KKV SECURED LOAN FUND LIMITED

Annual Report and Audited Consolidated Financial Statements
for the year ended 30 June 2021

GROUP METRICS FOR THE YEAR ENDED 30 JUNE 2021

As at 30 June 2021, the investment objective of 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. The Group's base currency is Sterling.

1.38% per Ordinary Share[1] **13.99%** per 2016 C Share[1]	**26.19p** per Ordinary Share **59.71p** per 2016 C Share	**(33.18)%** Ordinary Share[1] **(41.38)%** 2016 C Share[1]
NAV total return per share for the year ended 30 June 2021	NAV per Share as at 30 June 2021	Share price discount to NAV as at 30 June 2021
£111 million	**37.38 million** for the Ordinary Share class **25.01 million** for the 2016 C Share class	**21.36 million** for the Ordinary Share class **38.90 million** for the 2016 C Share class
Market capitalisation of Ordinary Shares and 2016 C Shares as at 30 June 2021	Return of capital to shareholders during the year ended 30 June 2021	Return of capital to shareholders after the reporting year ended 30 June 2021

The NAV total return for the year ended 30 June 2021 was 1.38% for Ordinary Shares and 13.99% for 2016 C Shares. The comparatives for the other group metrics detailed above are disclosed on pages 5 to 7.

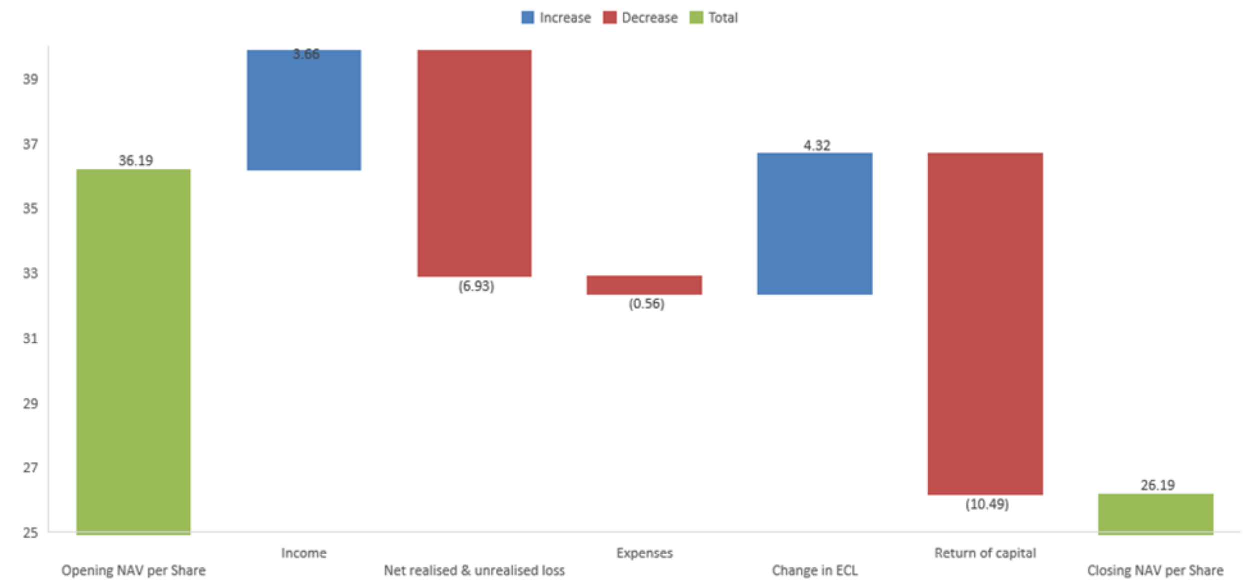
As the Company is in managed wind down, the business model changed from holding the assets to maturity to actively realising assets in line with the updated investment policy. This has led to a change in the measurement basis of the remaining assets in the portfolio to fair value rather than amortised cost, which was effective from 1 January 2021.

[1] These are Alternative Performance Measures; refer to pages 139 to 142 for details.

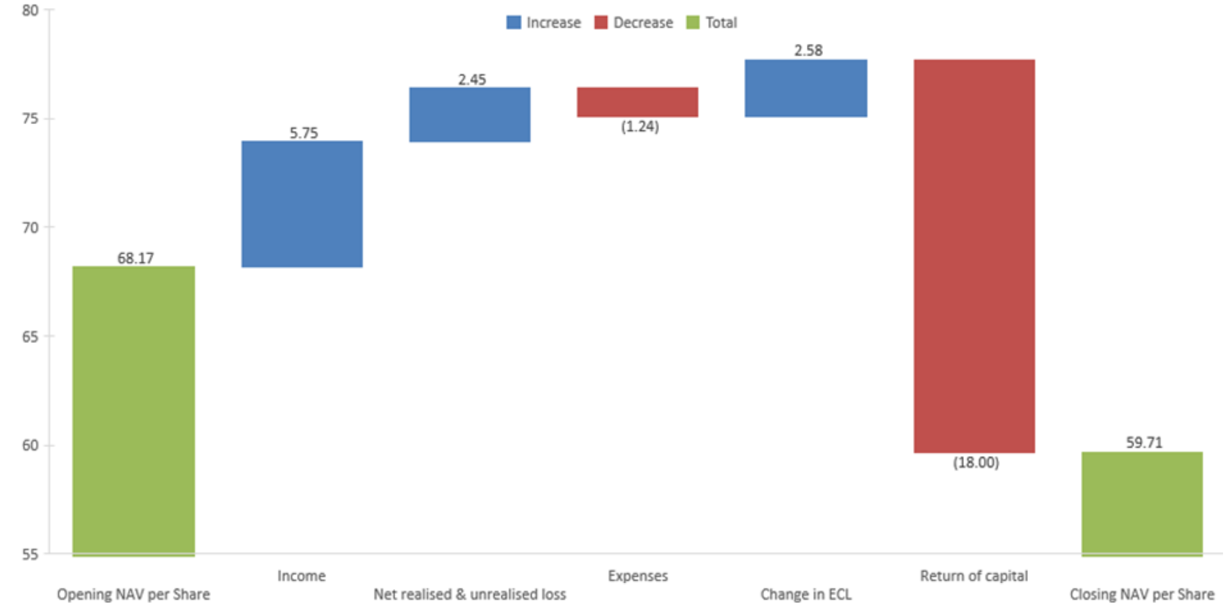
GROUP METRICS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

The key drivers of the change in Net Asset Value ("NAV") between 1 July 2020 and 30 June 2021 are highlighted in the graphs below:

Ordinary Shares



2016 C Share



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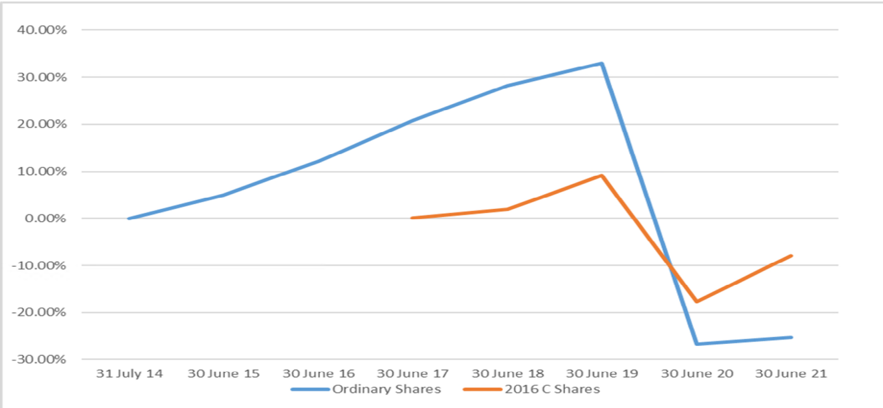
FINANCIAL METRICS AND PERFORMANCE SUMMARY

Financial Metrics

NAV Total Return[1]
The NAV total return measures how the NAV per Ordinary share and 2016 C share has performed over a period, taking into account both capital distributions and dividends paid to shareholders. The NAV total return achieved by the Group is detailed in the table below:

Period	Ordinary Shares	2016 C Shares
Year to 30 June 2021	1.38%	13.99%
3 year[2]	(50.09)%	(8.49)%
Since inception	(26.15)%	(8.16)%

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



Return of Capital
The Company was placed into managed wind down on 4 December 2020 and the investment objective of the Ordinary Shares and the 2016 C Shares was changed to realise all remaining assets in a prudent manner consistent with the principles of good investment management and to return cash to shareholders in an orderly manner. During the year ended 30 June 2021, the Company made a return of capital on two separate occasions, as detailed below, returning a total of £37,377,445 to Ordinary shareholders and £25,006,360 to 2016 C shareholders.

	Ordinary Shares		2016 C Shares	
Record date	Amount per Share	Amount returned to shareholders	Amount per Share	Amount returned to shareholders
8 March 2021	5p	£17,798,783	12p	£16,670,907
22 April 2021	5.5p	£19,578,662	6p	£8,335,453

Please refer to note 15 for full details of the Company's return of capital.

Post year-end, the Company made two further returns of capital to Ordinary shareholders and 2016 C shareholders. Refer to the Strategic Report and note 19 for further details.

Ongoing Charges[1]
The ongoing charges for the year ended 30 June 2021 are 1.63% (30 June 2020: 1.31%).

[1] Refer to pages 139 to 142 for the calculation of these alternative performance measures.
[2] NAV total return over a 3-year period from 1 July 2018 to 30 June 2021.

FINANCIAL METRICS AND PERFORMANCE SUMMARY (CONTINUED)

Financial Metrics (Continued)

Dividend History

With the Company in managed wind down, the Board does not intend to declare any further dividends. No dividends were paid during the year ended 30 June 2021. Refer to note 16 for details on dividends paid during the prior year.

Acquisition of Own Ordinary Shares

The Group did not repurchase any Ordinary or 2016 C shares during the year. 288,156 Ordinary Shares were repurchased during the year ended 30 June 2020 for a total cost of £237,845. As at 30 June 2021, 1,731,838 (30 June 2020: 1,731,838) Ordinary Shares are held in treasury. Subsequent to the year-end, the Ordinary Shares held in treasury were cancelled. No 2016 C Shares were held in treasury.

FINANCIAL METRICS AND PERFORMANCE SUMMARY (CONTINUED)

Performance Summary

Sterling in millions, except per share data and number of shares in issue	30 June 2021	30 June 2020
Number of shares in issue		
- Ordinary Shares[1]	355,975,669	355,975,669
- 2016 C Shares	138,924,222	138,924,222
NAV		
- Ordinary Shares	£93.24	£128.81
- 2016 C Shares	£82.95	£94.71
NAV per share		
- Ordinary Shares	26.19p	36.19p
- 2016 C Shares	59.71p	68.17p
Share price[2]		
- Ordinary Shares	17.50p	31.90p
- 2016 C Shares	35.00p	57.00p
Share price discount		
- Ordinary Shares	(33.18)%	(11.9)%
- 2016 C Shares	(41.38)%	(16.4)%
Market capitalisation[2]		
- Ordinary Shares	£62.30	£113.56
- 2016 C Shares	£48.62	£79.19
Earnings/(loss) per share		
- Ordinary Shares	0.51p	(53.28)p
- 2016 C Shares	9.54p	(24.54)p
Dividend paid per share		
- Ordinary Shares	-	5.44p
- 2016 C Shares	-	5.44p
Return of Capital		
- Ordinary Shares	£37.38	-
- 2016 C Shares	£25.01	-
Comprehensive income/(loss) before dividends	£15.06	£(223.81)
Investments	£150.93	£213.16
Cash and cash equivalents	£25.35	£9.00
Weighted average portfolio yield[3]		
- Ordinary Shares – performing	9.36%	9.61%
- 2016 C Shares - performing	9.46%	9.37%
- Consolidated - performing	9.41%	9.49%
Weighted average remaining term[3]		
- Ordinary Shares – performing	58.10 months	78.33 months
- 2016 C Shares - performing	61.00 months	57.57 months
- Consolidated - performing	59.60 months	68.23 months

[1]The number of Ordinary Shares in issue is presented after deducting 1,731,838 (30 June 2020: 1,731,838) treasury shares.
[2] Source: Bloomberg
[3] Of the invested portfolio. Calculated using performing assets only. These are Alternative Performance Measures; refer to pages 139 and 142 for details.

COMPANY OVERVIEW

The investment objective and policy of the Company is set out in the Strategic Report.

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)[1]	**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 page 143.

[1] On 20 August 2021, the Company reached agreement with the Portfolio Manager to terminate the Investment Management Agreement between the Company, the Portfolio Manager and International Fund Management Limited with effect from midnight on 31 December 2021. IFM remain as the Company's AIFM.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to provide shareholders with my first annual Chairman's Statement, covering the period from 1 July 2020 to 30 June 2021. During the reporting period, the Company has been through a significant transformation. Following the appointment of the Portfolio Manager at the end of the last reporting period, the Board have conducted an independent review of the loan valuation methodology, reconstituted the valuation policy under IFRS 9 accounting rules and reconstituted the Board. Effective 31 December 2021, the Company has agreed to end the management contract with the Portfolio Manager.

Following shareholder votes, both share classes are now in managed wind down and the new Directors and Portfolio Manager are all working to achieve maximum value in a timely fashion. I am pleased that we have been able to commence returning capital to shareholders in both share classes.

Performance

The Net Asset Value ("NAV") total return per Ordinary Share was 1.38% and the NAV total return per 2016 C Share was 13.99% for the year ended 30 June 2021. Other key metrics were:

- For the reporting period, the Company has reported a combined profit after tax of £15.06 million.
- The Ordinary Share NAV at 30 June 2021 was £93.24 million (26.19p per Ordinary Share) compared to £128.8 million (36.19p per Ordinary Share) as at 30 June 2020.
- The 2016 C Share NAV at 30 June 2021 was £82.95 million (59.71p per 2016 C Share) compared to £94.71 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, understandably reflecting the uncertainty of outcomes.

As at 30 June 2021, the Ordinary Share Class was at a discount to NAV of 33.18% and the 2016 C Share Class was at a discount of 41.38%.

Board of Directors

As referenced above, 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 AGM held on 31 December 2020.
- Peter Niven remained Chairman until I joined the Board on 24 February 2021.

Appointments:

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

CHAIRMAN'S STATEMENT (CONTINUED)

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.

Key Developments
It has been an incredibly busy period. In addition to the changes highlighted above, the following notable events occurred:

- $24.3m was realised from the refinancing of the exposure to a US based reinsurance company, representing a gain over carrying value of 4.91p per Ordinary Share.
- The inter class share loan from the 2016 C Shares to the Ordinary Shares was repaid in February 2021.
- The first return of capital was announced on 24 February 2021 with 5p per Ordinary Share and 12p per 2016 C Share being returned to shareholders.
- Revised management fee arrangements were agreed as announced on 25 February 2021.
- Loans to Borrowers 14 & 15 were refinanced in March 2021 resulting in receipts to the Company of £16 million. The first AD plant was disposed of in March 2021 for £2.9 million.
- A second return of capital was made in April 2021 comprising 5.5p per Ordinary Share and 6p per 2016 C Share.
- The exposure to Borrower 17 was refinanced in June 2021 resulting in receipts of £5.1million.
- Dawn Kendall took temporary leave of absence in May 2021, subsequently extended and has not yet returned to work. This resulted in additional pressure and workload for the Board and other members of the Portfolio Manager's team.
- The Company became embroiled in a dispute between the Portfolio Manager and SQN Capital Management as announced on 25 June 2021. This dispute has now been settled.

Post period end
Subsequent to the period end, the pace of activity has continued:

- A further 3p per Ordinary Share and 7p per 2016 C Share was returned to shareholders in July 2021.
- In August 2021, a further loan held by the 2016 C Share class (referred to as Borrower 41 in the December 2020 half-year report) was refinanced for £16.8 million and a loan in the Ordinary Share portfolio was disposed of for $1 million. In addition, a package of loans secured against shipping vessels was refinanced generating proceeds of $16.6 million for the Ordinary Shares and $18.39 million for the 2016 C Shares.
- In August 2021, a further return of capital was announced of 3p per Ordinary Share and 21p per 2016 C Share.
- Also in August 2021, the Company reached agreement with the Portfolio Manager to terminate the Investment Management Agreement with effect from 31 December 2021. Further details were contained in the RNS dated 20 August 2021, and the new management arrangements and incentives proposed are set out in the next two sections of this statement.
- In October 2021, two loans in the 2016 C Share Class were sold for consideration of US$4 million (referred to as Borrowers 42 and 58 in the December 2020 half-year report with a carrying value of £nil). A further loan in the Ordinary Share class (referred to as Borrower 10 in the December 2020 half-year report) was realised for £3.8 million.

CHAIRMAN'S STATEMENT (CONTINUED)

Management Arrangements

As announced on 20 August 2021, the Company reached agreement with the Portfolio Manager to amend the Investment Management Agreement ("IMA") between the Company, the Portfolio Manager and International Fund Management Limited and for the IMA to terminate on 31 December 2021. The agreement provides for the ongoing management of the portfolio to 31 December and for an orderly transition of the management to the Company. Brett Miller, who has been actively involved since the Company went into realisation, will continue to be directly involved in the managed wind down of the portfolio following termination of the IMA.

It is the intention that a number of the employees of the Portfolio Manager will become employees and/or consultants to the Company to assist in the run off post termination of the IMA and discussions are ongoing in this regard. The Board intends to structure incentives for those continuing to be involved to ensure they are motivated to achieve the investment objective of the Company and that their interests are aligned with shareholders. It is the Board's intention that such incentives will be conditional on such personnel being available to assist until the run off is complete or near complete and will contain incentives for achieving realisations in excess of carrying values.

Annual General Meeting ("AGM")

At the forthcoming AGM, in addition to the usual business, the Board are proposing two resolutions and welcome shareholder support for these and the usual resolutions. The first of the two resolutions relates to a one off bonus of £280,000 to recognise the achievements to the 30 June 2021 in achieving the aims of the Company's investment objective of a managed wind down. This amount has not been accrued for in the year end accounts as it has not yet been approved by the shareholders. The second resolution is to adopt an incentive plan for the Board (excluding an independent director), employees and consultants (both present and future). The incentive plan would work by creating a bonus pool calculated as 1.4% of funds returned to shareholders with effect from 1 July 2021 until the end of the Company's life. The Board believe this is important for retaining and incentivising directors, employees and consultants (both present and future) to achieve the investment objectives of the Company.

With effect from 31 December 2020, the current Directors constituted a majority of the Board who were then able to work with the Portfolio Manager on running off the portfolio and returning cash to shareholders. So far the results have been quicker and better than expected but there remains much work to be done on a portfolio that comprises some very difficult assets, a large proportion of which are distressed. At 31 December 2020 the share price of the Ordinary Shares was 16.5p (bid) and the C Shares was 41.9p (bid). Since then we have returned 16.5p a share in cash to the Ordinary Shareholders and 46.0p a share to the C Shareholders. As of close on 25 October 2021 (being the latest practicable date prior to the publication of the Notice of AGM) the Ordinary Shares price was 14.5p and the C Shares price was 22.65p. That is approximately an 88% return for the Ordinary Shareholders and a 64% return for the 2016 C Shareholders. And there's still a lot more work to do.

The Board has repeatedly represented to shareholders that it would aim to return as much as possible of the 30 June 2020 NAV in cash. That NAV was prepared with the benefit of independent valuations for a material proportion of the portfolio that the Portfolio Manager had determined were difficult to value. The 30 June 2020 NAV was 36.19p per Ordinary Share and 68.17p per 2016 C Share. The Company has therefore already returned circa 45% of the Ordinary Share NAV and 67% of the C Share NAV within 9 months. That is materially ahead of expectations. Further, the realisations have been achieved at levels in excess of book value of over $33 million. The Board would nevertheless caution though in expecting this to be the trend – there are some difficult exposures in the portfolio which may achieve less than carrying values or suffer further diminution in value.

Should the Company deliver the 30 June 2021 NAV to shareholders, then the bonus pool for the Incentive Plan would equate to approximately £2.51 million, which is a small fraction of the excess value that has already been delivered to date. The Board also expect savings on the new management arrangements which will come into effect from 1 January 2022 compared with the management fees paid in the previous financial year.

Further details can be found in the Notice of AGM, which can be found on the Company's website - www.kkvim.com/kkv-secured-loan-fund/.

CHAIRMAN'S STATEMENT (CONTINUED)

Outlook

The Board expects the wind-down plan will likely take a further two to three years to execute with the objective of delivering investors total proceeds as close to the 30 June 2020 NAV as possible net of the unavoidable expenses required in the process. Our goal is to achieve a balance between maximising value received for assets and making timely returns of capital.

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. The task ahead remains great and will involve complex negotiations and reassessment of legal documentation. 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
16 November 2021

STRATEGIC REPORT

This Strategic Report is designed to provide information about the Company's business and results for the year ended 30 June 2021. It should be read in conjunction with the Chairman's Statement and the Portfolio Manager's Report, which give a detailed review of investment activities for the year and an outlook for the future. These include a review of the business of the Group and its core activities, the principal risks and uncertainties it faces, dividend policy and results for the year.

Corporate Summary

The Company is a non-cellular company limited by shares, registered in Guernsey under the Companies (Guernsey) Law 2008 (as amended) with registered number 58519. The registered office of the Company is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA, Channel Islands.

The Company is an authorised collective investment scheme in Guernsey, pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended). The Company's Ordinary Shares and 2016 C Shares are listed on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the Main Market of the London Stock Exchange.

As at 30 June 2021, the Company was a member of the Association of Investment Companies (the "AIC") and was classified within the Specialist: Leasing sector. With effect from 1 October 2021, the Company is no longer a member of the AIC. Refer to Significant Events after the Reporting Period for further details.

Significant Events during the Year Ended 30 June 2021

Change of name

At the Extraordinary General Meeting ("EGM") held on 16 July 2020, a resolution to change the Company's name from SQN Asset Finance Income Fund Limited to KKV Secured Loan Fund Limited was approved by the requisite majority.

Managed wind-down of the Company

At the EGM meeting of the Ordinary Share Class held on 16 July 2020, the continuation vote was passed by the requisite majority with a further continuation vote to be held in 2021. The Company was to make no new investments within the Ordinary Share Class prior to the 2021 continuation vote, except for further investment into existing assets that require additional capital or existing undrawn commitments, with any excess cash flow from the amortisation or realisation of assets during the period being returned to shareholders.

At the EGM meeting of the 2016 C Shares Class held on 16 July 2020 meeting, the continuation vote was not passed. In accordance with the proposal set out in the circular published by the Company, the Board committed to formulate proposals for the managed wind-down of the 2016 C Share portfolio and present these to shareholders no later than 6 months from the date of the EGM.

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, (as detailed above), 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, the Board was of the view that shareholder value was best maximised by placing the Ordinary Share Class into managed wind-down alongside the 2016 C Share class. As a result, on the 24 September 2020, the Board announced its intention to put forward proposals for a managed wind-down of the Company.

STRATEGIC REPORT (CONTINUED)

Significant Events during the Year Ended 30 June 2021 (Continued)

Managed wind-down of the Company (continued)
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 amendments to the articles and the adoption of the new investment objective and investment policy were passed with the requisite majority and subsequently the Company was placed into managed wind down.

Review of assets
On 30 September 2020, the Company announced that the Board, AIFM and the Portfolio Manager had identified concerns regarding the valuation of certain assets in the portfolios of the Ordinary Share and 2016 C Share Classes. The Board worked with the Portfolio Manager and the AIFM to understand the nature of the Portfolio Manager's concerns, to identify the full scope of the assets affected and to better understand the impact on the respective NAV per share calculations of the Ordinary Shares and 2016 C Shares.

KPMG LLP was engaged to assist the Board with its ongoing review of the underlying collateral of certain assets.

Suspension of NAVs
On the 30 September 2020, the Board announced that the publication of the Company's July NAVs, and future NAVs, would be delayed until the conclusion of a third-party valuation review.

2020 AGM
The AGM was held in Guernsey on 31 December 2020. All resolutions were passed with the exception of Resolution 1, ‘to receive and consider the Annual Report and audited consolidated financial statements for the year ended 30 June 2020’, which was adjourned until further notice following the delay of publication as detailed below.

The Board notes the votes against Resolution 5 (appointment of the Company's auditors), which represented 20.94% of those shares voting and 9.94% of the issued share capital of the Company. The Board believed the level of votes against Resolution 5 was a consequence of a proxy advisor recommending voting against this resolution given the delay to the publication of the Annual Report and audited consolidated financial statements for the year ended 30 June 2020 and therefore being unable to fully analyse the auditors' fees. The Board believe that this was resolved following the publication of the Annual Report and audited consolidated financial statements for the year ended 30 June 2020.

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.

STRATEGIC REPORT (CONTINUED)

Significant events during the year ended 30 June 2021 (Continued)

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 £17.50 million, ($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 30 June 2020, with a carrying value of £0 million after an ECL provision of £33.27 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 £16.1 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 30 June 2020, with a carrying value of £15.73 million after an ECL provision of £0.46 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 30 June 2020, with a carrying value of £3.05 million after an ECL provision of £5.60 million.

Borrower 17 in the Portfolio Manager's Report
On 1 June 2021, the Board announced that an investment held by the Ordinary Share Class, was refinanced for a consideration payable to the Company of £5.1 million, being the total amount outstanding under the loan. The investment was stage 1 as at 30 June 2020, with a carrying value of £5.26 million after an ECL provision of 0.15 million.

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

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 was 22 April 2021, cheques were sent out on 30 April 2021 and CREST payments made on 4 May 2021.

Board and Committee changes
On 16 September 2020, Brett Miller was appointed as a Non-Independent Director.

On 31 December 2020, David Copperwaite was appointed as a Non-Executive, Independent Director.

STRATEGIC REPORT (CONTINUED)

Significant events during the year ended 30 June 2021 (Continued)

Board and Committee changes (continued)
On 24 February 2021, Brendan Hawthorne was appointed as a Non-Executive, Independent Director, fulfilling the role of Chairman of the Board. He was also appointed as Chairman of the Audit and Risk Committee with effect from 24 February 2021. We note that the Chairman is also Chairman of the Audit and Risk Committee. The Board considers this appropriate given the Board's size, the Company being in managed wind-down, Mr Hawthorne's significant financial expertise and independence from the executive management of the Company.

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

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

The biographies of the Directors can be found on page 50.

Christopher Spencer and Jacqueline Redmond resigned from the Board on 30 October 2020. Paul Meader and John Falla did not seek re-election at the AGM held on 31 December 2020. Peter Niven resigned as a Director with effect from 24 February 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 Management 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 3 for detail of management fee payable on Ordinary Shares for the year ended 30 June 2021.

Portfolio Manager update
On 11 May 2021, the Board announced that Dawn Kendall, the Chief Investment Officer of the Portfolio Manager, was taking a temporary leave of absence. At the time, it was expected that Dawn would be in a position to return to work in approximately two months. In Dawn's absence, other members of the Portfolio Manager's executive team would continue to progress realisation opportunities under the oversight of Ken Hillen, Executive Chairman and Brett Miller, Director of the Company with a number of further potential realisations and/or refinancing being worked on. At the date hereof, Dawn remains on sick leave and has not returned to work.

STRATEGIC REPORT (CONTINUED)

Share Capital and voting rights
The Company's issued share capital as at 30 June 2021 consisted of 357,707,507 Ordinary Shares (including 1,731,838 treasury shares) and 138,924,222 2016 C Shares of no par value. The share capital of the Company is represented by an unlimited number of shares of no par value. All shares hold equal voting 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.

Please refer to note 14 for further information.

Subsidiaries
The Company's subsidiaries are detailed in note 1.

As at 30 June 2021, Brett Miller and David Copperwaite were the Directors of the subsidiaries. Information of each Director is shown on page 50.

Purpose
The Company is an investment company with wholly owned subsidiaries incorporated in Guernsey and established for the primary purpose of acting as investment holding companies. The Company's purpose together with its subsidiaries is to realise all remaining assets in the portfolio of the Ordinary Shares and the 2016 C Shares in a prudent manner consistent with the principles of good investment management and to return cash to shareholders in an orderly manner.

Investment Objective and Investment Policy
After receiving the required approval from shareholders at the EGM held on 4 December 2020, the previous Investment Objective and Investment Policy, were deleted in their entirety and replaced with the new Ordinary Share and 2016 C Share Investment Objective and Investment Policy. Each share class has its own Investment Objective and Investment Policy, which are identical and are set out below.

Investment Objective
The investment objective of the Ordinary Shares and the 2016 C Shares is to realise all remaining assets in the portfolio of both share classes in a prudent manner consistent with the principles of good investment management and to return cash to shareholders in an orderly manner.

Investment Policy
The Company will pursue the investment objective of the Ordinary Share Class and the 2016 C Share Class by effecting an orderly realisation of the assets in a manner that seeks to achieve a balance between maximising the value received from those assets and making timely returns of capital to shareholders. This process might include sales of individual assets, mainly structured as loans and leases, or running off the Ordinary Share and 2016 C Share Portfolios in accordance with the existing terms of the assets, or a combination of both.

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

STRATEGIC REPORT (CONTINUED)

Investment objective and Investment Policy (Continued)

The Company, on behalf of the Ordinary Share Class or the 2016 C Share Class, will cease to make any new investments or to undertake capital expenditure except where, in the opinion of both the Board and the Portfolio Manager:

- the investment is a follow-on investment made in connection with an existing asset held by the Ordinary Share Class or the 2016 C Share Class in order to comply with the Group's pre-existing obligations; or
- failure to make the follow-on investment may result in a breach of contract or applicable law or regulation by the Group; or
- the investment is considered necessary by the Board to protect or enhance the value of any existing investments of the Ordinary Share Class or the 2016 C Share Class to facilitate orderly disposals of assets held by the Ordinary Share Class or the 2016 C Share Class.

Any cash received by the Company as part of the realisation process prior to its distribution to shareholders will be held by the Company, on behalf of the Ordinary Share Class or the 2016 C Share Class, as cash on deposit and/or as cash equivalents.

The Company does not intend to undertake any new borrowings on behalf of the Ordinary Share Class or the 2016 C Share Class, although the Company may borrow where, in the opinion of both the Board and the Portfolio Manager, an investment is considered necessary to protect or enhance the value of an existing investment and the Company does not have the available equity capital to fund the investment. Any such borrowings are expected to be short-term and would be repaid following the realisation of assets.

Any material change to the new Investment Objective and Investment Policy for the Ordinary Share Class or the 2016 C Share Class would require Ordinary Shareholder or 2016 C Shareholder approval in accordance with the Listing Rules.

For further details on the Investment Objective and Policy refer to the Prospectus which can be viewed on the website www.kkvim.com/kkv-secured-loan-fund/.

Significant Events after the Reporting Period

Portfolio Manager update
On 5 July 2021, the Board announced that further to an announcement on 11 May 2021, that Dawn Kendall, the Chief Investment Officer of the Portfolio Manager, had her leave of absence extended to mid-September 2021. As at the date of approval of these financial statements, Dawn Kendall remains on temporary leave.

Amendment and Termination of Investment Management Agreement
On 20 August 2021, the Board announced that it had reached an agreement with the Portfolio Manager to amend the Investment Management Agreement (the "IMA") between the Company, the Portfolio Manager and the AIFM, for the IMA to terminate with effect from midnight on 31 December 2021.

Since June 2020, the value of the Company's total assets has significantly reduced as a result of capital returns across the two share classes and asset impairments following the Portfolio Manager’s detailed review of the portfolio. As the Portfolio Manager's management fees are determined by reference to the Company's NAV, the Portfolio Manager advised the Board that, following the significant reduction in the Company's NAV for the reasons described above, a review of the terms of the IMA was required.

STRATEGIC REPORT (CONTINUED)

Significant Events after the Reporting Period (Continued)

Amendment and Termination of Investment Management Agreement (Continued)
Following the good progress that has been made with the Company's realisation programme since the appointment of the Portfolio Manager, the Board had also given consideration to the ongoing management of the Company's portfolio as capital is returned to shareholders, with the expectation that the management arrangements would need to change as assets reduce over time. In light of this, and following discussions with the Portfolio Manager, the Company and the Portfolio Manager reached a revised agreement for the period to 31 December 2021, while allowing for an orderly transition of the management of the portfolio to the Company as it seeks to complete its realisation programme.

The key terms of the amended IMA are set out below:

- Management fees payable by the Company to the Portfolio Manager of: (i) £230,000 for the month of July 2021; and (ii) £218,500 per month from 1 August 2021 to 31 December 2021;
- A payment of £100,000 in total payable by the Company to the Portfolio Manager conditional on the publication of the Company's Annual Report and audited consolidated financial statements for the year ended 30 June 2021 and the continued provision of certain employees' services to the Company to 31 December 2021;
- The clawback arrangement, as detailed in notes 3 and 11, being cancelled with effect from 1 July 2021. The amount outstanding of £313,733 was cancelled on 1 July 2021; and
- The IMA will terminate with effect from midnight on 31 December 2021. No party has the right to terminate the IMA prior to this date without cause. No fees shall be payable by either party on termination other than those referred to above. In particular, the Company will not be required to make any payment to the Portfolio Manager for the termination of the IMA within the first 36 months of the Portfolio Manager's appointment (where the IMA currently states that the Company would be required to reimburse KKV for certain costs that the Company would otherwise have incurred in connection with the transfer of the management contract to the Portfolio Manager in June 2020).

The IMA provides for the ongoing management of the portfolio to 31 December 2021 and allows for an orderly transition of the portfolio to the Company. Brett Miller, has been working closely with the team at the Portfolio Manager with respect to asset realisations and ongoing management of the assets and Mr Miller will continue to be directly involved in the managed wind-down of the Company's portfolio following the termination of the IMA. IFM remain as the Company's AIFM.

Return of Capital
On 7 July 2021, the Company announced the third return of capital, which was paid to shareholders on 29 July 2021. This return of capital was effected by way of an issue and immediate redemption and cancellation of 355,975,669 B Shares and 138,924,222 D Shares on 21 July 2021.

On 18 August 2021, the Company announced the fourth return of capital, which was paid to shareholders on 13 September 2021. This return of capital was effected by way of an issue and immediate redemption and cancellation of 355,975,669 B Shares and 138,924,222 D Shares on 3 September 2021.

The table below summaries the amounts returned to shareholders:

	Ordinary Shares		**2016 C Shares**	
Record date	**Amount per Share**	**Amount returned to shareholders**	**Amount per Share**	**Amount returned to shareholders**
20 July 2021	3p	£10,679,270	7p	£9,724,696
2 September 2021	3p	£10,679,270	21p	£29,174,087

STRATEGIC REPORT (CONTINUED)

Significant Events after the Reporting Period (Continued)

Sale of Investments
Borrower 41 within the C Share Class portfolio (as outlined in the Portfolio Manager's Report)
On 4 August 2021, the Board announced that a further loan underwritten by the Company, which was held solely within the 2016 C Share class portfolio, was refinanced with another provider. The loan was refinanced for consideration of £16.82 million, being the total amount outstanding under the loan. The Company also received an early repayment premium of an estimated £0.7 million to £0.8 million, which, due to the original opening structure of the transaction, will be received next year.

As at 30 June 2021, the investments had a fair value of £17.2 million.

Borrower 16 within the Ordinary Share Class portfolio (as outlined in the Portfolio Manager's Report)
On 4 August 2021, the Board announced the disposal of the Company's interest in a loan, which was held solely within the Ordinary Share class portfolio, for a consideration of US$1.00 million.

As at 30 June 2021, the investment had a fair value of £0.7 million.

Borrower 8 within the Ordinary Share Class portfolio and Borrowers 47, 48 and 51 within the 2016 C Share Class portfolio (as outlined in the Portfolio Manager's Report)
On 9 August 2021, the Board announced that a package of loans secured against shipping vessels to a single borrower, which were underwritten by the Company have been refinanced with another provider. The loans were refinanced for consideration of US$35.00 million. As the loans were held within both the Ordinary and 2016 C Share class portfolio, US$16.61 million and US$18.39 million will be allocated to the Ordinary and 2016 C Share class portfolio respectively.

As at 30 June 2021, the investments had a fair value of £11.6 million (Ordinary) and £15.1 million (C share).

Borrower 42 and 58 within the C Share Class portfolio and Borrower 10, 18 and 35 within the Ordinary share class portfolio (as outlined in the Portfolio Manager's Report)
On 6 October 2021, the Board announced that two loans within the C Share Class Portfolio, that provided regulatory capital for a US insurance business, have been purchased by another party. The loans have been purchased for consideration of US$4.0m.

As at 30 June 2021, the loans had a fair value of £2.7 million.

Additionally, a loan within the Ordinary Share Class Portfolio that financed domestic heating systems and associated maintenance contracts has been settled. The loan was purchased for consideration of £3.8 million.

As at 30 June 2021, the loan had a fair value of £3.6 million.

In addition, two smaller settlements of positions within the Ordinary Share Class Portfolio took place, as detailed below:

Borrower	Consideration	Date of Completion	Fair value as at 30 June 2021	Loan Description
18[1]	£0.0m	12 July 2021	£0.0m	Farm scale AD Plant
35	£0.3m	31 August 2021	£0.3m	Moveable micro hotel

[1] Position was written off post receiving nil value from administration

The AIC
With effect from 1 October 2021, the Company is no longer a member of the AIC as the Directors decided not to renew the Company's membership.

STRATEGIC REPORT (CONTINUED)

Significant Events after the Reporting Period (Continued)

Cancellation of Treasury Shares
On 1 September 2021, 1,731,838 Ordinary Shares held in treasury were cancelled.

Financial risk management objectives and policies

The Board is responsible for the Company's system of risk management and internal control and meets regularly in the form of periodic Board meetings to receive reports from the Audit and Risk Committee and to consider the effectiveness of such controls in managing and mitigating risk. The Audit and Risk Committee considers the detail of the Risk Management Framework, and the risk reporting from the AIFM who has day-to-day responsibility for the management of risk.

The Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 30 June 2021, and to the date of approval of these consolidated financial statements. The Board has taken into consideration the Financial Reporting Council ("FRC")'s, "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" to ensure that the Company's system of risk management and internal control is designed and operated effectively, in line with best practice guidance provided by the FRC.

Principal Risks and Uncertainties

The Principal Risks facing the Company are as set out below. Please refer to note 18 for reference to financial risk management disclosures, which explains in further detail the below risk exposures and the policies and procedures in place to monitor and mitigate these risks.

The approach of the Audit and Risk Committee to the identification and management of risk is set out in more detail in the Audit and Risk Committee Report. The Committee has, with the assistance of the AIFM, and the Administrator established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of the Company by the service providers as the management and administrative functions are outsourced to third parties. The Risk Framework is kept under review.

When considering the total return of the Group, the Board takes account of the risk, which has been taken to achieve that return. The Board looks at numerous risk factors, an overview of which is set out below:

Principal Risk	Description	Mitigating Factors
Counterparty /Asset risk	The Company's performance is subject to risks primarily inherent to asset financing; in particular, the quality of the assets underpinning the transaction and the risk of default by the counterparties. This may affect the Company's ability to operate profitably.	Thorough due diligence that was performed at the outset by the Investment Managers and necessary advisors. No new investments have been made in the current period. Recommendations are processed by the Portfolio Manager and independently reviewed by the AIFM and Board. Ongoing monitoring programs are in place at the Portfolio Manager. This allows the Portfolio Manager to identify and address risks at an early stage.

STRATEGIC REPORT (CONTINUED)

Principal Risks and Uncertainties (Continued)

Principal Risk	Description	Mitigating Factors
Valuation Risk	Reliability of asset valuations is considered a key risk. Given the sector of investment, valuations of the counterparties' underlying businesses, and assets over which security exists, are calculated and rely upon assumptions, using inputs such as cash flows, discounts, security, profitability and going concern assumptions.	The Portfolio Manager has experience in the sector and as such, is familiar in the assessment and valuing of the portfolio. Key reporting information is structured within the transactions, to ensure the Portfolio Manager would usually able to access all necessary borrower data where required. Valuation adjustments are based on recommendations from the Portfolio Manager and are assessed by the AIFM and Board. The Group's loan, construction finance, finance lease and hire purchase investments were reclassified on 1 January 2021 to fair value through profit or loss. Refer to note 2.3 and note 9 for detail of key estimates and assumptions applied by the Board and Portfolio Manager when considering valuation of investments held as at 30 June 2021. Impairments of £1,101,100 (30 June 2020: £9,574,836) were recognised during the year ended 30 June 2021. Refer to note 8 for further information.
Currency Risk	The Company is invested in a global portfolio and investments will not always be in the base currency of the Company. As a result, such investments will carry currency risk, if the non-base currency investments are not hedged.	The Portfolio Manager, in conjunction with the Board, have determined currency hedging is not to be conducted at this time. This is closely monitored by the Portfolio Manager and if deemed appropriate, the Portfolio Manager will recommend re-establishing the hedging transactions with the Board.
Liquidity risk	The Company's investments are not publicly traded or freely marketable. As a result, there is likely to be a limited or no secondary market to transact in. Therefore, investments may be difficult to value or sell, with a risk of any achievable sale being at a value that is lower than the current valuation of such assets.	The Company is a closed ended investment company and therefore not susceptible to investor redemption requests. The Company monitors and assesses investment values via regular reports from its Portfolio Manager. In the event that investment values need to be adjusted, this would be under recommendation from the Portfolio Manager.

STRATEGIC REPORT (CONTINUED)

Principal Risks and Uncertainties (Continued)

Principal Risk	Description	Mitigating Factors
Geopolitical risk	The Company provides asset finance to counterparties in several jurisdictions exposing the Company to potential economic, social, legal and political risks, such as Brexit. The Group therefore faces significant risks as a result of a financial crisis.	The Company is invested in a diversified portfolio across a wide range of industry sectors and therefore the portfolio is sufficiently diversified to assist in the mitigation of such risk. Significant events causing market volatility are closely monitored, as are the impacts/potential impacts on the positions and counterparties the Company is invested in.
Operational risk	The Company is ultimately responsible for all of its operations. As the Company has no employees, it enters into contracts with its service providers to ensure operational performance and regulatory requirements are met. The departure of key employees from the Portfolio Manager may adversely affect the returns available to the Group.	The Board conducts thorough due diligence and interviews each service provider prior to appointment. Ongoing monitoring of service providers is carried out through the regular reports service providers supply, which include ongoing updates on all operational and regulatory matters. The Management Engagement Committee periodically reviews all service providers aside from the auditors.
Performance risk	The performance of the Company is largely determined by the success of the Portfolio Manager in meeting or exceeding performance objectives and the expectations of investors, in accordance with the objectives set out in the prospectus.	The Board receives regular NAV information and cash flows from the Portfolio Manager. A Director is closely involved with the Portfolio Manager in this process. Regular announcements are provided to investors to appraise them of company performance.
Brexit	Risks arising from credit deteriorations of UK-based positions following the departure of the United Kingdom from the European Union.	The Board and the Portfolio Manager monitor the main risks on an ongoing basis, which they believe could have an impact on the UK based investments. These risks include, but are not limited to, foreign exchange risk, tariff and supply chain impacts and regulatory changes.

Emerging Risks

Principal risks, including emerging risks, are mitigated and managed by the Board through continual review, policy setting and reviews of the Company’s risk matrix by the Audit and Risk Committee to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks where possible. The Board relies on periodic reports provided by the Portfolio Manager, AIFM, and Administrator regarding risks that the Company faces. When required, experts will be employed to gather information, including legal advisers and third-party valuation specialists.

STRATEGIC REPORT (CONTINUED)

Emerging Risks (Continued)
With regards to the continuation of the Covid-19 pandemic, operational resilience has continued with all key service providers. The Board is satisfied that the key service providers have the ability to continue their operations efficiently in a remote or virtual working environment.

From a portfolio perspective, the Portfolio Manager is in close contact with each investment counterparty and continues to work with them to identify and mitigate risk the Covid-19 pandemic may pose. The Board has assessed other relevant areas of risk (price and operational risks) and agreed that mitigants remain appropriate, in light of the Covid-19 pandemic. Refer to the Portfolio Manager's Report for detail on the impact on Covid-19 on the Company.

Whilst a post-Brexit trade deal has been agreed, uncertainty around the outcome of Brexit remains for the financial services sector. This has continued to place external economic pressures on markets and our counterparties alike. Whilst the outcome and therefore the full impact still remains uncertain, the Portfolio Manager continues to monitor developments, together with assessing the impact on the portfolio as a result. The Board have noted this as a risk within its risk matrix and are comfortable with the monitoring controls, which are currently in place.

Going Concern
In order 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 the Company was placed into managed wind down.

As the Company is in managed wind down, the consolidated financial statements for the year ended 30 June 2021 have therefore been prepared on a basis other than going concern.

Viability Statement
Under the Association of Investment Companies (the "AIC") Code of Corporate Governance published in February 2019 (the "AIC Code"), the Directors are required to make a viability statement which explains how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, taking into account the Company's current position and principal and emerging risks. The principal and emerging risks faced by the Group are described on pages 21 to 24.

As detailed above, the Company is preparing the consolidated financial statements using a basis other than going concern as the Company is in managed wind down. Accordingly, the Directors have not assessed the longer-term viability of the Company other than for the managed wind down of the Company.

The Directors have assessed the wind down of the Company to be within two to three years of the date of the approval of these consolidated financial statements, although there is no guarantee that it will be possible to realise the assets within that timeframe.

Life of the Company
The Company has an indefinite life, however as outlined above the Company is in managed wind-down.

STRATEGIC REPORT (CONTINUED)

Section 172(1) Statement (Continued)

Section 172(1) Statement
Through adopting the AIC Code, the Board acknowledges its duty to comply with section 172 of the UK Companies Act 2006 to act for the benefit of its shareholders as a whole, having regard to (amongst other things):

a) consequences of any decision in the long-term;
b) the interests of the Company's employees;
c) need to foster business relationships with suppliers, customers and others;
d) impact on community and environment;
e) maintaining reputation; and
f) act fairly as between members of the Company.

The Board considers this duty to be inherent within the culture the Company and a part of its decision-making process.

The Company's culture is one of openness, transparency and inclusivity. Respect for the opinions of its diverse stakeholder's features foremost, as does its desire to implement its operations in a sustainable way.

Information on how the Board has engaged with its stakeholders is outlined below.

The principal decisions section on pages 27 and 28 outlines decisions taken during the year, which the Board believe, have been taken to meet the Company's investment objective and policy. The Board considers the factors outlined under section 172 and the wider interests of stakeholders as a whole in all decisions it takes on behalf of the Company.

STRATEGIC REPORT (CONTINUED)

Section 172(1) Statement (Continued)

Stakeholder engagement

<table>
<tr><th>Stakeholder</th><th>How the Board engages</th></tr>
<tr><td>Shareholders</td><td>The Board recognises that it is important to maintain appropriate contact with all shareholders to understand their issues and concerns. There is a programme of contact with major shareholders and other shareholders are able to contact any Director through the Company Secretary.

During the year, the Board engaged with its shareholders by:

1) Publishing announcements.
2) Publishing fact sheets.
3) Publishing half-yearly and annual reports and accounts.
4) Making themselves available to meet major shareholders as requested.
5) Obtaining shareholder feedback directly and via the Corporate Broker.
6) Making themselves available to be contacted by shareholders.

Shareholders receive relevant information allowing them to make informed decisions about their investments. The Board receives the views of shareholders allowing it to consider these views throughout its deliberations.

During the year, considerable engagement with shareholders took place regarding:

1) Proposals for the managed wind down of the Company in respect of both share classes.
2) Board composition.
3) Management arrangements.
4) The adoption of new articles of association to include a return of capital scheme.</td></tr>
<tr><td></td><td></td></tr>
<tr><td>Third party service providers</td><td>As a Company with no employees, the Board is reliant on third party service providers to help the Company operate in a compliant and efficient manner.

During the year, the Board engaged with its service providers by:
1) Receiving detailed written and verbal reports at board meetings.
2) Regular communication with representatives via telephone and email to discuss ad hoc matters.
3) Undertaking an annual review via the Management Engagement Committee and providing feedback, where appropriate, regarding service levels to service providers.</td></tr>
</table>

STRATEGIC REPORT (CONTINUED)

Section 172(1) Statement (Continued)

Stakeholder engagement (Continued)

Stakeholder	How the Board engages
External Auditor	The Board engages with the external auditor to ensure that the annual audit process operates effectively, efficiently and predictably. The Audit Committee meets with the auditors formally on a biannual basis and more frequently where required. The auditors provide valuable feedback on the Company and those of its service providers that have a delegated responsibility for areas of accounting and internal control. As noted further below and in the Audit and Risk Committee Report on page 62, the Audit and Risk Committee has engaged extensively with Deloitte to understand their approach and requirements.
The wider community and the environment	The Board supports fully the growing importance placed on Environmental, Social and Corporate Governance ("ESG") factors when asking the Company's Portfolio Manager to deliver against the Company's objectives. The Company has made significant investments in investments which should have a positive impact on the environment and the Board, the AIFM and the Portfolio Manager in managing the Company's assets are mindful of social, ethical and environmental issues of companies within the Group's portfolio, acknowledging that companies failing to manage these issues adequately run a long-term risk to the sustainability of their businesses. Given that the Company is in wind down, the Company will not be making new investments but the Portfolio Manager will continue to follow good practice on ESG issues where applicable.

Principal decisions

Principal decision	Stakeholder considerations / interests
Review of dividend policy	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 year ended 30 June 2021.

STRATEGIC REPORT (CONTINUED)

Section 172(1) Statement (Continued)

Principal decisions (continued)

Principal decision	Stakeholder considerations / interests
Managed wind down of the Company and amendment to the investment policy and return of capital	At the EGM held on 4 December 2020, the adoption of the amended articles, the new investment objective and investment policy were passed with the requisite majority and the Company was placed into managed wind down. The Board will now endeavour to realise all of the investments in a manner that achieves a balance between maximising the value received from investments and making timely returns of capital to shareholders. During the year ended 30 June 2021, the Company made a return of capital on two separate occasions, returning a total of £37,377,445 to Ordinary shareholders and £25,006,360 to 2016 C shareholders. Please refer to note 15 for full details of the Company's return of capital. Refer to note 19 for further details on returns on capital subsequent to the year ended 30 June 2021.
Changes to the Board	On 16 September 2020, reflecting the change in strategy of the Company, Brett Miller was appointed to the Board. On 31 December 2020, David Copperwaite was appointed to the Board. On 24 February 2021, Brendan Hawthorne was appointed as Chairman of the Company. Christopher Spencer and Jacqueline Redmond resigned from the Board effective 30 October 2020. Paul Meader and John Falla did not seek re-election at the AGM held on 31 December 2020. Peter Niven resigned from the Board on 24 February 2021.

Employee engagement
The Company has no employees.

Business relationships
The Board considers its business relationships with stakeholders to be important and is proactive in fostering these relationships. For details on the nature of these relationships and how the Company fosters relationships with its stakeholders, refer to the stakeholder engagement section on pages 26 and 27. The Board also considers the impact principal decisions have on its stakeholders, which is detailed in the principal decisions section above.

STRATEGIC REPORT (CONTINUED)

Culture of the Company
The Board recognises that its tone and culture is important and will greatly impact its interactions with shareholders and service providers. The importance of sound ethical values and behaviours is crucial to the ability of the Company to achieve its corporate objectives successfully.

The Board individually and collectively seeks to act with diligence, honesty and integrity. It encourages its members to express differences of perspective and to challenge but always in a respectful, open, cooperative and collegiate fashion. The Board encourages diversity of thought and approach and chooses its members with this approach in mind. The Corporate Governance principles that the Board has adopted are designed to ensure that the Company delivers value to its shareholders and treats all shareholders equally. All shareholders are encouraged to have an open dialogue with the Board.

Large parts of the Board's activities are centred upon what is necessarily an open and respectful dialogue with the Portfolio Manager. The Board strives to maintain a constructive relationship with the Portfolio Manager whilst holding them to account and questioning the choices and decisions made by them.

The Board has adopted a code for Director dealings and a procedure for matters reserved for the Board and matters delegated to service providers to ensure an appropriate and effective framework for implementation and oversight. The Board intends to review its internal culture and that of its service providers on a regular basis.

Environmental and Social Issues
The Company is a closed-ended investment company, which has no employees, and therefore its own direct environmental impact is minimal. The Board notes that the companies in which the Group invests will have a social and environmental impact over which it has no control.

The Board holds all its meetings in Guernsey and, whilst Directors and the Portfolio Manager may travel to Guernsey for quarterly meetings, (subject to Covid-19 travel restrictions), the Group's direct greenhouse gas emissions and environmental footprint are believed to be negligible. However, many of the companies and projects in which the Group invests have a very positive environmental footprint. The numerous anaerobic digestion plants the Group finances use waste of many types to produce sustainable fertilisers and electricity or gas, which are provided to the respective National Grids. Additionally, our support for other renewable energy sources likewise provide alternative energy sources to fossil and/or nuclear fuels. In these ways, the Board is pleased that the Group plays a positive part in the environmental arena.

Future strategy
At the EGM held on 4 December 2020, the adoption of the amended articles, the new investment objective and investment policy were passed with the requisite majority and the Company was placed into managed wind down. The Board will seek to achieve the objectives set out in the new Investment Objectives and Policies, to deliver a realisation strategy and return capital to shareholders whilst also protecting capital values.

The Directors have assessed the wind down of the Company to be within two to three years of the date of the approval of these consolidated financial statements, but there can be no guarantee that this timetable will be achievable.

This Strategic Report was approved by the Board of Directors on 16 November 2021 and signed on its behalf by:

Brendan Hawthorne
Chairman

David Copperwaite
Director

PORTFOLIO MANAGER'S REPORT

Overview

KKV Investment Management Limited ("KKVIM") assumed the role of Portfolio Manager on 5 June 2020; this is therefore our first full year managing the portfolio. We have in all respects acted professionally whilst managing the portfolio and enjoyed good collaboration with the Board. Our work has resulted in a return of capital of over £120m to shareholders to-date, whilst dealing with extremely difficult and challenging circumstances.

The year was characterised by Covid-19 restrictions, impacting some credits as well as limiting our ability to conduct site visits. However, the team have worked tirelessly to engage with borrowers remotely and optimise the outcome for the Company's shareholders. Towards the year-end, we have visited several larger investments, increasing our understanding of the progress and performance. Following the year-end date, it was agreed that KKIM would retire as manager of the portfolio effective on 31 December 2021. We will continue to assist the Company until such date and provide an orderly transition to the new management.

During the year, there was a change in the accounting policy from amortised cost to fair value, because of the Company being in managed wind-down. The impact of this new valuation approach was an increase in the value of the higher quality loans and a more limited impact on the lower quality loans, as the fair value recoverability of underperforming positions had already been assessed in the prior year.

We have worked with the borrowers to assist in refinancing or sale of the investments, whilst also optimising the return of capital to Shareholders in as expeditious a manner as possible. This resulted in £62.4m being returned to shareholders during the financial year, with a further £20.4m by August 2021 and £39.9m in September 2021. During the year, all distributions were paid as capital returns, as opposed to dividends, which were suspended in March 2020. In accordance with the direction by the Board, no FX hedging has been undertaken during the reporting period with non-GBP balances converted into GBP at the soonest opportunity.

The FX exposures in the portfolio as at 30 June 2021 were:

FX Exposures (millions)	**Total Contracted**		**Fair value**	
ORD	**CCY**	**GBP Equivalent**	**CCY**	**GBP Equivalent**
GBP	141.8	141.8	40.7	41.0[1]
EUR	33.7	28.9	27.8	23.7
USD	72.5	52.5	21.9	15.9
C				
GBP	52.6	52.6	43.2	43.2
EUR	14.7	12.7	6.5	5.6
USD	32.6	23.6	29.9	21.6

[1] – Includes Property, Plant and Equipment investments of £2.1 million.

Business Update

Despite continued disruption to *business as usual* during the Covid-19 pandemic, we are pleased to report that KKVIM delivered operational management effectively, with all employees equipped to work remotely throughout the period. Staff were able to operate a hybrid-working pattern, when legislation allowed, at their own discretion.

During the year, KKVIM reduced staffing to reflect the material decline in management fee income received, mainly due to increased provisions.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Market backdrop

The pandemic continued longer than expected with several periods of slow-down when stay-at-home was mandatory. However, continued support from developed market governments via business grants, furlough schemes and a determination to provide unprecedented liquidity to capital markets has provided some optimism.

Looking forward, the largest risks for the portfolio appear to stem from governments recouping lost tax revenues. This is heightened where companies have effectively taken senior loans from tax authorities, by delaying their payment of taxes. For those AD plants using waste materials, some have been able to secure new supply chains, though overall the impact of reduced hospitality waste remained an issue.

Switch to Fair Value (FV) from Amortised Cost

The funds entered managed wind-down in 2020 and as a result, the amortised cost accounting methodology is no longer appropriate under IFRS 9. The fund implemented a fair value approach from 1 January 2021.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Debt instruments typically trade based on the Discounted Cash Flow (DCF) using an appropriate rate. To ensure the valuation is consistent with market pricing methodologies we have assumed that only contracted cash flows are included that are reasonably likely to be paid. We have used a probability weighting for all likely outcomes and used the weighted average as the fair value.

For example, a facility in default where the most likely outcome is sale of assets will assume the cash flow is from the sale of assets and assuming no other scenario is likely to occur.

When identifying the correct discount rates to apply to suitable cash flows, we have used the following waterfall:

1. A direct comparable from a market observable transaction interest rate.
2. For preforming positions, we considered macro-economic changes and adjusted the rate by the relevant movements. This was typically reflected in changes to the respective risk free rate.
3. A corresponding rate from the KKV FV Discount Matrix, based on generic funding rates for the various sectors.

KKV Discount Rate Matrix

Risk Grade	Realisable	Fixed Asset	Project Finance	High Risk
4	6.0%	7.0%	8.0%	
5	7.0%	8.0%	9.0%	
6	8.0%	10.0%	10.0%	
7+	10.0%	12.0%	15.0%	20.0%
	E.g. Helicopter, Vessel etc.	E.g. Printing Press, removable machinery	E.g. Facility not yet operational	Non-typical facility

For performing assets, we have assumed that the asset refinances at the earliest possible date. This assumes that the borrower is behaving rationally and therefore can refinance to a lower rate at the earlier economic date.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

The Ordinary Share Class and 2016 C Share Class Portfolios

As the whole portfolio in now in wind down, we have focused on asking borrowers to repay debt where possible and facilitating sales of other investments. As announced on 24 February 2021, we began to return capital to Shareholders via capital repayments.

Dividends

No dividends were distributed during the reporting period. However, it should be noted that post 31 December 2020 and after the publication of the Report and Accounts for year-end June 2020, the Company was able to commence capital distributions to shareholders as loans were refinanced or matured. In the financial year, £37.4m was returned to Ordinary shareholders and £25.0m returned to 2016 C Class shareholders.

Portfolio

There are 37 lines of credit in the portfolio with an average exposure of £8.0m per facility at a weighted average rate of 9.7 per cent for the performing names. There are also three equity participation exposures and three operating lease exposures as described further below.

Ordinary Share Class

Borrower	Credit Exposure at 30 June 21 £m	FV at 30 June 21 £m	Carrying Value at 31 Dec 20 £m	Amortisation & Redemptions Jan - June 21 £m	Asset Type	Asset Class	Currency	Gross Yield	KKV Grade
Borrower 1	41.5	7.9	14.3	-	Construction Finance	Anaerobic Digestion	GBP	9.8%	10 : Loss
Borrower 2	31.5	9.7	11.0	-	Finance Lease	Anaerobic Digestion	GBP	10.0%	10 : Loss
Borrower 3	Closed	Closed	6.3	-	Construction Finance	Anaerobic Digestion	GBP	10.0%	10 : Loss
Borrower 4	26.0	3.7	5.9	-	Construction Finance	Anaerobic Digestion	GBP	10.0%	10 : Loss
Borrower 5	22.8	0.6	0.0	-	Term Loan	Manufacturing	USD	11.0%	10 : Loss
Borrower 6	19.4	19.8	21.1	(1.6)	Term Loan	Manufacturing	EUR	9.2%	5 : Acceptable
Borrower 7	Closed	Closed	9.7	(9.7)	Term Loan	Insurance	USD	10.0%	10 : Loss
Borrower 8	13.8	11.6	8.9	-	Term Loan	Shipping	USD	10.4%	10 : Loss
Borrower 9	Closed	Closed	7.8	(7.8)	Term Loan	Insurance	USD	10.4%	10 : Loss
Borrower 10	9.3	3.6	3.0	-	Hire Purchase	Wholesale Portfolios	GBP	9.5%	10 : Loss
Borrower 11	9.6	4.1	8.9	-	Finance Lease	Anaerobic Digestion	EUR	10.8%	7 : High risk
Borrower 12	Closed	Closed	0.0	-	Term Loan	IT & Telecom	EUR	6.9%	10 : Loss
Borrower 13	Closed	Closed	2.9	(2.9)	Finance Lease	Anaerobic Digestion	GBP	9.3%	10 : Loss

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Ordinary Share Class (continued)

Borrower	Credit Exposure at 30 June 21 £m	FV at 30 June 21 £m	Carrying Value at 31 Dec 20 £m	Amortisation & Redemptions Jan - June 21 £m	Asset Type	Asset Class	Currency	Gross Yield	KKV Grade
Borrower 14	Closed	Closed	7.8	(8.3)	Hire Purchase	CHP	GBP	10.0%	5 : Acceptable
Borrower 15	Closed	Closed	7.4	(7.8)	Hire Purchase	CHP	GBP	10.0%	5 : Acceptable
Borrower 16	4.6	0.7	0.0	-	Term Loan	IT & Telecom	USD	6.9%	10 : Loss
Borrower 17	Closed	Closed	5.1	(5.1)	Hire Purchase	CHP	GBP	10.0%	5 : Acceptable
Borrower 18	4.4	0.0	0.0	-	Construction Finance	Anaerobic Digestion	GBP	10.0%	10 : Loss
Borrower 19	3.7	1.4	3.1	-	Hire Purchase	Manufacturing	GBP	6.6%	10 : Loss
Borrower 20	2.2	1.7	4.0	(1.7)	Revolving Loan	Wholesale Portfolios	GBP	9.5%	7 : High risk
Borrower 21	3.2	2.1	1.0	(0.2)	Term Loan	Medical	USD	5.0%	9 : Doubtful
Borrower 22	2.3	2.4	2.3	-	Finance Lease	Anaerobic Digestion	GBP	10.5%	5 : Acceptable
Borrower 23	2.4	1.1	0.7	-	Hire Purchase	Anaerobic Digestion	GBP	10.0%	10 : Loss
Borrower 24	2.5	2.0	2.0	-	Hire Purchase	Anaerobic Digestion	GBP	10.0%	6 : Borderline
Borrower 25	Closed	Closed	0.0	-	Term Loan	IT & Telecom	GBP	9.5%	10 : Loss
Borrower 26	1.2	1.2	1.0	-	Finance Lease	Wind Turbines	GBP	10.3%	7 : High risk
Borrower 27	Closed	Closed	1.1	(1.3)	Finance Lease	Wind Turbines	GBP	10.6%	5 : Acceptable
Borrower 28	0.6	0.1	0.0	-	Hire Purchase	Infrastructure Equipment	GBP	10.5%	10 : Loss
Borrower 29	Closed	Closed	0.0	-	Term loan	IT & Telecom	GBP	9.5%	10 : Loss
Borrower 30	Closed	Closed	0.0	-	N/a	Anaerobic Digestion	EUR	10.0%	10 : Loss
Borrower 31	Closed	Closed	0.0	(0.2)	Finance Lease	Manufacturing	GBP	10.1%	10 : Loss
Borrower 32	Closed	Closed	0.0	-	N/a	Anaerobic Digestion	GBP	10.0%	10 : Loss
Borrower 33	Closed	Closed	0.0	(0.1)	Operating Lease	Marine Equipment (ex. Vessels)	GBP	9.9%	10 : Loss

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Ordinary Share Class (continued)

Borrower	Credit Exposure at 30 June 21 £m	FV at 30 June 21 £m	Carrying Value at 31 Dec 20 £m	Amortisation & Redemptions Jan - June 21 £m	Asset Type	Asset Class	Currency	Gross Yield	KKV Grade
Borrower 34	Closed	Closed	0.1	(0.1)	Finance Lease	Finance Lease - Manufacturing Equipment	GBP	10.8%	5 : Acceptable
Borrower 61	6.0	3.7	-	-	Deferred Payment	CHP	GBP	0.0%	8 : Extremely high risk
Total	**206.5**	**77.4**	**135.4**	**(46.6)**					

Property, Plant and Equipment Investments

Borrower*	**Carrying Value at 30 June 21 £m**	**Net realisable value at 30 June 21 £m**	**Carrying Value at 31 Dec 20 £m**	**Amortisation between 31 Dec 2020 to 30 June 21 £m**	***Investment Type***	***Asset Class***	***Currency***	**KKV Grade**
Borrower 35	5.0	0.3	-	-	Operating Lease	Hotels	GBP	10 : Loss
Borrower 36	2.9	0.9	0.9	-	Operating Lease	Equipment	GBP	10 : Loss
Borrower 37	0.6	0.9	-	-	Operating Lease	Equipment for construction	GBP	10 : Loss
Total	**8.5**	**2.1**	**0.9**	**-**				

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

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Equity Holdings and other Investments

Borrower *	**Fair Value before Adjustment at 30 June 21 £m**	**FV at 30 June 21 £m**	**Carrying Value at 31 December 20 £m**	**Amortisation between 31 Dec 2020 to 30 June 21 £m**	***Investment Type***	***Asset Class***	***Currency***	**KKV Grade**
Borrower 38	6.0	-	-	-	Equity	Medical	USD	10 : Loss
Borrower 39	2.0	0.9	-	-	Equity	Helicopters	USD	10 : Loss
Borrower 62	-	-	-	-	Equity	Technology	GBP	10 : Loss
Total	**8.0**	**0.9**	**-**	**-**				

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

Credit Assumptions - AD Assets
The Board of the Company instructed KPMG to provide a fair value valuation of seven remaining AD assets as of 30 June 2021.

KPMG provided a range of valuations using discount rates that they observed on other transitions, including propriety KPMG data. For AD plants this ranged from 7.0%-10%. We have evenly distributed the probability of achieving the valuations provided to create a weighted average valuation.

It is noted that the Company has not factored in any of the upside potential referenced in KPMG's reports. The primary reason being previous strategies articulated by management of the AD plants in question, have either failed to materialise or not consistently yielded the assumed upsides.

For AD assets that are not currently under a formal sales process, an assumption of 1 year to complete a sale has been used. This is based on experience in the last 12 months of attempting to sell AD plants, where the sales process has generally been subject to delays and has taken nearly 12 months to complete from initial conversations.

Position-	**FV Discount Rate**	**Risk Grade**	**Security Type**
Borrower 1	**7.5-9.0%**	**10**	**AD Asset**

- Secured against a 5MW AD plant located in Hartlepool.
- The facility is in default (risk grade 10).
- The plant is operational, and no remediation work required so not deemed project finance risk.
- In June 2021 KPMG's weighted average valuation was £8.6m.
- We assume it will take 12 months to sell the assets given evidence from recent transactions undertaken.

Borrower 2	**7-8.5%**	**10**	**AD Asset**

- Secured against a 5MW AD plant located in Middlesbrough.
- No operational and remediation work required so not deemed project finance risk.
- In June 2021 KPMG's weighted average valuation was £10.5m.
- We assume it will take 12 months to sell the assets given evidence from recent transactions undertaken.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Credit Assumptions - AD Assets (continued)

Position-	FV Discount Rate	Risk Grade	Security Type

Borrower 4	**7.5-9.0%**	**10**	**AD Asset**

- Secured against a 5MW AD plant located in Aberdeenshire. However, significant remediation work is required to enable generation of energy at the stated operational capacity.
- The facility is in default (risk grade 10).
- We assume it will take 12 months to sell the assets given evidence from recent transactions undertaken.
- In June 2021, KPMG's weighted average valuation was £4.0m.

Borrower 11	**9.0-9.5%**	**7**	**AD Asset**

- Secured against a 1MW AD plant based in the Republic of Ireland.
- Non-performing asset, largely resulting from feedstock shortages linked to Covid-19 limiting the plant's ability to meet their targeted output capacity.
- In June 2021, KPMG's weighted average valuation was €3.1m.
- We assume it will take 12 months to sell the assets given evidence from recent transactions undertaken.
- Structure also benefits from a parental guarantee, which we assume has material value.

Borrower 18	**n/a**	**10**	**AD Asset**

- AD Plant located in NE England.
- The facility at the time of producing the report was in administration and default (risk grade 10).
- A deal with the Administrator was agreed to write off the asset, which subsequently completed on 9 July 2021. This provided the Company with a waiver for any liability to settle costs associated with administration and enabled settlement of liabilities that existed with other portfolio investments.
- Nil value was assigned to this position.

Borrower 22	**8.0-9.0%**	**5**	**AD Asset**

- Secured against 0.5MW farm scale AD plant in Northern Ireland.
- Performing AD asset with over 12 months of stable energy output, which consistently meets budget.
- At time of producing the report, a sale was underway. The KSLF Board provided consent to the change of control.
- The fund is assuming that this exposure runs to maturity. For FV value purposes, KPMG's mid-point FV discount rate has been used (i.e. 8.5%).
- In June 2021, KPMG's weighted average valuation was £3.8m. However, as the position is performing, the Company has not used KPMG's valuation and instead valued the cash flows due to the Company.

Borrower 23	**8.5%-9.5%**	**10**	**AD Asset**

- Secured against 0.5MW farm scale AD plant in Northern Ireland.
- The facility is in default (risk grade 10).
- In June 2021 KPMG's weighted average valuation was £2.5m, of which we own a 50% share.
- At time of producing the report the fund made introductions to a potential buyer, however conversation have not yet progressed.
- We assume it will take 12 months to sell the assets given evidence from recent transactions undertaken.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Credit Assumptions - AD Assets (continued)

Position-	FV Discount Rate	Risk Grade	Security Type
Borrower 24	**8.0-9.0%**	**6**	**AD Asset**

- Whilst the plant has recovered from a plant fire it does not have a track record of stable energy generation, which may deter some buyers.
- In Q4 cash flows will resume.
- Secured against a 0.5MW AD plant in Northern Ireland.
- In June 2021 KPMG's weighted average valuation was £3.76m of which we own a 50% share.
- We assume it will take 12 months to sell the assets given evidence from recent transactions undertaken.

Borrower 61	**20%**	**8**	**AD Asset**

- This exposure is the deferred consideration from closing out an AD asset in the Republic of Ireland.
- The facility is high risk reflecting the potential repossession of specific assets held via an SPV.
- It appears increasingly likely that either the sponsor or the fund will need to sell the assets to repay the facility.

Non-AD Assets

Position-	FV Discount Rate	Risk Grade	Security Type
Borrower 5	**20%**	**10**	**High Risk**

- Former Solar Manufacturer. Potential recoveries from Chinese guarantor or tariffs.
- Claim vs tariffs –There is significant uncertainty regarding the claim to proceeds from tariffs and no precedent has been found by ourselves.
- Claim vs guarantor – The guarantor is somewhat distressed having missed payments due to both bank and bond lenders. It is currently disposing assets with expected credit losses.
- We have probability weighted the various outcomes that appear reasonably likely including a potential settlement from the guarantor and costs associated with removal and sale of the equipment.

Borrower 6	**8.51%**	**5**	**Fixed Asset**

- Security includes glass-manufacturing equipment based in France.
- A performing asset, which is managed by a solid management team who have successfully navigated the company from difficulties experienced in 2018 and through CV-19 in 2020.

Borrower 8	**10%**	**10**	**Realisable**

- Secured against a portfolio of Shipping Vessels.
- The fund closed a refinance of £12.0m in August 2021.

Borrower 10	**20%**	**10**	**High Risk**

- Secured against a portfolio of domestic heating boilers.
- Facility settled for £3.8m post balance sheet in October 2021.
- Asset servicer was close to insolvency due to additional debts relating to other business activities
- Cash flows from our assets insufficient to cover both out carrying balance and the lifetime servicing costs.

Borrower 16	**20%**	**10**	**High Risk**

- Security contains 52 telecommunication (telecom) towers located in Brazil.
- A settlement of $1m has closed.

Following advice from relevant stakeholders, including a report produced by KPMG, the recovery value and reliability of the telecom towers contained significant uncertainty and therefore deemed high risk.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Non-AD Assets (continued)

Position-	FV Discount Rate	Risk Grade	Security Type

Borrower 19	**12%**	**10**	**Fixed Asset**

- Secured against paper manufacturing machinery located in Aberdeen and Kent.
- Supported by an independent valuation report.
- The fund has accepted an offer from the company to acquire the equipment for £1.5m we have used this cash flow for the FV.
- We have assumed it will take until the end of October 2021 to close the transaction.

Borrower 20	**20%**	**7**	**Realisable**

- Secured against a wholesale portfolio of working capital SME loans.
- Fund granted extension to pay from September 2021 until to year-end to source new funding.
- If refinance fails, it will enter run off and require collections over the coming 12-18 months.

Borrower 21 &38	**20%**	**9**	**High Risk**

- Non-specialist hospital equipment, with uncertain value.
- Management have executed a $60m Sale and Leaseback in Q3, which has brought some relief from the liquidity problems the hospital faced.
- Interest payments are subject to withholding tax, which have caused a short-term cessation in repayments.
- We assume cash flows as per the transaction documents.

Borrower 26	**12%**	**7**	**Fixed Asset**

- Two wind energy assets.
- Paying mostly to schedule but has not been able to get insurance on one of the two assets.
- Cash flows assumed from the initial schedule.

Borrower 28	**20%**	**10**	**High Risk**

- Yellow metal earth moving vehicles located in Sierra Leone.
- Borrower entered administration in 2019 and the fund took control over the assets that it had security over.
- The assets are based in Sierra Leone, therefore recovering and relocating would incur cost, and given the unknown condition of the equipment, there would likely be further costs to refurbish.
- A potential buyer has emerged, and we based the cash flows on the agreed purchase price with settlement at the end of October 2021 with an allowance for legal costs.

Borrower 35	**20%**	**10**	**High Risk**

- Facility backed by shipping containers converted into hotel rooms.
- An offer to terminate the lease for a consideration of £321k was offered and subsequently accepted by the fund.
- Net of legal expenses the fund £313k was recovered - the transaction closed at the end of August 2021.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Non-AD Assets (continued)

Position-	FV Discount Rate	Risk Grade	Security Type
Borrower 36	**12%**	**10**	**Realisable**

- ROV assets located on third-party vessel.
- The fund has agreed to sell the assets for £1m.
- The sale and exchange of funds can only take place once the ship is in international waters.
- It is estimated that this will occur by 31 October 2021, ahead of the longstop date within the sale agreement.

Borrower 37	**20%**	**10**	**High Risk**

- This operating lease was established following the rescue of yellow metal earth moving vehicles from an administration.
- The lessee pays on an utilisation basis and it is difficult to predict if and when funds will be received.
- £380k was received throughout Financial Year 2021.
- The contract has been contingently agreed to turn into a deferred payment schedule if they win a contract in Q3 2021.
- The condition and value of the assets is uncertain.
- Our cash flows assume the total amount payable amortises, starting January 2022, paying $800k in eight monthly instalments of $100k.

Borrower 39	**10%**	**10**	**Realisable**

- Portfolio of aging helicopter assets.
- SQN Capital Management LLC have agreed sale of helicopter assets with a deferred payment schedule to a known counterparty.
- This schedule appears likely to be met and is therefore used as the basis for our FV calculation.

Borrower 62	**20%**	**10**	**High Risk**

- Equity position from sale of hotel technology provider facilities.
- No recent cash flow or balance sheet has been provided, therefore unable to assume any cash flows.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Closed Transactions

Facility	Dec 20 carrying value	
Borrower 3	£6.3m	Distressed AD Plant on the Republic of Ireland. Sale process fell through due to increasing risk and performance. Negative EBITDA of circa £2m was unsustainable. The fund accepted a differed consideration of £6m secured by stronger collateral held as Borrower 61.
Borrower 7 & 9	£17.5m	Borrower refinanced for £17.5m 60% of value. The positions had funded the start-up costs and regulatory capital for a US insurance business.
Borrower 12, 25 & 29	£0.0m	Equity taken (Borrower 62) following deal with third party to rescue the company. Facility had been bought back from administration in 2019 by KSLF, but a necessary restructuring of the debt position and additional equity injection were not forthcoming.
Borrower 13	£2.9m	Borrower refinanced for £2.9m after a 12-month sale process concluded. Discussions dragged on over a wide number of defects in construction and contractual remedies. AD asset located in England.
Borrower 14	£7.8m	Borrower refinanced for £7.6m including a small prepayment fee. CHP plant located in England.
Borrower 15	£7.4m	Borrower refinanced for £7.4m including a small prepayment fee. CHP plant located in England.
Borrower 17	£5.1m	Borrower refinanced for £5.1m including a small prepayment fee. CHP plant located in England.
Borrower 27	£1.1m	Borrower refinanced for £1.1m. Farm scale wind energy asset.
Borrower 30 & 32	£0.0m	VAT facility with no recoverable assets so written off.
Borrower 31	£0.0m	£0.2m Recoveries from insolvency. Now complete.
Borrower 33	£0.03m	Lease completed and asset sold to schedule.
Borrower 34	£0.06m	Closed to schedule.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Closed Transactions Post Balance Sheet

Facility	Dec 20 carrying value	Description
Borrower 8	£8.9m	Borrower refinanced for £12.0m. Marine vessels were badly hit pre and early in Covid-19 cycle but saw significant improvement into 2021.
Borrower 10	£3.0m	Refinance agreed for £3.8m. Facility financed domestic heating systems and the maintenance contracts.
Borrower 16	£0.0m	Refinance agreed for £0.7m. Brazilian telecom assets were held in a complex ownership structure, intertwined with another business. Our assets appeared to produce minimal cash flows due to ground rents payable to a sister company. No interest paid since 2015.
Borrower 18	£0.0m	Farm scale AD plant based in NE England. Zero received from administration of plant that started in 2019. This provided the Company with a waiver for any liability to settle costs associated with administration and enabled settlement of liabilities that existed with other portfolio investments.
Borrower 35	£0.0m	Sale of assets for £0.3m plus refurbishment costs was achieved. Underlying assets broadly rusting proof of concept containers converted into micro hotel rooms. Very poor quality accommodation with high operational costs. Liability to cover refurbishment, storage and disposal costs extinguished.
Borrower 36	£0.9m	ROV assets sold for £1m. Very limited utilisation of assets attached to third-party vessel, lease only paid on utilization.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

2016 C Share Class

Borrower	Credit Exposure at 30 June 21 £m	FV at 30 June 21 £m	Carrying Value at 31 December 20 £m	Amortisation & Redemptions January - June 21 £m	Asset Type	Asset Class	Currency	Gross Yield	KKV Grade
Borrower 40	Closed	Closed	7.3	(8.1)	Term Loan	Marine Equipment (ex: Vessels)	GBP	9.5%	10 : Loss
Borrower 41	16.9	17.0	17.5	(0.8)	Term Loan	Waste Processing	GBP	9.5%	4 : Average
Borrower 42	10.0	2.0	0.0	n/a	Construction Finance	Insurance	USD	10.0%	10 : Loss
Borrower 43	7.1	7.0	6.7	(1.6)	Term Loan	Wholesale	USD	10.8%	10 : Loss
Borrower 44	4.8	4.2	8.4	(3.7)	Revolving Loan	Wholesale	GBP	9.5%	7 : High
Borrower 45	5.8	0.5	1.0	n/a	Finance Lease	Manufacturing	EUR	9.2%	10 : Loss
Borrower 46	5.6	3.9	5.2	n/a	Term Loan	Aviation	EUR	9.6%	10 : Loss
Borrower 47	5.4	4.7	3.6	n/a	Term Loan	Shipping	USD	10.4%	10 : Loss
Borrower 48	5.4	4.7	3.5	n/a	Term Loan	Shipping	USD	10.4%	10 : Loss
Borrower 49	4.8	4.9	4.5	(0.2)	Term Loan	Infrastructure Equipment	GBP	9.0%	6 : Borderline
Borrower 50	4.6	4.5	4.7	(0.4)	Finance Lease	Waste Processing	GBP	10.0%	5 : Acceptable
Borrower 51	4.6	4.1	3.1	n/a	Term Loan	Shipping	USD	10.4%	10 : Loss
Borrower 52	3.8	3.8	4.0	(0.3)	Finance Lease	Waste Processing	GBP	9.8%	5 : Acceptable
Borrower 53	3.4	3.4	3.7	(0.4)	Term Loan	Construction	GBP	8.8%	5 : Acceptable
Borrower 54	2.4	2.4	2.7	(0.5)	Finance Lease	Infrastructure Equipment	GBP	9.9%	8 : Extremely high risk
Borrower 55	1.2	1.2	2.4	(1.6)	Term Loan	Material Handling	USD	10.0%	5 : Acceptable
Borrower 56	Closed	Closed	2.2	(2.1)	Term Loan	Marine	GBP	9.5%	5 : Acceptable
Borrower 57	1.2	1.2	1.8	(0.7)	Term Loan	Aviation	EUR	8.8%	5 : Acceptable
Borrower 58	1.7	0.7	0.0	n/a	Construction Finance	Insurance	USD	10.0%	10 : Loss
Borrower 59	0.4	0.4	0.5	(0.1)	Finance Lease	Marine	GBP	10.3%	6 : Borderline
Borrower 60	Closed	Closed	0.1	(0.1)	Finance Lease	Marine	GBP	10.8%	5 : Acceptable
Total	**89.1**	**70.6**	**82.9**	**(20.6)**					

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Position-	FV Discount Rate	Risk Grade	Security Type

Borrower 41	8.82%	4	Fixed Asset

- Secured against an organic waste to compost processing plant located outside Belfast.
- A performing asset with good cash flow visibility.
- A refinance completed with funds received subsequent to the reporting period on 6 August 2021.

Borrower 42 & 58	20%	10	High Risk

- Start-up and regulatory capital finance for a US insurance company.
- Negotiations to attempt to resolve the situation brought forward a bid of $4m, which settled, in Q3.

Borrower 43	20%	10	High Risk

- Portfolio of Mexican leases.
- Communication with the underlying borrower is limited.
- The Administration Agent/Security Trustee has confirmed that the borrower intends to pay to the scheduled agreement. The Agent, SQN Capital Management LLC, has also recently been slow in passing cash and comprehensive information due from the Trust to the Company, taking up to 8 weeks to pass payments through.

Borrower 44	20%	7	Realisable

- Secured against wholesale portfolio of working capital SME loans.
- Fund granted extension to pay from September 2021 until to year-end to source new funding.
- If refinance fails to progress it may enter run off and require collections over the coming 12-18 months.

Borrower 45	20%	10	High Risk

- Secured against car engine manufacturing equipment. Currently in liquidation.
- There is a threat that the equipment under the security package could be damaged by disgruntled union employees in France.
- We see two likely cash flow outcomes:

  1. An Orderly Liquidation Valuation - €1.75m, valuation in 2020, but assumed it will take two years to achieve.
  2. We are unable to extract the equipment and receive limited cash flow.

Borrower 46	10%	10	Realisable

- Exposure secured against a modern AW169 Helicopter via a German mortgage.
- Valuation of helicopter is taken from third party valuation report.
- We are working with the owner to secure a long term leasing for the helicopter.

Borrower 47, 48 & 51	10%	10	Realisable

- Secured against a portfolio of Shipping Vessels.
- The fund closed a refinance of £13.3m in August 2021.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Position-	FV Discount Rate	Risk Grade	Security Type

Borrower 49	8.23%	6	Fixed Asset

- Secured against a mushroom composting plant in Northern Ireland.
- Performing asset whose sales are underpinned by their ownership farmer cooperative structure, which creates a mutually beneficial relationship between themselves and their buyers.
- The facility is performing as expected; therefore, we assume the cash flows occur to schedule.

Borrower 50	9.33%	5	Fixed Asset

- Secured against a fridge recycling plant located in Gateshead.
- Performing asset, which has regained stability since fridge feedstock volumes were severely impacted by the first Covid-19 lockdown in the spring of 2020.
- Scheduled amortisation assumed.

Borrower 52	9.787%	5	Fixed Asset

- Secured against a waste recycling plant.
- Performing asset with good cash flow visibility, underpinned by contracts with local authorities and businesses in the West Midlands.
- Scheduled amortisation assumed.

Borrower 53	8.12%	5	Realisable

- Secured against seven PPP contracts, which can be sold to another party if required.
- Performing asset with good cash flow visibility, underpinned by 7 PPP contracts in Northern Ireland.
- At a recent meeting the borrower expressed no immediate desire to refinance, therefore the fund has assumed the facility will run to maturity as per the original schedule.

Borrower 54	9.84%	8	Realisable

- Assets are battery backup units for site generators and therefore of diminishing value.
- Semi-Performing asset, which pays consistently but has not caught up on 2 monthly payments missed in late 2019 and early 2020.
- Business has increased debt quarter on quarter increasing stocks.
- Parallel ownership vehicle manufactures the boxes and therefore benefits from captive buyer. An exit of this business is in place, which should facilitate some debt repayment.
- For cash flows, we assume the original schedule and that they repay the two overdue amounts on termination.

Borrower 55	9.122%	5	Realisable

- Loan is secured against electric warehouse handling equipment.
- Performing asset with cash flows underpinned by stable contracts operating within distribution centres of a leading national supermarket store in the US.
- Assumed facility will mature as scheduled with amortisation (March 2022).

Borrower 57	8.75%	5	Realisable

- Helicopter deposit financing, with residual value outstanding.
- Company missed final bullet payment due 30 June 2021, but was expected to make this payment late September 2021, however, this date was also missed and the borrower now expects to amortise by €100,000 per month while awaiting other transactions to close that will allow refinance.

PORTFOLIO MANAGER'S REPORT (CONTINUED)

Position-	FV Discount Rate	Risk Grade	Security Type
Borrower 59	**10.21%**	**6**	**Realisable**

- Marine Equipment. Performing asset.
- No indication from the business that they intend to refinance in the near future. Therefore, assumed facility will mature as scheduled.

Facilities Closed

Facility	Dec 20 carrying value	Description
Borrower 40	£7.3m	Sale of ROV assets for £8.2m. Facility was restructured in June 2020 to avoid administration. Business showed little ability to make any payments in the near term, and high risk that it failed in the medium term. Review of recovery on asset sale highlighted geographic challenges and aging nature of assets.
Borrower 56	£2.2m	Borrower repaid early £2.2m. Facility was backed by marine assets.
Borrower 60	£0.07m	Lease repaid to schedule.

Facilities closed post Balance Sheet

Facility	Dec 20 carrying value	Description
Borrower 41	£17.5m	Borrower refinanced in full for £16.8m including a prepayment fee. Monthly amortisation paid until close. Facility recycled garden and food waste into compost in Northern Ireland.
Borrower 42 & 58	£0.0m	Position sold for £2.7m to a third party. Transaction funded the start-up costs and regulatory capital for a US insurance business.
Borrower 47, 48 & 51	£10.1m	Borrower refinanced for £13.3m. Marine vessels were badly hit pre and early in Covid-19 cycle, but saw significant improvement into 2021.

Outlook

At the time of writing, the economic effects of the pandemic seem likely to continue for well into 2022 and we will therefore keep the facilities under regular review.

The reporting period has been relatively quiet in relation to credit events impacted by Covid-19 and/or Brexit. We continue to work on returning capital to shareholders under the plan presented to the Board at the time of the EGM.

We would like to thank shareholders for their support during an immensely challenging time.

KKV Investment Management Ltd
16 November 2021

DIRECTORS' REPORT

The Directors present the Annual Report and audited consolidated financial statements of the Group for the year ended 30 June 2021.

Statement as to Disclosure of Information to the Auditor
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and that they have taken the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Fair, Balanced and Understandable
In assessing the overall fairness, balance and understandability of the Annual Report and audited consolidated financial statements the Board has performed a comprehensive review to ensure consistency and overall balance.

Board of Directors
The Directors of the Company as at the year-end and up to the date of this report were:

Brendan Hawthorne (Chairman, appointed 24 February 2021)
Brett Miller (appointed 16 September 2020)
David Copperwaite (appointed 31 December 2020)

The biographical details of the Directors in office at the year-end are provided on page 50.

The Directors of the Company who resigned during the year were:

Christopher Spencer (resigned 30 October 2020)
Jacqueline Redmond (resigned 30 October 2020)
John Falla (did not stand for re-election at the AGM held on 31 December 2020)
Paul Meader (did not stand for re-election at the AGM held on 31 December 2020)
Peter Niven (Chairman, resigned 24 February 2021)

Directors' Interests
The Directors of the Company as at the year end and up to the date of approval of this report held the following interests in the Company's share capital:

Director	Number of Ordinary Shares	Number of 2016 C Shares
Brendan Hawthorne	-	-
Brett Miller	-	-
David Copperwaite	410,000	-

DIRECTORS' REPORT (CONTINUED)

Notifications of Shareholdings

As at 30 June 2021, the Company had been notified in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules (which covers the acquisition and disposal of major shareholdings and voting rights), of the following shareholders that had an interest of greater than 5% in the Company's issued share capital:

	Percentage of total voting rights (%)
Investec Wealth & Investment Limited	8.83%

The Company did not receive any notifications during the period 1 July 2021 to 16 November 2021.

Ordinary Share Buybacks

At the AGM held 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 next AGM unless previously renewed, varied or revoked by the Company in a general meeting. The Directors intend to seek annual renewal of this authority from the shareholders. Pursuant to this authority, and subject to the Companies (Guernsey) Law, 2008, as amended ("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.

No Ordinary Shares or 2016 C Shares were repurchased by the Company during the year ended 30 June 2021.

Indemnities

To the extent permitted by Companies Law, the Company's Articles provide an indemnity for the Directors against any liability except such (if any) as they shall incur by or through their own breach of trust, breach of duty or negligence.

During the year and up to the date of this Annual Report, the Group has maintained insurance cover for its Directors under a Directors and Officers' liability insurance policy.

2020 AGM

The AGM was held in Guernsey on 31 December 2020. The notice for the AGM set out the ordinary resolutions to be proposed at the meeting. Separate resolutions were proposed for each substantive issue.

Voting on all resolutions at the AGM was by poll. The proxy votes cast, including details of votes withheld were disclosed to those in attendance at the meeting and the results were published on the website and announced via the Regulatory News Service on the 31 December 2020.

All resolutions were passed with the exception of Resolution 1, 'to receive and consider the Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2020', and the AGM was adjourned, at the reconvened AGM on 17 February 2021, the resolution was passed.

The Directors welcome communication with all shareholders and can be contacted in writing at the Company's registered office, which can be found on page 143.

DIRECTORS' REPORT (CONTINUED)

Borrowing
The Group does not have any external borrowings.

Events after the Reporting Date
Refer to pages 18 to 21 of the Strategic Report for details of "Events after the Reporting Date" and note 19 – Significant Events after the Reporting Period for further details.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Annual Report and audited consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing these consolidated financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its consolidated financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website and for the preparation and dissemination of the consolidated financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT (CONTINUED)

Responsibility statement of the Directors in respect of the Annual Report and audited consolidated financial statements

We confirm that to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and audited consolidated financial statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Brendan Hawthorne	**David Copperwaite**
Chairman	**Director**
16 November 2021	16 November 2021

DIRECTORS' BIOGRAPHIES

David Copperwaite (Non-Executive Director) - Appointed 31 December 2020
David Copperwaite, a resident of Guernsey, is on the board of directors of a number of investment funds operated by various financial groups. These investment funds include multi-functional investment, venture capital, direct lending, distressed and non-performing debt together with substantial private equity investment entities, involving financial service companies, insurance broking, banking and real estate development.

Mr Copperwaite has over 50 years' experience in the financial services sector working for Standard Bank between 1965 and 1973 followed by Lloyds Bank International Limited between 1973 and 1997. In that time, Mr Copperwaite held a number of positions including Principal Manager (Sterling European Region) between 1988 and 1997. In that role he was responsible for all international private banking operations in Guernsey, Jersey, Gibraltar and London (Mayfair) and these covered the areas of banking, investment funds (open-ended, split capital and closed), cash and money management, secured and unsecured lending, offshore trusts and company management. Mr Copperwaite is a former Chairman of The International Bankers Association.

Brendan Hawthorne (Non-Executive Chairman) - Appointed 24 February 2021
Mr Hawthorne is an experienced non-executive director and chairman with significant work-out experience in the listed and private equity environments. He has been involved in the running off and realisation of numerous listed funds across a wide range of asset classes. He has more than 25 years' experience as an asset recovery specialist and is frequently invited to join or chair boards where a form of orderly wind down is indicated.

Brett Miller (Director) - Appointed 16 September 2020
Brett presently serves as a director of the following publicly listed companies: Manchester and London Investment Trust plc and Secured Income Fund plc, which is also managed by the Portfolio Manager. He is also a director of a number of unlisted and/or private companies.

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

CORPORATE GOVERNANCE REPORT

Introduction
The Board is committed to high standards of corporate governance and has put in place a framework for corporate governance, which it believes, is appropriate for an investment company.

Compliance with Corporate Governance Codes
During the year ended 30 June 2021, the Company was a member of the AIC, however, with effect from 1 October 2021, the Company is no longer a member of the AIC as the Directors decided not to renew the Company's membership.

The UK Corporate Governance Code (the "UK Code") acknowledges that the AIC Code can assist externally managed companies in meeting their obligations under the UK Code in areas that are of specific relevance to investment companies. The Guernsey Financial Services Commission has also confirmed that companies that report against the UK Code or AIC Code are deemed to meet the Guernsey Code of Corporate Governance (the "Guernsey Code"). Copies of the AIC Code and the AIC Guide can be found at www.theaic.co.uk. The UK Code is available from the Financial Reporting Council (the "FRC") website (www.frc.co.uk).

Throughout the year ended 30 June 2021, the Company has complied with the recommendations of the AIC Code and as such meets the requirements of the UK Code and by default the Guernsey Code, except to the extent highlighted below:

- Appointment of a Senior Independent Director (provision 14)
- New companies (provision 21)
- Policy on the tenue of the chair (provision 24)
- Chairman is chairman of the Audit and Risk Committee (provision 29)
- Going concern basis for accounting (provision 35)

Provision 14: No Senior Independent Director has been appointed. The Board does not therefore maintain a document setting out the responsibilities of the Senior Independent Director. All Directors have different qualities and areas of expertise on which they lead, and concerns can be conveyed to the Chairman, or another Director if shareholders do not wish to raise concerns with the Chairman.

Provision 21: For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers provision 21 as not relevant as the Company was incorporated in 2014.

Provision 24: The Board have not set down a schedule of matters reserved for the Board as all decisions are made by the Board. This would be inappropriate in view of the Company being in a managed wind down and the Board feel that the continued contribution to the wind down process is of greater importance than the length of time for which they have served as a Director of the Company. Each Director is subject to re-election by Shareholders at AGM's.

Provision 29: The Chairman is also Chairman of the Audit 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 executive management of the Company.

Provision 35: These consolidated financial statements have been prepared on a basis other than going concern as the Company is in managed wind down.

The Group complies with the corporate governance statement requirements pursuant to the UK FCA Disclosure and Transparency Rules by virtue of the information included in the Corporate Governance section of the Annual Report.

The Board believes that this Annual Report and audited consolidated financial statements presents a fair, balanced and understandable assessment of the Group's position and prospects, and provides the information necessary for shareholders to assess the Group's performance, business model, strategy, principal risks and uncertainties.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Independence, Composition and Diversity
Brett Miller was appointed as a Director on 16 September 2020. David Copperwaite was appointed as a Non-Executive Director on 31 December 2020. Brendan Hawthorne was appointed as Chairman of the Board on 24 February 2021. The biographical details of the Directors are listed on page 50 and demonstrate a breadth of investment, accounting, banking and professional experience.

Brendan Hawthorne and David Copperwaite are considered independent. Brett Miller is a Director of Secured Income Fund Plc, which is also managed by the Portfolio Manager and is therefore not considered independent.

Given the Company has entered the wound-up phase in its life cycle, the Directors consider that there are no factors, as set out in Principle 1 or 2 of the AIC Code, which compromise the Chairman's or other Directors' independence and that they all contribute to the affairs of the Company in an adequate manner. The Board reviews the independence of all Directors periodically.

The Board values the importance of diversity to the effective functioning of the Board.

Directors' Duties and Responsibilities
The Directors have adopted a set of reserved powers, which establish the key purpose of the Board and detail its major duties. These duties cover the following areas of responsibility:

- statutory obligations and public disclosure;
- approval of key investment and disposal decisions;
- strategic matters and financial reporting;
- Board composition and accountability to shareholders;
- risk assessment and management, including reporting, compliance, monitoring, governance and control; and
- other matters having material effects on the Group.

These reserved powers of the Board have been adopted by the Directors to demonstrate clearly the importance with which the Board takes its fiduciary responsibilities and as an ongoing means of measuring and monitoring the effectiveness of its actions.

The Board meets at least four times each year, monitors the Group's share price and NAV, and regularly considers ways in which to enhance the return of capital to investors during the winding up of the Group. The Board is responsible for the safeguarding of the assets of the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities. The Portfolio Manager together with the Company Secretary also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information relating to the Group and its portfolio of investments. Directors unable to attend a Board meeting are provided with the Board papers and can discuss issues arising in the meeting with the Chairman or another Director.

Individual Directors may, at the expense of the Group, seek independent professional advice on any matters that concerns them in the furtherance of their duties.

Board and Committees
The Board has established three committees:

- the Audit and Risk Committee;
- the Management Engagement Committee, and
- the Remuneration and Nomination Committee.

The responsibilities of these Committees are described below. Each Committee reports to and is subject to the oversight of the Board. Terms of reference for each Committee have been approved by the Board and are available in full on the website.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board and Committees (Continued)

Board

Responsibilities:

- Statutory obligations and public disclosure.
- Approval of key investment decisions.
- Strategic matters and financial reporting.
- Board composition and accountability to shareholders.
- Risk assessment and management, including reporting, compliance, monitoring, governance and control.
- Responsible for consolidated financial statements.
- Other matters having material effects on the Group.

Audit and Risk Committee

Delegated Responsibilities:

- Review the consolidated financial statements, including review of the accounting policies and methods utilised.
- Review the effectiveness and internal control policies and procedures over financial reporting and identification, assessment and reporting of risk.
- Make recommendations to the Board in relation to appointment, re-appointment and removal of external auditors, approving remuneration and terms of engagement of external auditors and assess the effectiveness of the audit process.
- To monitor risk management and internal control systems on an ongoing basis, performing a review of their effectiveness, and recommending actions to remedy any failings or weaknesses identified.

Management Engagement Committee

Delegated Responsibilities:

- Review on a regular basis the performance of the Portfolio Manager and the Group's key advisers and major service suppliers (other than the external auditor) to ensure that performance is satisfactory and in accordance with the terms and conditions of the respective appointments.

Remuneration and Nomination Committee

Delegated Responsibilities:

- Review the structure, size and composition of the Board.
- Give full consideration to succession planning
- Identify suitable Board candidates to fill Board vacancies.
- Undertake performance evaluations of the Board and the Chairman.
- Determine the framework and policy for the level of remuneration of the Chairman and Directors

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board and Committees (Continued)

Due to the size and nature of the Company, as at 30 June 2021, all Directors have been appointed to all Committees. Following the appointment of Mr Hawthorne as Chairman of the Board on 24 February 2021, all committees consisted of Mr Miller, Mr Copperwaite and Mr Hawthorne.

Audit and Risk Committee
Brendan Hawthorne was appointed as the Chairman of the Audit and Risk Committee on his appointment to the Board in February 2021, replacing David Copperwaite who had held the post temporarily following the retirement of John Falla at the AGM held on 31 December 2020.

The Board is satisfied that Mr Hawthorne has recent and relevant financial experience, as required under the AIC Code. The qualifications of the members of the Audit Committee are outlined in the Directors' Biographies section. The duties of the Audit and Risk Committee in discharging its responsibilities are outlined in the chart on page 53. The report on the role and activities of the Audit and Risk Committee and its relationship with the external auditors is contained in the Audit and Risk Committee Report.

Management Engagement Committee
Brett Miller was appointed as Chairman of the Management Engagement Committee on 24 February 2021. The duties of the Management Engagement Committee in discharging its responsibilities are outlined in the chart on page 53.

The Management Engagement Committee carries out its review of the Group's key advisers and service providers through consideration of a number of objective and subjective criteria and through a review of the terms and conditions of their appointments with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Company's shareholders.

The Management Engagement Committee reviewed the performance of its key service providers on 21 May 2021. During this review, no material weaknesses were identified. Overall, the Management Engagement Committee confirmed its satisfaction with the services and advice received.

Remuneration and Nomination Committee
David Copperwaite was appointed as Chairman of the Remuneration and Nomination Committee on 24 February 2021. The duties of the Remuneration and Nomination Committee in discharging its responsibilities are outlined in the chart on page 53.

The Remuneration and Nomination Committee undertakes an evaluation of the Board on an annual basis. The performance of each Director is considered as part of a formal review by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may also meet without the Chairman of the Board present in order to review his performance.

Performance Evaluation
The performance of the Board and the Directors was reviewed by the Remuneration and Nomination Committee on 24 February 2021 when Mr Hawthorne was appointed to the Board and again on 21 May 2021.

The Committee discussed various areas, including the process and style of meetings, investment matters, strategy, governance and shareholder value. It was concluded that the Board have a good and complementary range of skills, competency and that Board meetings were effective, and all relevant topics were fully discussed. The Directors confirm that they have devoted sufficient time, as considered necessary, to the matters of the Company. It was agreed that all Directors were independent and that all Directors felt well prepared and able to participate fully at Board meetings and had a good understanding of the investments and markets in which the Company operates.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Directors' Remuneration Report
The following report meets the relevant Listing Rules of the FCA and the AIC Code and describes how the Board has applied the principles relating to Directors' remuneration.

Annual Report on Remuneration
The Group paid the following fees to the Directors for the year ended 30 June 2021:

Director	**Fees £**
Peter Niven	45,695
Christopher Spencer	15,790
John Falla	28,750
Paul Meader	27,500
Jacqueline Redmond	14,959
Brett Miller	56,844
David Copperwaite	45,427
Brendan Hawthorne	31,500
Total Director fees	**266,465**
Fees for extra services provided by the Directors	
Brett Miller – consultancy fees	195,000
Brett Miller – one-off fee for the completion of the June 2020 Annual Report and audited consolidated financial statements	20,000
David Copperwaite – one-off fee for the completion of the June 2020 Annual Report and audited consolidated financial statements	15,000
Total fees paid to Directors including extra services	**496,465**

Brett Miller was entitled to a fee of £45,000 per annum from 16 September 2020 to 31 December 2020, increasing to £70,000 per annum with effect from 1 January 2021. He also received £20,000 per month, payable monthly in arrears, from 1 October 2020 to 31 March 2021, for his additional duties assigned by the Board, increasing to £25,000 per month with effect from 1 April 2021. With effect from 1 January 2021, he also receives £5,000 per annum as Chairman of the Management Engagement Committee and £12,500 per annum as a Director of the Company's five subsidiaries.

David Copperwaite was entitled to a fee of £45,000 per annum on 31 December 2020, increasing to £70,000 per annum with effect from 1 January 2021. He was entitled to an additional £10,000 per annum as Chairman of the Audit and Risk Committee from 31 December 2020 to 24 February 2021. With effect from 1 January 2021, he also receives £5,000 per annum as Chairman of the Remuneration and Nomination Committee and £12,500 per annum as a Director of the Company's five subsidiaries.

At a meeting of the Remuneration and Nomination Committee on 24 February 2021, consideration was given to the payment of an additional fee for those directors involved in the completion of the Annual Report and Accounts for 2020 for the additional work under taken. It was agreed that one-off payments be made to Mr Miller and Mr Copperwaite of £20,000 and £15,000 respectively, for their contribution on the audit of the Company's consolidated financial statements for the year ended 30 June 2020.

Brendan Hawthorne is entitled to a fee of £80,000 per annum as Chairman of the Board and an additional £10,000 per annum as Chairman of the Audit and Risk Committee, with effect from 24 February 2021.

The Company's Articles limit the aggregation of fees payable to the Directors to a total of £300,000 per annum. Extra services are not included in the definition of fees as per the Company's Articles.

Other than as shown above, no other remuneration or compensation was paid or payable by the Company during the year to any of the Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Directors' Appointment, Retirement and Policy on Payment of Loss of Office
The Articles of the Company require that all Directors submit themselves for election by shareholders at the first opportunity following their appointment. The Directors have elected to agency for re-election on a yearly basis, so will all retire at each AGM and be eligible for reappointment.

Any Director may resign in writing to the Board at any time. Directors are not entitled to payment for loss of office.

No Director has a service contract with the Company. Directors have agreed letters of appointment with the Company, copies of which are available for review by shareholders at the registered office and will be available at the AGM. The dates of their letters of appointment and where applicable the date of their resignation, are shown below:

Director	Date Appointed	Date Resigned
Peter Niven	28 May 2014	24 February 2021
Christopher Spencer	28 May 2014	30 October 2020
John Falla[1]	28 May 2014	31 December 2020
Paul Meader[1]	18 August 2017	31 December 2020
Jacqueline Redmond[2]	23 January 2020	30 October 2020
Brett Miller	16 September 2020	-
David Copperwaite	31 December 2020	-
Brendan Hawthorne	24 February 2021	-

[1] Did not stand for re-election at the AGM held on 31 December 2020.
[2] Appointed 4 December 2019, however letter of appointment signed 23 January 2020.

Tenure of Non-Executive Directors
The Board has adopted a policy on tenure that is considered appropriate for an investment company.

The Board's tenure and succession policy seeks to ensure that the Board is well balanced and will be refreshed from time to time by the appointment of new Directors with the skills and experience necessary to replace those lost by Directors' retirements and meet future requirements. Directors must be able to demonstrate their commitment and fiduciary responsibility to the Company. The Board seeks to encompass relevant past and current experience of various areas relevant to the Company's business.

The Board believe that the appointments of Brendan Hawthorne, Brett Miller and David Copperwaite is in the interest of all the Company stakeholders as it further enhances the skills at the Board's disposal.

The current composition of the Board reflects the wind down nature of the business and the skills that are needed to manage that ongoing process.

Conflict of Interests
The Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. Only Directors who have no material interest in the matter being considered will be able to participate in the Board approval process. Directors are required to disclose all actual and potential conflicts of interest to the Chairman in advance of any proposed external appointment.

In deciding whether to approve an individual Director's participation, the other Directors will act in a way they consider to be in good faith in assessing the materiality of the conflict in accordance with the Company's Articles of Incorporation.

The Board believes that its procedures regarding conflicts of interest have operated effectively. The Board also confirms that its procedure for the approval of conflicts of interest, if any, has been followed by the Directors. None of the Directors had a material interest in any contract, which is significant to the Group's business. Directors' holdings in the Company's shares can be found within the Directors' Report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Induction/Information and Professional Development
Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and its internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise along with changes to best practice from, amongst others, the Company Secretary and Deloitte. Advisers to the Group also prepare reports for the Board from time to time on relevant topics and issues.

The Directors attend relevant seminars and events to allow them to continually refresh their skills and knowledge and keep up with changes within the investment management industry.

When a new Director is appointed to the Board, they are provided with all relevant information regarding the Group and their duties and responsibilities as a Director. In addition, a new Director will also spend time with representatives of the Portfolio Manager in order to learn more about the portfolio, its management, processes and procedures.

Attendance at scheduled meetings of the Board and its committees for the year ended 30 June 2021

	Quarterly Board	NAV & Dividend Meetings	Audit & Risk Committee	Remuneration & Nomination Committee	Management Engagement Committee
Number of meetings during the year	**6**	**6**	**12**	**6**	**2**
Peter Niven	4/4	5/5	5/10*	3/4	1/1
John Falla	4/4	5/5	7/7	3/4	1/1
Chris Spencer	4/4	5/5	5/5	3/3	1/1
Paul Meader	4/4	4/5	7/7	3/4	1/1
Jacqueline Redmond	2/2	3/3	2/2	1/2	1/1
Brett Miller	3/3	1/1	8/8	3/3	1/1
David Copperwaite	2/2	1/1	5/5	2/2	1/1
Brendan Hawthorne	2/2	1/1	2/2	2/2	1/1

** Peter Niven had a period of absence due to ill health*

Please note that due to the number of changes to the Board during the period, the number on the right of the dash indicates the maximum number of meetings each individual could have attended during their period of appointment whilst the number to the left is the number they attended.

In addition to these meetings, there were 31 ad-hoc board and committee meetings held during the year covering various Group matters.

Relationship with the Portfolio Manager, Company Secretary and the Administrator
The Board has delegated various duties to external parties including the management of the investment portfolio, the custodial services (including the safeguarding of assets), the registration services and the day-to-day company secretarial, administration and accounting services. Each of these contracts were entered into after full and proper consideration by the Board of the quality and cost of services offered, including the control systems in operation in so far as they relate to the affairs of the Group.

The Board receives and considers reports regularly from the AIFM and the Portfolio Manager, with ad hoc reports and information supplied to the Board as required. The Portfolio Manager takes decisions as to the management and timely disposal of individual investments, within the delegated authority established by the Board. The Board meets with the AIFM and the Portfolio Manager on an ad-hoc basis to discuss and approve investment decisions as necessary. The Portfolio Manager complies with the risk limits as determined by the Board and have systems in place to monitor cash flow and the liquidity risk of the Group.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Relationship with the Portfolio Manager, Company Secretary and the Administrator (Continued)

The Portfolio Manager (and the Administrator also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Portfolio Manager and Administrator attend each Board meeting as required, enabling the Directors to probe further on matters of concern. The Directors have access to the advice and service of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board, the Portfolio Manager and the Administrator operate in a supportive, co-operative and open environment.

AIFMD

The Company is classed as an externally managed Alternative Investment Fund under the Alternative Investment Fund Managers Directive (“AIFMD”).

IFM

The AIFM is responsible for managing the Company’s investments and the risks it faces in accordance with AIFMD, subject to the overall scrutiny of the Board. IFM is part of the PraxisIFM Group, which is listed on The International Stock Exchange. IFM has over US$8 billion of assets under management with experience across all major asset classes, including credit, and provides services to multiple investment trust and investment company clients listed on the main market of the London Stock Exchange. IFM as AIFM, is responsible to the Company for risk management and portfolio management and has delegated the provision of portfolio management services to the Portfolio Manager.

AIFM Remuneration

The fees associated with the on-going appointment of IFM as AIFM for the Company are met by the Portfolio Manager.

AUDIT AND RISK COMMITTEE REPORT

As at 30 June 2021, the Audit and Risk Committee comprised all of the Directors, each of whom has recent and relevant financial experience. Brendan Hawthorne was appointed Chairman of the Audit and Risk Committee on 24 February 2021, replacing David Copperwaite (who had been the Chairman since 31 December 2020 having replaced John Falla).

Committee Meetings
In the year ended 30 June 2021, the Audit Committee convened formally on twelve occasions. The members' attendance record can be found on page 57.

The Audit and Risk Committee usually meets at least three times a year. Only members of the Audit and Risk Committee have the right to attend Audit and Risk Committee meetings. Representatives of the Portfolio Manager, AIFM and Administrator are invited to attend Audit and Risk Committee meetings on a regular basis and other non-members may be invited to attend all or part of the meeting as and when appropriate and necessary. The auditor is also invited whenever it is appropriate. The Audit and Risk Committee is also able to meet separately with the auditor without the Portfolio Manager, AIFM or Administrator being present.

Main Activities
The Audit and Risk Committee assists the Board in carrying out its overall responsibility in relation to financial reporting requirements, risk management and the assessment of internal financial and operating controls. It also manages the Group's relationship with the auditor. Meetings of the Committee generally take place prior to a Company Board meeting. The Audit and Risk Committee reports to the Board as part of a separate agenda item, on the activity of the Audit and Risk Committee and matters of particular relevance to the Board in the conduct of their work.

The Audit and Risk Committee reviews and monitors reports on the internal control and risk management systems on which the Company is reliant.

Financial Reporting
The primary role of the Audit and Risk Committee in relation to financial reporting is to review in conjunction with the AIFM, Portfolio Manager and the Administrator, the appropriateness of the Annual Report and audited consolidated financial statements and the Interim Report and consolidated financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the auditor;
- in relation to the UK Corporate Governance Code and AIC Code, whether the Annual Report and audited consolidated financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; and
- any correspondence from regulators in relation to the quality of the Group's financial reporting.

To aid its review, the Audit and Risk Committee seeks the appropriate input from the Portfolio Manager, AIFM, Administrator and also reports from the auditor.

These consolidated financial statements have been prepared on a basis other than going concern as the Company is in managed wind down. The Committee has reviewed the impact on the Viability Statement, and the modelling to support it and are satisfied that the Viability Statement has been properly prepared.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

Significant Risks
For the year ended 30 June 2021, the following significant issues were considered by the Audit and Risk Committee:

(i) Revenue Recognition
The risk that revenue (classified as 'income' in the consolidated financial statements and primarily comprising interest income or finance charges receivable under loans, leases and hire purchase agreements) may be materially misstated.

The Committee has reviewed and is satisfied that a robust transaction reporting system is in place between the Portfolio Manager, AIFM and Administrator to ensure that transactions and the revenue received are reflected correctly.

(ii) Investment Portfolio
The investment portfolio primarily comprises loans, hire purchase contracts and finance leases.

As the Company is in managed wind down, the business model changed from holding the assets to maturity to actively realising assets in line with the updated investment policy. This has led to a change in the measurement basis of the portfolio to fair value rather than amortised cost, which was effective from 1 January 2021.

This change affects the valuation of the debt portfolio as well as the financial statements presentation and disclosures. The valuation of the debt portfolio reflects the fair value together with the expected future cash flows after being discounted back to the reporting date using the market yield to maturity as a discount rate, which represents the required rate of return for a similar instrument.

Where a valuation model is utilised, such a model relies upon on a number of inputs, such as underlying assumptions and estimates, including in some instances asset valuations provided by third party asset valuers, and inherent within any such matter of judgement is the risk that the eventual outcome will differ from that contained within these consolidated financial statements.

The Audit and Risk Committee reviews and challenges the regular reports regarding the valuation of the investments from the AIFM, the Portfolio Manager, and the Administrator including, where relevant, the external reviews and/or valuations received and, with the Board, reviews the NAV of the Group, together with the value of investments on a regular basis.

(iii) Fraud Risk
The risk of fraud due to management override of controls.

The Audit and Risk Committee also reviews the reports from the Portfolio Manager and Administrator on the system of checks in place to combat fraud.

(iv) Related Parties and Consolidation
The Company has a number of subsidiaries and affiliated entities.

Consideration is given to financial reporting requirements – primarily around consolidation (and control), basis of preparation and classification and related party disclosure.

The Administrator, the AIFM and the Portfolio Manager have a number of worksheets and documents to ensure that all subsidiaries and affiliated entities are correctly reflected in the monthly valuations and fed through to the consolidated financial statements. The related party disclosure is reviewed by all parties.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

Risk Management and Internal Controls
The Board is responsible for ensuring that suitable systems of risk management and internal control are implemented by third-party service providers and have carried out a robust assessment as outlined below.

The Directors have reviewed BNP Paribas Securities Services' ISAE 3402 report (Report on the description of controls placed in operation, their design and operating effectiveness for the period from 1 April 2020 to 31 March 2021) on Fund Administration and are pleased to note that no significant issues were identified.

The Company continues to review and develop a comprehensive risk management framework, with implementation outsourced to the AIFM and the Portfolio Manager and the Administrator, with a risk register that is reviewed and updated as necessary by the Board and Audit and Risk Committee. The Audit and Risk Committee considers the risks facing the Group and the controls and other measures in place to mitigate the impact of those risks.

The work of the Audit Committee is primarily driven by the Company's assessment of the principal risks and uncertainties as set out in the Strategic Report and in note 18, the reports received from the AIFM, the Portfolio Manager and the Company's risk evaluation process.

Risk Framework and Systems of Internal Control
The Board recognises the importance of identifying, actively monitoring and, where possible, mitigating the financial and non-financial risks facing the business. Whilst responsibility for risk management rests with the Board, the management of risk is embedded as part of the everyday business and culture of the Company and its principal advisers.

The Board has considered the need for an internal audit function but because of the internal controls systems in place at the key service providers and the independent controls process performed, it has decided instead to place reliance on those controls and assurance processes**.**

Risk Identification
The Board, Audit, and Risk Committee identify risks with input from the Group's AIFM, the Portfolio Manager and the Administrator. The Board also receives detailed quarterly asset management reports highlighting performance and potential risk issues on an investment-by-investment basis.

Risk Assessment
Each identified risk is assessed in terms of probability of occurrence, potential impact on financial performance and movements in the relative significance of each risk from period to period.

Action Plans to Mitigate Risk
Where new risks are identified or existing risks increase in terms of likelihood or impact, the Audit and Risk Committee assists the Group in developing, where possible, an action plan to mitigate the risk and put in place enhanced monitoring and reporting.

Re-assessment and Reporting of Risk
Such risk mitigation plans are reassessed by the Audit and Risk Committee with the relevant key service providers where applicable, and reported to the Board on a quarterly basis. The direct communication between the Group and its Portfolio Manager and the AIFM is regarded as a key element in the effective management of risk (and performance) at the underlying investment level.

Emerging Risks
Refer to the Emerging Risks section on pages 23 and 24 for details on emerging risks.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

External Audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Audit and Risk Committee received a detailed audit plan from the auditor identifying its assessment of the significant audit risks. For the year ended 30 June 2021, the significant audit risks identified are shown on page 60. The significant risks were tracked through the year, the Audit and Risk Committee challenged the work performed by the auditor to test management override of controls, and in addition the audit work undertaken in respect of valuations of unlisted investments.

The Audit and Risk Committee assesses the effectiveness of the audit process in addressing these matters through the reporting received from the Auditor in relation to the year-end. In addition, the Audit and Risk Committee seeks feedback from the Portfolio Manager, the AIFM and the Administrator on the effectiveness of the audit process. For the year ended 30 June 2021, the Audit and Risk Committee was satisfied that there had been appropriate focus, challenge on the significant and other key areas of audit risk, and assessed the quality of the audit process to be good.

Appointment and Independence

In its assessment of the independence of the auditor, the Audit and Risk Committee receives details of any relationships between the Group and the auditor that may have a bearing on their independence and receives confirmation that they are independent of the Group.

Deloitte was appointed as the external auditor of the Company at the AGM held on 21 November 2019. The Audit and Risk Committee considers the reappointment of the auditor, including the rotation of the audit engagement partner, and assesses their independence on an annual basis. The auditor is required to consider rotation of the engagement partner responsible for the audit every five years. This is the second year that the current audit engagement partner, David Becker, has overseen the audit of the Company.

Audit Tender

The Audit and Risk Committee reviews the objectivity and effectiveness of the audit process on an annual basis and considers the audit tendering provisions of the UK Code in determining whether the Company should put the audit engagement out to tender. There are no contractual obligations restricting the Committee’s choice of external auditor and the external auditor is not indemnified by the Group.

Non-Audit Services

To safeguard the objectivity and independence of the auditor from becoming compromised, the Committee has a formal policy governing the engagement of the auditor to provide non-audit services. The auditor and the Directors have agreed that all non-audit services require the pre-approval of the Audit and Risk Committee prior to commencing any work. The auditor will only be appointed to provide non-audit services if it is in the best interests of the Company without compromising the related independence requirements. Fees for non-audit services will be tabled annually so that the Audit and Risk Committee can consider the impact on the auditor’s objectivity.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

Non-Audit Services (Continued)
Deloitte is remunerated as follows for their services rendered during the year ended 30 June 2021:

	£
Audit of the Group's consolidated financial statements	95,000
Total audit fee	**95,000**
Interim review of the Group's consolidated financial statements	25,000
Total audit and non-audit related services fee	**120,000**

During the year ended 30 June 2021, the only non-audit service provided by Deloitte was the interim review, therefore the ratio of non-audit related services to audit-related and audit services for the year is 26%.

Brendan Hawthorne
Chairman of the Audit and Risk Committee
16 November 2021

Statement of Compliance with the AIC Code of Corporate Governance

The Directors place a large degree of importance on ensuring that high standards of corporate governance are maintained and have therefore chosen to comply with the provisions of the AIC Code.

The Board has considered the principles and provisions of the AIC Code. The AIC Code addresses all the principles and provisions set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and provisions of the AIC Code provides information that is more relevant to stakeholders. The AIC Code is available on the AIC website www.theaic.co.uk.

The Company has complied with all the principles and provisions of the AIC Code during the year ended 30 June 2021 except as set out below, further details can be found in the Corporate Governance Report on page 51:

- Appointment of a Senior Independent Director (provision 14)
- New companies (provision 21)
- Policy on the tenue of the chair (provision 24)
- Chairman is chairman of the Audit and Risk Committee (provision 29)
- Going concern basis for accounting (provision 35)

Set out below is where stakeholders can find further information within the Annual Report about how the Company has complied with the various principles and provisions of the AIC Code.

1. Board Leadership and Purpose	
Purpose as at 30 June 2021	On page 17
Future strategy	On page 29
Culture of the Company	On page 29
Stakeholder Engagement	Section 172 statement on pages 26 and 27
2. Division of responsibilities	
Director Independence	On page 52
Board meetings	Board and Committee Meetings with Director Attendance on page 57
Management Engagement Committee	On page 54

3. Composition, Succession and Evaluation	
Remuneration and Nomination Committee	On page 54
Director re-election	Board Composition on pages 15 and 16
Board evaluation	On page 54
4. Audit, Risk and Internal Control	
Audit and Risk Committee	On page 54
Principal and emerging risks	On pages 21 to 24
Risk management and internal control systems	On page 21
Going concern statement	On page 24
Viability statement	On page 24
5. Remuneration	
Directors' Remuneration Report on page 55	

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KKV SECURED LOAN FUND LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of KKV Secured Loan Fund Limited (the 'company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's affairs as at 30 June 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KKV SECURED LOAN FUND LIMITED (CONTINUED)

4. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Valuation of the debt portfolio
Materiality	The materiality that we used for the group financial statements in the current year was £3.59m which was determined on the basis of 2% of the net asset value.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.
Significant changes in our approach	Due to putting the group into a managed wind down process, the measurement basis of the debt investment portfolio was changed from amortised cost to fair value because of the change in the group business model for the debt investment portfolio in accordance with IFRS 9. Accordingly, we have identified a new key audit matter in the current year in relation to the valuation of the debt portfolio and we have no longer identified the loan loss provisioning as a key audit matter. In addition, due to obtaining an understanding of the key judgements associated with the revenue recognition, we have no longer identified revenue recognition as a key audit matter.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of the debt portfolio

Key audit matter description	The group's principal business is to make debt investments, directly or indirectly, in business-essential, revenue-producing (or cost saving) equipment and other physical assets. As at 30 June 2021, the aggregate value of the debt portfolio amounted to £148.76 million (2020: £212.07 million) representing 84% of total assets (2020: 95%) of which £70.5m (2020: £86.9m) was non-performing. The debt portfolio is measured at fair value post the change in the company's business model which was approved on 16 July 2020 by the C shareholders and on 4 December 2020 by the ordinary shareholders. Fair value of a debt instrument represents the future cash flows that are expected to be generated from this instrument discounted back to the reporting date using a market yield for a similar instrument as a discount rate. Agreed contractual periodic payments can be used as future cash flows of a performing loan, however these should be estimated for non-performing loans based on the expected realisable value of the underlying collateral. As part of our assessment, we identified the calculation of fair values for non-performing loans requires the portfolio manager to make significant estimates, in particular, the determination of

estimated future cash flows, the valuation of underlying collateral, as well as market yields to maturity, particularly in a Covid-19 impacted market.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KKV SECURED LOAN FUND LIMITED (CONTINUED)

Performance of the portfolio, the movement in the market interest rates and the valuation of the underlying collateral are all assessed in the consideration for any fair value adjustments.

The Company engaged a third party expert, to independently value seven Anaerobic Digestion ("AD") businesses to determine the fair value of the related debt investments made by the group. As 30 June 2021, the fair value of the loans provided to these AD assets was £32.0 million. The expert provided a range of valuations for each AD asset based on sensitising a number of variables including discount rates, costs, type of input materials, cost to dispose of waste material and forward energy prices. The fair value range of the provided loans to these assets was £22.8 million to £41.7 million. The mid-point of these ranges was taken by the directors in the valuation of these assets.

There is the risk of any material movement in the performance of the underlying collateral or market movements could have a significant impact on the fair value assumptions applied. Judgements over the credit quality of the borrower and the market conditions, which impact fair value estimates could significantly affect key performance indicators. The key judgment on the AD plants valuation is the determination of the discount rates used in the directors' expert valuation models which are used in estimating the fair value.

This matter is explained further in the audit and risk committee report at page 60. Note 2.1 (f) and note 2.3 set out the associated accounting policy and disclosure in respect of critical judgements and key sources of estimation uncertainty, note 9 set out the composition of the debt portfolio, with note 18 setting out details of the associated risk factors, including credit risk and price risk.

How the scope of our audit responded to the key audit matter

We have:

- Obtained an understanding of the relevant controls related to the debt portfolio valuation process;
- Assessed the group's accounting policy with IFRS requirements and obtained an understanding of the fair value methodology used by management;
- Challenged the appropriateness of the used forecasted cash flows on a sample basis, including consideration of the impact of Covid-19, by assessing whether the assigned fair value for the underlying collateral for non-performing investments are considered appropriate;
- On a sample basis, recalculated the fair value independently based on available data;
- Performed back testing by comparing proceeds received from investments repayment, both during the year and subsequent to 30 June 2021, against their fair value prior to repayment;
- Assessed the competence, capability and objectivity of the directors' external expert;
- In respect of the fair value of loans made to AD plant businesses, where the directors' expert has been involved, we have assessed the appropriateness of the valuation approach and the used discount rates with the assistance of our valuation specialists. We have also challenged the other key inputs and assumptions of these models by agreeing

them to the related supporting documents, where appropriate; and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KKV SECURED LOAN FUND LIMITED (CONTINUED)

How the scope of our audit responded to the key audit matter	• Evaluated the appropriateness of disclosures made in the financial statements in light of relevant IFRS requirements.
Key observations	Based on our audit work, we are satisfied that the key assumptions applied by the directors in the valuation of the non-performing debt portfolio are appropriate and therefore the debt portfolio is appropriately stated.

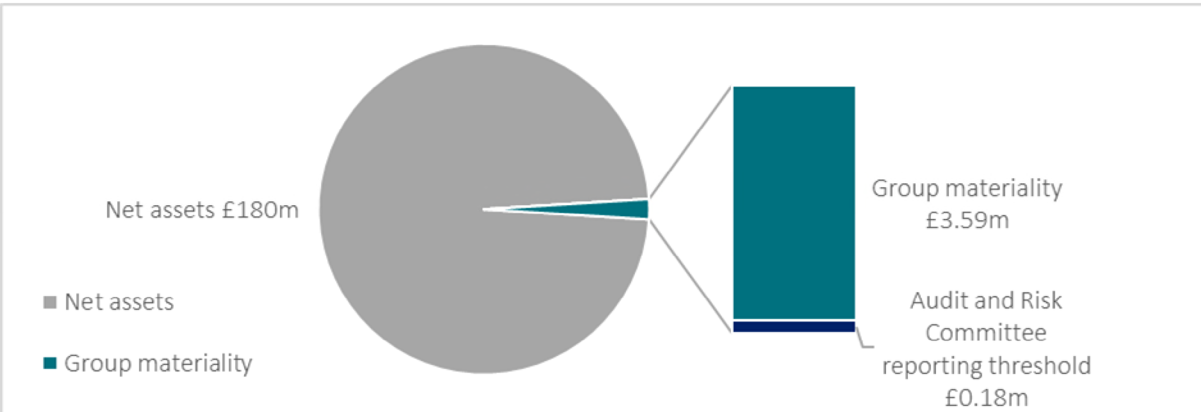
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group Materiality	£3.59 million (2020: £4.47 million).
Basis for determining materiality	2% of net asset value (2020: 2% of the net asset value).
Rationale for the benchmark applied	We believe net asset value is the most appropriate benchmark as it is considered to be a principal consideration for shareholders of the group in assessing financial performance. The decrease in the group materiality between the current year and the prior year is due to the decrease in net asset value which was mainly due to capital distributions following the realisation of debt investments.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2021 audit (30 June 2020: 70% of the group materiality). In determining performance materiality, we considered the following factors:

- Our risk assessment, including our assessment of the group's overall control environment and that we consider it appropriate to rely on controls on the revenue recognition process; and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KKV SECURED LOAN FUND LIMITED (CONTINUED)

- Our past experience of the audit and developments in the control environment from prior year, which address the cause of misstatements identified in the prior period.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £180,000 (2020: £223,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping

Our audit was scoped by obtaining an understanding of the group and its environment, including internal control, and assessing the risks of material misstatement for the parent company and its subsidiaries. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.

7.2. Our consideration of the control environment

In assessing the control environment, we also considered the control environments of the key service providers, including the administrators and portfolio manager of the group, to whom the board have delegated certain functions for the parent company and its subsidiary entities. We took a control reliance approach on the revenue recognition business process by testing the relevant controls performed by the service providers.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KKV SECURED LOAN FUND LIMITED (CONTINUED)

10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit and risk committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and valuations specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- Valuation of the debt portfolio which is mentioned under section 5 of this report.
- Revenue recognition: The portfolios' expected realisation or maturity profile and expected cash flows are key inputs in arriving at the effective interest rate used to recognise finance income over the expected life of the portfolio, and these judgements may have a significant impact on the level of finance income recorded during the relevant period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KKV SECURED LOAN FUND LIMITED (CONTINUED)

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Listing Rules and Companies (Guernsey) Law, 2008.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of the debt portfolio as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter. In addition to above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit and risk committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with regulators; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- in addressing the risk of fraud on revenue recognition, obtained an understanding of the relevant control environment and tested the relevant controls in relation to the finance income recognition. Furthermore, we recalculated the finance income independently using the effective interest rate method in accordance with IFRS 9 requirements.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 24;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 24;

- the directors' statement on fair, balanced and understandable set out on page 46;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KKV SECURED LOAN FUND LIMITED (CONTINUED)

- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 21;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 61; and
- the section describing the work of the audit and risk committee set out on page 59.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the board of directors on 17 September 2019 to audit the financial statements for the year ending 30 June 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering the years ending 30 June 2020 to 30 June 2021.

14.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Becker (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Recognised Auditor
Guernsey, Channel Islands
16 November 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Income			
Finance income		20,431,391	35,749,983
Interest on cash and cash equivalents		-	47,091
Other income		637,249	1,182,963
Total income	2.6	**21,068,640**	**36,980,037**
Net unrealised gain on reclassification of financial assets from amortised cost to fair value through profit or loss	9.1	2,987,406	-
Net movement on investments[1]	8,9,10	(24,160,057)	(3,706,754)
Net realised foreign exchange loss on forward contracts	18.4	-	(8,015,592)
Foreign exchange gain on other monetary items	2.2	(89,510)	-
Net realised and unrealised loss		**(21,262,161)**	**(11,722,346)**
Expenses			
Investment management fees	3(a)	(1,978,999)	(4,088,036)
Directors' fees		(496,465)	(301,197)
Other operating expenses	4	(2,362,775)	(2,382,442)
Depreciation	8	-	(2,256,921)
Impairment release/(charge)	8	1,101,100	(9,574,836)
Expected credit loss provision	9,10	18,987,050	(230,468,999)
Total operating expenses		**15,249,911**	**(249,072,431)**
Profit/(loss) before tax		**15,056,390**	**(223,814,740)**
Taxation	2.10	-	-
Profit/(loss) after tax		**15,056,390**	**(223,814,740)**
Total comprehensive income/(loss) for the year analysed as follows:			
Attributable to Ordinary shareholders		1,803,783	(189,722,378)
Attributable to 2016 C shareholders		13,252,607	(34,092,362)
Total		**15,056,390**	**(223,814,740)**
Basic and diluted earnings/(loss) per Ordinary Share	5	0.51p	(53.28)p
Basic and diluted earnings/(loss)per 2016 C Share	5	9.54p	(24.54)p

The year ended 30 June 2021 has been presented on a basis other than going concern. No operations were acquired or discontinued during the year.

The Group has no items of other comprehensive income, and therefore the loss for the year is also the total comprehensive loss.

[1]The total movement of "net unrealised gain/(loss) on revaluation of investments", "net unrealised foreign exchange (loss)/gain on investments", "net realised (loss)/gain on investments" and "net realised foreign exchange (loss)/gain on investments" has been presented as "Net movement on investments". Refer to notes 8,9 and 10 for detail.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 £	30 June 2020 £
Non-current assets			
Residual value of finance lease investments	2.4,9.1	-	127,557
Property, plant and equipment	8	-	967,509
Loans and other investments	9.3	-	81,845,596
Finance lease and hire-purchase investments	10	-	51,720,665
		-	134,661,327
Current assets			
Residual value of finance lease investments	2.4,9.1	101,859	-
Property, plant and equipment	8	2,068,609	-
Loans and other investments	9.3	-	58,831,596
Investments designated at fair value through profit or loss	9.1,9.2	148,763,747	-
Finance lease and hire-purchase investments	10	-	19,669,682
Cash and cash equivalents	2.9	25,350,943	8,997,906
Interest receivables	11	-	1,073,111
Other receivables and prepayments	11	414,448	745,557
		176,699,606	89,317,852
Total assets		**176,699,606**	**223,979,179**
Current liabilities			
Other payables and accrued expenses	12	(508,192)	(460,349)
		(508,192)	(460,349)
Net assets		**176,191,414**	**223,518,830**
Equity			
Share capital	14	426,272,139	488,655,945
Retained deficit		(250,080,725)	(265,137,115)
		176,191,414	**223,518,830**
NAV per Share			
- Ordinary Shares	6	26.19p	36.19p
- 2016 C Shares	6	59.71p	68.17p

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 16 November 2021 and signed on its behalf by:

Brendan Hawthorne
Chairman

David Copperwaite
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Notes	Share Capital £	Retained Reserves £	Total £
As at 1 July 2020		**488,655,945**	**(265,137,115)**	**223,518,830**
Total comprehensive profit for the year		-	15,056,390	15,056,390
Transactions with shareholders				
Capital distributions	15	(62,383,806)	-	(62,383,806)
Total transactions with shareholders		**(62,383,806)**	**-**	**(62,383,806)**
As at 30 June 2021		**426,272,139**	**250,080,725**	**176,191,414**

For the year ended 30 June 2020

	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 year		-	(223,814,740)	(223,814,740)
Transactions with shareholders				
Ordinary Shares repurchased	14	(237,845)	-	(237,845)
Dividends paid	16		(26,921,055)	(26,921,055)
Total transactions with shareholders		(237,845)	(26,921,055)	(27,158,900)
As at 30 June 2020		**488,655,945**	**(265,137,115)**	**223,518,830**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	Year ended 30 June 2021	Year ended 30 June 2020
		£	£
Cash flow from operating activities:			
Total comprehensive income/(loss) for the year		15,056,390	(223,814,740)
Adjustments for:			
Finance income		(20,431,391)	(35,749,983)
Net unrealised gain on reclassification of financial assets from amortised cost to fair value through profit or loss		(2,987,406)	-
Net movement on investments[1]		24,160,057	745,119
Foreign exchange gain on other monetary items		89,510	-
Depreciation	8	-	2,256,921
Impairment	8	(1,101,100)	9,574,836
Decrease in investment receivables		-	146,955
Decrease in other receivables and prepayments		331,109	881,816
Decrease in due from broker		-	2,630,000
Increase/(decrease) in other payables and accrued expenses	12	47,843	(358,116)
Acquisition of investments	8,9,10	(9,497,433)	(33,401,522)
Amortisation of investment principal	9.3,10	11,995,506	35,892,871
Sale of investments designated at fair value through profit or loss	9.1	65,266,348	667,763
Disposal of PPE	8	-	1,575,000
Expected credit loss provision	9,10	(18,987,050)	230,468,999
Collective interest income received		14,883,970	22,117,628
Net cash movement in operating activities		**78,826,353**	**13,633,547**
Cash flow from financing activities			
Ordinary Shares repurchased	14	-	(237,845)
Dividends paid	16	-	(26,921,055)
Capital distributions	15	(62,383,806)	-
Net cash used in financing activities		**(62,383,806)**	**(27,158,900)**
Net movement in cash and cash equivalents		**16,442,547**	**(13,525,353)**
Cash and cash equivalents at start of the year		8,997,906	22,039,165
Effect of exchange rate changes on cash and cash equivalents		(89,510)	484,094
Cash and cash equivalents at end of the year		**25,350,943**	**8,997,906**

[1]The total movement of “net unrealised gain/(loss) on revaluation of investments”, “net unrealised foreign exchange loss/(gain)”, “net realised foreign exchange loss/(gain) on investments” and “net realised gain on investments” has been presented as “Net movement on investments”.

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

NOTES TO THE 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. Shared expenses are split between Ordinary Shares and 2016 C Shares in proportion to their respective NAV.

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.

In order 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 the Company was placed into managed wind down.

During the year, as part of the managed wind down, the Company made a return of capital on two separate occasions, returning a total of £37,377,445 to Ordinary shareholders and £25,006,360 to 2016 C shareholders. Refer to note 15 for full details of the Company's return of capital and note 19 for return of capital made post year-end.

During the year, 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. The treasury shares were cancelled post year-end. Refer to note 20.

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 (refer to note 2.1(e) for further details).

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 principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied throughout all the years presented, unless otherwise stated.

2.1 Basis of Preparation

(a) Statement of Compliance
The audited consolidated financial statements for the year ended 30 June 2021 have been prepared in accordance with IFRS as adopted by the European Union. They give a true and fair view of the Group's affairs and comply with the Company (Guernsey) Law 2008, as amended.

Standards and amendments to existing standards that became effective during the year are detailed on the following page.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

(a) Statement of Compliance (Continued)
Definition of material (amendments to IAS 1 and IAS 8)
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 do not have a material impact on the Group's financial statements.

During the year, a number of other amendments and interpretations became applicable for the current reporting period, which are not relevant to the Company's operations.

(b) Going Concern
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 the Company was placed into managed wind down.

As the Company is in managed wind down, the consolidated financial statements for the year ended 30 June 2021, have been presented on a basis other than going concern.

With the 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 ("FVTPL") with the change in measurement to be effective in the financial period following the wind down decision on 4 December 2020. As such, this change in fair value recognition was effective from the period beginning 1 January 2021. During the years ended 30 June 2021 and 30 June 2020, Property, Plant and Equipment has been measured at net realisable value given that the consolidated financial statements are prepared on a basis other than going concern. The Board are not aware of any additional impact on the consolidated financial statements in regard to the Company being in managed wind down. These 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.

(c) Standards, amendments and interpretations issued but not yet effective
Detailed below are new standards, amendments and interpretations to existing standards that become effective in future accounting periods, which have not been early adopted by the Group:

	Effective for periods beginning on or after
IFRS 17 – Insurance contracts	1 January 2023

The Board has undertaken an assessment of the impact of IFRS 17 on the Group's consolidated financial statements and concluded that there will be no material impact as the Company does not have any insurance contracts.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments to the above standards are effective for period beginning on or after 1 January 2021 and provide temporary reliefs, which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly risk-free interest rate. As the Company does not hold any instruments that reference interbank offered rates, these amendments had no impact on the Annual Report and consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

(d) Functional and Presentation Currency
Items included in the consolidated financial statements are measured using Sterling as the currency of the primary economic environment in which the Group operates (the "Functional Currency"). The consolidated financial statements are presented in Sterling, which is the Group's presentation currency.

(e) Consolidation
The Subsidiaries are all entities (including special purpose entities) which the Company controls as it is exposed, or has rights, to variable returns from its involvement with the Subsidiaries and has the ability to affect those returns through its power over the Subsidiaries. The principal place of business of the Subsidiaries is Guernsey.

In accordance with IFRS 10 - Consolidated Financial Statements ("IFRS 10"), if the Company meets the definition of an investment entity ("IE") it qualifies for a consolidation exemption. The relevant provisions for an IE under IFRS 10 are set out below:

IFRS 10.27 – An IE is an entity that:

a. obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
b. commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
c. measures and evaluates the performance of substantially all of its investments on a fair value basis.

IFRS 10.28 – An entity shall consider whether it has the following characteristics of an IE:

a. it has more than one investment;
b. it has more than one investor;
c. it has investors that are not related parties of the entity; and
d. it has ownership interests in the form of equity or similar interests.

The Board considered all the above factors and noted that whilst the Company might meet many of the IE criteria, as it does not measure and evaluate the performance of substantially all of its investments on a fair value basis, the Board have concluded that the Company does not meet the definition of an IE and does not qualify for the IFRS 10 consolidation exemption. The Subsidiaries have therefore been consolidated into these consolidated financial statements. The Subsidiaries, which are listed in note 1, are incorporated in Guernsey and established for the primary purpose of acting as investment holding companies.

(f) Critical Accounting Judgements and Key Sources of Estimation Uncertainty
The preparation of the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

(f) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)
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

<u>Fair value</u>
For the fair value of all financial instruments held, the Company determines fair values using appropriate techniques.

Refer to note 2.3(c) and note 9.1 for further details on the significant estimates applied in the valuation of the Company's financial instruments measured at fair value. The inputs applied to these estimations are subject to significant material uncertainty, see note 18.1 Credit Risk for sensitivity analysis.

With the consolidated financial statements being prepared on a basis other than going concern, IFRS 9 requires financial assets to be measured at FVTPL; this change in measurement was effective on 1 January 2021.

As at 30 June 2021, seven anaerobic digestion assets with a fair valuation of £32.0 million were valued by an independent expert. The review provided a range of valuations for each asset based on flexing a number of variables including discount rates, input costs, types of input material, costs to dispose of waste material and forward energy prices. Each valuation reflects the present value of all output revenues less all costs; given the long asset lifespans of 10+ years this creates a significant impact on valuation as variables are adjusted within the possible ranges. The total valuation range for all of the AD plants was £22.8 million to £41.7 million, when adjusted for the positive and negative scenarios identified individually for each asset. The range of discount rates was between 7.0% to 9.5%, with higher rates used for riskier assets and lower rates for those more stable assets. As recommended by the independent expert the mid-point from each valuation was taken for these accounts. The asset valuations directly impact borrower's ability to repay as the sale of assets is likely the only route to recover principal for these facilities. Therefore, this volatility will directly impact investor returns.

In addition, the Group's ability to recover the notes held with SQN Asset Finance (Ireland) DAC ("SQN Ireland") are dependent on the tax structuring of SQN Ireland and the correct implementation of that structuring, which is outside the control of the Group. As at 30 June 2021, if SQN Ireland was required to withhold Irish tax on interest payments it had made on the notes since inception this could have led to a decrease in the valuation of those notes in the region of £7.9 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

(f) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key Sources of Estimation Uncertainty (continued)

<u>Fair value (continued)</u>
Refer to note 18.4 for Price Risk sensitivity analysis. The fair value and expected credit losses provision is monitored by the Board to ensure that judgements, estimates and assumptions made and methodologies applied are appropriate and in accordance with IFRS 9 and 13 respectively.

Critical Accounting Judgements

<u>Going concern</u>
The Board believe that it is appropriate to prepare these consolidated financial statements on a basis other than a going concern as the Company is now in managed wind down and is expected to be wound down within two to three years of the date of the approval of these consolidated financial statements. Preparation on a basis other than going concern requires management to make judgements and assumptions that have an impact on the presentation of the primary statements and the measurement of the assets and liabilities in the statement of financial position.

Refer to the Going Concern note 2.1(b) for further information.

<u>SQN Asset Finance (Ireland) DAC</u>
The Group holds bonds issued by SQN Ireland, an unconsolidated structured entity in the Republic of Ireland. The Portfolio Manager acts as investment manager to SQN Ireland (previously the UK Asset Manager, the wholly owned subsidiary of the US Investment Manager, which was the authorised investment fund manager).

The Board has determined that the Group does not have all the elements of control as prescribed by IFRS 10 – ‘Consolidated Financial Statements’ over SQN Ireland and therefore is not required to consolidate SQN Ireland into these consolidated financial statements. This was determined, as the Group is not able to exercise control over SQN Ireland as the latter is managed by independent directors.

2.2 Foreign Currency Translation

Transactions in currencies other than the Functional Currency are recorded using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and those from the translation at year-end exchange rates of monetary and non-monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss in the Consolidated Statement of Comprehensive Income.

2.3 Financial Assets

a) Classification and Measurement
Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss and amortised cost.

Classification and measurement of financial assets depends on the results of the ‘solely payments of principal and interest’ and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group’s continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.3 Financial Assets (Continued)

a) Classification and Measurement (Continued)
With the 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 ("FVTPL"), the change in measurement was effective from 1 January 2021, which was the first date of the period following the wind down decision.

The classification of financial assets and financial liabilities between non-current and current is based on the contractual maturity or in reference to investments, the earlier of the contractual maturity or realisation of the financial asset. There is no guarantee that financial assets classified as current will be repaid within the 12 months period post the date of the statement of financial position.

Financial assets designated at fair value through profit or loss at inception
Financial assets designated at fair value, can be designated at FVTPL or through other comprehensive income. The Group's fair value financial assets are designated at FVTPL at inception. These include lease participation, loans, construction finance, finance lease, hire purchase and equity holdings.

The Group's policy requires the Portfolio Manager, AIFM and the Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information. Changes in fair value of financial assets at FVTPL are recorded in profit or loss in the Consolidated Statement of Comprehensive Income.

As at 30 June 2021, loans and other investments, finance lease and hire purchase investments have been designated as financial assets designated at fair value through profit or loss.

Amortised cost
Cash and cash equivalents, interest receivables, investment receivables and other receivables are classified at amortised cost. These financial assets are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost or FVTPL. Gains and losses are recognised in profit or loss in the Consolidated Statement of Comprehensive Income when they are derecognised or impaired, as well as through the amortisation process.

b) Recognition and De-Recognition
Financial assets are initially recognised on the trade date, when the Company becomes a party to the arrangement.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risk and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.3 Financial Assets (Continued)

b) Recognition and De-Recognition (Continued)
Financial assets are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

c) Fair Value Estimation
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability is conducted in either:

• the principal market for the asset or liability; or
• in the absence of a principal market, the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use capacity or by selling it to another market participant that would use the asset in its highest and best use capacity.

Fair value methodology
The Company typically invested in private debt financing in SME's and SPVs with loans and leases. These facilities are typically structured as loans or leases. The Company has also invested in equity participation in the form of warrants on some transactions to benefit from company growth or shareholders typically taken from restructuring events. The facilities are predominantly based in the UK, with some European and global exposures.

The fair value of financial assets designated at fair value through profit or loss is determined using the discounted cash flow method. The approach also takes into consideration of the impact of Covid-19 on valuations as applicable. The fair value methodology considers the following two key inputs:

1- The expected cash flows from the facility including any appropriate adjustment in timing to realise these cash flows.
2- Discount rate.

Overview
The Portfolio Manager designates each financial asset designated at fair value through profit or loss into a common risk category, which allows exposures to be categorised on a similar basis. Future cash flows are estimated and an appropriate discount rate is applied to determine the fair value.

Where an appropriate market comparable is available, the Portfolio Manager will apply such discount at that rate and for performing loans with no deterioration the Portfolio Manager will assume the rate at origination adjusted for the change in the risk free rate between the reporting date and the facility origination date and any appropriate macro-economic factors that impact the rate.

The KKV Fair Value Discount Matrix (KKV FVD), as outlined on page 85, is based on the KKV Risk Grade and asset type, taking into consideration typical market rates for each allocated sector.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.3 Financial Assets (Continued)

c) Fair Value Estimation (continued)

Overview (continued)

For some exposures, external asset values have been instructed to provide valuations using a fair value approach. Where external asset values were instructed due to expectation of enforcement, the Portfolio Manager has used these as the basis of the cash flows likely for the facility using the likely time to realise the assets. Where valuation ranges have been provided, the Portfolio Manager has assumed the mid-point, assuming all valuations have the same probability weighting.

A discounted cash flow model (DCF) is then used as the basis for each valuation within the portfolio. The purpose of this model is to appropriately value the assets in a wind down scenario.

There are specified describing characteristics and attributes for each individual loan. Certain of those loan characteristics will be used to allocate the KKV Risk Grade and the asset type.

KKV Risk Grade

The approach for monitoring credit risk remained unchanged with the KKV Risk Grades being maintained *(*as detailed in note 18.1).

The KKV Risk Grade is assigned by the credit team based on embedded risks associated with the loan provided and therefore the probability of a default which allows for a nominal rating equivalent to be allocated. The credit team monitor incoming information on a monthly and quarterly basis adjusting the KKV Risk Grade as appropriate, should credit risk change over time. Factors likely to influence a change in internal rating include changes in financial performance of position e.g. turnover and debt to EBITDA or a change in security quality e.g. LTV or recovery value. Other qualitative factors are also considered, which include key staff departures, strength of financial management and sector cyclicality.

Discount rate

To calculate the FV discount rate the Portfolio Manager considers the following waterfall:

1) A direct comparable from a market observable transaction interest rate where possible.
2) If performing position with no material credit change, the Portfolio Manager will adjust the rate by the change in the relevant risk-free rate and any appropriate macro-economic factors that impact the rate.
3) The corresponding rate from the KKV FV Discount Matrix (as outlined below) based on generic funding rates for the various sectors.

When determining market observable rates, the Portfolio Manager will review recent transactions, where available; examine the relevant risk-free rate in the currency/jurisdiction of the facility against the relevant 5-year risk free rate; and review refinancing rates used in comparable transactions observed. Where the Portfolio Manager has identified a direct comparable market rate, this rate is used in preference to the matrix rates presented on the following page.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.3 Financial Assets (Continued)

c) Fair Value Estimation (continued)
Discount rate (continued)

KKV Fair Value Discount Matrix

Risk Grade	**Realisable -** *Assets collectable and saleable within a 1-3 month window with a transparent marketplace*	**Fixed Asset -** *Assets movable and saleable within a 4-12 month window with some marketability*	**Project Finance -** *Fixed assets with limited resale opportunity*	**High Risk -** *Non-typical facility either no assets or limited enforcement opportunities*
	Discount rate (%)	**Discount rate (%)**	**Discount rate (%)**	**Discount rate (%)**
4	6.0%	7.0%	8.0%	n/a
5	7.0%	8.0%	9.0%	n/a
6	8.0%	10.0%	10.0%	n/a
7+	10.0%	12.0%	15.0%	20.0%
	E.g., Helicopter, Vessel etc.	E.g. Printing Press, removable machinery	E.g. Facility under construction	Non-typical facility – subordinated debt, insurance capital

Cash flow
The Portfolio Manager would make assumptions on the expected future cash flows, taking consideration of the expected time to realise these expected cash flows for each position as part of the valuation process.

Discounted projected cash flow models are carried out, adjusted for any likely delay in payment, based on credit reviews carried out (in line with KKV Risk Grades) and probability based outcomes based on historic evidence, Portfolio Manager experience and other market data inputs, as deemed applicable. Where more than one possibility is reasonably likely, the Portfolio Manager will assign probabilities to these outcomes to create a weighted average value.

Each quarter, expected projected cash flows are updated to take into consideration latest available information.

The fair value process is carried out on a quarterly basis to update the valuation of each position held, taking into consideration the KKV Risk Grades, amortisation, time passed and changes in expected cash flow expectations, if any.

Refer to note 9.1 for further details on the significant estimates applied in the valuation of the Company's financial instruments measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.3 Financial Assets (Continued)

d) ECL Requirements
Up to 31 December 2020, the Group applied the ECL requirements in IFRS 9 and utilised the ECL model. The expected credit loss model applies to financial assets that are debt instruments (such as bank deposits, loans, debt securities and trade receivables) recorded at amortised cost, plus lease receivables under IFRS 16, contract assets and loan commitments and financial guarantee contracts that are not measured at FVTPL.

The ECL of financial assets is recognised in 3 stages (refer to note 18.1 for more information).

Stage 1 recognises 12 months expected credit losses.

Stage 2 recognises full lifetime expected credit losses. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Loans secured by realisable assets have an expected loss quantum based on the underwriting criteria for the respective collateral type. Loans that are more than 90 days in arrears will typically become stage 2 assets unless this is for exceptional circumstances along with loans that have unremedied covenant breaches or poor performance of the underlying business that is likely to impact the Group’s facility.

Stage 3 recognises full lifetime expected credit losses and the financial asset is credit-impaired and in default.

The Group assess the following events when deciding if a financial asset is credit impaired:

Loans are categorised as in default, and hence stage 3, based on several factors including when they are over 180 days in arrears and have no credible plan to catch up, if material covenants have been breached that will likely result in non-payment or the underlying business has deteriorated materially.

Where an external third party valuation is available, this is used to create a bespoke LGD for that asset in priority to the highly specialised and subordinated debt categories.

The Board assesses at each reporting period whether a financial asset or group of financial assets is credit impaired. If a financial asset is impaired or has ECL, the carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss in the Consolidated Statement of Comprehensive Income.

If, in a subsequent period, the amount of the ECL decreases and the decrease can be related objectively to an event occurring after the expected loss was recognised, the previously recognised ECL is reversed. Any subsequent reversal of an ECL is recognised in profit or loss in the Consolidated Statement of Comprehensive Income to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

ECL Methodology
The calculation of ECL is a function of the Probability of Default ("PD"), Loss Given Default ("LGD") (i.e. the magnitude of the loss if there is a default) and credit exposure at default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.3 Financial Assets (Continued)

d) ECL Requirements (continued)

ECL Methodology (continued)
The Portfolio Manager PD, as detailed on page 124, is assessed by considering credit rating of large US bank issuers and historic corporate default rates alongside global credit rating agency data. The Portfolio Manager PD grade for each credit exposure is based on an internal rating system of 10 grades, ranging from grade 1 – virtually no risk – 0.01% PD, to grade 10 – loss – 100% PD. The PD grade is assigned by the Portfolio Manager based on embedded risks within the loan provided and therefore the probability of a default. The Portfolio Manager monitors incoming information on a monthly and quarterly basis adjusting the PD grade as appropriate, should credit risk change over time.

The LGD has been assessed by considering historic average corporate debt recovery rates and adjusted, where applicable, by forward-looking information. The individual asset LGD shall reference the following schedule unless a more appropriate asset specific approach is identified:

Category	LGD Approach
Easily Realisable	Asset value less 10% haircut discounted at 10% IRR for 12 months to recovery
Realisable	Asset value less 20% discounted at 20% IRR for 2 years to recovery
Highly Specialised	70% LGD (equivalent to unsecured)
Subordinated Debt	100% LGD

The discount rate of 10% is used for easily realisable assets. This rate is based on the target return of fund investments and reflects the relatively low risk to asset disposal. For assets that have a limited marketability, a 20% rate is used as appropriate as the upper bound of typical non-performing loan transaction IRRs observed in the market reflecting the higher risk of sale valuation. For highly specialised assets, the Portfolio Manager has approximated these to unsecured recovery rates where a 30% recovery is normal in the bank lending industry (or 70% LGD).

Where an external third party valuation is available, this is used to create a bespoke LGD for that asset in priority to the highly specialised and subordinated debt categories.

Any loan which is subjectively downgraded will have an assigned expected loss equal to the revised PD multiplied by the position's LGD. Where the LGD has become uncertain and therefore further work is required to ascertain the value a prudent increase in LGD appropriate for the loan will be taken until a revised LGD is available.

Refer to note 18.1 - page 124, for details of the Portfolio Manager Credit Score applied, which details the different risk categories and the associated PDs, LGDs and ECL provisions in relation to unsecured loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.4 Finance Lease and Hire-Purchase Investments

The Group, as lessor, categorises finance leases and hire purchase investments as lease arrangements where the terms of the lease transfer substantially all risks and rewards of ownership to the lessee (in accordance with the requirements of IFRS 16 - Leases). Hire-purchase investments include a purchase option exercisable by the lessee upon fulfilment of specified conditions. Under such arrangements, at the commencement of the lease term, the Group records finance lease and hire purchase investments in the Statement of Financial Position as a receivable, at an amount equal to the net investment in the lease.

The net investment in the lease is equal to the gross investment in the lease (minimum lease payments receivable by the Group under finance lease and hire-purchase investments plus any unguaranteed residual value accruing to the Group) discounted by the interest rate implicit in the lease.

On subsequent measurement, the Group splits the minimum payments received under the lease between finance income and reduction of the lease receivable.

The Group applies the principles of IFRS 9 to lease receivables with respect to the derecognition and ECL provisions for the period up to 31 December 2020 and to FVTPL with effect from 1 January 2021.

Residual Value on Finance Leases
The unguaranteed residual value on finance leases is calculated by estimating the fair market value of the leased assets less the lease payments from the lessee.

Estimates of market value are based on a number of assumptions including, but not limited to, the in-place value of the equipment or assets to the end-user, the secondary market value of similar assets and equipment, the replacement cost of the asset or equipment including the cost of de-installation and re-delivery, and the Portfolio Manager’s and AIFM’s own assumptions based on historical experience.

2.5 Property, Plant and Equipment

Property, Plant and Equipment comprises operating leases, which the Group categorises as a lease arrangement in which a significant portion of the risks and rewards of ownership are retained by the lessor (in accordance with the requirements of IFRS 16 - Leases).

Assets held for use under operating leases are measured at cost less depreciation and impairment and are depreciated on a straight-line basis over the remaining useful life.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.5 Property, Plant and Equipment (Continued)

Estimates of the useful life of equipment are based on manufacturers' recommendations, the age of similar products in the market, the intended use and utilisation of the equipment, and the Portfolio Manager's and AIFM's own assumptions based on historical experience.

As at 30 June 2021, Property, Plant and Equipment is measured at net realisable value given that the consolidated financial statements are now prepared on a basis other than going concern. Net realisable value represents the estimated selling price less all estimated costs of disposal.

The Board consider Property, Plant and Equipment to be part of the operating activities of the Group in line with the previous investment objective and investment policy.

2.6 Income

Income is recognised to the extent that it is probable that economic benefits will flow to the Group and can be reliably measured.

With the consolidated financial statements being prepared on a basis other than going concern, IFRS 9 requires financial assets to be measured at FVTPL, instead of amortised cost. This change in measurement was effective 1 January 2021, however, the recognition of interest income has not changed. The Group continues to adopt the same effective interest rate, as both measurement categories require that the effective interest rate to be determined at initial recognition, with impairment requirements applied in the same way.

Interest income is recognised using the effective interest rate method for debt instruments measured subsequently at amortised cost or FVTPL. For financial assets measured at amortised cost, other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets, measured at amortised cost, that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the net carrying amount of the financial asset after deducting the related ECL provision. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset or fair value.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

For financial assets, measured at FVTPL, that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the fair value.

2.7 Expenses

Expenses are recognised in profit or loss in the Consolidated Statement of Comprehensive Income on an accruals basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.8 Dividends Payable

The Group pays dividends to shareholders subject to the solvency test prescribed by Guernsey Law. The Company recognises a liability for dividends payable after a dividend has been approved by the Directors and there is an obligation on the Company to make the payment.

2.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank, and deposits held at call with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.10 Taxation

Profits arising in the Company and the Subsidiaries are subject to tax in Guernsey at the standard rate of 0%.

2.11 Derivative Financial Instruments

Derivative Financial Instruments are measured at fair value through profit or loss with the changes in fair value being recorded in the consolidated statement of comprehensive income. The Group may make use of derivative financial instruments to manage its exposure to foreign exchange rate risk including, but not restricted to the use of foreign exchange forward contracts. A derivative with a positive fair value is recognised as a financial asset and a derivative with a negative fair value is recognised as a financial liability.

2.12 Equity Holdings

Equity holdings are measured at fair value which is the same as the net realisable value given that the consolidated financial statements are now prepared on a basis other than going concern.

For the year ended 30 June 2021, In accordance with IFRS 9, investment in the shares was measured initially at cost and subsequently at fair value through profit or loss, taking into account all information available including possible future cash flows, progress of the projects and any call options available to the developer.

Refer to note 9.1 for further information.

3. Material Agreements and Related Party Transactions

a) Investment Management Agreement

The Company’s investments are managed by the Portfolio Manager. Under the terms of the Investment Management Agreement dated 6 June 2020, the Company appointed the Portfolio Manager to provide discretionary investment management services to the Company, subject to the oversight of the AIFM. In the prior year, from 1 July 2019 to 5 June 2020, the Company’s investments were managed by the Investment Managers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Material Agreements and Related Party Transactions (Continued)

a) Investment Management Agreement (Continued)
The Company did not incur any duplication of investment or portfolio management fees as a result of the transition to the Portfolio Manager. The previous Investment Managers agreed to waive fees due for the remainder of their notice period based on the Portfolio Manager assuming certain fee liabilities to the Investment Managers. Whilst the agreement with the Portfolio Manager is subject to a minimum notice period of 12 months, in the event that the Company terminated the agreement with the Portfolio Manager within the first 36 months of the date of the agreement, the Company would be required to reimburse, on a tapering basis over time, the Portfolio Manager for certain costs that the Company would otherwise have incurred in connection with the termination of the previous investment management contract.

Investment Management Agreement dated 16 June 2014
Under the terms of the Investment Management Agreement dated 16 June 2014, the Company appointed the Investment Managers to provide discretionary investment management services to the Company.

For the period 1 July 2019 to 5 June 2020, the Investment Managers were entitled to a management fee, which was calculated and accrued monthly and payable monthly in arrears at the following rate per annum of the Group's 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%

Investment Management Agreement dated 6 June 2020
Under the terms of the Investment Management Agreement dated 6 June 2020, the Company appointed the Portfolio Manager to provide discretionary investment management services to the Company. Refer to note 19 for details on amendment and termination of the IMA.

Ordinary Shares
For the period 6 June 2020 to 31 December 2020, 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 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%

From 1 January 2021, the Investment Management 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.

2016 C Shares
For the period 6 June 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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Material Agreements and Related Party Transactions (Continued)

a) Investment Management Agreement (Continued)
2016 C Shares (continued)
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 are subject to a management fee of 1.0% of NAV per annum. The non-performing assets are 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 of the 2016 C Share for the financial year, 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.

Portfolio Manager Fee Clawback
For the period 1 July 2020 to 31 December 2020, the Portfolio Manager received their fee based on the published NAV as at 30 June 2020. 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 below and to note 11 for further details.

The Investment Management Agreement was amended post year-end. Refer to note 19 for further details.

Fees Paid to the Portfolio Manager (formerly the Investment Managers)
Total investment management fees for the year amounted to £1,978,999,of which £1,978,999 was due to the Portfolio Manager (30 June 2020: £4,088,036, of which £234,575 was due to the Portfolio Manager and £3,853,461 was due to the Investment Managers). At 30 June 2021, £198,494 (30 June 2020: £281,489) of the management fees was payable to the Portfolio Manager and £313,733 (30 June 2020: £Nil) was receivable from the Portfolio Manager. No performance fee was paid to the Portfolio Manager during the year (30 June 2020: £nil).

In addition to the above fee, the Portfolio Manager (formerly the Investment Managers) was entitled to receive an additional fee where it or its affiliates provide structuring advice and/or services in connection with the acquisition (but not the disposal) of any investment. The fee was equal to 1% of the transaction amount. During the year, structuring fees of £nil were received by the Portfolio Manager (30 June 2020: £188,845 was received by the Investment Managers). The Investment Managers also received commitment fees, that were paid by investees directly (these were not paid by the Group). During the year, commitment fees of £nil were received by the Portfolio Manager (30 June 2020: £109,292 was received by the Investment Managers).

The Portfolio Manager did not receive any other fees during the year ended 30 June 2021.

b) Administration Agreement
The Company has engaged the services of the designated Administrator to provide administration and custodian services. The Administrator is entitled to receive:

- an annual administration fee based on the Group's gross issue proceeds on a tiered percentage basis for the period 1 July 2020 and 28 February 2021. The administration fee was amended with effect from 1 March 2021 to a fixed annual fee of £300,000;
- an annual fee of £36,000 for performing the function of Company Secretary plus fees for ad-hoc Board meetings;
- an annual fee of £10,000 for the provision of compliance services; and
- an annual fixed fee of £5,000 for each Guernsey Subsidiary (up to seven Guernsey subsidiaries).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Material Agreements and Related Party Transactions (Continued)

c) Registrar Agreement
Link Market Services (Guernsey) Limited are registrar of the Company. The Registrar Agreement dated 14 December 2018 had a fixed fee of £46,500 per annum, plus disbursements.

Link Market Services (Guernsey) Limited and the Company entered into a new Registrar Agreement on 30 November 2020, with a fixed fee of £23,750 per annum for the period 1 January 2021 to 31 December 2023. As part of the new agreement, the fee due for quarter 4 2020 was waived.

Link is also entitled to a fee of £12,000 for each capital return and the issuance and immediate redemption and cancellation of B and D shares.

d) Broker Agreements
Winterflood Securities Limited are entitled to an annual brokerage and advisory fee of £45,000 and commission fees of 1% and 0.1% of the gross value of any share issues and repurchases respectively.

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

	30 June 2021		30 June 2020	
Director	**Number of Ordinary Shares**	**Number of 2016 C Shares**	**Number of Ordinary Shares**	**Number of 2016 C Shares**
David Copperwaite	410,000	-	210,000	-
Brendan Hawthorne	-	-	-	-
Brett Miller	-	-	-	-
Peter Niven[1]	n/a	n/a	79,858	3,860
John Falla[1]	n/a	n/a	19,637	3,829
Christopher Spencer[1]	n/a	n/a	19,929	3,845
Paul Meader[1]	n/a	n/a	47,000	-
Jacqueline Redmond[1]	n/a	n/a	-	-

[1]Christopher Spencer and Jacqueline Redmond resigned from the Board on 30 October 2020. Paul Meader and John Falla did not stand for re-election at the AGM held on 31 December 2020. Peter Niven resigned from the Board on 24 February 2021. The former Directors are not related parties as at 30 June 2021.

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:

	30 June 2021		30 June 2020	
Director	**Number of Ordinary Shares**	**Number of 2016 C Shares**	**Number of Ordinary Shares**	**Number of 2016 C Shares**
Dawn Kendall	-	22,959	-	22,959

Entities related to the Portfolio Manager (formerly the Investment Managers)
Senior members of the Portfolio Manager (formerly the Investment Managers) are also sitting in the board of some of the Company's investments to preserve the Company's invested amount and work with the borrowers for the best interest of the Company.

SQN Helo, LLC (A related party until 5 June 2020)
SQN Helo is a special purpose company owned by SQN Portfolio Acquisition Company, LLC and SQN AIF IV, L.P., being investment funds managed by the US Investment Manager. SQN Helo was established to purchase and hold legal ownership of a portfolio of leases and related assets. The fair value of the investment is £860,836 (30 June 2020: £nil carrying value) and further details can be found in note 9.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Material Agreements and Related Party Transactions (Continued)

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. The Group has the following amounts invested through SQN Ireland:

Maturity date of Investment as at 30 June 2021	Fair value as at 30 June 2021	Maturity date of Investment as at 30 June 2020	Principal balance as at 30 June 2020	ECL as at 30 June 2020	Carrying value as at 30 June 2020
	£		£	£	£
31/12/2021	521,628	28/12/2020	6,895,020	(5,910,810)	984,210
30/07/2022	16,956,122	31/12/2020	18,479,163	(194,031)	18,285,132
-	-	31/12/2020	8,644,788	(5,596,787)	3,048,001
-	-	31/12/2020	18,645,283	(11,370,978)	7,274,305
31/12/2021	1,982,885	31/12/2020	3,988,949	(31,912)	3,957,037
n/a[1]	3,891,315	31/12/2020	5,955,120	(441,950)	5,513,170
31/12/2021	1,206,873	31/12/2020	1,826,497	(51,142)	1,775,355
23/02/2021	19,798,249	23/02/2021	22,001,881	(616,053)	21,385,828
25/05/2023	4,192,339	31/03/2021	8,434,569	(67,477)	8,367,092
31/12/2021	11,557,557	17/04/2021	15,582,965	(8,975,915)	6,607,050
31/12/2021	4,678,419	20/04/2021	5,961,978	(3,366,546)	2,595,432
31/12/2021	4,072,732	20/04/2021	5,189,598	(2,930,382)	2,259,216
31/12/2021	4,737,690	20/04/2021	6,049,640	(3,401,102)	2,648,538
31/12/2022	3,435,615	31/12/2022	4,113,492	(115,178)	3,998,314
30/04/2029	4,931,232	30/04/2029	5,220,590	(522,059)	4,698,531
	81,962,656		**136,989,533**	**(43,592,322)**	**93,397,211**

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

[1] Matured during the year ended 30 June 2021.

4. Other Operating Expenses

	Year ended 30 June 2021	Year ended 30 June 2020
	£	£
Administration and secretarial fees (refer to note 3(b))	525,005	504,059
Audit fees	183,000	60,000
Non audit related services fee	25,000	18,000
Brokerage fees (refer to note 3(d))	48,620	50,934
Public relation fees	32,039	82,722
Registrar fees (refer to note 3(c))	24,426	55,997
Legal fees	585,708	854,449
Professional fees	216,701	499,821
Transaction fees	114,395	135,594
Other expenses	91,934	120,866
Investment valuation fees	515,947	-
Total	**2,362,775**	**2,382,442**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Other Operating Expenses (continued)

Audit fees of £183,000, include £95,000 of overrun fees on the audit of the Group's financial statements for the year ended 30 June 2021 (30 June 2020: £60,000). Non-audit related services for the years ended 30 June 2021 and 30 June 2020 relate to the review of the Half-Yearly Report and unaudited condensed consolidated financial statements performed by Deloitte.

Legal fees in the sum of £94,416 (30 June 2020: £599,486) relate to the Suniva investment.

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

30 June 2021	**Ordinary Shares**	**2016 C Share**
Total comprehensive income for the year	£1,803,783	£13,252,607
Weighted average number of shares in issue during the year	355,975,669	138,924,222
Basic and diluted earnings per share	0.51p	9.54p
30 June 2020	**Ordinary Shares**	**2016 C Share**
Total comprehensive loss for the year	£(189,722,378)	£(34,092,362)
Weighted average number of shares in issue during the year	356,100,007	138,924,222
Basic and diluted loss per share	(53.28)p	(24.54)p

6. NAV per Share

30 June 2021	**Ordinary Shares**	**2016 C Shares**
NAV	£93,238,382	£82,953,032
Number of shares in issue at year end	355,975,669	138,924,222
NAV per share	26.19p	59.71p
30 June 2020	**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 deduction of 1,731,838 (30 June 2020: 1,731,838) treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Segmental Reporting

There are two reportable segments as at 30 June 2021: 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 as at 30 June 2021. 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 Company'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:

For the year ended 30 June 2021	**Ordinary Shares**	**2016 C Shares**	**Total**
	£	**£**	**£**
Total income	13,076,138	7,992,502	21,068,640
Net realised and unrealised loss	(24,667,596)	3,405,435	(21,262,161)
Total operating expenses (excluding ECL)	(2,007,900)	(1,729,239)	(3,737,139)
ECL	15,403,141	3,583,909	18,987,050
Total comprehensive income for the year	**1,803,783**	**13,252,607**	**15,056,390**

For the year ended 30 June 2020	**Ordinary Shares**	**2016 C Shares**	**Total**
	£	**£**	**£**
Total income	24,691,338	12,288,699	36,980,037
Net realised and unrealised loss	(10,549,430)	(1,172,916)	(11,722,346)
Total operating expenses (excluding ECL)	(16,660,426)	(1,943,006)	(18,603,432)
ECL	(187,203,860)	(43,265,139)	(230,468,999)
Total comprehensive loss for the year	**(189,722,378)**	**(34,092,362)**	**(223,814,740)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Segmental Reporting (Continued)

The tables below provide a breakdown of the condensed consolidated statement of financial position between the reportable segments:

30 June 2021	**Ordinary Share**	**2016 C Share**	**Total**
	£	**£**	**£**
Non-current assets	-	-	**-**
Current assets	93,593,249	83,106,357	**176,699,606**
Total assets	93,593,249	83,106,357	**176,699,606**
Current liabilities	(354,867)	(153,325)	**(508,192)**
Net assets	**93,238,382**	**82,953,032**	**176,191,414**
Equity	**93,238,382**	**82,953,032**	**176,191,414**

30 June 2020	**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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Property, Plant and Equipment

Property, Plant and Equipment ("PPE") 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 8.5 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 years (30 June 2020: 6 years).
c) a hire purchase investment which was re-leased to an alternative third party under an operating lease during the year ended 30 June 2020. The asset has a remaining useful life of 2 years (30 June 2020: 3 years).

The carrying amount is detailed in the table below:

	30 June 2021	30 June 2020
Cost	**£**	**£**
Opening balance	**15,775,272**	**17,748,326**
Disposals during the year[1]	-	(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 year[1]	-	419,640
Depreciation during the year	-	(2,256,921)
Impairment release/(charge) during the year	1,101,100	(9,574,836)
Closing balance	**(13,706,663)**	**(14,807,763)**
Net realisable value	**2,068,609**	**967,509**

[1] A PPE investment was disposed of during the prior year. It was originally subject to a finance lease, which was re-leased to an alternative third party under an operating lease. £1,575,000 was received and accumulated depreciation was £419,640, which resulted in a realised gain on disposal of £21,586.

During the year, the Group reviewed likely recoverable values on its property, plant and equipment based on valuations of similar equipment and conducted an assessment of the expected realisable value from leasing these assets. The review led to a partial release of the impairment provision in the sum of £1.1 million. The Group estimated likely costs of disposal and recovery when calculating the realisable value.

9. Financial Instruments

9.1 Fair Value Investments

Following the EGM held on 4 December 2020, the Company is in managed wind down and its business model has changed from holding financial assets to collect their contractual cash flows to realising assets, in a prudent manner consistent with the principles of good investment management with a view to returning cash to its shareholders in an orderly manner. All loans and construction finance investments, which were held at amortised cost, have been reclassified as at FVTPL, effective 1 January 2021. Finance lease and hire purchase investments have also been reclassified as at FVTPL, effective 1 January 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.1 Fair Value Investments (Continued)

The Group's accounting policy on fair value measurements is discussed in note 2.3(c).

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that reflect unadjusted price quotes in active markets for identical assets or liabilities that the Group has the ability to access at the measurement date;

Level 2: Inputs that reflect price quotes of similar assets and liabilities in active markets, and price quotes of identical assets and liabilities in markets that are considered to be less than active as well as inputs other than price quotes that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable for the asset or liability and reflect the Portfolio Manager's (previously the Investment Managers) own assumptions based upon experience of similar assets and/or on third party appraised values. This category includes instruments that are valued based on price quotes for which the inputs are unobservable or price quotes for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For financial assets not carried at amortised cost, the Portfolio Manager determines fair value using valuation techniques approved by the Directors.

An assessment is made at each reporting date for any events or changes in circumstances that caused a transfer. Transfers between levels are deemed to have occurred at the reporting date. There were no transfers of investments between the Levels during the year.

The following table details the Company's fair value hierarchy.

30 June 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Financial assets				
Investments designated at FVTPL				
- Lease participation	-	-	860,833	860,833
- Loans and other investments	-	-	111,759,233	111,759,233
- Finance lease and hire-purchase investments	-	-	36,143,681	36,143,681
Finance lease residual value	-	-	101,859	101,859
Total financial assets	**-**	**-**	**148,865,606**	**148,865,606**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.1 Fair Value Investments (Continued)

30 June 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Financial assets				
Investments designated at FVTPL				
- Lease Participation	-	-	-	-
Finance lease residual value	-	-	127,557	127,557
Total financial assets	**-**	**-**	**127,557**	**127,557**

Investments designated at FVTPL
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 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 longstop date.

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 30 June 2021 (equivalent to £1.58 million). This amount has been reclassified in these consolidated financial statements to the loan investment category from other receivables and a fair value of £nil has been applied given the material uncertain timing and quantum of outcomes possible.

Loans and construction finance investments with a fair value of £81,962,656 have been invested through SQN Ireland. Refer to note 3 for further information.

Refer to note 9.3 for changes during the period 1 July 2020 to 31 December 2020 and 1 July 2019 to 30 June 2020 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.1 Fair Value Investments (Continued)

Investments designated at FVTPL (Continued)
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.

Refer to note 10 for changes during the period 1 July 2020 to 31 December 2020 and 1 July 2019 to 30 June 2020 respectively.

Lease Participation
The Lease Participation investment represents a single participation investment in a portfolio of leases. The investment is held in a special purpose vehicle ("SPV") company that owns a number of aging helicopter assets.

In the prior year, the participation agreement entitled the Group to receive interest on the principal balance at the rate of 10.5%. Payment amounts were not fixed and were dependent on the actual proceeds received on the lease portfolio each month. Any shortfall in interest payments was added to the principal balance and accrued interest at the same rate. The Group did not have any rights to any amounts received on the portfolio over and above the repayment of their principal plus any interest accrued at the rates stated above. As at 30 June 2020, the priority debt exceeded the value of the underlying assets and the fair value of the investment held by the Group was zero.

During the year ended 30 June 2021, the facility was re-profiled as a deferred consideration with a fair value of £860,833.

Finance lease residual value
Assets leased to third parties under finance leases had an unguaranteed residual value at the end of the year of £101,859 (30 June 2020: £127,557).

During the year ended 30 June 2021, two residual investments were sold for £36,610 (30 June 2020: two residual investments were sold for £304,712).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.1 Fair Value Investments (Continued)

Equity Holdings
Refer below for the Company's shareholding in each equity holding held:

Equity Holding	30 June 2021	30 June 2020
1	15%	15%
2	10.7%	10.7%
3	25.5%	25.5%
4	25.5%	25.5%
5	20%	40%
6	45%	45%
7	45%	45%
8	51%	51%
9	100%	100%

The Board have reviewed each equity holding position and do not believe that any of the equity holding positons held by the Group qualify for equity method accounting under IAS 28 – Investments in Associates and Joint Ventures ("IAS 28"). The Board have judged that the Group does not have significant influence, being where the Company has the power to participate in the financial and operating policy decisions of the equity holdings, but not control them. Details of each equity holding are outlined below.

The Board are in ongoing communications with the Portfolio Manager (formerly the Investment Managers) and the AIFM in regard to the fair value of the equity holdings and discuss and review the relevant information available. As at 30 June 2021, the companies the Group holds equity in are not meeting expected operating or financial performance levels and the Board believe that the net realisable value of all the above detailed equity holdings throughout the period and as at 30 June 2021 is £nil (30 June 2020: fair value of £nil).

Equity Holding 1
Following a review of the capital position in one of its investments held by the Group, it received an equity holding in the underlying company. The Group holds junior equity, based on the sale price of the underlying asset and after senior debt has been repaid, any remaining value will go to senior equity. The equity holding has therefore been written down to zero.

The Group has not accounted for this equity holding using IAS 28 as it holds less than 20% of the equity and does not have significant influence. The fair value of the equity as at 30 June 2021 was £nil (30 June 2020: £nil).

Equity Holding 2
The Group holds a minority shareholding in an investee company in consideration for a facility increase. The Group has not accounted for this equity holding using IAS 28 as it holds less than 20% of the equity and does not have significant influence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.1 Fair Value Investments (Continued)

Equity Holding 3, 4 and 8
The Group has provided (or committed to provide) asset finance facilities in the form of construction finance and hire purchase investments to three anaerobic digestion plants.

In addition to these finance arrangements, the Group acquired an equity holding in each investee company. The terms of the shareholder agreement included an option (the "Call Option"), exercisable by the developer upon or following full repayment of the asset finance/loan, to purchase the Group's shares at a price that will produce a maximum 12% per annum return on capital to the Group, taking account of both interest paid under the debt facilities and (if applicable) any dividends, assuming each project is fully delivered.

The equity holdings do not qualify for equity method accounting under IAS 28 as although the Group holds greater than 20% of the voting power in each of the investees, the Board judge that the Group does not have significant influence due to the following factors for each investment:

- The equity holdings can be bought back at the developer's discretion once conditions per the shareholder agreement are satisfied.
- The return is fixed at a maximum of 12% per annum across the entire investment (loan and shares). If the investment performs better than expected, the developer will exercise the option to purchase the shares at the agreed price and therefore the Group has no realistic chance of participating in residual value.

During the year, no Call Option was exercised by the developers (30 June 2020: no Call Option was exercised by the developers).

Equity Holding 5
The Group holds an effective 20% (30 June 2020: 40%) shareholding in a holding company. The Group has not accounted for these equities using IAS 28 as the Board have judged the Group does not have significant influence. During the year, the holding company was in financial difficulty due to the impacts of Covid-19 and a previous administration, and further equity was required to secure the adoption of a 'plan of continuation' as agreed with the French courts. As the Group was unable to provide further financing, the Group agreed to sell half its shareholding to a third party to provide the necessary equity finance as part of a restructure agreement which was entered into in April 2021. The consideration received by the Group for its shareholding was £nil.

Equity Holding 6 and 7
The Group holds an effective 45% shareholding in two holding companies. The Group has not accounted for these equities using IAS 28 as the Board have judged the Group does not have significant influence.

Equity Holding 9
The Group holds an effective 100% shareholding in a holding company. The Group has not accounted for these equities using IAS 28 as does not have beneficial ownership of the shares and they are held for security only. In addition, the Board have judged the Group does not have significant influence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.1 Fair Value Investments (Continued)

Level 3 reconciliation
The following table summarises the changes in the fair value of the Group's Level 3 investments designated at fair value through profit or loss:

	30 June 2021 £	30 June 2020 £
Opening balance	**127,557**	**8,776,300**
Transfer in arising from reclassification on 1 January 2021[1]	217,727,709	-
Fair value adjustment as at 1 January 2021 due to reclassification	2,987,406	-
Purchases during the year	6,468,934	-
Sales during the year	(65,266,348)	(667,763)
Unrealised loss on revaluation	42,546,361	(8,559,304)
Unrealised foreign exchange gain on revaluation	(597,325)	214,649
Realised gain on investments	(52,916,609)	304,710
Realised foreign exchange gain on investments	(2,212,079)	58,965
Closing balance	**148,865,606**	**127,557**

[1]During the year ended 30 June 2021, the following balances were transferred in on 1 January 2021 as Level 3:

Investment type	Amount £	Note
Loans and other investments		
Loans	105,890,289	9.3
Construction finance	46,589,283	9.3
Finance lease and hire-purchase investments		
Finance lease	36,190,460	10
Hire purchase	29,057,677	10
Total	217,727,709	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.1 Fair Value Investments (Continued)

Information about the Secondary Market for Level 3 Investments
Lease participation, loans, construction finance, finance lease and hire-purchase investments
The fair value of “loans and other investments” and “finance lease and hire-purchase” investments is based on two key inputs being the expected cash flows from the facility including any appropriate adjustment in timing to realise these cash flows and an appropriate discount rate. Refer to note 2.3c) for further detail and KKV FV discount matrix and below for sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy.

When examining target returns sought by private debt funds, the Portfolio Manager examined a number of public data sources. By nature, Private Debt is not publicly disclosed, however, a number of consultants and market participants share typical ranges within sectors that ties into the Portfolio Manager’s experience from market studies completed historically.

Finance lease residual value
The Portfolio Manager makes assumptions about the residual value of certain assets and equipment. This assumed cash flow is typically a minor part of the assumed cash flows from the investment. In determining the cash flow, we will review contractual terms that may limit any payment and consider market observable inputs relating to percentages of value retained.

As determined by the Portfolio Manager, the residual value is a function of the in-place value and/or the secondary market value of the equipment or assets.

The in-place value is an assessment of the value of the equipment or assets if the equipment or assets were to continue to operate and provide value to the end-user. This takes into account the marginal cost of keeping the asset in place as well as the cost to the end-user of decommissioning, redelivering, and replacing the equipment. In some cases, this amount (or a maximum value) is negotiated in advance with the end-user.

The secondary market value is determined utilising the Portfolio Manager’s historical experience, quotes from dealers, third party appraisals and recent sales. The secondary market value also takes into account the geography of the equipment or assets, the timeframe required to conduct a sale, and the associated costs that are not passed on to the end-user.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.2 Valuation Process

The following table provides information about fair value measurements and key unobservable inputs with respect to each category of financial assets designated at fair value through profit or loss:

30 June 2021

Description	Fair Value £	Valuation Techniques	Unobservable Inputs
Lease participation	860,833	Discounted cash flow	Expected cash flows and discount rate
Loans	97,379,790	Discounted cash flow	Expected cash flows and discount rate
Construction finance	14,379,443	Discounted cash flow	Expected cash flows and discount rate
Finance lease	28,369,614	Discounted cash flow	Expected cash flows and discount rate
Hire purchase	7,774,067	Discounted cash flow	Expected cash flows and discount rate
Finance lease residual value	101,859	Discounted cash flow	Future cash flows resulted from leases modifications and discount rate
Equity holdings	-	Discounted cash flow	Discount rate and EBITDA growth rate

30 June 2020

Description	Fair Value £	Valuation Techniques	Unobservable Inputs
Lease participation	-	Discounted cash flow	Future cash flows
Finance lease residual value	127,557	Discounted cash flow	Future cash flows resulted from leases modifications and discount rate
Equity holdings	-	Discounted cash flow	Discount rate and EBITDA growth rate

Sensitivity Analysis

The table below provides the valuation basis of financial assets designated at fair value through profit or loss, being the summation of contractual future cash flows, offer/settlement agreement and expert valuations:

	30 June 2021 £	30 June 2020 £
Contractual future cash flows	78,231,803	-
Offer/settlement agreement	32,137,002	-
Expert valuations	38,394,942	-
Total	**148,763,747**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.2 Valuation Process (Continued)

Sensitivity Analysis (Continued)
The tables below detail sensitivity analysis on the key unobservable inputs considering the discount rate and the expected cash flows from the facility including any appropriate adjustment in timing to realise these cash flows with respect to the fair value measurement of financial assets designated at fair value through profit or loss.

Discount rate
The Portfolio Manager has reviewed the current discount rates compared with the rates charged at issue on the transactions. After removing non-standard positions from the analysis, it was ascertained that +0.5%/-0.5% is a suitable sensitivity range for the discount rates. Refer below for discount rate sensitivity analysis:

	30 June 2021		30 June 2020	
	£ Increase of 0.5%	£ Decrease of 0.5%	£ Increase of 0.5%	£ Decrease of 0.5%
Contractual future cash flows	(253,034)	332,084	-	-
Offer/settlement agreement	(13,689)	22,938	-	-
Expert valuations	(140,408)	189,182	-	-
Total	**(407,131)**	**544,204**	**-**	**-**

Expected cash flow adjustment
For the purposes of determining the sensitivity, the Portfolio Manager has reviewed expected cash flow transactions over the prior 12 months, against actual cash flow transactions and identified that cash flows achieved were in line with cash flows expected within an approximate 10% threshold. From this analysis the Portfolio Manager believes that a +10%/-10% represents the majority of changes in cash flows experienced. Refer below for discount rate sensitivity analysis:

	30 June 2021		30 June 2020	
	£ Increase of 10%	£ Decrease of 10%	£ Increase of 10%	£ Decrease of 10%
Contractual future cash flows	698,122	(6,127,567)	-	-
Offer/settlement agreement	n/a	n/a	-	-
Expert valuations	3,474,370	(3,839,494)	-	-
Total	**4,172,492**	**(9,967,061)**	**-**	**-**

Timings to realise expected cash flows
The Portfolio Manager has analysed historic transactions and identified that settlements are often delayed by 3-9 months. On this basis, the below sensitivity details the impact on bringing forward settlements by 6 months and extending by 6 months.

	30 June 2021		30 June 2020	
	£ Increase of 182 days	£ Decrease of 182 days	£ Increase of 182 days	£ Decrease of 182 days
Contractual future cash flows	(314,036)	313,938	-	-
Offer/settlement agreement	n/a	n/a	-	-
Expert valuations	(1,552,835)	1,643,579	-	-
Total	**(1,866,871)**	**1,957,517**	**-**	**-**

No sensitivity analysis is provided on the finance lease residual value and equity holdings as these amounts are not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.3 Loans and Other Investments

Up to 31 December 2020, the Group's investments were measured at amortised cost using the effective interest rate method. On 1 January 2021, loans and other investments were reclassified to FVTPL; refer to note 9.1 for further details. The following table summarises the changes during the year:

30 June 2021	**Loans**	**Construction Finance**	**Total**
	£	**£**	**£**
Opening balance 1 July 2020	**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
Transfer out to financial assets at FVTPL arising from reclassification on 1 January 2021	(183,111,283)	(154,142,054)	(337,253,337)
Closing balance 30 June 2021	**-**	**-**	**-**
ECL provision			
Opening balance 1 July 2020	**(87,920,052)**	**(119,098,948)**	**(207,019,000)**
Movement of ECL provision 1 July 2020 to 31 December 2020	10,699,058	11,546,177	22,245,235
Transfer out to financial assets at FVTPL arising from reclassification on 1 January 2021	77,220,994	107,552,771	184,773,765
Closing balance 30 June 2021	**-**	**-**	**-**
Total amount transferred out to financial assets at fair value through profit or loss	**(105,890,289)**	**(46,589,283)**	**(152,479,572)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.3 Loans and Other Investments (Continued)

30 June 2020	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[4]			
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.
[4] Refer to note 18.1 and the Portfolio Manager report for further details regarding the ECL provision.

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 3 for further information.

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. As at 30 June 2020, US$2.18 million remained outstanding (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 prudent 100% ECL provision applied given the material uncertain timing and quantum of outcomes possible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Finance Lease and Hire-Purchase Investments

On 1 January 2021, loans and other investments were reclassified to FVTPL; refer to note 9.1 for further details. The following tables summarise the changes in finance lease and hire purchase investments during the year:

30 June 2021	**Finance Lease**	**Hire-Purchase**	**Total**
	£	**£**	**£**
Opening balance 1 July 2020	**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
Transfer out to FVTPL arising from reclassification on 1 January 2021	(59,727,992)	(40,053,127)	(99,781,119)
Closing balance 30 June 2021	**-**	**-**	**-**
ECL Provision			
Opening balance 1 July 2020	**(20,980,690)**	**(10,294,107)**	**(31,274,797)**
Movement in ECL provision during the period	(2,556,842)	(701,343)	(3,258,185)
Transfer out to financial assets at FVTPL arising from reclassification on 1 January 2021	23,537,532	10,995,450	34,532,982
Closing balance 30 June 2021	**-**	**-**	**-**
Total amount transferred out to financial assets at fair value through profit or loss	**(36,190,460)**	**(29,057,677)**	**(65,248,137)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

30 June 2020	**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[4]			
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 9.3 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 9.3 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.
[4] Refer to note 18.1 and the Portfolio Manager report for further details on the ECL provision.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

On 1 January 2021, loans and other investments were reclassified to FVTPL and the following disclosure is therefore not relevant for the year ended 30 June 2021. The changes in finance lease investments for the year ended 30 June 2020 are detailed in the table below for comparative purposes:

	30 June 2020 **£**
Net receivables from finance leases	
No later than 1 year	6,004,861
Later than 1 year and no later than 5 years	19,697,508
Later than 5 years	29,452,930
Reallocation of capital receivables	1,114,345
Capitalised accrued interest	4,811,394
ECL	(20,980,690)
Total net receivables from finance leases[1]	**40,100,348**
Unearned future income on finance leases[2]	30,981,611
Total investment in finance leases including unearned future income[2]	**71,081,959**
Non-current receivables	
Finance leases – net receivables	49,150,438
Unearned future finance income[2]	25,827,594
Reallocation of capital receivables	1,114,345
Capitalised accrued interest	4,811,394
ECL	(20,980,690)
	59,923,081
Current receivables	
Finance leases – net receivables	6,004,861
Unearned future finance income[2]	5,154,017
	11,158,878
Total investment in finance leases including unearned future income[2]	**71,081,959**
Reconciliation	
No later than 1 year	11,158,878
Later than 1 year and no later than 5 years	35,593,753
Later than 5 years	39,384,279
Reallocation of capital receivables	1,114,345
Capitalised accrued interest	4,811,394
ECL	(20,980,690)
Total investment in finance leases including unearned future income[2]	**71,081,959**

[1]The net receivables from finance leases are recognised in the consolidated statement of financial position.
[2]Unearned future income on finance leases is not recognised in the consolidated statement of financial position, as it is a future asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

On 1 January 2021, loans and other investments were reclassified to FVTPL and the following disclosure is therefore not relevant for the year ended 30 June 2021. The changes in finance lease investments for the year ended 30 June 2020 are detailed in the table below for comparative purposes:

	30 June 2020 £
Net receivables from hire purchase	
No later than 1 year	4,134,530
Later than 1 year and no later than 5 years	16,794,015
Later than 5 years	19,433,877
Reallocation of capital receivables	576,264
Capitalised accrued interest	645,420
ECL	(10,294,107)
Total net receivables from finance leases[1]	**31,289,999**
Unearned future income on hire purchase[2]	19,701,929
Total investment in hire-purchase including unearned future income[2]	**50,991,928**
Non-current receivables	
Hire purchase – net receivables	36,227,891
Unearned future income[2]	16,069,878
Reallocation of capital receivables	576,264
Capitalised accrued interest	645,420
ECL	(10,294,107)
	43,225,346
Current receivables	
Hire purchase – net receivables	4,134,531
Unearned future income[2]	3,632,051
	7,766,582
Total investment in hire-purchase including unearned future income[2]	**50,991,928**
Reconciliation	
No later than 1 year	7,766,582
Later than 1 year and no later than 5 years	27,552,107
Later than 5 years	24,745,662
Reallocation of capital receivables	576,264
Capitalised accrued interest	645,420
ECL	(10,294,107)
Total investment in hire-purchase including unearned future income[2]	**50,991,928**

[1]The net receivables from finance leases are recognised in the consolidated statement of financial position.
[2]Unearned future income on finance leases is not recognised in the consolidated statement of financial position, as it is a future asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Receivables

Interest Receivables

On 1 January 2021, loans and other investments were reclassified from amortised cost to FVTPL. As at 30 June 2021, interest receivables have been accounted for in the fair value of investments designated at fair value through profit or loss. As at 30 June 2020, interest receivables represented accrued interest receivable on leases and loans. Refer to note 9.1 for details.

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.

Other Receivables and Prepayments

	30 June 2021	30 June 2020
	£	£
Prepaid transaction fees	100,715	745,557
Portfolio Manager fee clawback	313,733	-
	414,448	**745,557**

Post year-end, the Portfolio Manager fee clawback was cancelled, refer to notes 3 and 19 for further information.

12. Other Payables and Accrued Expenses

	30 June 2021	30 June 2020
	£	£
Investment management fees – due to Investment Manager	-	46,914
Investment management fees – due to Portfolio Manager	198,494	234,575
Administration and secretarial fees	30,085	74,500
Audit fees	47,500	30,000
Printing fees	-	17,438
Brokerage fees	8,068	7,980
Other payables	224,045	48,942
	508,192	**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 30 June 2021, the Group had committed to invest no further amounts (30 June 2020: £925,500).

The Group did not have any contingent liabilities as at 30 June 2021 and 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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.

	30 June 2021		**30 June 2020**	
	Number of Shares in Issue	**Stated Capital**	**Number of Shares in Issue**	**Stated Capital**
		£		**£**
Ordinary Shares	355,975,669	314,774,427	355,975,669	352,151,873
2016 C Shares	138,924,222	111,497,712	138,924,222	136,504,072
Total	**494,899,891**	**426,272,139**	**494,899,891**	**488,655,945**

The number of Ordinary Shares in issue is presented after deduction of 1,731,838 (30 June 2020: 1,731,838) treasury shares. The treasury shares were cancelled post year-end. Refer to note 20.

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 year, nil (30 June 2020: 288,156) Ordinary Shares were repurchased and are being held in treasury at a total cost of £nil (30 June 2020: £237,845). As at 30 June 2021, 1,731,838 (30 June 2020: 1,731,838) shares are held in treasury. No 2016 C Shares were repurchased during the year or the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Share Capital (Continued)

Issued Share Movements

	30 June 2021		30 June 2020	
	Number	**Stated Capital**	**Number**	**Stated Capital**
		£		**£**
Balance at the start of the year	**494,899,891**	**488,655,945**	**495,188,047**	**488,893,790**
Ordinary Shares repurchased	-	-	(288,156)	(237,845)
Redemption of B and D shares – capital return (refer to note 15)	-	(62,383,806)	-	-
Balance at the end of the year	**494,899,891**	**426,272,139**	**494,899,891**	**488,655,945**

15. Return of Capital

As part of the managed wind down of the Company, during the year the Board returned cash to shareholders using a B Share Mechanism and a D Share Mechanism.

The B Share Mechanism involves the issue of new redeemable shares of no par value ("B Shares"), paid up out of the Company's assets, to existing Ordinary Shareholders pro rata to their holdings of Ordinary Shares at the time of such issue. The D Share Mechanism involves the issue of new redeemable shares of no par value ("D Shares"), paid up out of the Company's assets, to existing 2016 C Shareholders pro rata to their holdings of 2016 C Shares at the time of such issue. The B Shares and D Shares shall be non-transferable and shall be redeemable for cash subsequent to issue at the option of the Board on such terms, as the Board shall determine.

Rights attaching to the B and D Shares
The B Shares and D Shares do not carry any right to any dividends, any other income distributions, or any capital distributions of the Company other than as expressly permitted under the new Articles.

The B Shares and D Shares do not entitle any holder thereof to any surplus assets of the Company remaining after payment of all creditors of the Company apart from a distribution in respect of any capital paid up on the B Shares and D Shares which shall rank behind any amounts due in respect of other classes of shares (apart from any B Shares D Shares) and such distribution shall be distributed pro rata.

The B Shares and D Shares will be issued on terms that each B Share and D Share shall be redeemable at the option of the Board and on the terms the Board determine. Redemption monies will be paid in accordance with the terms of the new Articles.

The B Shares and D Shares shall not carry any right to receive notice of, or attend, speak or vote at, any general meeting of the Company or any right to vote on written resolutions of the Company. The B Shares and D Shares shall not be transferrable. The Board expect that the B Shares and D Shares will only ever be in issue for a short period of time.

On 8 March 2021, 355,975,669 B shares and 138,924,222 D shares were issued at no par to Ordinary shareholders and 2016 C shareholders respectively. These B and D shares were redeemed on the 8 March 2021, returning £17,798,784, being 5p per B share and £16,670,907, being 12p per D share, to Ordinary Shareholders and 2016 Shareholders respectively.

On 22 April 2021, 355,975,669 B shares and 138,924,222 D shares were issued at no par to Ordinary shareholders and 2016 C shareholders respectively. These B and D shares were redeemed on the 22 April 2021, returning £19,578,662, being 5.5p per B share and £8,335,453, being 6p per D share, to Ordinary Shareholders and 2016 Shareholders respectively.

Refer to note 19 for detail of return of capital post year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Return of Capital (Continued)

During the year ended 30 June 2021, the Company made a return of capital on two separate occasions, as detailed below, returning a total of £37,377,446 to Ordinary shareholders and £25,006,360 to 2016 C shareholders).

Record date	Number of B Shares issued and cancelled	Amount per Share	Amount returned to Ordinary shareholders	Number of D Shares issued and cancelled	Amount per Share	Amount returned to 2016 C shareholders
8 March 2021	355,975,669	5p	£17,798,784	138,924,222	12p	£16,670,907
22 April 2021	355,975,669	5.5p	£19,578,662	138,924,222	6p	£8,335,453
			£37,377,446			£25,006,360

16. Dividends

No dividends were declared by the Company to its shareholders during the year ended 30 June 2021. With the Company in managed wind down, the Board does not intend to declare any further dividends.

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. The Company declared and paid the following dividends to its shareholders during the prior year:

Period	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	2,150,805
1 to 31 December 2019	24 January 2020	28 February 2020	0.6042p	2,150,805
1 to 31 January 2020	21 February 2020	27 March 2020	0.6042p	2,150,805
Total				19,366,635
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
1 to 31 December 2019	24 January 2020	28 February 2020	0.6042p	839,380
1 to 31 January 2020	21 February 2020	27 March 2020	0.6042p	839,380
Total				7,554,420
Grand Total				**26,921,055**

17. Capital Management Policies and Procedures

The Board defines capital as financial resources available to the Group.

The Group's total capital at 30 June 2021 was £176,191,414 (30 June 2020: £223,518,830) and comprised equity share capital and reserves. The Group was ungeared at the year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Capital Management Policies and Procedures (Continued)

The Group's capital management objective is to provide returns to shareholders.

As the Company is in managed wind down, the Group's principal use of cash is to return cash to shareholders, whist maintaining sufficient balances to meet ongoing operational expenses.

The Board, with the assistance of the Portfolio Manager, monitors and reviews the broad structure of the Group's capital on an ongoing basis.

The Group has no externally imposed capital requirements.

18. Financial Risk Management

The Group's financial assets mainly comprise investments and cash balances. Note 2 sets out the accounting policies, including criteria for recognition and the basis for measurement, applied to significant financial assets and liabilities. Note 2 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised.

Principal risks and uncertainties are detailed in the Strategic Report. The Directors, the AIFM and the Portfolio Manager work together to mitigate these risks by employing the following risk mitigation strategies:

(i) Credit Management – sound credit management is a prerequisite for an entity's stability and profitability. Prudent management of credit risk can minimise both operational and credit risks. The Board and the Portfolio Manager (previously the Investment Managers) pre-emptively begin to manage risk through the comprehensive underwriting process to ensure that there is not more than an acceptable amount of risk within the transaction. The risk is continually managed throughout the term of the lease (or other finance agreement) until the ultimate disposition of the asset(s). Stringent underwriting procedures are applied to mitigate risk.

(ii) Due Diligence – the Portfolio Manager perform comprehensive due diligence on all counter parties, individuals and businesses relevant to the investment strategy of the Group.

(iii) On-going Portfolio Management – ensures that if a problem starts to arise, it is identified giving the capability to address it and put into action whatever remediation steps are necessary to help mitigate a potentially larger risk down the line.

(iv) Legal Review – the Portfolio Manager engages legal professionals in order to ensure, on an on-going basis, that all rights, title and interests, held as security for the Company's investments are being protected and preserved.

(vi) Records Management – the Portfolio Manager's internal systems are utilised to ensure the Group is not exposed from a record maintenance standpoint. The Portfolio Manager has a comprehensive electronic documentation system that is subject to their internal/external backup procedure, maintaining information access and retrieval 24/7 with offsite redundant backup in case of a disaster when recovery would need to be deployed.

The AIFM, in close cooperation with the Directors and the Portfolio Manager, coordinate the Group's risk management.

Additional risks arising from the Group's activities listed in order of severity and likelihood and the policies for managing each of these risks are summarised in this note and have been applied throughout the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.1. Credit Risk

This is the risk of the failure of a lessee to make lease payments, the failure of the issuer of a security or borrower to pay interest or principal in a timely manner, or that the effect of negative perceptions of the issuer's ability to make such payments causing the value of the investment to decline. Counterparties with debt securities rated below investment-grade (or unrated) are especially susceptible to this risk. The Group looks to source investments that can provide various credit and structural enhancements to attempt to mitigate credit exposure to any single counterparty or asset class.

Credit concentration risk
As the Company is in managed wind down, the Company will not be making any new investments. The Board will monitor concentration risk of the investment portfolio as the portfolio is liquidated as part of the new investment objective and policy approved by shareholders at the EGM held on 4 December 2020.

BNP Paribas Securities Services S.C.A., Guernsey Branch is the bank used by the Group to hold cash balances and there is a risk that it could fail or that there may be fraud or theft by employees and that the Group's assets may not be returned. BNP Paribas Securities Services S.C.A., Guernsey Branch, is a branch of BNP Paribas whose credit rating is A+ with Standard & Poor's.

Credit risk of cash and custodian is mitigated by the Company's policy to only undertake significant transactions with leading commercial counterparties.

For the periods 1 July 2020 to 31 December 2020 and 1 July 2019 to 30 June 2020, the Group applied the ECL requirements in IFRS 9 and utilised the ECL model. The ECL of financial assets were recognised in 3 stages as outlined below:

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 since initial recognition, 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.1. Credit Risk (Continued)

Exposure to Credit Risk
The following tables detail the Company's financial assets maximum exposure to credit risk:

30 June 2021	£
Residual value of finance lease investments	101,859
Investments designated at fair value through profit or loss	148,763,747
Cash and cash equivalents	25,350,943
Other receivables (excludes prepayments)	313,733
Total assets	**174,530,282**

30 June 2020	Gross carrying amount £	ECL £	Net carrying amount £
Residual value of finance lease investments	127,557	-	127,557
Loans and other investments	347,696,192	(207,019,000)	140,677,192
Finance Lease and Hire Purchase investments	102,665,144	(31,274,797)	71,390,347
Cash and cash equivalents	8,997,906	-	8,997,906
Other receivables (excludes prepayments)	1,073,111	-	1,073,111
Total assets	**460,559,910**	**(238,293,797)**	**222,266,113**

Gross exposure reconciliation
The table below details the gross exposure of loans and other investments and finance lease and hire purchase investments from 1 July 2020 to 31 December 2020 and the reclassification of investments to FVTPL on 1 January 2021:

30 June 2021	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	-
Change in foreign exchange movement	(765,062)	(90,345)	(9,724,988)	(10,580,395)
Realised gain	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)
Transfer out to financial assets at FVTPL arising from reclassification on 1 January 2021	(112,559,562)	(9,943,132)	(314,531,762)	(437,034,456)
Gross balance at 30 June 2021	**-**	**-**	**-**	**-**

Refer to page 125 for detail of credit quality of investments designated at fair value through profit or loss as at 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.1. Credit Risk (Continued)

The table below details the gross exposure of loans and other investments and finance lease and hire purchase investments:

30 June 2020	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	-
Change in foreign exchange movement	901,315	91,588	2,913,662	3,906,565
Realised gain	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**

ECL Reconciliation

The following table shows the movement in expected credit losses recognised for the respective financial assets from 1 July 2020 to 31 December 2020 and the reclassification to FVTPL on 1 January 2021:

30 June 2021	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
Transfer out to financial assets at fair value through profit or loss arising from reclassification on 1 January 2021	3,377,744	1,022,336	214,906,667	219,306,747
ECL at 30 June 2021	**-**	**-**	**-**	**-**

Change in credit risk parameters
During the six month 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.

As the Company is in managed wind down, the business model changed from holding the assets to maturity to actively realising assets in line with the updated investment policy. This has led to a change in the measurement basis of the remaining assets in the portfolio to fair value rather than amortised cost, which was effective from 1 January 2021. Refer to note 2.3 for details on fair value measurement and key inputs.

Refer to the Portfolio Manager's Report for further details on portfolio performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.1. Credit Risk (Continued)

ECL Reconciliation (Continued)

The following table shows the movement in expected credit losses recognised for the respective financial assets:

30 June 2020	Stage 1 £	Stage 2 £	Stage 3 £	Total £
ECL at 1 July 2019	**(147,684)**	**(3,586,776)**	**(4,090,338)**	**(7,824,798)**
Increase in loss allowance arising from new loans advanced	-	-	-	-
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 ended 30 June 2020, 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.

ECL Sensitivity analysis
The key inputs in the ECL model are PD and LGD. The following are the sensitivity analysis of these key inputs.

PD Rates
No PD or LDG sensitivity analysis has been provided for the year ended 30 June 2021 as financial assets are valued at FVTPL.

	30 June 2020	
	Increase in PD rates of 10% £	Decrease in PD rates of 10% £
Increase/(decrease) in ECL	8,277,713	(27,420,345)
Total	**8,227,713**	**(27,420,345)**

By reviewing their internal data and migration of PD, the Portfolio Manager reviewed the lifetime average migration in PD and assumed that these transitions occurred over a five year life of the Company. The Group has taken the average migrations in PD and divided by five to give an appropriate stress PD rounding to the nearest percentage point and have provided stress scenarios of +/- 10%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.1. Credit Risk (Continued)

Sensitivity analysis of ECL (Continued)

LGD Rates

	30 June 2020 Increase in LGD rates of 10% £	Decrease in LGD rates of 10% £
Increase/(decrease) in ECL	23,403,561	(33,018,897)
Total	**23,403,561**	**(33,018,897)**

The underlying collateral valuation volatility in a given year is typically range bound by +/- 10% given the nature of the assets. We have presented this as +/- 10% LGD stress scenarios.

Collateral held as security
The carrying value of assets that have defaulted as at 30 June 2021 is £70,427,206 (30 June 2020: £86,875,317). In line with the previous investment strategy, the Company has invested in assets that hold multiple levels of credit enhancements or collateral including guarantees to mitigate the credit risk associated to the Company assets held.

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

30 June 2021

With the reclassification to FVTPL on 1 January 2021, there is no ECL as at 30 June 2021.

30 June 2020

	Stage 1	Stage 2	Stage 3	Total
Finance Lease and hire purchase	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)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.1. Credit Risk (Continued)

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. The table below shows the different risk categories and the associated PDs and ECL provisions in relation to unsecured loans:

Grade	Portfolio Manager PD	Nominal Rating Equivalent	Expected loss by rating
	%		%
1: Virtually no risk	0.01	AAA	0.007
2: Low risk	0.10	AA	0.07
3: Moderate risk	0.50	A	0.35
4: Average risk	1.50	BBB	1.05
5: Acceptable risk	4	BB	2.80
6: Borderline risk	10	B	7.00
7: High risk	20	CCC	14.0
8: Extremely high risk	40	CC	28.0
9: Doubtful	60	D	42.0
10: Loss	100	D	70.0

For LGD purposes if the assets supporting a loan are not easily realisable e.g. fixed plant, the Portfolio Manager assumes on default that the business has failed and therefore the recovery will be equivalent to an unsecured loan.

Portfolio Manager LGD Approach:

Category	LGD Approach	Example credits
Easily Realisable	Asset value less 10% haircut discounted at 10% IRR for 12 months to recovery	*e.g., helicopter, yellow metal equipment or other vehicle*
Realisable	Asset value less 20% discounted at 20% IRR for 2 years to recovery	*e.g., manufacturing equipment, specialised but remarketable*
Highly Specialised	70% LGD (Equivalent to unsecured)	*e.g., bespoke anaerobic digestion equipment*
Subordinated Debt	100% LGD	
	Where an external 3rd party valuation is available, this is used to create a bespoke LGD for that asset in priority to the Highly Specialised and Subordinated Debt categories.	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.1. Credit Risk (Continued)

Financial assets credit quality summary (Continued)

The percentage provision under IFRS 9 for a facility is this LGD multiplied by the credit rating PD as allocated above.

Refer to note 2.3 for further detail on ECL methodology.

Broadly, the Portfolio Manager grades 1 to 6 correspond to stage 1, grades 7 to 9 correspond to stage 2 and grade 10 corresponds to stage 3.

The table below and on the following page details the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades for the years ended 30 June 2021 and 30 June 2020:

30 June 2021
On 1 January 2021, loans and other investments and finance lease and hire purchase were reclassified from amortised cost to FVTPL; however, the approach for monitoring credit risk remained unchanged. Refer below for KKV Risk Grades and nominal rating equivalent as at 30 June 2021.

Internal credit rating	Nominal Rating Equivalent	Investment Category	£
N/A	A+1	Cash and cash equivalents	25,350,943
4	BBB	Investments designated at fair value through profit or loss	16,956,122
5	BB	Investments designated at fair value through profit or loss	36,348,125
6	B	Investments designated at fair value through profit or loss	7,030,566
7	CCC	Investments designated at fair value through profit or loss	11,424,400
8	CC	Investments designated at fair value through profit or loss	6,033,820
9	C	Investments designated at fair value through profit or loss	2,146,153
10	D	Investments designated at fair value through profit or loss	68,926,420
Total			**174,216,549**

With the reclassification to fair value on 1 January 2021, there is no ECL as at 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.1. Credit Risk (Continued)

Financial assets credit quality summary (Continued)

30 June 2020

Internal credit rating	Nominal Rating Equivalent	12-month or Lifetime ECL	Investment Category	Gross carrying amount	ECL	Net carrying amount
				£	£	£
N/A	A+1	N/A	Cash and cash equivalents	8,997,906	-	8,997,906
4	BBB	12 month ECL	Loans and other Investments	18,479,164	(194,031)	18,285,133
5	BB	12 month ECL	Loans and other Investments	45,836,358	(1,034,950)	44,801,408
5	BB	12 month ECL	Finance Lease and Hire-Purchase	37,664,292	(1,056,971)	36,607,321
5	BB	12 month ECL	Residual value of finance lease investments	84,627	-	84,627
5	BB	N/A	Interest receivables	1,073,111	-	1,073,111
6	B	12 month ECL	Loans and other Investments	5,220,590	(522,059)	4,698,531
6	B	12 month ECL	Finance Lease and Hire-Purchase	11,971,496	(838,005)	11,133,491
7	CCC	Life time ECL	Finance Lease and Hire-Purchase	4,558,933	(405,787)	4,153,146
7	CCC	Life time ECL	Residual value of finance lease investments	21,972	-	21,972
9	D	Life time ECL	Loans and other Investments	5,955,120	(441,950)	5,513,170
10	D	Life time ECL	Loans and other Investments	272,204,960	(204,826,010)	67,378,950
10	D	Life time ECL	Finance Lease and Hire-Purchase	48,470,423	(28,974,034)	19,496,389
10	D	Life time ECL	Residual value of finance lease investments	20,958	-	20,958
Total				**460,559,910**	**(238,293,797)**	**222,266,113**

[1] – Bloomberg – Standard and Poor's rating

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.2. Liquidity Risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities or funding commitments.

The Group's investments (excluding cash deposits) are asset-backed loan or finance transactions with commercial entities. The investments are substantially less liquid than traded securities and will have a highly limited (if any) secondary market. Some transactions may incorporate provisions that restrict transfer or disposal of the investment.

As at 30 June 2021 and 30 June 2020, the Group did not have any foreign exchange forward contracts.

In accordance with the Group's policy, the Portfolio Manager manages the Group's liquidity risk, and the Directors monitor it.

The table below shows the residual contractual maturity of the Company's financial assets and liabilities as at 30 June 2021:

	Less than 1 year	1 to 5 years	More than 5 years	No maturity date	Total
	£	£	£	£	£
Financial assets					
Residual value of finance lease investments	-	101,859	-	-	101,859
Investments designated at fair value through profit or loss	148,763,747	-	-	-	148,763,747
Cash and cash equivalents	25,350,943	-	-	-	25,350,943
Investment receivables	313,733	-	-	-	313,733
Total undiscounted financial assets	174,428,423	101,859	-	-	174,530,282
Financial liabilities					
Other payables and accrued expenses	(508,192)	-	-	-	(508,192)
Total undiscounted financial liabilities	173,920,231	101,859	-	-	174,022,090

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.2. Liquidity Risk (Continued)

The table below shows the residual contractual maturity of the Company's financial assets and liabilities as at 30 June 2020:

	Less than 1 year	1 to 5 years	More than 5 years	No maturity date	Total
	£	£	£	£	£
Financial assets					
Residual value of finance lease investments	-	127,557	-	-	127,557
Loans and other investments	58,831,596	81,845,596	-	-	140,677,192
Finance lease and hire-purchase investments	19,669,682	51,720,665	-	-	71,390,347
Cash and cash equivalents	8,997,906	-	-	-	8,997,906
Interest receivables	1,073,111	-	-	-	1,073,111
Total undiscounted financial assets	**88,572,295**	**133,693,818**	**-**	**-**	**222,266,113**
Financial liabilities					
Other payables and accrued expenses	(460,349)	-	-	-	(460,349)
Total undiscounted financial liabilities	**(460,349)**	**-**	**-**	**-**	**(460,349)**

18.3. Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Group's activities with financial instruments either internally within the Group or externally at the Group's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective. The Group manages this risk by having regular Board meetings to ensure oversight of the Portfolio Manager (formerly the Investment Managers) and the Administrator.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.4. Market Risk

The fair value of future cash flows of a financial instrument held by the Group may fluctuate. This market risk comprises currency risk, interest rate risk and price risk. The Board reviews and agrees policies for managing these risks.

Currency Risk
The functional and presentation currency of the Group is Sterling and, therefore, the Group's principal exposure to foreign currency risk comprises investments denominated in other currencies, principally US Dollars and Euros. The Portfolio Manager monitors the Group's exposure to foreign currencies and reports to the Board on a regular basis. The Portfolio Manager measures the risk to the Group of the foreign currency exposure by considering the effect on the NAV and income of a movement in the rates of exchange to which the Group's assets, liabilities, income and expenses are exposed. The Investment Managers were mandated to undertake a hedging strategy and to report its effectiveness and costs to the Board on an on-going basis, before the foreign exchange forward derivatives used to hedge non-Sterling exposures back to Sterling were closed out on 18 March 2020.

The table below details the carrying amounts of the Company's financial assets and financial liabilities that have foreign currency risk exposure:

30 June 2021	**GBP £**	**USD £**	**EUR £**	**Total £**
Investments	82,095,531	37,473,105	29,296,970	148,865,606
Cash and cash equivalents	24,654,143	521,757	175,043	25,350,943
Other receivables	313,733	-	-	313,733
Investment payables, other payables and accrued expenses	(508,192)	-	-	(508,192)
Total net foreign currency exposure	**106,555,215**	**37,994,862**	**29,472,013**	**174,022,090**
Percentage of total	**61.23%**	**21.83%**	**16.94%**	**100.00%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.4 Market Risk (Continued)

Currency Risk (Continued)

30 June 2020	**GBP**	**USD**	**EUR**	**Total**
	£	**£**	**£**	**£**
Investments	146,784,363	27,187,972	38,222,761	212,195,096
Cash and cash equivalents	6,070,056	2,249,717	678,133	8,997,906
Interest receivables	1,073,111	-	-	1,073,111
Investment payables, other payables and accrued expenses	(460,349)	-	-	(460,349)
Total net foreign currency exposure	**153,467,181**	**29,437,689**	**38,900,894**	**221,805,764**
Percentage of total	**69.19%**	**13.27%**	**17.54%**	**100.00%**

Currency sensitivity analysis
Should the value of Sterling against the Euro and the US Dollar increase or decrease by 5% with all other variables held constant and excluding the impact of currency hedging described below, the impact on the net assets of the Company would be as follows:

Currency	**30 June 2021**		**30 June 2020**	
	£	**£**	**£**	**£**
	Increase of 5%	**Decrease of 5%**	**Increase of 5%**	**Decrease of 5%**
USD	(1,899,743)	1,899,743	(1,471,884)	1,471,884
EUR	(1,473,601)	1,473,601	(1,945,045)	1,945,045

The Board believe that a 500 basis point movement in the value of Sterling against the Euro and the US Dollar is reasonable given the historic volatility in these currency rates during the years ended 30 June 2021 and 2020.

During the period 1 July 2019 to 18 March 2020, the foreign currency risk assumed by the Group in making and retaining investments denominated in foreign currencies was hedged by placing contracts for the sale of the future foreign currency payments anticipated to be received in connection with such investments ("FX Receivables"). Due to the limited availability, inflexibility and cost of placing a matched forward contract for each foreign currency investment (which may have a tenor of five years or longer), the FX Receivables in respect of two or more underlying investments were aggregated and a single forward contract placed with short-term maturity (typically between three and nine months). On maturity, the forward sale contract was part-settled from actual foreign currency receipts and a new forward contract was placed for the then applicable aggregate FX Receivables, adjusted for payments received, contract variations and new investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.4 Market Risk (Continued)

The Company was required to deposit initial cash collateral against fluctuations in the applicable exchange rates and/or to meet margin calls if the prevailing market rate varied from the contract rate. The Portfolio Manager (previously the Investment Managers) monitors the Group's currency risk, and the Directors review it.

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 30 June 2021, the Group did not have any open forward foreign exchange contracts (30 June 2020: Nil open contracts). Net realised foreign exchange loss on forward contracts for the year ended 30 June 2021 was £nil (30 June 2020: £8,015,592).

Interest Rate Risk

Most of the Group's investments receive a fixed rate of interest. The value of fixed income securities usually rise and fall in response to changes in market interest rates. Declining interest rates generally increase the fair value of existing instruments, and rising interest rates generally decrease the fair value of existing instruments. Changes in value usually will not affect the amount of interest income or final principal repayments, but could affect the market value of the investment prior to maturity. Interest rate risk is generally greater for investments with longer maturities.

Certain income generating securities pay interest at variable rates. Variable rate securities reset at specified intervals, while floating rate securities reset whenever there is a change in a specified index rate. The market prices of these securities may fluctuate significantly when interest rates change. As at 30 June 2021, no variable interest rate positions were held.

As explained in note 2.3(a), for the period to 31 December 2020, most of the Group's investments were carried at amortised cost, not fair value, and changes in the theoretical market value (there is no liquid market for such investments) were not reflected in the carrying value of the investments unless the investments were considered impaired.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. Expected cash flows are monitored as investment updates are provided and the Company considers changes to cash flows on a quarterly basis. Each facility has a rate applied to fair value based on market observable transactions, performance, credit type and risk. The waterfall requires a market rate to be applied, if applicable, if not and the facility continues to perform in line with origination, the initial rate is adjusted by the relevant risk free rate change; where these are not appropriate the rate is taken from the Portfolio Manager's fair value rate matrix. This fair value risk matrix is reviewed annually to reflect changes in the market rates for sectors and risk. The Board reviews on a regular basis the values of the financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.4 Market Risk (Continued)

Interest Rate Risk (Continued)

The following table details the Group's exposure to interest rate risks. It includes the financial assets designated at FVTPL and at amortised cost and financial liabilities at amortised cost as at 30 June 2021 and 30 June 2020.

	Interest bearing		Non-interest bearing	
At 30 June 2021	**Variable £**	**Fixed interest £**	**£**	**Total £**
Assets designated at fair value through profit or loss:				
Residual value of finance lease investments	-	-	101,859	101,859
Investments designated at fair value through profit or loss	-	148,763,747	-	148,763,747
Financial assets at amortised cost:				
Cash and cash equivalents	25,350,943	-	-	25,350,943
Other receivable	-	-	313,733	313,733
Total assets	**25,350,943**	**148,763,747**	**415,592**	**174,530,282**
Liabilities				
Financial liabilities at amortised cost:				
Other payables and accrued expenses	-	-	(508,192)	(508,192)
Total liabilities	**-**	**-**	**(508,192)**	**(508,192)**
Total interest sensitivity gap	**25,350,943**	**148,763,747**	**(92,600)**	**174,022,090**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.4 Market Risk (Continued)

Interest Rate Risk (continued)

	Interest bearing		Non-interest bearing	
	Variable	Fixed interest		Total
At 30 June 2020	**£**	**£**	**£**	**£**
Assets designated at fair value through profit or loss:				
Residual value of finance lease investments	-	-	127,557	127,557
Equity holding	-	-	-	-
Financial assets at amortised cost:				
Loans and other investments	-	140,677,192	-	140,677,192
Finance lease and hire-purchase investments	-	71,390,347	-	71,390,347
Cash and cash equivalents	8,997,906	-	-	8,997,906
Interest receivable	-	-	1,073,111	1,073,111
Total assets	**8,997,906**	**212,067,539**	**1,200,668**	**222,266,113**
Liabilities				
Financial liabilities at amortised cost:				
Other payables and accrued expenses	-	-	(460,349)	(460,349)
Total liabilities	**-**	**-**	**(460,349)**	**(460,349)**
Total interest sensitivity gap	**8,997,906**	**212,067,539**	**740,319**	**221,805,764**

Interest rate sensitivity

An increase of 50 basis points in interest rates as at the reporting date would increase NAV by £882,247 (30 June 2020: £1,105,327). A decrease of 50 basis points would have had an equal but opposite effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.4 Market Risk (Continued)

Interest rate sensitivity (Continued)

The Board believe that a 50 basis point movement in interest rates is reasonable given that the Bank of England base rate has decreased from 0.75% in August 2018 to 0.25% on the 11 March 2020 and 0.1% on 19 March 2020.

Price risk

Price risk is the risk that the Company's performance will be adversely affected by changes in the markets it invests (other than those arising from currency risk and interest rate risk) whether caused by factor specific to an individual investment or all factors affecting all investments traded in the market.

As at 30 June 2021, the Company is exposed to price risk on investments designated at fair value through profit or loss and on its residual value of finance lease investments (30 June 2020: residual value of finance lease investments).

Refer to note 2.3c) and note 9.1 for detail regarding fair value measurement of investments designated at fair value through profit or loss.

The Portfolio Manager makes assumptions about the residual value of certain assets and equipment. As determined by the Portfolio Manager, the residual value is a function of the in-place value and/or the secondary market value of the equipment or assets. Equity holdings are valued on a market approach, taking into consideration NAV information of the investee, call options exercisable on the holdings and external pricing of recent transactions (if available). Lease participation investments are valued based on the principal balance of the participation interest adjusted for information provided by third party appraisals.

The Company attempts to mitigate asset pricing risk by using comparable recent market transactions and other valuation/information sources, however, these investments may be extremely difficult to value accurately, and the valuations provided may differ, sometimes significantly. Third-party pricing information may not be available for certain positions held.

The estimated fair values of lease participation investments, equity holdings and residual value of finance lease investments, loans and other investments and finance lease and hire purchase investments are monitored and reassessed on an ongoing basis by the Board and the Portfolio Manager.

Refer below for sensitivity analysis on the impact on the Statement of Comprehensive Income and NAV of the Company, if the fair value the investments exposed to price risk increased or decreased by 15% (30 June 2020: 15%). Refer to note 9 for detail on sensitivity analysis on fair value measurement unobservable inputs.

	30 June 2021	Increase by 15%	Decrease by 15%
Financial assets	£	£	£
Investments designated at FVTPL[1]	148,763,747	22,314,562	(22,314,562)
Finance lease residual value	101,859	15,279	(15,279)
Total	148,865,606	22,329,841	(22,329,841)

[1] Includes, loans and other investments and finance lease and hire purchase investments.

No sensitivity analysis has been provided for lease participation and equity holdings as these investments have been written down to nil during the year ended 30 June 2021.

	30 June 2020	Increase by 15%	Decrease by 15%
Financial assets	£	£	£
Finance lease residual value	127,557	19,134	(19,134)
Total	**127,557**	**19,134**	**(19,134)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Financial Risk Management (Continued)

18.4 Market Risk (Continued)

Price risk (Continued)
No sensitivity analysis has been provided for lease participation and equity holdings as these investments have been written down to nil during the year ended 30 June 2020.

The Board believe that a 15% (year ended 30 June 2020: 15%) movement is reasonable based on market movements of the investments held during the financial year.

19. Events after the Reporting Period

Portfolio Manager Update
On 5 July 2021, the Board was advised of the temporary leave of absence taken by Dawn Kendall, the Chief Investment Officer of the Portfolio Manager. As at the date of approval of these financial statements, Dawn Kendall remains on temporary leave.

Amendment and Termination of Investment Management Agreement
On 20 August 2021, the Board announced that it had reached an agreement with the Portfolio Manager to amend the Investment Management Agreement (the "IMA") between the Company, the Portfolio Manager and IFM, the Company's AIFM, and for the IMA to terminate with effect from midnight on 31 December 2021.

Since the appointment of the Portfolio Manager in June 2020, the value of the Company's total assets has significantly reduced as a result of capital returns across the two share classes and asset impairments following the Portfolio Manager’s detailed review of the portfolio. As the Portfolio Manager's management fees are determined by reference to the Company's NAV, the Portfolio Manager advised the Board that, following the significant reduction in the Company's NAV for the reasons described above, a review of the terms of the IMA was required.

Following the good progress that has been made with the Company's realisation programme since the appointment of the Portfolio Manager, the Board had also given consideration to the ongoing management of the Company's portfolio as capital is returned to shareholders, with the expectation that the management arrangements would need to change as assets reduce over time. In light of this, and following discussions with the Portfolio Manager, the Company and the Portfolio Manager reached a revised agreement for the period to 31 December 2021, while allowing for an orderly transition of the management of the portfolio to the Company as it seeks to complete its realisation programme.

The key terms of the amended IMA are set out below:

- Management fees payable by the Company to the Portfolio Manager of: (i) £230,000 for the month of July 2021; and (ii) £218,500 per month from 1 August 2021 to 31 December 2021;
- A payment of £100,000 in total payable by the Company to the Portfolio Manager conditional on the publication of the Company's Annual Report and audited consolidated financial statements for the year ended 30 June 2021 and the continued provision of certain employees' services to the Company to 31 December 2021;
- The clawback arrangement, as detailed in notes 3 and 11, being cancelled with effect from 1 July 2021. The amount outstanding of £313,733 was cancelled on 1 July 2021; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Events after the Reporting Period (Continued)

Amendment and Termination of Investment Management Agreement (Continued)

- The IMA will terminate with effect from midnight on 31 December 2021. No party has the right to terminate the IMA prior to this date without cause. No fees shall be payable by either party on termination other than those referred to above. In particular, the Company will not be required to make any payment to the Portfolio Manager for the termination of the IMA within the first 36 months of the Portfolio Manager's appointment (where the IMA currently states that the Company would be required to reimburse KKV for certain costs that the Company would otherwise have incurred in connection with the transfer of the management contract to the Portfolio Manager in June 2020).

The IMA provides for the ongoing management of the portfolio to 31 December 2021 and allows for an orderly transition of the portfolio to the Company. Brett Miller has been working closely with the team at the Portfolio Manager with respect to asset realisations and ongoing management of the assets and Mr Miller will continue to be directly involved in the managed wind-down of the Company's portfolio following the termination of the IMA. IFM remain as the Company's AIFM.

Return of Capital

On 7 July 2021, the Company announced the third return of capital which was paid to shareholders on 29 July 2021. This return of capital was effected by way of an issue and immediate redemption and cancellation of 355,975,669 B Shares and 138,924,222 D Shares on 21 July 2021.

On 18 August 2021, the Company announced the fourth return of capital, which was paid to shareholders on 13 September 2021. This return of capital was effected by way of an issue and immediate redemption and cancellation of 355,975,669 B Shares and 138,924,222 D Shares on 3 September 2021.

The table below summaries the amounts returned to shareholders:

	Ordinary Shares		**2016 C Shares**	
Record date	**Amount per Share**	**Amount returned to shareholders**	**Amount per Share**	**Amount returned to shareholders**
20 July 2021	3p	£10,679,270	7p	£9,724,696
2 September 2021	3p	£10,679,270	21p	£29,174,087

Sale of Investments

Borrower 41 within the C Share Class portfolio (as outlined in the Portfolio Manager’s Report)

On 4 August 2021, the Board announced that a further loan underwritten by the Company, which was held solely within the 2016 C Share class portfolio, was refinanced with another provider. The loan was refinanced for consideration of £16.82 million, being the total amount outstanding under the loan. The Company also received an early repayment premium of an estimated £0.7 million to £0.8 million, which, due to the original opening structure of the transaction, will be received next year.

As at 30 June 2021, the investments had a fair value of £17.0 million.

Borrower 16 within the Ordinary Share Class portfolio (as outlined in the Portfolio Manager’s Report)

On 4 August 2021, the Board announced the disposal of the Company's interest in a loan, which was held solely within the Ordinary Share class portfolio, for a consideration of US$1.0 million.

As at 30 June 2021, the investments had a fair value of £0.7 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Events after the Reporting Period (Continued)

Sale of Investments (Continued)
Borrower 8 within the Ordinary Share Class portfolio and Borrowers 47, 48 and 51 within the 2016 C Share Class portfolio (as outlined in the Portfolio Manager's Report)
On 9 August 2021, the Board announced that a package of loans secured against shipping vessels to a single borrower, which were underwritten by the Company have been refinanced with another provider. The loans were refinanced for consideration of US$35.0 million. As the loans were held within both the Ordinary and 2016 C Share class portfolio, US$16.6 million and US$18.4 million will be allocated to the Ordinary and 2016 C Share class portfolio respectively.

As at 30 June 2021, the investments had a fair value of £11.6 million (Ordinary) and £13.5 million (C share).

Borrower 42 and 58 within the C Share Class portfolio and Borrower 10, 18 and 35 within the Ordinary share class portfolio (as outlined in the Portfolio Manager's Report)
On 6 October 2021, the Board announced that two loans within the C Share Class Portfolio, that provided regulatory capital for a US insurance business, have been purchased by another party. The loans have been purchased for consideration of US$4.0 million.

As at 30 June 2021, the loans had a fair value of £2.7 million.

Additionally, a loan within the Ordinary Share Class Portfolio that financed domestic heating systems and associated maintenance contracts has been settled. The loan was purchased for consideration of £3.8m.

As at 30 June 2021, the loan had a fair value of £3.6 million.

In addition, two smaller settlements of positions within the Ordinary Share Class Portfolio, as detailed below:

Borrower	Consideration	Date of Completion	Fair value as at 30 June 2021	Loan Description
18[1]	£0.0m	12 July 2021	£0.0m	Farm scale AD Plant
35	£0.3m	31 August 2021	£0.3m	Moveable micro hotel

[1] Position was written off post receiving nil value from administration.

Cancellation of treasury shares
On 1 September 2021, 1,731,838 Ordinary Shares held in treasury were cancelled.

Association of Investment Companies (the "AIC")
With effect from 1 October 2021, the Company is no longer a member of the AIC as the Directors decided not to renew the Company's membership.

AGM notices - proposed bonus payments and an incentive plan
On 1 November 2021, the Company announced the notices of the AGM which contained details of proposed bonus payments and an incentive plan.

Proposed bonus payments
The Board proposes that shareholders approve a one-off cash bonus of £280,000 to the Directors, payable in such proportions as the Directors determine to recognise the achievements to the 30 June 2021 in achieving the aims of the Company's investment objective of a managed wind down. This amount has not been accrued for in these audited consolidated financial statements for the year-ended 30 June 2021, as it has not yet been approved by shareholders. As such, the Board consider this a non-adjusting subsequent event.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Events after the Reporting Period (Continued)

AGM notices - proposed bonus payments and an incentive plan (Continued)
Incentive plan
Following termination of the IMA, it is expected that a number of the employees of the Portfolio Manager will become employees and/or consultants to the Company. In addition, it is expected that the Board will have to continue to devote considerably more time to the affairs of the Company than would otherwise be expected of a board comprising a majority of non-executive directors.

The Board has considered alternative remuneration structures to align the interests of the Directors, employees and consultants (both present and future) with the interests of shareholders in achieving the investment objective of the Company. The intention is to incentivise (i) consultants and employees to remain with the Company until the realisation process is substantially complete, (ii) the maximisation of proceeds from the realisation of investments, (iii) the minimisation of liabilities, and (iv) the reduction of costs, with the overall aim of enhancing the distribution of cash to Shareholders.

Accordingly, the Board has concluded that it is appropriate for the Company to adopt an incentive plan consistent with the above objectives (the "Incentive Plan").

The structure of the Incentive Plan is for a bonus pool to be created for the Board (excluding an independent director), employees and consultants of the Company (both present and future) comprising cash equivalent to 1.4% of the aggregate funds distributed to shareholders since 1 July 2021 ("Bonus Pool"). The precise allocation of the Bonus Pool will be at the discretion of the Board, subject to the approval of the independent director. The Board will not distribute more than 50% of the Bonus Pool until such time as the net assets of the Company fall below £20 million and no part of the Bonus Pool will be paid out until such time as a minimum of £80 million has been returned to Shareholders cumulatively since 1 July 2021.

Should the Company deliver the 30 June 2021 NAV to shareholders, then the bonus pool for the Incentive Plan would equate to approximately £2.51 million, which is a small fraction of the excess value that has already been delivered to date. This amount has not been accrued for in these audited consolidated financial statements for the year ended 30 June 2021, as it has not yet been approved by shareholders. As such, the Board consider this a non-adjusting subsequent event.

20. Reconciliation of NAV to Published NAV

A NAV for 30 June 2021 has not been previously been announced via the Regulatory News Service.

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	**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.

Alternative Performance Measures (Unaudited)

1. Share Price 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	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
NAV per share (A)	£0.2619	£0.3619	£0.5971	£0.6817
Closing share price per Bloomberg (B)	£0.1750	£0.3190	£0.3500	£0.5700
Discount to NAV per share ((B-A)/A)	(33.18)%	(11.85)%	(41.38)%	(16.39)%

2. NAV Total Return

The NAV total return measures how the NAV per Ordinary Share and 2016 C Share has performed over a period of time, taking into account both capital distributions and dividends paid to shareholders. The Company quotes NAV total return as a percentage change from a certain point in time, such as the initial issuance of Ordinary Shares and 2016 C Shares or the beginning of the period, to the latest reporting date, being 30 June 2021 in this instance. It assumes that capital and dividends paid to shareholders are reinvested back into the Company.

Total return since inception is for the period 31 July 2014 to 30 June 2021 for Ordinary Shares and 31 December 2016 to 30 June 2021 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.

Alternative Performance Measures (Unaudited) (Continued)

2. NAV Total Return (Continued)

Ordinary Shares	**Year to 30 June 2021**	**3 year**	**Since Inception**
Opening NAV per share (A)	£0.3619	£0.9772	£1.0000
Closing NAV per share (B)	£0.2619	£0.2619	£0.2619
Dividends paid (C)	£0.0000	£0.1208	£0.3716
Capital distributions (D)	£0.1050	£0.1050	£0.1050
NAV total return per share (E=(B-A+C)+D/A)	1.38%	(50.09)%	(26.15)%

2016 C Shares	**Year to 30 June 2021**	**3 year**	**Since Inception**
Opening NAV per share (A)	£0.6817	£0.9762	£1.0000
Closing NAV per share (B)	£0.5971	£0.5971	£0.5971
Dividends paid (C)	£0.0000	£0.1163	£0.1413
Capital distributions (D)	£0.1800	£0.1800	£0.1800
NAV total return per share (E=(B-A+C+D)/A)	13.99%	(8.49)%	(8.16)%

Alternative Performance Measures (Unaudited) (Continued)

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 using performing assets only and is based on the contractual cash flows without adjustment for fair value or other provisions.

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.

WART has been calculated using performing assets only.

Reason for use

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

5. Ongoing charges

Ongoing charges reflect those expenses of a type which are likely to recur in the foreseeable future and which relate to the operation of the Company, excluding the costs of acquisition or disposal of investments, finance charges, gains or losses arising on investments and Ordinary Shares.

Ongoing charges is a measure, expressed as a percentage of NAV, based on actual costs incurred in the year as being the best estimate of future costs excluding any non-recurring fees divided by the average NAV of the Company during the year, in accordance with the AIC methodology.

The ongoing charges ratio for the year ended 30 June 2021 was 1.63% (30 June 2020: 1.31%). The AIC's methodology for calculating an ongoing charges figure is based on annualised ongoing charges, as calculated overleaf, of £3,444,238 (30 June 2020: £5,358,519) divided by average NAV in the period of £211,198,531 (30 June 2020: £409,536,969).

Reason for use

Ongoing Charges details the annual percentage reduction in shareholder returns as a result of recurring operational expenses assuming markets remain static and the portfolio is not traded.

Alternative Performance Measures (Unaudited) (Continued)

4. Ongoing charges (Continued)

The ongoing charges are based on actual costs incurred in the year excluding any non-recurring fees in accordance with the AIC methodology. Expense items have been excluded in the calculation of the ongoing charges figure when they are not deemed to meet the following AIC definition:

“Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs.”

Please refer below for ongoing charges reconciliation for the years ended 30 June 2021 and 30 June 2020:

	30 June 2021 **£**	**30 June 2020** **£**
Total operating expenses for the year:	(4,838,239)	(6,771,675)
Expenses included in the calculation of ongoing charges figures, in accordance with AIC's methodology:		
Professional and Administration fees	(968,774)	(969,286)
Management fees	(1,978,999)	(4,088,036)
Directors' fees	(496,465)	(301,197)
Total ongoing charges for the year	**(3,444,238)**	**(5,358,519)**

COMPANY INFORMATION

Non-Executive, Independent Directors

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

David Copperwaite
(Appointed 31 December 2020)
(Chairman of 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)

Non-Independent Director
Brett Miller
(Appointed 16 September 2020)
(Chairman of Management Engagement Committee with effect from 1 January 2021)

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

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

Alternative Fund Investment Manager (AIFM)
International Fund Management Limited, Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA

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

Auditor
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Registrar
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Principal Bankers
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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
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Legal Advisers to the Group (Guernsey Law)
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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