail the gross exposure of loans and other investments and finance lease and hire purchase investments:

31 December 2020 (Unaudited)	Stage 1	Stage 2	Stage 3	Total
	£	£	£	£
Gross balance at 1 July 2020	**119,171,922**	**10,514,047**	**320,675,367**	**450,361,336**
New loans advanced	-	-	3,028,499	3,028,499
Transfers between stages	(2,169,067)	-	2,169,067	-
Unrealised foreign exchange movement	(765,062)	(90,345)	(9,724,988)	(10,580,395)
Realised gain/(loss) including foreign exchange	127,875	-	(527,885)	(400,010)
Change in capitalised interest	610,451	11,664	5,998,417	6,620,532
Loans repayments	(4,416,557)	(492,234)	(7,086,715)	(11,995,506)
Gross balance at 31 December 2020	**112,559,562**	**9,943,132**	**314,531,762**	**437,034,456**

30 June 2020 (Audited)	Stage 1	Stage 2	Stage 3	Total
	£	£	£	£
Gross balance at 1 July 2019	**245,045,796**	**159,655,750**	**29,968,073**	**434,669,619**
New loans advanced	29,451,904	3,949,619	-	33,401,523
Transfers between stages	(140,992,213)	(151,683,643)	292,675,856	-
Unrealised foreign exchange movement	901,315	91,588	2,913,662	3,906,565
Realised gain/(loss) including foreign exchange	127,660	(247)	218,665	346,078
Change in capitalised interest	429,347	(16,465)	13,517,538	13,930,420
Loans repayments	(15,791,887)	(1,482,555)	(18,618,427)	(35,892,869)
Gross balance at 30 June 2020	**119,171,922**	**10,514,047**	**320,675,367**	**450,361,336**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Credit Risk (Continued)

ECL Reconciliation
The following tables show the movement in expected credit losses recognised for the respective financial assets:

31 December 2020 (Unaudited)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£	**£**	**£**	**£**
ECL at 1 July 2020	**(3,646,016)**	**(847,737)**	**(233,800,044)**	**(238,293,797)**
Increase in loss allowance arising from new loans advanced	-	-	(2,405,494)	(2,405,494)
Transfers between stages	151,835	-	(151,835)	-
Loans repayments	20,335	-	-	20,335
Change in credit risk parameters	96,102	(174,599)	21,450,706	21,372,209
ECL at 31 December 2020	**(3,377,744)**	**(1,022,336)**	**(214,906,667)**	**(219,306,747)**

Change in credit risk parameters
During the period ended 31 December 2020, there was a significant reduction in the expected credit loss due to the improved performance of a loan which had a £nil net carrying value as at 30 June 2020. Post period end in February 2021, the borrower bought back their debt at a price of 60c (on the US Dollar), net proceeds were $24.3 million. Refer to Borrowers 7 and 9 in the Portfolio Manager's Report for further information.

30 June 2020 (Audited)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£	**£**	**£**	**£**
ECL at 1 July 2019	**(147,684)**	**(3,586,776)**	**(4,090,338)**	**(7,824,798)**
Transfers between stages	58,340	3,582,779	(3,641,119)	-
Loans repayments	4,336	-	-	4,336
Change in credit risk parameters	(3,561,008)	(843,740)	(226,068,587)	(230,473,335)
ECL at 30 June 2020	**(3,646,016)**	**(847,737)**	**(233,800,044)**	**(238,293,797)**

Change in credit risk parameters
During the year, the Portfolio Manager, with the oversight of the Board and the AIFM, conducted a thorough review of the investments held in the Group's portfolio. This review resulted in an additional ECL of £230.5 million during the year. The changes in the ECL were caused predominantly by a reassessment of the valuation and risk profiling of debt held within the portfolio attributing appropriate PD and LGD expectations to the positions held. The Portfolio Manager, with the oversight of the Board and the AIFM, have impaired distressed and aged debtors and made some provision for Covid-19 related events that occurred in the final quarter of the year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Credit Risk (Continued)

The table below details the net amount of loans and other investments and finance lease and hire purchase investments in each stage:

31 December 2020 (Unaudited)

	Stage 1 £	Stage 2 £	Stage 3 £	Total £
Finance Lease and Hire Purchase investments	45,436,861	4,077,544	50,266,714	99,781,119
ECL	(1,694,936)	(371,253)	(32,466,793)	(34,532,982)
Total (net of the ECL)	**43,741,925**	**3,706,291**	**17,799,921**	**65,248,137**
Loans and other investment	67,122,701	5,865,588	264,265,048	337,253,337
ECL	(1,682,808)	(651,083)	(182,439,874)	(184,773,765)
Total (net of the ECL)	**65,439,893**	**5,214,505**	**81,825,174**	**152,479,572**
Total ECL	**(3,377,744)**	**(1,022,336)**	**(214,906,667)**	**(219,306,747)**

30 June 2020 (Audited)

	Stage 1 £	Stage 2 £	Stage 3 £	Total £
Finance Lease and Hire Purchase investments	49,635,787	4,558,933	48,470,424	102,665,144
ECL	(1,894,976)	(405,787)	(28,974,034)	(31,274,797)
Total (net of the ECL)	**47,740,811**	**4,153,146**	**19,496,390**	**71,390,347**
Loans and other investment	69,536,135	5,955,120	272,204,937	347,696,192
ECL	(1,751,040)	(441,950)	(204,826,010)	(207,019,000)
Total (net of the ECL)	**67,785,095**	**5,513,170**	**67,378,927**	**140,677,192**
Total ECL	**(3,646,016)**	**(847,737)**	**(233,800,044)**	**(238,293,797)**

Financial assets credit quality summary

The Group uses a credit model which grades each asset into a common risk category (the "Portfolio Manager Credit Score") based on the PD, LGD and loan exposure at default. This allows for all exposures to be placed on the same analytical basis with an expected loss model. The model also creates the framework for assigning ECL provisions. The purpose of the model is to establish a consistent framework for grading exposures risk and an input into the underwriting decision. Pre-determined loan characteristics will be used to generate the PD and the LGD. The Portfolio Manager Credit Score provides a basis for comparing across borrowers and collateral types.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Derivative Financial Assets / (Liabilities)

On 18 March 2020, the foreign exchange forward derivatives used to hedge non Sterling exposures back to Sterling were closed out. This was to preserve liquidity and to avoid creating liquidity pressures for the Group as Sterling had notably weakened due to Covid-19.

As at 31 December 2020 and 30 June 2020, the Group did not have any open forward foreign exchange contracts.

19. Events after the Reporting Period

Temporary suspension

As the Company did not publish the 2020 Annual Report and audited consolidated financial statements before 31 December 2020, the latest date permitted for publication of the 2020 results under the Financial Conduct Authority's (the "FCA") Disclosure Guidance and Transparency Rules (as modified by the temporary relief granted to all listed companies by the FCA on 26 March 2020), the Company requested that the listing of the Company's Ordinary Shares and 2016 C Shares be temporarily suspended with effect from 7.30 a.m. on 4 January 2021 until the publication of the 2020 results.

The 2020 Annual Report and audited consolidated financial statements were published on 27 January 2021 and temporary suspension was lifted on the same date.

Sale of Investments

Borrowers 7 and 9 in the Portfolio Manager’s Report

On 18 February 2021, the Board announced that it has received net proceeds of $24.3 million from the refinancing of two existing investments in a US based reinsurance company. The two investments were held by the Ordinary Share Class.

The two investments were stage 3 as at 31 December 2020, with a carrying value of £17.5 million and an ECL provision of £11.4 million.

Borrowers 14 and 15 in the Portfolio Manager’s Report

On 22 March 2021, the Board announced that the Company had disposed of two loans held in the Ordinary Share Class portfolio. The two loans were underwritten alongside an equity sponsor and have now been refinanced with another provider, achieving an IRR to the Company of 9.50% across both loans. Total consideration payable to the Company was £16.0 million, settlement proceeds were received in March 2021 and are net of introducer and structuring fees of £257,000 which were capitalised at the time of underwriting in 2016.

The two loans were stage 1 as at 31 December 2020, with a carrying value of £15.2 million and an ECL provision of £0.4 million.

Borrower 13 in the Portfolio Manager’s Report

On 22 March 2021, the Board announced the disposal of an AD Plant, held in the Ordinary Share Class portfolio, for a consideration of £2.9 million, which was received in March 2021.

The AD Plant was stage 3 as at 31 December 2020, with a carrying value of £2.9 million and an ECL provision of £5.9 million.

Refer to the Portfolio Manager's Report for further detail.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Events after the Reporting Period (Continued)

Return of capital
On 24 February 2021, the Board announced a return of capital of 5 pence per share to Ordinary Shareholders, being £17.8 million and 12 pence per share to 2016 C Shareholders, being £16.7 million. The ex-date was 5 March 2021, the record date was 8 March 2021, cheques were sent out on 16 March 2021 and CREST payments made on 17 March 2021.

On 9 April 2021, the Board announced a return of capital of 5.5 pence per share to Ordinary Shareholders, being £19.6 million and 6 pence per share to 2016 C Shareholders, being £8.3 million. The ex-date was 21 April 2021, the record date is 22 April 2021, cheques will be sent out on 30 April 2021 and CREST payments will be made on 4 May 2021.

Board and Committee changes
On 24 February 2021, the Board announced the appointment of Brendan Hawthorne as an independent non-executive director, fulfilling the role of Chairman of the Board, with immediate effect. He was also appointed as Chairman of the Audit and Risk Committee with effect from 24 February 2020. As at approval of these unaudited condensed consolidated financial statements, Mr Hawthorne did not own any Ordinary or 2016 C Shares in the Company.

Mr Hawthorne is an experienced non-executive director and chairman with significant work-out experience in the listed and private equity environments. He has more than 25 years' experience as an asset recovery specialist and is frequently invited to join boards where a form of orderly wind down is indicated.

The Chairman is also Chairman of the Audit and Risk Committee. In view of the Company being in managed wind-down, the Board consider this appropriate given the Board’s size and Mr Hawthorne’s significant financial expertise and independence from the executive management of the Company.

Peter Niven resigned as a Director with effect from 24 February 2021.

David Copperwaite was Chairman of the Audit and Risk Committee from 31 December 2020 to 24 February 2021 and was appointed as Chairman of Remuneration and Nomination Committee with effect from 1 January 2021.

Brett Miller was appointed Chairman of Management Engagement Committee with effect from 1 January 2021.

Management Fee Arrangements
On 24 February 2021, the Board announced it had agreed a revised fee arrangement with the Portfolio Manager in respect of the ongoing management of the Ordinary Share portfolio following approval by the Ordinary Shareholders to place the Ordinary Share class into managed wind-down alongside the 2016 C Share class.

The Investment Manager Agreement was amended to reduce the management fee payable on the Ordinary Shares as detailed below:

- 0.96 per cent. of the Ordinary Share NAV for the period from 1 January 2021 to 31 December 2021;
- 0.92 per cent. of the Ordinary Share NAV for the period from 1 January 2022 to 31 December 2022; and
- 0.80 per cent. of the Ordinary Share NAV per annum for the period from 1 January 2023 onwards.

Refer to note 4 for detail of management fee payable on Ordinary Shares for the period ended 31 December 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Reconciliation of NAV to Published NAV

For the year ended 30 June 2020, the following table details the change in the NAVs to the ones announced via the Regulatory News Service on 24 July 2020:

30 June 2020 (Audited)	**Ordinary Shares £**	**Ordinary Shares per share**	**2016 C Shares £**	**2016 C Shares per share**
Published NAV	219,623,786	61.70p	128,336,297	92.38p
ECL	(90,527,865)	(25.43)p	(34,035,994)	(24.50)p
Impairment	(4,800,519)	(1.35)p	-	-
Fair value adjustment	(2,021,995)	(0.57)p	-	-
Accrued income adjustment	6,538,638	1.84p	406,482	0.29p
NAV attributable to shareholders	**128,812,045**	**36.19p**	**94,706,785**	**68.17p**

21. Ultimate Controlling Party

In the opinion of the Directors, there is no single ultimate controlling party.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Comparative Figures Reclassifications

The amounts outstanding as receivable in the prior period (period ended 31 December 2019) have been restated to re-allocate receivable and payable balances to the specific asset balance, where an appropriate ECL has been applied (see note 17 for further details).

Detailed below are the amounts that have been reallocated as at 31 December 2019 on the Unaudited Condensed Consolidated Statement of Comprehensive Income and the Unaudited Condensed Consolidated Statement of Cash Flows:

1. Interest was suspended on stage 3 investments in the published financial statements for the period ending 31 December 2019. Interest in the sum of £3,498,658 represents the interest on these investments which is due to the Group. This interest amount has been capitalised and fully provided for by increasing the ECL.

2. Foreign exchange loss on cash and cash equivalents, receivables and payables, was included in net unrealised foreign exchange gain on forward contracts in the consolidated statement of comprehensive Income. This has now been disclosed separately.

3. Per the Unaudited Condensed Consolidated Statement of Cash Flows, £1,497,134 of interest receivables, investment receivables and other receivables has been reallocated between investment payables, other payables and accrued expenses, acquisition of investments, amortisation of investment principal, sale of investments designated at fair value through profit or loss, expected credit loss provision and collective invested received.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Comparative Figures Reclassifications (Continued)

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2019 (Unaudited)

	As previously stated £	Restatement adjustment £	As restated £	Ref
Income				
Finance income	17,137,271	3,498,658	20,635,929	1
Interest on cash and cash equivalents	44,658	-	44,658	
Other income	954,951	-	954,951	
Total income	**18,136,880**	**3,498,658**	**21,635,538**	
Net unrealised loss on revaluation of investments	(298,362)	-	(298,362)	
Net unrealised foreign exchange loss on investments	(6,966,958)	-	(6,966,958)	
Net unrealised foreign exchange gain on forward contracts	8,961,967	927,691	9,889,658	2
Net realised gain on investments	164,042	-	164,042	
Net realised foreign exchange gain on investments	50,152	-	50,152	
Net realised foreign exchange loss on forward contracts	(2,674,516)	-	(2,674,516)	
Foreign exchange loss	-	(927,691)	(927,691)	2
Net realised and unrealised loss	**(763,675)**	**-**	**(763,675)**	
Expenses				
Investment management fees	(2,272,037)	-	(2,272,037)	
Directors' fees	(114,579)	-	(114,579)	
Other operating expenses	(1,091,961)	-	(1,091,961)	
Depreciation	(1,145,981)	-	(1,145,981)	
Expected credit loss provision	(74,522,339)	(3,498,658)	(78,020,997)	1
Total operating expenses	**(79,146,897)**	**(3,498,658)**	**(82,645,555)**	
Loss before tax	**(61,773,692)**	**-**	**(61,773,692)**	
Taxation	-	-	-	
Loss after tax	**(61,773,692)**	**-**	**(61,773,692)**	
Total comprehensive (loss)/income for the period analysed as follows:				
Attributable to Ordinary shareholders	(66,645,831)	-	(66,645,831)	
Attributable to 2016 C shareholders	4,872,139	-	4,872,139	
Total	**(61,773,692)**	**-**	**(61,773,692)**	

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Comparative Figures Reclassifications (Continued)

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2019 (Unaudited)

	As previously stated £	Restatement adjustment £	As restated £	Ref
Cash flow from operating activities:				
Total comprehensive loss for the period	(61,773,692)	-	(61,773,692)	
Adjustments for:				
Finance income	-	(20,635,929)	(20,635,929)	
Net unrealised loss on revaluation of investments	298,362	-	298,362	
Net unrealised foreign exchange gain	(1,995,009)	-	(1,995,009)	
Net realised foreign exchange gain on investments	(50,152)	-	(50,152)	
Net realised gain on investments	(164,042)	-	(164,042)	
Depreciation	1,145,981	-	1,145,981	
(Increase)/decrease in interest receivable	(1,675,992)	1,675,992	-	3
Decrease in investment receivables	328,548	(206,083)	122,465	3
Decrease in other receivables and prepayments	201,908	27,225	229,133	3
Decrease in due from broker	630,000	-	630,000	
(Decrease)/increase in investment payables	(37,510)	39,042	1,532	3
Decrease in other payables and accrued expenses	(87,286)	(231,954)	(319,240)	3
Increase in due to broker	1,780,000	-	1,780,000	
Acquisition of investments	(29,541,723)	2,783,739	(26,757,984)	3
Amortisation of investment principal	24,309,392	(55,862)	24,253,530	
Sale of investments designated at fair value through profit or loss	-	372,426	372,426	3
Expected credit loss provision	74,378,823	3,498,658	77,877,481	1, 3
Collective interest income received	-	12,732,746	12,732,746	3
Net cash outflow provided by operating activities	**7,747,608**	**-**	**7,747,608**	
Cash flow from financing activities				
Ordinary Shares repurchased	(237,845)	-	(237,845)	
Dividends paid	(17,950,500)	-	(17,950,500)	
Net cash used in financing activities	**(18,188,345)**	**-**	**(18,188,345)**	
Net decrease in cash and cash equivalents	**(10,440,737)**	**-**	**(10,440,737)**	
Cash and cash equivalents at start of the period[1]	22,039,165	-	22,039,165	
Effect of exchange rate changes on cash and cash equivalents	(927,691)	-	(927,691)	
Cash and cash equivalents at end of the period	**10,670,737**	**-**	**10,670,737**	

Alternative Performance Measures

1. Share Price Premium / (Discount)

The share price discount to NAV has been calculated as the percentage difference between the NAV per share and the closing share price of the Ordinary Shares and 2016 C Shares on the same date (source: Bloomberg).

Reason for use

To provide transparency in the difference between the NAV and the Ordinary Share and 2016 C Share price and to help investors identify and monitor the performance of the Group.

	Ordinary Shares		2016 C Shares	
	31 December 2020	30 June 2020	31 December 2020	30 June 2020
NAV per share (A)	£0.3952	£0.3619	£0.7049	£0.6817
Closing share price per Bloomberg (B)	£0.1650	£0.3190	£0.3480	£0.5700
Discount to NAV per share ((B-A)/A)	(58.25)%	(11.85)%	(50.63)%	(16.39)%

2. NAV Total Return

NAV total return per share is calculated as the movement in the NAV per share plus the total dividends paid per share during the period, with such dividends paid being re-invested at the prevailing NAV on a monthly basis.

Total return since inception is for the period 31 July 2014 to 31 December 2020 for Ordinary Shares and 31 December 2016 to 31 December 2020 for 2016 C Shares.

Reason for use

To provide transparency in the Company's performance and to help investors identify and monitor the compounded total returns of the Company.

Annualised return

The 3 year annualised return is calculated as the geometric average amount of monthly total returns over the past 3 years.

Reason for use

To provide transparency of the Company's performance and to help investors identify and monitor their total return over a 3 year period if the annual return was compounded.

Ordinary Shares	Period to 31 December 2020	Year to 31 December 2020	3 year	Since Inception
Opening NAV per share (A)	£0.3619	£0.7257	£0.9924	1.0000
Closing NAV per share (B)	£0.3952	£0.3952	£0.3952	£0.3952
Dividends paid (C)	-	£0.0181	£0.1631	£0.3716
NAV total return per share (D=(B-A+C)/A)	9.20%	(43.05)%	(43.74)%	(23.32)%

Alternative Performance Measures (Continued)

2. NAV Total Return (Continued)

2016 C Shares	**Period to 31 December 2020**	**Year to 31 December 2020**	**3 year**	**Since Inception**
Opening NAV per share (A)	£0.6817	£0.9803	£0.9784	1.0000
Closing NAV per share (B)	£0.7049	£0.7049	£0.7049	£0.7049
Dividends paid (C)	-	£0.0181	£0.1306	£0.1413
NAV total return per share (D=(B-A+C)/A)	3.40%	(26.25)%	(14.61)%	(15.38)%

3. Weighted Average Portfolio Yield

The weighted average portfolio yield on the Group's assets to maturity is based on the interest rate applicable to each asset, giving effect to all upfront or similar fees or original issue discount payable with respect to each asset.

Weighted average portfolio yield has been calculated before any ECL or impairment provisions and cash adjustments for accrued income.

Reason for use

To illustrate the expected return on the Group's assets to maturity.

4. Weighted Average Remaining Term

The weighted average remaining term ("WART") is the money weighted average amount of time until the maturity of the Group's investments. The higher the WART, the longer it takes for all of the investments in a portfolio to be realised.

Reason for use

To provide transparency of the Group's performance and to help investors identify whether the WART matches their investing time frame.

COMPANY INFORMATION

Non-Executive, Independent Directors

Peter Niven
(Chairman of the Board)
(Resigned 24 February 2021)

John Falla
(Chairman of the Audit and Risk Committee to 31 December 2020)
(Did not stand for re-election at the AGM held on 31 December 2020)

Christopher Spencer
(Chairman of the Management Engagement Committee to 30 October 2020)
(Resigned 30 October 2020)

Paul Meader
(Senior Independent Director and Chairman of the Remuneration and Nomination Committee to 31 December 2020)
(Did not stand for re-election at the AGM held on 31 December 2020)

Dr Jacqueline Redmond
(Appointed 4 December 2019)
(Resigned 30 October 2020)

David Copperwaite
(Chairman of the Audit and Risk Committee from 31 December 2020 to 24 February 2021 and Chairman of the Remuneration and Nomination Committee with effect from 1 January 2021)
(Appointed 31 December 2020)

Brendan Hawthorne
(Chairman of the Board and Chairman of the Audit and Risk Committee with effect from 24 February 2021)
(Appointed 24 February 2021)

Non-Independent Director

Brett Miller
(Chairman of the Management Engagement Committee with effect from 1 January 2021)
(Appointed 16 September 2020)

Registered Office

BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA

Portfolio Manager from 6 June 2020

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

Alternative Fund Investment Manager (AIFM) from 6 June 2020

International Fund Management Limited, Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA

US Investment Manager and Alternative Investment Fund Manager to 5 June 2020

SQN Capital Management, LLC, 100 Wall Street, 11th Floor, New York, New York, 10005, USA

UK Investment Manager to 5 June 2020

SQN Capital Management (UK) Limited, Melita House, 124 Bridge Road, Chertsey, Surrey, KT16 8LA

Financial Adviser and Broker

Winterflood Securities Limited, The Atrium Building, Cannon Bridge House, 25 Dowgate, Hill, London, EC4R 2GA

Auditor

Deloitte LLP, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3HW

COMPANY INFORMATION (CONTINUED)

Registrar
Link Market Services (Guernsey) Limited, Mont Crevelt House, Bulwer Avenue, St Sampsons, Guernsey, GY2 4LH

Principal Bankers
BNP Paribas Securities Services S.C.A., BNP Paribas House, St Julian’s Avenue, St Peter Port, Guernsey, GY1 1WA

Designated Administrator, Custodian and Secretary
BNP Paribas Securities Services S.C.A., Guernsey Branch, BNP Paribas House, St Julian’s Avenue, St. Peter Port, Guernsey, GY1 1WA

Receiving Agent
Link Asset Services Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Legal Advisers to the Group (English Law)
CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF

Legal Advisers to the Group (Guernsey Law)
Mourant, Royal Chambers, St Julian’s Avenue, St Peter Port, Guernsey, GY1 4HP

Website www.kkvim.com/kkv-secured-loan-fund/

LIST OF ACRONYMS

Terms	Definition
AD	Anaerobic Digestion
AGM	Annual General Meeting
AIFM	Alternative Fund Investment Manager
AIFMD	Alternative Fund Investment Manager Directive
CLO	Collateralised Loan Obligation
CVA	Company Voluntary Arrangement
DIP	Debtor in Possession
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortisation
EGM	Extraordinary General Meeting
ECL	Expected Credit Loss
FCA	Financial Conduct Authority
FX	Foreign Exchange
IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
KKVIM	KKV Investment Management Limited
KKVL	Ordinary Shares
KKVLX or KKVX	2016 C Class Shares
KVIKA	Kvika Bank hf
LGD	Loss Given Default
LTV	Loan to Value
NAV	Net Asset Value
NCV	Net Carrying Value
RNS	Regulatory News Service
PD	Probability of Default
SME	Small & Medium Enterprise
SPV	Special Purpose Vehicle