HADRIAN'S WALL SECURED INVESTMENTS LIMITED

ANNUAL REPORT AND AUDITED
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
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HADRIAN'S WALL SECURED INVESTMENTS LIMITED
HIGHLIGHTS
For the year ended 30 June 2019

- At 30 June 2019, the Company had principal loan balances with an aggregate value of £153.7 million, net of repayments, with outstanding undrawn commitments of £5.6 million.

- Annualised portfolio gross yield on invested assets of 9.2%* on an effective interest rate basis for the year ended 30 June 2019 (30 June 2018: 9.2%*).

- Total dividends of 6.0 pence per Ordinary Share were declared and paid to Shareholders in the year ended 30 June 2019 (30 June 2018: 6.0 pence per Ordinary Share), and a further 1.5 pence per Ordinary Share was declared in July 2019 and paid in September 2019.

Financial Highlights	**30 June 2019**	**30 June 2018**
Total consolidated net asset value ("NAV")	£137,111,517	£142,354,375
Consolidated NAV per Ordinary Share	94.5p	98.2p
Consolidated NAV per 2018 C Share**	-	97.7p
Ordinary Share price at year end	91.5p	102.0p
C Share price at year end	-	102.0p
Share price (discount)/premium to NAV per Ordinary Share	(3.2)%	3.9%
Share price premium to NAV per 2018 C Share**	-	4.4%

	1 July 2018 to 30 June 2019	**1 July 2017 to 30 June 2018**
Dividend paid per Ordinary Share during the year	6.0p	6.0p
Total shareholder return (with dividends reinvested) per Ordinary Share for the year	(4.4)%	0.5%
Total shareholder return per 2018 C Share for the year**	-	2.0%
Total NAV return (with dividends reinvested) per Ordinary Share for the year	2.3%	6.6%
Total NAV return per 2018 C Share for the year**	-	(0.3)%
Basic and diluted earnings per Ordinary Share	2.2p	4.6p
Basic and diluted earnings per 2018 C Share**	-	(0.3)p

*Gross yield is on an effective interest basis including upfront fees, but before impairments, expenses and exclusive of commitment fees.

**for the period from issue of 2018 C Shares (13 March 2018) to 30 June 2018. The 2018 C Shares were converted into 20,142,510 new Ordinary Shares and admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities on 21 December 2018.

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
SUMMARY INFORMATION
For the year ended 30 June 2019

Principal Activity
Hadrian's Wall Secured Investments Limited ("the Company") was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 on 27 April 2016. The Company's registration number is 61955 and it is regulated by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme under The Registered Collective Investment Scheme Rules 2018. The Company is listed and traded on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List of the UK Listing Authority on 20 June 2016.

The Company provides loans to under-served segments of the UK Small and Medium sized Enterprises ("SME") market. The Company invests in these loans through its UK incorporated Subsidiaries, HWSIL Note Co Limited, HWSIL Finance Co Limited and HWSIL Asset Co Limited (the "Subsidiaries", together the "Group" or the "Fund"). On 2 October 2018, a new wholly owned UK subsidiary of the Company called HWSIL W1 Limited ("W1") was established. W1 was established as the workout vehicle for borrowers of the Company's other subsidiaries. For the period from 2 October 2018 to 30 June 2019, no operational activity was undertaken by W1 and at 30 June 2019, W1 remained a dormant entity.

Investment Objective and Policy
The Company's investment objective is to provide Shareholders with regular, sustainable dividends and to generate capital appreciation through exposure, directly or indirectly, to primarily secured loans originated across a variety of channels, assets and industry segments.

The Company's investment policy is to invest in loans, which are predominantly secured upon a variety of asset types. The types of loans that the Company targets include the following:

- *General commercial loans to businesses:* This type of lending may be secured against a range of business assets, including, but not limited to, real estate, plant and machinery, inventory, trade receivables and intellectual property rights.
- *Equipment finance:* The Company may finance equipment, including agricultural equipment, aircraft, industrial and manufacturing machinery, marine vessels, power generation and vehicles. Such loans may be structured as equipment leases, as hire purchase contracts or as other types of loans and will typically be secured against the equipment.
- *Specialised Financial Services*: There are a number of regional financial services companies providing finance to small businesses for general corporate purposes, capital improvements, and other business purposes. The Company may finance portfolios or loans, leases or other financial assets originated by such financial services companies that provide contractual revenue streams from the underlying borrowers.

In addition, any loans made by the Company may also be secured by personal, group company or other third party guarantees. The Company treats Loans where there is both recourse to unencumbered assets and a negative pledge in relation to those assets as being secured. The Company may make loans which are secured on other assets that the Investment Adviser considers appropriate.

The Company may, from time to time, make unsecured loans, subject to the limits set out on page 52.

While the Company's investments will predominantly be direct loans, where it is appropriate to do so, investments may also be documented in other forms (for example, bonds, participation agreements, loan participations, syndicated loans and hybrid instruments) which provide investment characteristics that are comparable to the types of loans described above. Such alternatively documented investments will be subject to the same criteria and limits (on a look-through basis, if applicable) as are applicable to direct loans. In addition, the Company may make other types of investment (for example, in equity or profit-linked instruments) subject to the limits set out on page 52.

Loans in which the Company invests may pay cash interest or may be structured so that interest payments accrue until the final payment date, which is typical for certain types of loans.

The Company will typically source loans through Originators and does not intend to originate loans itself. However, the Company reserves the right to invest in loans that are not sourced through Originators, for example in the event that it is approached by a potential borrower or other party in relation to a transaction.

Investment Objective and Policy, continued

The Company currently anticipates that all Originators will be based in the UK. Where the Company is party to equipment lease transactions, the equipment lessor may not be in the UK and the leased assets (for example, aircraft or marine vessels) may be used outside of the UK. Other assets against which the Company makes loans are usually within the UK (but without imposing any restriction on the Company). Loans are generally denominated in Sterling, although the Company reserves the right to make loans denominated in other currencies, subject to the limits set out on page 52.

Dividend Policy

The Company intends to distribute at least 85% of its distributable income earned in each financial year by way of dividends.

The Company targets an annualised dividend yield for Ordinary Shares of 6.0 pence per share per annum, which has been achieved for the years ended 30 June 2019 and 30 June 2018. Dividends are declared in January, April, July and October of each year in respect of the preceding quarter.

During the year ended 30 June 2019, the Company declared and paid dividends of 6.0 pence (30 June 2018: 6.0 pence) per Ordinary Share totalling £8,105,953 (30 June 2018: £5,476,531). For further information refer to note 4 in the Consolidated Financial Statements.

CHAIRMAN'S STATEMENT

For the year ended 30 June 2019

Introduction

On behalf of the Board, it is my pleasure to present to you the Annual Report and Audited Consolidated Financial Statements of the Company for the year from 1 July 2018 to 30 June 2019.

Portfolio

The 2019 financial year was a challenging one for the Company. Although most of the Company's investments continue to perform as expected, it has experienced setbacks within its portfolio and, as described further in the report by the Investment Adviser, continues to work to realise value from these investments. During the course of the year the Company successfully deployed all of its capital and drew on a new 364-day facility.

In November of 2018, the Company entered into a new, 364-day, £25 million liquidity facility to manage its funding options and mitigate cash drag. The Company has used the facility to minimise unused cash balances in order to improve returns to shareholders. The Company does not intend to use permanent leverage as a means to enhance shareholder returns but will use the facility as and when necessary in order to best manage the Company's ongoing liquidity requirements. On 24 October 2019, the liquidity facility was extended for a further one-year period to November 2020.

The loan portfolio has an estimated remaining weighted average life of 2.9 years and an average gross yield, calculated on an effective interest rate basis including upfront fees, to the Company of 9.2%. The gross yields on loans range from 7.5% to 15.0% per annum (30 June 2018: 7.5% to 11% per annum).

The current loan portfolio is diversified across industries, collateral type and region within the UK.

Net Asset Value ("NAV") and Share Price Performance

At 30 June 2019, the NAV of the Company's Ordinary Shares was 94.5 pence (30 June 2018: 98.2 pence) per Ordinary Share. During the financial year ended 30 June 2019, the NAV total return on the Ordinary Shares was 2.3%, with dividends reinvested (30 June 2018: 6.6%).

The Company adopted IFRS 9, Financial Instruments, with effect from 1 July 2018. IFRS 9 requires, among other things, the establishment of expected loss reserves based on modelling the expected loss of the portfolio. As of 30 June 2019, the Company had £5.2 million of IFRS 9 reserves, further detail of which is included in the Investment Adviser's report.

The Company's Ordinary Share price fell during the year, ending at 91.5 pence, representing a 3.2% discount to NAV per Ordinary Share. Several factors impacted the share price, including the ongoing remediation of certain investments, generally weakened share prices in the closed-ended investment sector, some selling pressure from certain shareholders seeking to rebalance their own portfolios and/or meet redemptions, and the implementation of IFRS 9 by the Company. The remediation efforts and IFRS 9 are addressed further in the Investment Adviser's report, however, we note that the aggregate increase in reserves during the year of £4.8 million is equivalent to a reduction of 3.3 pence in NAV per Ordinary Share. The Board is mindful that considerable time and effort continues to be made by the Investment Adviser, the Board, and all service providers in these remediation efforts.

As the above-mentioned selling pressure was negatively impacting the Ordinary Share price, the Board decided in July 2019, and subsequently in September 2019, to undertake a modest share buyback to reduce some of that overhang, within the liquidity constraints of the Company and the cash that it had available at the time. However, the Company remains fully invested and the ability to undertake further buybacks is dependent, amongst other things, on the Company's cash position and the discount to NAV at which the Company's Ordinary Shares trade. The Board is particularly mindful that despite the recent buybacks the discount to NAV per Ordinary Share has continued to widen and as a consequence continues to keep under review all available options to help redress this situation.

Dividends

The Company has a target dividend of 6.0 pence per Ordinary Share per annum payable quarterly. The Company declared and paid its target quarterly dividend of 1.5 pence per Ordinary Share in each quarter of the 2019 financial year. The Board is pleased to note that the dividend is covered by the income on the Company's portfolio, excluding the expected credit loss charges, but net of ongoing charges.

Governance and Management

Governance and oversight are core responsibilities of the Board which monitor and review regulatory changes and best practice in this area. The Board seeks to adopt or implement relevant changes in a manner appropriate to the size and risk profile of the Company's activities.

Governance and Management, continued
The Board considers that the composition of its membership is important and should represent a range of experiences, perspectives, and insights to support good governance and decision making. The Board currently consists of members who joined the Board in connection with the IPO of the Company in 2016. Any new appointments will be made based on merit, considering the skills and experience, independence, and knowledge of members to ensure a well rounded, diverse Board and to provide for a sensible transition recognising that all Directors are of equal tenure.

Outlook
The Board believes that the Company's loan portfolio is generally well-structured and secured and that the Company is well-positioned to continue to identify additional investment opportunities that meet its investment objectives. To date, the security structure of the Company's investments has been resilient, however, three investments are in active remediation and the ultimate outcome is yet to be determined.

Brexit
At the date of this report, the continued uncertainties of Brexit and the related political uncertainty continue to weigh on UK business. Many sectors, including agriculture, automotive and exports are affected by this uncertainty. Economic reports indicate the investment by businesses has been reduced across the board. The Company has remained cautious in its investment in the face of this uncertainty, particularly as the probable outcome seems worse than expected six or twelve months ago. A more adverse outcome, with its associated short- and long-term economic consequences may have a range of possible outcomes and consequences. In this economic environment, the Company's approach remains cautious as it seeks to identify attractive investment opportunities to provide shareholders an attractive risk and return profile despite the current economic and political uncertainties.

Lastly, during the financial year there has been a large number of additional ad hoc committee meetings, which reflects the involvement the Board have had monitoring progress of the work outs of the investments in stages 2 and 3 of the IFRS 9 framework. With this in mind, I would like to close by thanking board colleagues and advisers for their efforts in this regard and finally, I would like to thank shareholders for their continued commitment and support.

David Warr
Chairman
Date: 24 October 2019

Portfolio Activity

During the year, the Company achieved one of its portfolio goals of being fully invested thereby reducing uninvested cash balances, which were dragging on the returns to shareholders. The Company entered into a £25 million liquidity facility which allows the Company to minimize the cash drag associated with uninvested cash balances.

The balance of the portfolio between individual corporate loans and pools of loans sourced from specialist finance companies and evaluated based on sets of analytical criteria has varied since the Company's IPO. Based on the performance to date of the two categories of investments, the Investment Adviser is seeking to increase the proportion of pooled loan transactions relative to bespoke corporate loans. The two types of investments have different risk characteristics, with portfolio transactions having lower single event risk and less severity of loss given default. In light of the aggregate size of the Company's investment portfolio, it is the view of the Investment Adviser that weighting the investments toward pooled transactions currently offers a better risk/return profile in the present economic environment.

Risk Management Review

Work-out and remediation are not uncommon in the sectors to which the Company lends, particularly considering the Company averages approximately a 9% average gross yield on its investments at a time when the base rate is less than 1%. The Company's direct borrowers are typically businesses in transition with relatively volatile cash flows and are therefore expected to default more frequently than borrowers with greater financial strength and certainty of cash flows. Defaults and recoveries are a normal part of its business and a key reason the Company insists on security for its loans.

That said, remediation and work-outs were higher in this fiscal year than expected as certain of the Company's investments were subject to unexpected operational and/or financial issues. Considerable amounts of the Investment Adviser's efforts have been focused on remediating these investments. One of these situations is resolved and three others are in active remediation.

In October 2018, Arensis Energy Ltd, Entrade Energy Ltd and Arensis Energy One Ltd filed for administration. The borrowers operated pellet plants in England and Scotland. The English and Scottish assets of these companies were purchased out of administration on 21 December 2018 by Biomass Optimum Fuels Limited ("BOFL") and Biomass Premium Fuels Limited ("BPFL"), respectively. In addition to the manufacturing assets, each of these companies is the owner of renewable energy equipment entitling them to receive payments pursuant to OFGEM's Renewable Heat Initiative ("RHI") schemes. The Investment Adviser is working closely with both companies to improve and operate the manufacturing parts of the businesses, and to monetize the RHI cash flow stream. As previously reported in the market, BOFL entered into a multiyear operating agreement with a renewable energy specialist firm. Separately, BPFL is continuing to engage with potential partners to manage or operate its manufacturing facility. As of 30 June 2019, the Company held an IFRS 9 expected credit loss reserve of £1.8 million and £1.4 million, in respect of BOFL and BPFL respectively, both of which are considered stage 2 category assets under IFRS 9. The final outcomes of this remediation remain subject to several factors outside of the Company's control the results of which will determine the Company's ultimate return.

In March 2019, Dawnus Construction Holdings Limited ("Dawnus") entered administration. At the time, the Company had exposure of £2.7 million to Dawnus, secured by construction equipment. The Investment Adviser's risk management team worked with the administrator to secure the assets, most of which were subsequently included in an auction of the borrower's equipment. As of 30 September 2019, the Company has recovered 95% its investment and, pending certain insurance and other claims, expects to recover approximately 100% of its exposure. At the time of the insolvency, the Company established an IFRS 9 expected loss reserve of £0.4 million and considered this an IFRS 9 stage 3 category asset. This reserve was subsequently reduced as recoveries took place. As of 30 June 2019, the reserve was £0.1 million, which is anticipated to reduce as further expected recoveries are received.

In May 2019, the Company announced that one of its borrowers had experienced significant cash flow shortfalls, as all of its projects were experiencing concurrent delays. The Investment Adviser downgraded that investment in line with an IFRS 9 stage 2 asset and consequently the IFRS 9 expected loss reserve increased by £1.1 million to a total of £1.3 million in respect of this investment of £13.0 million. This renewable energy engineering company has had over 20 years of profitable operations, owns extensive patents, and has received numerous awards. In 2019, it experienced its first operating loss. The company has embarked on an equity raising program and has retained a well-known investment bank to lead the fund raising. The Investment Adviser is working closely with the borrower to help facilitate a successful capital raise. The ultimate outcome of the capital raise remains subject to a number of factors outside of the Company's control, the results of which will determine the Company's final return.

IFRS 9

The Company has a disciplined risk management and surveillance process which is connected to the risk grading applied by the Investment Adviser. The allocation of expected loss reserves, in accordance with IFRS 9, is based on these credit grades. An expected credit loss reserve is established at the time each investment is made based on its credit grade and related statistical probability of loss. Investments are monitored on a regular basis and if, whether as a result of regular monitoring or as a result of some event or action, credit deterioration is observed, the investment will be reviewed for possible downgrade. If an investment is downgraded, it will attract a higher level of expected loss reserve because the risk of loss on that investment has increased. Expected loss reserves are distinguished from case loss reserves based on the expectation of a loss. A case loss reserve is established when a loss is both probable and the amount is known. If a case loss is established for an investment, there may be no increase in loss reserves for that investment if the actual loss anticipated is not greater than the expected loss reserve then associated with that investment.

As of 30 June 2019, the aggregate amount of the Company's IFRS 9 reserves in respect of its portfolio was £5.2 million. The Company currently has no case loss reserves because the Investment Adviser continues to believe that it will be able to recover substantially all of the value from the investments currently undergoing remediation. These investments, as with the rest of the portfolio, give rise to IFRS 9 expected credit loss reserves which would expect to reverse upon repayment or recovery in full.

Macroeconomic Outlook

The Brexit related continuing political and economic uncertainty is having an impact on the broader economy. Recent economic news has consistently trended negative, including manufacturing, employment, property prices, construction, and business activity in the City. This suggests that the UK is more likely to experience a recession. A no deal Brexit, which was previously considered unlikely, is now considered a distinct possibility. The Bank of England has noted that the consequences of a no deal Brexit could be quite adverse. Regardless of the eventual relationship between the UK and the EU, the UK economy is expected to weaken.

The Investment Adviser considers that all of its existing investments are exposed to a general economic downturn. There is a range of possible impacts on individual investments from the different Brexit scenarios and the pace of any related economic change. On balance, most of the Company's investments are more likely to suffer from a general macroeconomic slowdown than through a direct link to Brexit, although weaker Sterling would cushion the macroeconomic impact to some degree.

Overall, the Investment Adviser remains generally concerned about the macroeconomic situation and the risks of concurrent rising inflation, falling Sterling and a slowing economy. The global picture of increased trade tensions contributes to this negative outlook. From a risk perspective, continued vigilance is required. Each investment is considered in light of its exposure to the overall economy, Sterling and related risk factors.

The Investment Adviser continues to seek to build a portfolio that is well diversified across many attributes, including diversification by borrower industry, collateral type, security structure, and amortization profile. The Investment Adviser provides a summary of selected investments on its website to provide additional information to shareholders and others.

Investment Review

The investment portfolio as at 30 June 2019 and 30 June 2018 exhibited the following characteristics:

	30 June 2019	**30 June 2018**
Largest Loan	£13,000,000	£10,000,000
Largest Originator Concentration	18.8%	21.5%
Portfolio Remaining Weighted Average Life ("WAL")**	2.9 years	3.2 years
Investment Yield Range	7.50 – 15.00%	7.50 – 11.00%
Weighted Average Yield on Invested Assets*	9.2%	9.2%

**calculated using the effective interest rate method, inclusive of upfront fees.*
***calculated based on managements estimated expected life rather than the contractual terms.*

Investment Review, continued

The largest individual investments have the following characteristics:

Borrower Industry	Loan Amount £	% of Net Asset Value	Initial WAL
Engineering	13,000,000	9.4%	3.3 years
Property Trading	10,500,000	7.6%	1.7 years
Manufacturing	10,427,735	7.5%	6.3 years
Manufacturing	6,532,552	4.7%	6.3 years
Retail	5,298,774	3.8%	2.5 years

The largest specialist finance company concentrations within the loan portfolio have the following characteristics:

Sector	Aggregate Exposure £	Number of Loans or Leases	WAL
SME Leases	25,974,358	4,932	2.4 years
SME Loans	24,300,000	806	0.8 years
SME Receivables	15,700,000	259	3.5 years
SME Loans	15,500,000	76	2.8 years
SME Loans	7,000,000	8	3.8 years

The total loan portfolio is diversified by borrower industry as illustrated below:

Standard Industrial Classification (SIC) codes	% of loan portfolio
Manufacturing	22.9%
Admin and Support	14.3%
Professional, scientific and technical	13.4%
Construction	8.1%
Property Trading	6.8%
Retail trade, except of motor vehicles	5.4%
Other	29.1%
	100.0%

Hadrian's Wall Capital Limited
Date: 24 October 2019

HADRIAN’S WALL SECURED INVESTMENTS LIMITED
BOARD OF DIRECTORS

The Board has overall responsibility for the Company’s activities. The Directors, all of whom are non-executive and independent of the Investment Manager and Investment Adviser, are as follows:

***David Warr**, non-executive chairman*

David Warr is a Fellow of the Institute of Charted Accountants in England and Wales, having qualified in 1976. He became a partner of Reads & Co, a Guernsey-based firm of Chartered Accountants in 1981 and helped develop it into a broadly based financial services business which was sold in 1999. David’s experience spans audit, consultancy and trust work but he now focuses primarily on non-executive directorships. He is currently on the board of the London Stock Exchange listed companies, Acorn Income Fund Limited and Aberdeen Frontier Markets Investment Company Limited. David Warr is a Guernsey resident.

***Paul Craig**, non-executive director*

Paul Craig is a Portfolio Manager at Quilter Investors. Paul has over 20 years’ of investment experience, including 10 years at Exeter Investment Group, 6 years at New Star Asset Management, where he was a director of the asset management subsidiary, and 6 years as a director of Multi-Manager at Henderson Global Investors. During the past 18 years, Paul's focus has been multi-manager products with an emphasis on closed-ended funds. Paul is a non-executive director of Ground Rents Income Fund plc, Impact Healthcare REIT plc and Diverse Income Trust plc, as well as an Associate of the UK Society for Investment Professionals. Paul Craig is a United Kingdom resident.

***John Falla**, non-executive director*

John Falla is a Chartered Accountant and holds a BSc Hons degree in Property Valuation and Management from The City University, London. He is a Chartered Fellow of the Chartered Institute for Securities and Investment having been awarded their diploma. He is a non-executive director of a number of London Stock Exchange listed companies including SQN Asset Finance Income Fund Limited and NB Private Equity Partners Limited.

John trained with Ernst & Young in London before moving to their Corporate Finance Department. On returning to Guernsey he worked for an international bank before launching the Channel Islands Stock Exchange (now *The International Stock Exchange*) as a member of the Market Authority. In 2000 John joined the Edmond de Rothschild Group in Guernsey and provided corporate finance advice to clients including open and closed-ended investment funds, and institutions with significant property interests. He was a director of a number of Edmond de Rothschild Group operating and investment companies. John Falla is a Guernsey resident.

***Nigel Ward**, non-executive director*

Nigel Ward is a self-employed management consultant and non-executive director. He has over 40 years’ experience in international investment markets, credit and risk analysis, portfolio management, corporate and retail banking, corporate governance, compliance and the managed funds industry. He is an independent non-executive chairman or director on the board of several offshore funds and companies covering a broad range of asset classes. These appointments include listings on the premium segment of the Official List of the UK Listing Authority, the Alternative Investment Market, the Specialist Fund Segment Market and The International Stock Exchange. Nigel was a founding Commissioner of the Guernsey Police Complaints Commission, and is an Associate of the Institute of Financial Services, a member of the Institute of Directors and the Guernsey Investment Funds Association and holder of the IoD Diploma in Company Direction. He is a Guernsey resident.

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES LISTED ON RECOGNISED STOCK EXCHANGES

The following summarises the Directors' directorships in other public companies:

David Warr	
Acorn Income Fund Limited	London Stock Exchange – Main Market
Aberdeen Frontier Markets Investment Company Limited	London Stock Exchange – AIM
Paul Craig	
Impact Healthcare REIT plc	London Stock Exchange – Main Market
Diverse Income Trust plc	London Stock Exchange – Main Market
Ground Rents Income Fund plc	London Stock Exchange – SETSqx and The International Stock Exchange
John Falla	
NB Private Equity Partners Limited	London Stock Exchange – Main Market
SQN Asset Finance Income Fund Limited	London Stock Exchange – Main Market
CIP Merchant Capital Limited	London Stock Exchange – AIM
Marble Point Loan Financing Limited	London Stock Exchange – Main Market – SFS
Nigel Ward	
Acorn Income Fund Limited	London Stock Exchange – Main Market
Braemar Group PCC Limited	The International Stock Exchange
Crystal Amber Fund Limited	London Stock Exchange – AIM
Fair Oaks Income Limited	London Stock Exchange – Main Market – SFS

DIRECTORS' REPORT

The Directors of Hadrian's Wall Secured Investments Limited (the "Company") are pleased to submit their Annual Report and the Audited Consolidated Financial Statements (the "Financial Statements") for the year ended 30 June 2019. In the opinion of the Directors, the Financial Statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Company

The Company was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 on 27 April 2016. The Company's registration number is 61955 and it is regulated by the Guernsey Financial Services Commission (the "GFSC") as a registered closed-ended collective investment scheme. The Ordinary Shares of the Company are listed and traded on the Main Market of the London Stock Exchange and were admitted to the premium segment of the Official List of the UK Listing Authority on 20 June 2016.

The Company provides loans to under-served segments of the UK Small and Medium sized Enterprises ("SME"). The Company invests in these loans through its incorporated Subsidiaries (together with the Company, the "Group").

Going Concern

The Company has been incorporated with an unlimited life. The Board will propose a special resolution at every fifth annual general meeting of the Company, with the first special resolution due in the year 2021, that the Company should cease to continue as presently constituted (a "Discontinuation Resolution"). In the event that a Discontinuation Resolution is passed, the Board shall formulate proposals to be put to Shareholders within four months to wind up or otherwise reconstruct the Company.

The Directors, at the time of approving the Financial Statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months. The loan portfolio generates enough cash flows to pay on-going expenses and returns to Shareholders. The Directors have considered the cash position, the extension of the credit facility for a further one-year period to 10 November 2020, performance of the current invested capital made by the Group and concluded that it is appropriate to adopt the going concern basis in the preparation of these Consolidated Financial Statements.

Viability Statement

The Board has evaluated the long-term prospects of the Company, beyond the 12 month time horizon assumption within the going concern framework. The Directors have conducted a review of the viability of the Company taking account of the Company's current position including a robust assessment of the potential impact of the principal risks facing the Company, as documented on pages 13 and 14, which could threaten its business model, future performance, solvency or liquidity.

In making this statement, the Directors have considered the likely resilience of the Company, taking into account the principal risks facing the Company in severe but reasonable scenarios and the effectiveness of any mitigating actions.

The Directors have determined that a three year period to June 2022 is an appropriate period over which to provide its viability statement as the average remaining life to maturity of the Group's portfolio of investments is approximately three years but some loans have the ability to be repaid early, conversely it is likely that some will renew or extend their facilities. In making their assessment, the Directors have taken into account the Company's net income, cash flows, dividend cover, regulatory compliance and other key financial ratios over the period. The Directors also assumed as part of the analysis that the one year liquidity facility would be renewed on each anniversary during the three year period. These metrics were subjected to sensitivity analysis, which involved flexing a number of main assumptions underlying the forecast. This analysis was carried out to evaluate the potential impact of the Company's principal risks actually occurring, primarily to lower income generated from the loan investments, increased losses and the IFRS 9 stage 2 and 3 loans within the current portfolio defaulting on their obligations. Such scenario analysis may be reflective of the stresses of an uncertain economic environment that a hard Brexit or uncertain Brexit places on industry and borrowers in the UK as they respond to such uncertainty. As referred to in the Investment Adviser's Report however, the full impacts of Brexit will only be known once or if the United Kingdom leaves the European Union.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to June 2022.

Principal Risks and uncertainties

The Board has established an Audit and Risk Committee, the Chairman of which is John Falla. This Committee is responsible for reviewing the Group's overall risks and monitoring the risk control activity designed to mitigate these risks. In addition, the Board have appointed International Fund Management Limited (the "Investment Manager") as the Alternative Investment Fund Manager ("AIFM") to the Group. The Investment Manager is also responsible for providing risk management services compliant with those defined in the Alternative Investment Fund Managers Directive ("AIFMD") and as deemed appropriate by the Board. The Board has carried out a robust assessment to identify the principal risks that could affect the Group, including those that would have an impact on its business model, future performance, solvency or liquidity.

Under the instruction of the Audit and Risk Committee, the Investment Manager is responsible for the implementation of a risk management policy and ensuring that appropriate risk mitigation processes are in place; for monitoring risk exposure; preparing quarterly Risk Reports for the Board; and otherwise reporting on an ad hoc basis to the Board as necessary.

The key risks associated with the Group are as follows:

- **Investment risk;** although the Board is ultimately responsible for the investment objective and policy, the day-to-day investment strategy is delegated by the Investment Manager to the Investment Adviser. The success of the Group depends on the diligence and skill of the Investment Manager and Investment Adviser. The Company's target dividend and target overall return are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies and the actual dividend and overall return may be materially lower than these targets due to competition within the financing industry or delays in the deployment of funds. There is a risk that any underperformance of borrowers in which the Group's capital is invested could result in impairment losses which in turn would lead to a reduction of the Group's net asset value and the share price. The Board formally monitors the loan portfolio performance each quarter, when the Investment Adviser reports on the performance of the Group's loan portfolio at the quarterly Board meetings. The Investment Adviser carries out extensive due diligence on the underlying borrowers and both the Investment Manager and Investment Adviser monitor performance regularly. The investment guidelines and restrictions, as detailed in the prospectus of the Company, ensure adequate diversification and are regularly monitored by the Investment Manager.

- **Credit risk;** the Group has credit risk through the potential that borrowers in respect of the loans in which the Group has invested may default on their obligations. Such default may adversely affect the income received by the Group and the value of the Group's assets, as well as inhibit the Group's ability to meet its stated dividend policy. The Group depends on the diligence and skill of the Investment Adviser in the mitigation of the credit risk, which starts with careful consideration of potential loan opportunities by an appointed Investment Adviser committee. The Investment Adviser committee will consider due diligence, loan security, risk categories and ratings as well as ongoing surveillance and risk management when looking to mitigate credit risk. The Group's allocation of expected loss reserves, in accordance with IFRS 9, is based on the credit grades applied by the Investment Adviser's credit or risk committee. An expected credit loss reserve is established at the time each investment is made based on its credit grade and related statistical probability of loss. Investments are monitored on a regular basis by the Investment Adviser and if, whether as a result of regular monitoring or as a result of some event or action, credit deterioration is observed, the investment will be reviewed for possible downgrade. If an investment is downgraded, it will attract a higher level of expected loss reserve because the risk of loss on that investment has increased. The Board formally monitors the credit risk for the Group each quarter, when the Investment Manager reports on the risk of the Group's portfolio at the quarterly Board meetings.

- **Liquidity risk;** the Group invests in loans primarily to SME companies. These loans will not be publicly-traded or freely marketable, and are likely to have limited or no secondary market liquidity. Such investments may therefore be difficult to value or sell and therefore the price that is achievable for the investments might be lower than the valuation of these assets. There is also a risk that should the Group enter into loan commitments in which the loans will be drawn down over time then it may overcommit its liquidity unless careful monitoring of these loans and expected draw down timetables is carried out. In addition, in order to mitigate the potentially adverse impact of cash drag, the Company entered into a revolving credit facility ("RCF") on 13 November 2018 of which £15,500,000 was drawn at 30 June 2019 (30 June 2018: none). The RCF is for a one-year period to 13 November 2019. On 24 October 2019, the RCF was extended for a further one-year period to 10 November 2020. The Investment Manager and Investment Adviser ensure the loan drawdown timetables and repayment schedules are tightly monitored.

Principal Risks and uncertainties, continued

- **Market risk;** the Group's loans and underlying borrowers are subject to various macroeconomic factors including interest rate risks, general economic conditions, operational risks, the condition of financial markets, political events and changes in government policy, developments or trends in any particular industry and changes in prevailing interest rates, any or all of which may have an adverse effect on the ability of borrowers to make interest payments and/or principal repayments on loans and which, in turn, may adversely affect the Group's returns. Borrowers may default on their repayment obligations for a variety of reasons, including, among others, the borrower's general financial condition, low operating margins, customer churn and increased costs of doing business including additional regulatory and compliance costs which cannot be easily absorbed into their business model and cost structure. The continued uncertainties of Brexit and the related political uncertainty continue to weigh on UK business. Many sectors, including agriculture, automotive and exports are affected by this uncertainty. Economic reports indicate the investment by businesses has been reduced across the board. The Group is invested in a wide range of loan types across industry sectors and therefore benefits from the diversification of the portfolio to help mitigate market risk.

- **Operational risk;** the Board is ultimately responsible for all operational facets of performance including cash management, asset management, regulatory and listing obligations. The Group has no employees and so enters into a series of contracts and legal agreements with a series of service providers to ensure that both operational performance and regulatory obligations are met. The departure of a key employee from the Investment Adviser, or the failure of a third party to provide services as contracted may adversely affect the returns achieved by the Company. The Board receives regular reports from the Administrator of the Company on any operational breaches and errors, adherence to policies and procedures and compliance reporting to reduce the risk of fraud and bribery. The Board is aware of the UK Bribery Act 2010 and has adopted an anti-bribery policy relevant to the nature of the Company and its business activities.

- **Prepayment risk;** certain of the Group's outstanding loans may be repaid earlier than anticipated. Loans made by the Group which provide for prepayment generally include a prepayment fee (or income protection provisions). The terms, conditions and period for the provision of these prepayment fees vary for each borrower. Upon expiry of the prepayment protection period, early repayment of the loan may be attractive to the borrower which may increase the possibility that the loans may be repaid before the end of the full term. However as the prepayment penalty generally reduces over time, the borrower's incentive to refinance in a low interest rate environment may increase. Should a borrower repay a loan earlier than expected and there is a delay in the redeployment of the proceeds then there is a risk that the income returns of the Group will be negatively impacted. The Investment Adviser will seek to manage the risk of unexpected repayments by maintaining a regular dialogue with borrowers and by seeking to understand their needs. The Board will also continue to consider and discuss the strategic implications and opportunities that prepayments may present for the Company in the longer term.

- **Regulatory risk;** the Group must comply with all requirements imposed within its regulatory environment, including the UK Listing Authority rules, the Financial Conduct Authority's ("FCA") disclosure and transparency rules and the Market Abuse Regulation (which was effective from 3 July 2016). Any failure to comply could lead to criminal or civil proceedings. Changes in law or regulation may adversely affect the Company's ability to carry on its business or may increase the Company's ongoing costs. The Investment Manager and Administrator monitor compliance with regulatory requirements and the Administrator reports at quarterly Board meetings.

- **Tax risk;** changes in tax legislation could result in adverse tax consequences for the Group or the imposition of additional and possibly material tax liabilities on Shareholders.

Results and dividends
The results for the year are shown in the Consolidated Statement of Comprehensive Income on page 36.

The Directors have declared and paid dividends of £8,105,953 (30 June 2018: £5,476,531) for the year ended 30 June 2019. Further details of dividends declared or paid are detailed in note 4 to the Financial Statement.

The Company intends to distribute at least 85% of its distributable income earned in each financial year by way of dividends. The Company targets an annualised dividend yield for Ordinary Shares of 6.0 pence per share per annum, which has been paid for the years ended 30 June 2019 and 30 June 2018. Dividends are declared in January, April, July and October of each year in respect of the preceding quarter.

Independent Auditor
Deloitte LLP served as Auditors during the financial year. A resolution to re-appoint Deloitte LLP as auditor will be proposed at the next Annual General Meeting.

Investment Manager and Investment Adviser
The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's activities. The Company has, however, entered into an Investment Management Agreement with the Investment Manager with effect from 31 May 2016. On the same date, the Investment Manager, with consent of the Company, entered into an Investment Advisory Agreement with Hadrian's Wall Capital Limited (the "Investment Adviser") to manage the assets of the Company in accordance with the Company's investment policy. The Investment Adviser is responsible for the day to day management of the Company's portfolio and the provision of various other management services to the Company, subject to the overriding supervision of the Directors.

The Directors, as advised by the Management Engagement Committee, have reviewed the performance and terms of appointment of the Investment Manager and the Investment Adviser and consider that it is in the best interests of all Shareholders for the Company to continue with their appointment on their existing terms of appointment. A summary of these terms, including the management fee and notice of termination period, is set out in note 8 of the Consolidated Financial Statements.

Directors and Directors' interests
The Directors, all of whom are independent and non-executive, are listed on page 10.

None of the Directors has a service contract with the Company and no such contracts are proposed. During the financial year each independent non-executive Director received the following annualised remuneration in the form of Director fees from the Company:

	For the year ended 30 June 2019 Annualised and Actual £	**For the year ended 30 June 2018 Annualised and Actual £**
David Warr *(Chairman and Management Engagement Committee Chairman)*	40,000	40,000
John Falla *(Audit and Risk Committee Chairman)*	35,000	35,000
Paul Craig	30,000	30,000
Nigel Ward *(Nomination and Remuneration Committee Chairman)*	30,000	30,000
Total	**135,000**	**135,000**

The additional fees received by the Chairman and Audit and Risk Committee Chairman are paid as a result of the extra responsibilities these roles demand. No other fees were paid to the Directors and there were no outstanding Director fees payable at the year end (30 June 2018; £nil).

The Shareholdings of the Directors and Directors' families in the Company at 30 June 2019 and 30 June 2018 were as follows:

	30 June 2019		**30 June 2018**	
Name	**No. of Ordinary Shares**	**Percentage***	**No. of Ordinary Shares**	**Percentage***
David Warr	156,973	0.11%	156,973	0.11%
John Falla	17,463	0.01%	17,463	0.01%
Paul Craig	7,463	0.01%	7,463	0.01%
Nigel Ward	7,463	0.01%	7,463	0.01%

*Under the Articles, at any general meeting of the Company each Share (Ordinary Share) shall have one vote, therefore, the percentage shown is based on the aggregate total number of Ordinary Shares in issue.

There have been no changes to the Directors' Shareholdings since 30 June 2019, however, following the Company's repurchase of Ordinary Shares on 30 July 2019 and 5 September 2019 (see note 18 for further details) the percentage holdings for each Director has increased by the respective amounts following the decrease in total voting rights of the Company.

Paul Craig is also a Portfolio Manager at Quilter Investors which, as detailed further in the table on page 16, was the registered holder of approximately 24.75% of the Company's Shares in issue as at that date.

Ongoing charges ratio
The ongoing charges ratio, in accordance with the AIC guidance, is defined as annualised ongoing charges (i.e. excluding acquisition costs, expected credit loss expense and other non-recurring items) divided by the average published undiluted net asset value in the period. The Group's ongoing charge ratio for the year ended 30 June 2019 is 1.56% (30 June 2018: Ordinary Shares 1.49% and C Shares: 1.44%). For further details, see the "Appendix – Alternative performance measures" on page 70.

Substantial Shareholdings
As of 30 September 2019, being the date of latest Shareholder analysis prior to the publication of these Financial Statements, the Company has been notified of the following Shareholdings in excess of 5% of the issued share capital:

Name	No. of Shares in issue	Percentage*
Quilter Investors	35,513,626	24.75%
Invesco Perpetual Asset Management	23,687,280	16.51%
Investec Wealth & Investment	20,737,191	14.45%
Premier Asset Management	16,552,893	11.54%
CCLA Investment Management	15,120,395	10.54%

*Under the Articles, at any general meeting of the Company each Share (Ordinary Share) shall have one vote, therefore, the percentage shown is based on the aggregate total number of Ordinary Shares in issue.

Related Parties
Details of transactions with related parties are disclosed in note 8 to these Consolidated Financial Statements.

Listing Requirements
Since the listing of its Shares on the Main Market of the London Stock Exchange and admission to the Premium Segment of the Official List of the UK Listing Authority, the Company has complied with the Prospectus Rules, the Disclosure Guidance and Transparency Rules ("DTR"), the LSE listing rules and the Market Abuse Directive (as implemented in the UK through Financial Services and Markets Authority).

Foreign Account Tax Compliance Act
The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US tax compliance with respect to those assets. On 13 December 2013, the States of Guernsey entered into an intergovernmental agreement ("IGA") with US Treasury, in order to facilitate the requirements under FATCA. The Company registered with the Internal Revenue Service ("IRS") on 15 June 2016 as a Foreign Financial Institution ("FFI").

Common Reporting Standard
The Common Reporting Standard ("CRS"), formally the Standard for Automatic Exchange of Financial Account Information, became effective on 1 January 2016, and is an information standard for the automatic exchange of information developed by the Organisation for Economic Co-operation and Development ("OECD"). CRS is a measure to counter tax evasion and it builds upon other information sharing legislation, such as FATCA and the European Union Savings Directive, and has superseded the UK-Guernsey IGA for the Automatic Exchange of Information with effect from 1 January 2016. The first reporting under CRS for Guernsey was made during 2017.

Alternative Investment Fund Managers Directive
The Alternative Investment Fund Managers Directive ("AIFMD") took effect during 2014. The AIFMD seeks to regulate managers of alternative investment funds ("AIFs"), such as the Company. It imposes obligations on managers who manage AIFs in a member state of the European Economic Area ("EEA state"), or who market shares in AIFs to investors who are domiciled, or with a registered office, in an EEA state. Under the AIFMD, an Alternative Investment Fund Manager ("AIFM") must be appointed and must comply with various organisational, operational and transparency requirements.

On 31 May 2016, the Company appointed the Investment Manager to act as AIFM on behalf of the Company. The Investment Manager is responsible for fulfilling the role of the AIFM and ensuring the Company complies with the AIFMD requirements. Details of the total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIFM to its staff, and the number of beneficiaries, are made available to Shareholders on request to the Investment Manager.

Non-Mainstream Pooled Investments

The Company has been advised that its Shares can be considered as "excluded securities" for the purposes of the FCA's rules regarding the definition and promotion of Non-Mainstream Pooled Investments ("NMPIs") because the Company expects that it would be capable of qualifying as an investment trust if it were resident in the UK, and therefore the Board believes that the Shares will be excluded from the restrictions contained in the FCA's rules on NMPIs.

It is the Board's intention that the Company will make all reasonable efforts to continue to conduct its affairs in such a manner so that the Shares can be recommended to ordinary UK retail investors in accordance with the FCA's rules relating to non-mainstream pooled investment products. However, the Board has been advised that no guidance on the application of the NMPI rules to non-UK companies has been published by the FCA and, further, that the rules may be subject to change. The Company will make an announcement should the FCA issue further guidance or amend the NMPI rules in a way which affects the Company's view on the application of the NMPI rules to the Company.

On behalf of the Board

David Warr
Director
Date: 24 October 2019

Compliance

Under the UK Listing Regime the Company is a premium listed entity. The UK Listing Authority requires all overseas companies with a premium listing (such as the Company), to comply with the provisions of the UK Corporate Governance Code. The UK Corporate Governance Code (the "Code") is available on the Financial Reporting Council website, www.frc.org.uk.

The Board places a high degree of importance on maintaining high standards of corporate governance and has also considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for investment companies ("AIC Guide"). The AIC Code, as explained in the AIC Guide, addresses all of the principles set out in the Code. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Code), will provide better information to Shareholders. The AIC code is available on the AIC website, www.theaic.co.uk. Furthermore, the Board has also taken note of the Code of Corporate Governance issued by the Guernsey Financial Services Commission ("GFSC") ("Guernsey Code") which became effective on 1 January 2012. The Guernsey Code provides a governance framework for GFSC licensed entities, authorised and registered collective investment schemes. Companies reporting against the Code or the AIC Code are deemed to satisfy the provisions of the Guernsey Code.

The Board also acknowledges the new AIC Code of Corporate Governance which was issued in February 2019 (the "2019 AIC Code") and notes that the 2019 AIC Code is effective for financial periods beginning on or after 1 January 2019. During the coming financial year, the Board intends to review its policies and procedures against the 2019 AIC Code and comply or explain against the relevant provisions in the Company's annual report for the year ended 30 June 2020.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the Code, except as set out below.

The Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the Code, the Board considers that these provisions are not relevant to the position of the Company, being a registered Guernsey closed-ended investment scheme. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

As at 30 June 2019, the Company complied substantially with the relevant provisions of the AIC Code and it is the intention of the Board that the Company will comply with those provisions throughout the year ending 30 June 2020, with the exception of the provision listed below:

- *The appointment of a Senior Independent Director:* Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and Senior Independent Director. The Board considers that all the independent Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.
- *Internal audit function:* The Board has reviewed the need for an internal audit function and due to the size of the Company and the delegation of day-to-day operations to regulated service providers, an internal audit function is not considered necessary.

Board composition and independence of the Directors

As at 30 June 2019, the Board of Directors comprised four non-executive Directors. The Company has no executive Directors, nor any employees. The biographies of the Board members are disclosed on page 10.

David Warr is Chairman of the Board and the Management Engagement Committee.

John Falla is the Chairman of the Audit and Risk Committee.

Nigel Ward is the Chairman of the Nomination and Remuneration Committee.

In considering the independence of the Chairman, the Board has taken note of the provisions of the AIC Code relating to independence and has determined that David Warr is an Independent Director.

Board composition and independence of the Directors, continued
All non-executive Directors were subject to re-election at the first Annual General Meeting ("AGM"). In accordance with the Company's Articles of Incorporation, two Directors shall retire each year and may offer themselves for re-election. There is no formal limit to the length of tenure of the Directors, the Board have adopted a policy that the Directors in general should not serve more than 9 years and the Nomination and Remuneration Committee will consider how to refresh the Board as appropriate.

Although no formal training is given to Directors by the Company, the Directors are kept up to date on various matters such as Corporate Governance issues through bulletins and training materials provided from time to time by the Company Secretary, the AIC and other professional firms.

The Board receives quarterly reports and meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its disposal. At these meetings the Board monitors the investment performance of the Company. The Directors also review the Company's activities every quarter to ensure that it adheres to the Company's investment policy. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

The Board monitors the level of the Share price premium or discount to determine what action, if any, is required. The Board and relevant personnel of the Investment Manager and Investment Adviser acknowledge and adhere to the Market Abuse Regulation, which was implemented on 3 July 2016.

Board diversity
The Board of Directors of the Company comprises four male directors.

The Remuneration and Nominations Committee and the Board is mindful and supportive of the principles of widening the diversity of its composition and recruiting without discrimination. As a consequence a review of the current Board composition has been initiated although in doing so the Board is mindful of the cumulative knowledge it has accumulated of the Company's current loan book and the investment process.

The Remuneration and Nominations Committee regularly reviews the structure, size and composition required of the Board, taking into account the challenges and opportunities facing the Company. The Board is also committed to appointing the most appropriate available candidates taking into account the skills and attributes of both existing members and potential new recruits and thereby the balance of skills, experience and approach of the Board as a whole which will lead to optimal Board effectiveness. In considering future candidates, appointments will be based on merit as a primary consideration, with the aim of bringing an appropriate range of the specific skills, experience, independence, and knowledge needed to ensure a rounded Board and the diversity benefits each candidate can bring to the overall Board composition.

Directors' Performance Evaluation
The Directors undertake, on an annual basis, an assessment of the effectiveness of the Board particularly in relation to its oversight and monitoring of the performance of the Investment Manager, Investment Adviser and other key service providers. This evaluation considers the balance of skills, experience, independence and knowledge of the Company. The Board also evaluates the effectiveness of each of the Directors, and the performance and effectiveness of the Chairman. The Directors absent themselves from those parts of the meeting that deal respectively with their own performance or re-election. Having concluded the evaluation, the Board is pleased to confirm that each Director has performed effectively during the period and demonstrates commitment to his role.

Directors' Remuneration
It is the responsibility of the Nomination and Remuneration Committee to determine and approve the Directors' remuneration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Chairman's remuneration is decided separately and is approved by the Board as a whole.

No Director has a service contract with the Company and details of the Directors' remuneration can be found in the Directors' Remuneration Report on page 24.

Directors' and Officers' Liability Insurance
The Company maintains insurance in respect of directors' and officers' liability in relation to their acts on behalf of the Company.

Relations with Shareholders
The Company reports to Shareholders twice a year by way of the Interim Report and the Annual Report and Audited Financial Statements. In addition, net asset values are published monthly and the Investment Adviser publishes quarterly newsletters and portfolio update reports on the website www.hadrianswallcapital.com.

The Board receives quarterly reports on the Shareholder profile of the Company and regular contact with major Shareholders is undertaken by the Company's corporate brokers and the executives of the Investment Adviser. Any issues raised by major Shareholders are reported to the Board.

The Chairman and individual Directors are willing to meet Shareholders to discuss any particular items of concern regarding the performance of the Company. Members of the Board, including the Chairman and the Audit and Risk Committee Chairman, as well as the Investment Adviser are also available to answer any questions which may be raised by any Shareholder at the Company's Annual General Meeting.

Directors' Meetings and Attendance
The table below shows the attendance at Board and Committee meetings during the year. There were four formal Board meetings, sixteen board committee meetings, five Audit and Risk Committee meetings, one Nomination & Remuneration Committee meeting and one Management Engagement Committee meeting held.

Name	Board – scheduled	Board – ad hoc/ committee	Audit and Risk Committee	Nomination & Remuneration Committee	Management Engagement Committee
David Warr	4	15	5	1	1
John Falla	4	16	5	1	1
Paul Craig	4	12	N/A	N/A	N/A
Nigel Ward	4	14	4	1	1

N/A – attendance record not applicable, as the Director concerned is not a member of the stated Committee.

Board committees

Audit and Risk committee
The Audit and Risk Committee was formed in May 2016 and comprises John Falla, David Warr and Nigel Ward, and meets at least three times a year. John Falla is Chairman of the Audit and Risk Committee.

The key objectives of the Audit and Risk Committee include a review of the Company's Financial Statements to ensure they are prepared to a high standard and comply with all relevant legislation and guidelines, where appropriate, and to maintain an effective relationship with the external auditor. With respect to the external auditor, the Audit and Risk Committee's role includes an assessment of their independence, review of auditor's engagement letter, remuneration and pre-approval of any non-audit services provided by the auditor.

In addition, the function of the Audit and Risk Committee is to identify, assess, monitor and, where possible, oversee the management of risks to which the Company's investments are exposed, principally to enable the Company to achieve its target investment objective to provide Shareholders with regular, sustainable dividends and to generate capital appreciation over the life of the Company, with regular reporting to the Board. As the Company is an externally managed non-EU AIFM for the purposes of AIFMD, the Directors have appointed the Investment Manager as AIFM to manage the risks faced by the Company as well as the relevant disclosures to be made to investors and the necessary regulators. On 26 May 2016, the FCA confirmed that the Company was eligible to be marketed via the FCA's National Private Placement Regime and the Company has complied with Article 23 of the AIFMD for the year ended 30 June 2019.

For the principal duties and report of the Audit and Risk Committee please refer to the Report of the Audit and Risk Committee on pages 25 to 28.

Board committees, continued

Nomination and Remuneration Committee
The Nomination and Remuneration Committee was formed in October 2016 and comprises John Falla, David Warr and Nigel Ward, and meets at least once a year. Nigel Ward is Chairman of the Nomination and Remuneration Committee.

The nomination and remuneration committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board committees and the chairmanship of the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary. The nomination and remuneration committee also considers succession planning, taking into account the skills and expertise that will be needed on the board in the future. Other duties included in the terms of reference are:

- determining and monitoring a policy on remuneration;
- engaging, where necessary, with remuneration consultants; and
- reporting responsibilities.

Management Engagement Committee
The Management Engagement Committee was formed in October 2016 and comprises John Falla, David Warr and Nigel Ward, and meets at least once a year. David Warr is Chairman of the Management Engagement Committee.

The principal function of the Management Engagement Committee is to review annually the terms of the investment management agreement between the Company and the Investment Manager, the investment advisory agreement between the Company and the Investment Adviser, the Broker and other service providers as considered appropriate, together with their performance.

Internal Control Review and risk management system
The Board of Directors is responsible for putting in place a system of internal controls relevant to the Company and for reviewing the effectiveness of those systems. The review of internal controls is an on-going process for identifying and evaluating the risks faced by the Company, and these controls are designed to manage risks rather than eliminate the risk of failure to achieve the Company's objectives.

It is the responsibility of the Board to undertake risk assessment and review of the internal controls in the context of the Company's objectives that cover business strategy, operational, compliance and financial risks facing the Company. These internal controls are implemented by the Company's three main service providers, the Investment Manager, the Investment Adviser and the Administrator. The Board receives periodic updates from these main service providers at the quarterly Board meetings of the Company and the Board has carried out a robust assessment of the internal controls relevant to the Company that are in place. The Board is satisfied that each service provider has effective controls in place to control the risks associated with the services that they are contracted to provide to the Company and are therefore satisfied with the internal controls of the Company.

The Board of Directors considers the arrangements for the provision of Investment Management, Investment Advisory and Administration services to the Company on an on-going basis and a formal review is conducted annually. As part of this review, the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date.

Anti-bribery and Corruption
The Board acknowledge that the Company's operations may give rise to possible claims of bribery and corruption. In consideration of The Bribery Act 2010, enacted in the UK, at the date of this report the Board had conducted an assessment of the perceived risks to the Company arising from bribery and corruption to identify aspects of business which may be improved to mitigate such risks. The Board has adopted a zero tolerance policy towards bribery and has reiterated its commitment to carry out business fairly, honestly and openly.

Whistleblowing
The Board has considered the AIC Code recommendations in respect of arrangements by which staff of the Investment Adviser, Investment Manager or Administrator may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters. It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their organisation.

Environmental and Social Policy
The Company is a closed-ended investment company which has no employees therefore its own direct environmental impact is minimal. The Company operates by outsourcing significant parts of its operations to reputable professional companies, who are required to comply with all relevant laws and regulations and take account of social, environmental, ethical and human rights factors, where appropriate.

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 Company has no direct greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions-producing sources, including those within its underlying investment portfolio.

In carrying out its investment activities and in relationship with suppliers, the Company aims to conduct itself responsibly, ethically and fairly.

Criminal Finances Act
The Board has a zero tolerance commitment to preventing persons associated with it from engaging in criminal facilitation of tax evasion and will not work with any service provider who does not demonstrate the same commitment. The Board has satisfied itself in relation to its key service providers that they have reasonable provisions in place to prevent the criminal facilitation of tax evasion by their own staff or any associated persons.

UK Modern Slavery Act
The Board acknowledges the requirement to provide information about human rights in accordance with the UK Modern Slavery Act. The Board conducts the business of the Company ethically and with integrity, and has a zero tolerance policy towards modern slavery in all its forms. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no further disclosures to be made in respect of employees and human rights.

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Audited Consolidated Financial Statements in accordance with applicable Law and regulations.

The Companies Law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union. Under the Companies Law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these Consolidated Financial Statements, the Directors are required to:

- properly select and apply accounting policies;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and

- make an assessment of the Group's ability to continue as a going concern.

The Directors confirm that they have complied with the above requirements in preparing the Consolidated Financial Statements.

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 the Consolidated Financial Statements comply with the Companies Law. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, and other irregularities.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (www.hadrianswallcapital.com/hwsil). Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditor is unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Responsibility Statement
Each of the Directors, whose names and functions are listed on page 10, confirms to the best of each person's knowledge and belief:

- the Financial Statements, prepared in accordance with the IFRS as endorsed by the European Union and in accordance with the requirements of the London Stock Exchange, give a true and fair view of the assets, liabilities, financial position and profit of the Company; as required by DTR 4.1.12R and are in compliance with the requirements set out in the Companies (Guernsey) Law, 2008; and

- the Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy and includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face, as required by DTR 4.1.8R and DTR 4.1.11R.

David Warr
Director
Date: 24 October 2019

John Falla
Director

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
DIRECTORS' REMUNERATION REPORT

The Company's policy in regard to Directors' remuneration is to ensure that the Company maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of Shareholders.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company.

The Directors received the following remuneration in the form of Directors' fees during the year:

	For the year ended 30 June 2019 Annualised and Actual £	**For the year ended 30 June 2018 Annualised and Actual £**
David Warr *(Chairman and Management Engagement Committee Chairman)*	40,000	40,000
John Falla *(Audit and Risk Committee Chairman)*	35,000	35,000
Paul Craig	30,000	30,000
Nigel Ward *(Nomination and Remuneration Committee Chairman)*	30,000	30,000
Total	**135,000**	**135,000**

The remuneration policy set out above is the one applied for the year ended 30 June 2019 and 30 June 2018.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The Directors were appointed as non-executive Directors by letters issued in May 2016. The appointments can be terminated by the Company or the Director by three months written notice. However, in certain circumstances, the Company may terminate an appointment with immediate effect and without compensation. Such circumstances include, but are not limited to, being removed or not re-elected as a Director upon retirement by rotation.

Each Director was subject to re-election at the first AGM, and shareholders re-elected all the Directors. In accordance with the Company's Articles of Incorporation, two Directors shall retire each year and may offer themselves for re-election.

The amounts payable to Directors as at 30 June 2019, shown in note 8 related to services as non executive Directors. No outstanding Director fees were payable at 30 June 2019 (30 June 2018: £nil).

No Director has a service contract with the Company, nor are any such contracts proposed.

On behalf of the Nomination and Remuneration Committee.

Nigel Ward
Director
Date: 24 October 2019

REPORT OF THE AUDIT AND RISK COMMITTEE

The Company has established an Audit and Risk Committee with formally delegated duties and responsibilities within written terms of reference (which are available on the Company's website www.hadrianswallcapital.com). The Audit and Risk Committee has been in operation since it was formed in May 2016.

Chairman and Membership

The Audit and Risk Committee is chaired by John Falla. He and its other members, David Warr and Nigel Ward, are all independent directors. Only independent directors serve on the Audit and Risk Committee and members of the Audit and Risk Committee have no links with the Company's external auditor and are independent of the Investment Manager and Investment Adviser. The membership of the Audit and Risk Committee and its terms of reference are kept under review. The relevant qualifications and experience of each member of the Audit and Risk Committee are detailed on page 10 of these Financial Statements. The Audit and Risk Committee meets no less than three times in a year in Guernsey, and meets the external auditor at least twice a year also in Guernsey. The Audit and Risk Committee met five times during the year to 30 June 2019.

Duties

The Audit and Risk Committee's main role and responsibilities are to provide advice to the Board on whether the Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy. The Audit and Risk Committee gives full consideration and recommendation to the Board for the approval of the contents of the Financial Statements of the Company, which includes reviewing the external auditor's reports.

The other principal duties, amongst others, are to consider the appointment of the external auditor, to discuss and agree with the external auditor the nature and scope of the audit, to keep under review the scope, results and effectiveness of the audit and the independence and objectivity of the auditor, to review the external auditor's letter of engagement, the auditor's planning report for the following financial year and management letter, and to analyse the key procedures and controls adopted by the Company's service providers.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of the Company's internal control and risk management systems. The Audit and Risk Committee also focuses particularly on compliance with legal requirements, accounting standards and the relevant Listing Rules and ensuring that an effective system of internal financial and non-financial controls is maintained.

For the purposes of the Company's Financial Statements, the Audit and Risk Committee also considers the need for any impairments following a review of the Group's loans prepared by the Investment Manager and Investment Adviser and, if thought appropriate, recommends any impairments to the Board. These impairment reviews are the most critical element in the Company's Financial Statements and the Audit and Risk Committee questions and challenges them appropriately.

Financial Reporting and Audit

The Audit and Risk Committee has an active involvement and oversight in the preparation of both the interim and annual Financial Statements and in doing so is responsible for the identification and monitoring of the principal risks associated with the preparation of the Financial Statements. The principal risks identified in the preparation of these Financial Statements are as follows:

a) ***Expected credit loss provision and impairment of loans***

   The Group's loans are the key value driver of the Group's Net Asset Value ("NAV") and interest income. Judgement over the level of expected credit loss provision, impairment and recoverability of loan interest could significantly affect the NAV.

   The Company has a disciplined risk management and surveillance process which is connected to a risk grading applied by the Investment Adviser. The allocation of expected loss reserves, in accordance with IFRS 9, is based on these credit grades. An expected credit loss reserve is established at the time each investment is made based on its credit grade and related statistical probability of loss. Investments are monitored on a regular basis and if, whether as a result of regular monitoring or as a result of some event or action, credit deterioration is observed, the investment will be reviewed for possible downgrade or increases in the risk of default. If an investment is downgraded, it will attract a higher level of expected loss provision because the risk of default and loss on that investment has increased. The main factors considered for evidence that the risk of default and loss on an investment has increased include significant difficulty of the borrower to service the loan, breach of contract such as default in interest or principal repayments, probability that a borrower will enter bankruptcy or financial re-organisation, and devaluation of collateral.

Financial Reporting and Audit, continued

a) ***Expected credit loss provision and impairment of loans, continued***
Expected loss reserves are distinguished from case loss reserve or case specific impairment based on the expectation of a loss. A case loss reserve is established when a loss is both probable and the amount is known.

The Board receives regular updates from the Investment Adviser regarding the borrower's performance under the loans. The Board's focus, during these updates, is on any indications of increase in the risks of default on the loans, including material financial deterioration of the borrower, whether any default or delinquency in interest or principal repayments under the loan agreements has occurred, material decline in the value of the underlying applicable security, any agreements entered into or considered with borrowers to defer interest of principal repayments and if it becomes probable that the borrower will enter bankruptcy or financial re-organisation. As a result, the Board is able to evaluate the level of expected credit loss provision and, if any, of impairments to the loans. In addition, the Investment Manager completes an independent review of the Investment Advisers' processes and controls for monitoring the performance and borrower compliance and reports their findings to the Board on a quarterly basis.

The Audit and Risk Committee reviews the expected credit loss provision analyses and current loan performance reports prepared by the Investment Adviser and Investment Manager. The Audit and Risk Committee accepts that there is an on-going risk that the capital invested may not be recoverable or there may be delays in recovering the capital, however, it is satisfied with the security held and has concluded that the level of expected credit loss provision applied at the year end was appropriate and none of the loans required case specific impairment during the financial year, at the reporting date or the subsequent period to the date of these Financial Statements.

b) ***Revenue recognition***
Incorrect treatment of any arrangement and exit fees and the impact of loan impairments in the effective interest rate calculations may affect the level of income recorded in the financial period. In addition, the existence of prepayment and exit fees arising from early repayments in the period will impact on investment income recorded thus affecting the level of distributable income in accordance with the Company's stated investment objective and dividend policy.

The Audit and Risk Committee reviews the income recognition and the treatment of arrangement and exit fees based on the effective interest rate calculations prepared by the Investment Adviser and the Administrator. The main assumptions of the calculations were that, with the exception of the Dawnus transaction as explained further in the Investment Adviser's report, none of the loans were considered IFRS 9 stage 3 credit impaired and the expectation that each loan would be repaid either at the end of the agreed loan term or over the life of the loan term. These were discussed at the Audit and Risk Committee meeting to review these Financial Statements, with the Investment Adviser, the Investment Manager, the Administrator and the Auditor. The Audit and Risk Committee is satisfied that the Group interest income has been recognised in line with the requirements of IFRS and as none of the loans were impaired the income recognised has not been adjusted.

c) ***Prepayment options***
Some of the Group's loans have prepayment options embedded within the contracts with the borrowers. The Directors are required to determine the fair value of the embedded prepayment options. The Audit and Risk Committee has reviewed the judgements and estimations in determining the fair value of the prepayment options embedded in these contracts. The key factors considered in the valuation of prepayment options include the exit fee, the interest rate of the loan contract, differential to current market interest rates, contractual terms of the prepayment option and the expected term of the option. In conclusion following review of these factors, it has been evaluated that the probability of exercise by the borrower is low and the timing of exercise is indeterminable. As a result, the Audit and Risk Committee has concluded that it is appropriate that no fair value is attributed to the embedded derivatives.

The Audit and Risk Committee reviewed the Company's accounting policies applied in the preparation of the Consolidated Financial Statements, together with the relevant critical judgements, estimates and assumptions made by the Board and, having discussed matters with the Auditor, determined that these were in compliance with IFRS and were reasonable. The Audit and Risk Committee reviewed the materiality levels applied by the Auditor to their audit of the Financial Statements as a whole and was satisfied that these materiality levels were appropriate. The Auditor reports to the Audit and Risk Committee all material corrected and uncorrected differences. The Auditor explained the results of their audit and that on the basis of their audit work, there were no adjustments proposed that were material in the context of the Financial Statements as a whole.

Financial Reporting and Audit, continued

The Audit and Risk Committee also reviews the Company's financial reports as a whole to ensure that such reports appropriately describe the Company's activities and that all statements contained in such reports are consistent with the Company's financial results and projections. Accordingly, the Audit and Risk Committee was able to advise the Board that the Annual Report and Audited Consolidated Financial Statements are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

External Auditor

The Audit and Risk Committee is responsible for overseeing the Company's relationship with the external auditor, including making recommendations to the Board on their appointment and their remuneration. Deloitte LLP was appointed as the first Auditor of the Company. The lead audit partner, Mr David Becker was initially appointed for the interim period end 31 December 2016 audit. The auditor is required to rotate the audit partner every five years. At the AGM on 30 November 2018, Deloitte LLP were re-appointed as auditors of the Company. A resolution to re-appoint Deloitte LLP as Auditor will be put to the forthcoming AGM.

To assess the effectiveness of the external auditor, the Audit and Risk Committee reviewed:

- The external auditor's fulfilment of the agreed audit plan and variations from it;
- The Audit and Risk Committee Report from the auditor highlighting the major issues that arose during the course of the audit; and
- Feedback from the Investment Manager, Investment Adviser and Administrator evaluating the performance of the audit team.

For the year ended 30 June 2019, the Audit and Risk Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit to be good.

Where non-audit services are to be provided to the Company by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement will be considered before proceeding. All non-audit services are pre-approved by the Audit and Risk Committee after it is satisfied that relevant safeguards are in place to protect the auditor's objectivity and independence.

To fulfil its responsibility regarding the independence of the external auditor, the Audit and Risk Committee considered:

- a report from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditor.

During the year ended 30 June 2019, Deloitte LLP provided non-audit services in relation to the C Share conversion calculation review. At the Audit and Risk Committee meeting in July 2019, Deloitte LLP confirmed that these non-audit services had not impacted their independence and outlined the reasons for this. During the year ended 30 June 2018, Deloitte LLP provided non-audit services in relation to the C Share conversion calculation review. At the Audit and Risk Committee meeting in February 2018, Deloitte LLP confirmed that this had not impacted their independence. These non-audit services comply with the Financial Reporting Council Revised Ethical Standard 2016. The Audit and Risk Committee considered this and was satisfied these non-audit services had no bearing on the independence of the Auditor.

The following table summarises the remuneration paid to Deloitte LLP for audit and non-audit services:

	For the year ended 30 June 2019 £	**For the year ended 30 June 2018 £**
Annual statutory audit of the Group accounts	53,000	45,000
Audit of subsidiaries statutory accounts	7,500	7,500
Total Audit service fees	**60,500**	**52,500**
Interim review of the Group accounts	15,000	-
C Shares conversion calculation review	6,000	6,000
Total non-audit service fees	**21,000**	**6,000**
Total fees	**81,500**	**58,500**

Internal Controls

The Investment Manager, Investment Adviser and Administrator together maintain a system of internal control on which they report to the Board. The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Investment Manager, Investment Adviser and Administrator provide sufficient assurance that a sound system of risk management and internal control, which safeguards Shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

The Audit and Risk Committee is responsible for reviewing and monitoring the effectiveness of the internal financial control systems and risk management systems on which the Company is reliant. These systems are designed to ensure proper accounting records are maintained, that the financial information on which the business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal financial controls can only provide reasonable and not absolute assurance against misstatement or loss.

In accordance with the Risk Guidance published by the Financial Reporting Council (the "FRC") in September 2014, the Audit and Risk Committee has reviewed the Company's internal control procedures. These internal controls are implemented by the Company's three main service providers, the Investment Manager, the Investment Adviser and the Administrator. The Audit and Risk Committee has performed reviews of the internal financial control systems and risk management systems during the year. As part of this review, each service provider has completed questionnaires whereby they are specifically challenged on their own internal controls and are required to provide assurances regarding their relevant control environment. Subsequently a risk matrix register which covers internal control related risks is maintained by the Investment Manager who reports to the Board on a quarterly basis. The Audit and Risk Committee is satisfied with the internal financial control systems of the Company.

On behalf of the Audit and Risk Committee.

John Falla
Audit and Risk Committee Chairman
Date: 24 October 2019

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HADRIAN'S WALL SECURED INVESTMENTS LIMITED

Report on the audit of the Financial Statements

Opinion

In our opinion the Financial Statements of Hadrian's Wall Secured Investments Limited (the 'parent company') and its subsidiaries (the 'Group'):

- **give a true and fair view of the state of the Group's affairs as at 30 June 2019 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;**
- **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 changes in equity;
- the consolidated statement of financial position;
- the consolidated statement of cash flows; and
- the related notes 1 to 18.

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

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 entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Impairment of loans; and • Revenue recognition.
Materiality	The materiality that we used for the Group financial statements in the current year was £2.8m which was determined on the basis of being 2% of the net asset value, consistent with prior year.
Scoping	All audit work for the Group was performed directly by the audit engagement team.
Significant changes in our approach	The work on impairment of loans under IAS 39 has been revised to reflect the adoption of IFRS 9 in the current year.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 2 c) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

- the disclosures on pages 13 - 14 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 13 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 12 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

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.

No new key audit matter has been identified, as there is no change in the applied judgement from the previous period.

Impairment of Loans

Key audit matter description

As at 30 June 2019, loans totalling £148.45 million (30 June 2018: £91.53 million) are carried at amortised cost less any provision for impairment as disclosed in Note 2 h) and Note 6 of the Financial Statements.

As described in the Report of the Audit and Risk Committee on page 25-28, the Group's loans are the key value driver for the Group net asset value and interest income. Judgements over the level of potential impairment of these loans values, including the application of the expected credit loss ('ECL') model under IFRS 9 and recoverability of their returns could significantly affect these key performance indicators. Loans impairment, including the application of the ECL model, is considered to be the most critical accounting judgement and estimate made in applying the Group's accounting policies as described in Note 3(c). The specific areas of judgement include:

- the determination of the appropriate assumptions underlying the impairment analysis and for calculating the loss allowance under IFRS 9; and
- the impact of loan-specific matters to the forecast cash flows for each loan.

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

Our procedures included:

- Assessing the design and implementation of the existing control procedures related to the loans impairment review process;
- Testing, on a sample basis, inputs used in the 'Loans Monitoring Report', including the accuracy of covenants calculations, loan to value ratios, valuation of the underlying collateral and other financial and non financial information. This enabled us to test the accuracy of the report and rely on this for the remaining loan population;
- Challenging the judgements (including qualitative and quantitative criteria) taken by management related to the categorisation of loans into the various credit stages required under IFRS 9. We considered this in the context of management's definition of significant increase in credit risk ('SICR') and performed a review of the Loans Monitoring Report to assess evidence of changes in credit risk resulting from factors such as:
  - Movements in loan to value ratios (i.e. deterioration in asset security);
  - Covenant breaches;
  - Delinquency in contractual payments; or
  - Other signs of financial stress.
- Evaluating the reasonableness of estimates applied to determine the probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD') for each stage within which loans are classified and their compliance with IFRS 9 requirements;
- Testing the clerical accuracy of the ECL provision based on the above inputs;
- Challenging the assumptions made by management in respect of the recoverable value of any non performing loans in light of available evidence and the underlying collateral; and
- Evaluating the adequacy of disclosures made in the financial statements in light of the requirements of IFRS 7 and IFRS 9.

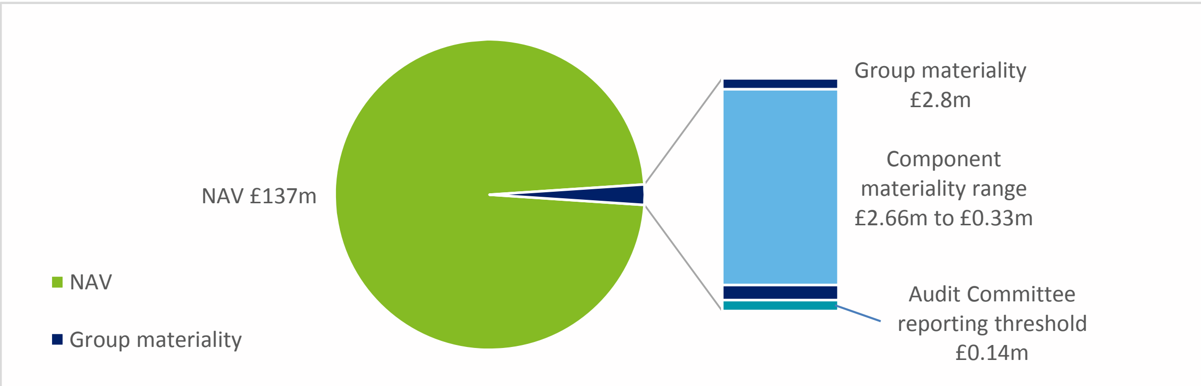
Key observations	Based on our audit work, we are satisfied that the key assumptions, judgements and estimates applied by the directors underlying the impairment analysis are appropriate.
Revenue Recognition	
Key audit matter description	There is a risk that revenue may be misstated or recognised in the incorrect period due to differences in timing between cash receipts of interest and investment principal repayments and the application of the Effective Interest Rate method ("EIR"). Incorrect treatment of any arrangement and exit fees and the impact of investment impairments in the effective interest rate calculations may significantly affect the level of income recorded in the period, thus affecting the level of distributable income. In addition, the existence of prepayments and exit fees arising from early principal repayments during the year will impact on the interest income recorded and may not be correctly recorded in accordance with the effective interest rate requirements set out in IFRS 9. Interest income from loans advanced totalled £10.82 million for the current year (30 June 2018: £6.78 million), with other income of £0.07 million (30 June 2018: £0.75 million) relating to prepayment fees and commitment fees in relation to undrawn balances (see note 2 l) and note 2 m)). The Accounting policies related to this key audit matter can be found in Note 2 m) and Note 3 b) Key sources of estimation uncertainty and risk described on page 26 of the Audit and Risk Committee Report.
How the scope of our audit responded to the key audit matter	Our procedures included: • Assessing the design and implementation of the existing control procedures that are related directly to the key audit matter; • Assessing management's judgements in respect of the inclusion of the upfront fees and exit fees in the EIR calculation; • Recalculating, on a sample basis, interest income accruing under the EIR method, taking into account any prepayments on the loans and the impact on income recognised; • Evaluating the impact of any impairments on the recognition and valuation of income recorded in the period; • Evaluating the impact of any prepayments or exit fees from early repayments on the income recorded in the period; and • Agreeing a sample of cash receipts in the year to and from the bank statements.
Key observations	Based on our audit work, we are satisfied that the key assumptions applied by directors in calculating interest income from loans are appropriate.

Our application of 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	£2.8 million (30 June 2018: £2.8 million)
Basis for determining materiality	2% of net asset value (30 June 2018: 2% of net assets value).
Rationale for the benchmark applied	We believe net asset value is the most appropriate benchmark as it is considered to be one of the principal considerations for members of the Group in assessing financial performance.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £140,000 (30 June 2018: £140,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team for both the parent entity and its subsidiaries, HWSIL Finance Co Limited, which holds the portfolio of loan investments of the Group, HWSIL Note Co Limited, which is the funding intermediary between Hadrian's Wall Secured Investments Limited and HWSIL Finance Co Limited and HWSIL Asset Co Limited, which holds the portfolio of the finance lease receivables of the Group that are funded by HWSIL Finance Co Limited. We performed a full scope audit on the parent entity along with all subsidiaries. Further, based on the results of the audit work performed for subsidiaries we tested the consolidation inputs and adjustments.

These subsidiaries accounted for 99% of the Group's Assets before consolidation eliminations (30 June 2018: 68%) and 99% of the Group's revenue before eliminations for the year (30 June 2018: 96%).

For the subsidiaries, we determined our component materiality for HWSIL Finance Co Limited, HWSIL Note Co Limited and HWSIL Asset Co Limited to be £2,660,000 (30 June 2018: £966,000), £2,660,000 (30 June 2018: £962,000) and £330,000 (30 June 2018: £33,800) respectively.

Hadrian's Wall Secured Investments Limited uses a service organisation to provide book-keeping and support in the preparation of the financial statements. As such, we have assessed the design and implementation of controls established by the service organisation.

Other information

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

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the parent company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

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.

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.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

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 parent company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Becker
for and on behalf of Deloitte LLP
Recognised Auditor
Guernsey, Channel Islands

Date: 24 October 2019

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2019

	Notes	For the year ended 30 June 2019 £	For the year ended 30 June 2018 £
Income	2		
Interest income from loans advanced		10,818,358	6,784,347
Other income from loans advanced		71,529	748,795
Income from cash and cash equivalents		100,988	142,033
Net results from financial assets at fair value through profit or loss	7	98,496	-
Total income		**11,089,371**	**7,675,175**
Expenses			
Expected credit loss on financial assets	6	(4,881,542)	-
Investment Advisory fee	8	(1,416,062)	(1,238,251)
Investment Management fee	8	(141,096)	(128,880)
Administration fees	8	(208,222)	(169,894)
Directors' fees	8	(135,000)	(135,000)
Audit fees		(81,500)	(58,500)
Legal and professional fees		(273,445)	(73,581)
Credit facility finance costs	14	(531,929)	-
Broker fees		(51,184)	(50,610)
Listing, regulatory and statutory fees		(39,324)	(36,606)
Registrar fees		(27,270)	(29,079)
Other expenses		(95,621)	(71,429)
Total operating expenses		**(7,882,195)**	**(1,991,830)**
Profit for the financial year before tax		**3,207,176**	**5,683,345**
Taxation	9	(3,721)	(3,968)
Profit for the financial year after tax		**3,203,455**	**5,679,377**
Total comprehensive income for the year		**3,203,455**	**5,679,377**
Basic and diluted earnings per Ordinary Share	10	2.21p	4.59p
Basic and diluted deficit per 2018 C Share*	10	-	(0.30)p
Weighted average number of Ordinary Shares outstanding	10	145,170,463	125,027,953
Weighted average number of 2018 C Shares* outstanding	10	-	20,074,263

*for the period from issue of 2018 C Shares (13 March 2018) respectively to 30 June 2018. The 2018 C Shares were converted into 20,142,510 new Ordinary Shares and admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities on 21 December 2018.

The Company has no components of "Other Comprehensive Income".

All items in the above statement derive from continuing operations.

All income is attributable to the Ordinary Shares (30 June 2018: C Shares also) of the Company.

The accompanying notes on pages 40 to 68 form an integral part of the Consolidated Financial Statements.

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

	Notes	Share capital £	Accumulated reserves £	Total equity £
For the year ended 30 June 2019				
At 1 July 2018		**142,417,355**	**(62,980)**	**142,354,375**
Adjustment from the adoption of IFRS 9 – expected credit loss on financial assets	6	-	(340,360)	(340,360)
Adjusted balance at 1 July 2018		**142,417,355**	**(403,340)**	**142,014,015**
Total comprehensive income:				
Profit for the financial year		-	3,203,455	3,203,455
Total comprehensive income for the year		**-**	**3,203,455**	**3,203,455**
Transactions with Shareholders:				
Dividends paid	4	-	(8,105,953)	(8,105,953)
Total transactions with Shareholders		**-**	**(8,105,953)**	**(8,105,953)**
At 30 June 2019		**142,417,355**	**(5,305,838)**	**137,111,517**

	Notes	Share capital £	Accumulated reserves £	Total equity £
For the year ended 30 June 2018				
At 1 July 2017		**122,744,577**	**(265,826)**	**122,478,751**
Total comprehensive income:				
Profit for the financial year		-	5,679,377	5,679,377
Total comprehensive income for the year		-	**5,679,377**	**5,679,377**
Transactions with Shareholders:				
Issue of C Shares during the year	13	19,672,778	-	19,672,778
Dividends paid	4	-	(5,476,531)	(5,476,531)
Total transactions with Shareholders		**19,672,778**	**(5,476,531)**	**14,196,247**
At 30 June 2018		**142,417,355**	**(62,980)**	**142,354,375**

The accompanying notes on pages 40 to 68 form an integral part of the Consolidated Financial Statements.

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	30 June 2019 £	30 June 2018 £
Non-current assets			
Loans advanced at amortised cost	6	106,639,905	87,686,734
Financial assets held at fair value through profit or loss	7	98,496	-
		106,738,401	87,686,734
Current assets			
Loans advanced at amortised cost	6	41,812,785	3,848,054
Trade and other receivables		1,025,315	100,339
Cash and cash equivalents	11	3,343,071	50,987,285
Total current assets		46,181,171	54,935,678
Total assets		**152,919,572**	**142,622,412**
Current liabilities			
Credit facility	14	15,500,000	-
Trade and other payables	12	308,055	268,037
Total liabilities		**15,808,055**	**268,037**
Net assets		**137,111,517**	**142,354,375**
Equity			
Share capital	13	142,417,355	142,417,355
Accumulated reserves		(5,305,838)	(62,980)
Total equity		**137,111,517**	**142,354,375**
Net asset value per Ordinary Share	15	**94.45p**	**98.17p**
Net asset value per 2018 C Share	15	**-**	**97.70p**
Number of Ordinary Shares	13	**145,170,463**	**125,027,953**
Number of 2018 C Shares	13	**-**	**20,074,263**

The Consolidated Financial Statements on pages 36 to 68 were approved by the Board of Directors and authorised for issue on 24 October 2019. They were signed on its behalf by:-

David Warr
Director

The accompanying notes on pages 40 to 68 form an integral part of the Consolidated Financial Statements.

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

	Notes	For the year ended 30 June 2019 £	For the year ended 30 June 2018 £
Cash flows used in operating activities			
Profit for the financial year		3,203,455	5,679,377
Adjustment for:			
Increase in trade and other receivables		(891,573)	(12,024)
Increase in trade and other payables		40,018	89,399
Effective interest rate adjustment	6	(414,508)	103,114
Financial assets at fair value through profit or loss obtained	7	(98,496)	-
Credit facility finance costs	14	531,929	-
Expected credit loss on financial assets	6	4,881,542	-
		7,252,367	5,859,866
Loans advances during the year	6	(76,980,530)	(39,989,206)
Loan principal repayments during the year	6	15,255,234	6,008,009
Net cash used in operating activities		**(54,472,929)**	**(28,121,331)**
Cash flows from financing activities			
Net proceeds from issue of C Shares	13	-	19,672,778
Proceeds from drawdown of credit facility	14	15,500,000	-
Credit facility finance costs paid	14	(565,332)	-
Dividends paid	4	(8,105,953)	(5,476,531)
Net cash from financing activities		**6,828,715**	**14,196,247**
Net decrease in cash and cash equivalents		**(47,644,214)**	**(13,925,084)**
Cash and cash equivalents at beginning of year		**50,987,285**	**64,912,369**
Cash and cash equivalents at end of year	11	**3,343,071**	**50,987,285**

The accompanying notes on pages 40 to 68 form an integral part of the Consolidated Financial Statements.

1. GENERAL INFORMATION

Hadrian's Wall Secured Investments Limited (the "Company") was incorporated as a company with limited liability in Guernsey on 27 April 2016 and is a registered closed-ended investment scheme domiciled in Guernsey. The Ordinary Shares are traded on the Main Market of the London Stock Exchange.

The Group's investment objective is to provide Shareholders with regular, sustainable dividends and to generate capital appreciation through exposure, directly or indirectly, to primarily secured loans originated across a variety of channels, assets and industry segments. The Company targets an annualised dividend yield for Ordinary Shares of 6.0 pence per share per annum, which has been achieved for the years' ended 30 June 2019 and 30 June 2018.

The Company provides loans to under-served segments of the UK Small and Medium sized Enterprises ("SME") market. Generally, the Group directly lends to operating businesses to fund capital assets and for general corporate purposes. Loans are secured by a range of collateral, including transportation equipment, production equipment, property, inventory and financial assets.

The Company provides loan investments through two UK subsidiaries, HWSIL Note Co Limited ("Note Co") and HWSIL Finance Co Limited ("Finance Co"). The third UK subsidiary, HWSIL Asset Co Limited ("Asset Co") invests in leases that finance equipment and certain other types of assets. On 2 October 2018, a new wholly owned UK subsidiary of the Company called HWSIL W1 Limited ("W1") was established. W1 was established as the workout vehicle for borrowers of the Company's other subsidiaries. Note Co, Finance Co, Asset Co and W1 are subsidiaries of the Company (together the "Subsidiaries"). These Consolidated Financial Statements are for the financial year ended 30 June 2019 (the "Consolidated Financial Statements"). The Consolidated Financial Statements comprise the results of the Company and its Subsidiaries (the "Group").

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") that remain in effect, together with applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008, the Prospectus Rules and the Disclosure Guidance and Transparency Rules.

The Company has taken advantage of the exemption conferred by the Companies (Guernsey) Law, 2008, Section 244, not to prepare company only financial statements.

b) Accounting Convention

The Consolidated Financial Statements have been prepared under the historical cost basis, except for financial assets measured at fair value through profit or loss. The preparation of Consolidated Financial Statements in conformity with IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and judgements are discussed in note 3. The principal accounting policies adopted are set out below.

The Directors believe that the Annual Report and Consolidated Financial Statements contain all of the information required to enable Shareholders and potential investors to make an informed appraisal of the investment activities and profits and losses of the Group for the period to which it relates and does not omit any matter or development of significance.

c) Going concern

The Group has considerable financial resources and after making enquiries, the Directors, at the time of approving the Consolidated Financial Statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months.

The loan portfolio generates enough cash flows to pay on-going expenses and returns to Shareholders. The Directors have considered the cash position, the extension of the credit facility for a further one year period to 10 November 2020, and performance of the current invested capital made by the Group and concluded that it is appropriate to adopt the going concern basis in the preparation of these Consolidated Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

d) Basis of Consolidation

In accordance with IFRS 10, "Consolidated Financial Statements", as amended for investment entities, the Board has determined that the Company does not satisfy the criteria to be regarded as an investment entity. Specifically, the Company does not meet the investment entity criteria set out in IFRS 10 as it does not measure and evaluate the performance of substantially all of its investments on a fair value basis. As a result the Company is required to prepare consolidated financial statements under IFRS.

These Consolidated Financial Statements incorporate the financial statements of the Company, its direct subsidiaries and entities that the Company controls. Subsidiaries and controlled entities are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

The Company has one subsidiary where it does not own, directly or indirectly through other subsidiaries, more than half of the voting power of the subsidiary. The Board have determined that voting rights in Note Co are not the dominant factor in the control over Note Co, rather it is the Company's ability to direct the relevant activities of Note Co that provide control. The Company has exposure and rights to the variable returns within Note Co from its involvement with the company and as a result the Board have determined that the Company has all the elements of control as prescribed by IFRS 10. See note 3 for further details.

The Company also owns 100% of the equity of Finance Co, Asset Co and W1. Finance Co originates and acquires the Group's portfolio of loan assets. Asset Co was established for the Group to invest in leases that finance equipment and certain other types of assets. W1 was established as the workout vehicle for borrowers of the Company's other subsidiaries.

The Subsidiaries all have a financial year end of 30 June, which matches the Company.

Consolidated Financial Statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries and controlled entities will be amended where necessary to ensure consistency with the policies adopted by the Company.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses between Group companies are also eliminated on consolidation unless the transaction provides evidence of an impairment of the asset transferred.

The Board will continue, on an ongoing basis, to assess the Company's status under the terms of IFRS 10 to determine whether it does or does not satisfy the criteria to be regarded as an investment entity and accordingly, whether it continues to be required to prepare consolidated financial statements (see note 3 a) for further details).

e) New Accounting Standards adopted in the reporting period

- IFRS 9, "Financial Instruments" (effective for periods commencing on or after 1 January 2018);

In addition, the IASB completed its Annual Improvements 2014-2016 Cycle project in December 2016. This project has amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2018.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

f) New, revised and amended standards applicable to future reporting periods

At the date of approval of these Consolidated Financial Statements, the following standards and interpretations, which have not been applied in these Consolidated Financial Statements, were in issue but not yet effective:

- Amendments to IFRS 9, "Financial Instruments"- Prepayment Features with Negative Compensation (effective for periods commencing on or after 1 January 2019) - amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments;
- Amendments to IAS 28 – Long-term interests in Associates and Joint Ventures (effective for periods commencing on or after 1 January 2019) - clarifies that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied;
- Interpretations 23 Uncertainty over income tax treatments (effective for periods commencing on or after 1 January 2019);
- Annual Improvements to IFRS standards 2015-2017 Cycle effective for periods commencing on or after 1 January 2019);
- Amendments to References to Conceptual Framework in IFRS Standard (effective for periods commencing on or after 1 January 2019);

The Board expects that the adoption of these standards in a future period will not have a material impact on the Consolidated Financial Statements of the Company.

g) Changes in accounting policies

IFRS 9 "Financial Instruments"

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. As such the Group has adopted IFRS 9 for the first time in this financial year.

Key requirements of IFRS 9

Classification and measurement of financial assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristic of those financial assets.

There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income and (iii) fair value through profit and loss. Equity investments under IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

IFRS 9 also introduces a new expected credit loss impairment model, as opposed to the incurred credit loss model implemented under IAS 39. This requires entities to account for expected credit losses at initial recognition and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

Finally, under IFRS 9 greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Impact of IFRS 9 – Classification and measurement

Loan investments are held solely for the collection of contractual cash flows, being interest, fees and payments of principal. As such these assets continue to be held at amortised cost upon the application of IFRS 9.

Other receivables and payables are held solely for the collections and payments of contractual cash flows, being payments of principal and interest where applicable. As such these assets and liabilities continue to be held at amortised cost under IFRS 9.

Investments in preference shares are classified and measured at fair value through profit and loss under IFRS 9, as such the changes in IFRS 9 relating to the assessment of credit losses do not apply to these instruments.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

g) Changes in accounting policies, continued

IFRS 9 "Financial Instruments", continued

Impact of IFRS 9 - Impairment
Loan investments are assessed for credit risk on initial recognition. Credit risk is categorised into Stage 1, Stage 2 and Stage 3 with Stage 1 being to recognise 12 month Expected Credit Losses ("ECL"), Stage 2 being to recognise Lifetime ECL not credit impaired, and Stage 3 being to recognise Lifetime ECL credit impaired. Provision for ECL will be made at initial recognition calculated using the credit risk, the probability of default, the probability of loss, the Loan to Value ("LTV"), historical position and, on occasion, subsequent events, and the subjective judgement of the Board.

In respect of the Group's trade and other receivables, the Directors have applied the simplified approach to recognise lifetime expected credit losses.

A loan is considered to be in "default" when the borrower is unlikely to pay its credit obligations in full, without recourse to actions such as realising security (if held), or the borrower is past due more than 90 days on any material credit obligation.

The Investment Adviser has a credit policy to identify the risk of default and loss at the point of investment. The risk of each loan investment is modelled and mapped to a nominal rating equivalent based on published rating agency guidelines which has an expected loss equivalent. The models applied generally include a combination of a corporate probability of default model, a loss given default analysis and/or a simulation model, depending on the specifics of the individual transaction. Each transaction is assigned a one year expected loss value at inception. This amount is the expected credit loss reported for IFRS 9 purposes at the inception of loan.

An expected credit loss reserve is established at the time each investment is made based on its credit grade and related statistical probability of loss. Loans that are downgraded will attract a higher level of expected loss reserve because the risk of loss on that investment has increased. Loans that are downgraded to stage 2 or stage 3 are assigned a lifetime expected credit loss. Expected loss reserves are distinguished from case loss reserves based on the expectation of a loss. A case loss reserve is established when a loss is both probable and the amount is known. If a case loss is established for an investment, there may be no increase in loss reserves for that investment if the actual loss anticipated is not greater than the expected loss reserve then associated with that investment.

Loans are downgraded when there has been a significant increase in credit risk from initial recognition. Factors considered on the re-assessment to stage 2 and stage 3 loans include:

- material financial deterioration of the borrower;
- default or delinquency in interest or principal repayments under the loan agreements has occurred;
- material decline in the value of the underlying applicable security;
- any agreements entered into, or being considered, with the borrowers to defer interest or principal repayments;
- if it becomes probable that the borrower will enter bankruptcy or financial re-organisation.

Impact of IFRS 9 – Hedge Accounting
The Company has not used any hedge accounting during the year ended 30 June 2019, although exposure is monitored on a regular basis and the Board reviews this approach quarterly, as such IFRS 9 has had no impact.

Overall impact of IFRS 9
IFRS 9 became effective for the Company's financial year beginning 1 July 2018. When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. If IFRS 9 had been effective as of 30 June 2018 however, the Company would have recognised a total expected loss on its loan portfolio as of the same date of £340,360, all of which represents the 12-month expected credit loss prescribed by the Standard. This difference arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment at 30 June 2018 is recognised in retained earnings on 1 July 2018 and is shown in the Consolidated Statement of Changes in Equity on page 37.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

g) Changes in accounting policies, continued

IFRS 9 "Financial Instruments", continued
Had prior year balances been restated, loans advanced at amortised cost at 30 June 2018, can be reconciled as follows:

	30 June 2018 **£**
Loans advanced at amortised cost as at 30 June 2018 under IAS 39	91,534,788
Amounts restated through retained earnings on adoption of IFRS 9	(340,360)
Restated loans advanced as at 30 June 2018 under IFRS 9	**91,194,428**

In addition, during the year ended 30 June 2019, the Company recognised a total expected loss on its loan portfolio of £4,881,542 in the Consolidated Interim Statement of Comprehensive Income. At 30 June 2019, the Company had a total expected credit impairment provision of £5,221,902.

h) Financial Instruments

The following "*Financial Instruments*" policies were applicable for the year ended 30 June 2019 following the application of IFRS 9 and, with the exception of the "*classification*" and "*Impairment*" policies detailed further below, remained unchanged from the policies applied prior to 1 July 2018 under IAS 39:

Recognition and initial measurement
Financial assets and financial liabilities are measured initially at fair value, being the transaction price, on the trade date. Transaction costs on items that will subsequently be measured at amortised cost are capitalised. Transaction costs on financial assets at fair value through profit or loss are expensed immediately.

Subsequent measurement

Loans investments and receivables
Loans investments and receivables are subsequently measured at amortised cost, which is the amount at which the loans and receivables are measured at initial recognition (its fair value) adjusted for initial direct costs; less any repayments of principal; plus or minus the cumulative amortisation, using the effective interest rate method, of any difference between the initial amount recognised and the maturity amount; less any adjustment for impairment. Interest and impairment arising on loans and receivables are recognised in the Consolidated Statement of Comprehensive Income.

Effective interest rate method
The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial instruments at fair value through profit or loss
After initial measurement, the Group measures financial instruments classified at fair value through profit or loss at their fair values. Changes in fair value and realised gains/(losses) are recorded within "Financial assets at fair value through profit or loss obtained" in the Consolidated Statement of Comprehensive Income.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

h) Financial Instruments, continued

If there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

At 30 June 2019, the Group held an investment in preference shares which is classified as Financial instruments at fair value through profit and loss.

Financial liabilities at amortised cost
These include trade and other payables which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Sale and Leaseback transaction as Lessor
The Group must establish whether substantially all the risks and rewards of ownership of an asset, in accordance with IFRS 15, have transferred in order to recognise the purchase of an asset. Where a transaction does not satisfy the risks and rewards transfer of requirements of IFRS 15, then the Group shall not recognise the transferred asset. Instead the Group shall recognise a financial asset equal to the transfer proceeds. The classification and measurement of the financial asset is accounted for and treated as a Loan advanced at amortised cost.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

Derecognition
A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the Group transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9. The Group derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition is taken to the Consolidated Statement of Comprehensive income.

Classification – ***Policy applicable prior to 1 July 2018***
Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes party to contractual provision of the instruments. The Group classifies its financial assets and financial liabilities into categories in accordance with IAS 32, "Financial Instruments: Presentation".

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are carried at amortised cost. The Group also includes in this category cash and cash equivalents, amounts receivable from brokers and other receivables.

Financial liabilities at amortised cost
The Group includes in this category trade and other payables.

Financial assets at fair value through profit or loss
Financial assets classified in this category are designated by management on initial recognition as part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy.

Impairment of financial assets – ***Policy applicable prior to 1 July 2018***
Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been adversely affected.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

h) Financial Instruments, continued

Objective evidence of impairment could include:

- material financial deterioration of the borrower;
- default or delinquency in interest or principal repayments under the loan agreements has occurred;
- material decline in the value of the underlying applicable security;
- any agreements entered into, or being considered, with the borrowers to defer interest or principal repayments;
- if it becomes probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

In the subsequent periods, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss in the Consolidated Statement of Comprehensive Income to the extent that the carrying amount of the investment at the date the impairment does not exceed what the amortised cost carrying value would have been had the impairment not been recognised.

For the classification and impairment post 1 July 2018 see note 2 g).

i) Investments in associates
Investments in an associate company is recognised initially in the Statement of Financial Position at the transaction price and subsequently adjusted to reflect the Group's share of total comprehensive income and equity of the associate, less any impairment using the equity method. At 30 June 2019, the Group's investment in associates is valued at £nil (see note 7 for further details).

j) Leases
The Group's leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of an asset to the lessee. All other leases are classified as operating leases.

k) Cash and cash equivalents
Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

l) Ordinary Shares and C Shares
The Ordinary Shares and C Shares of the Company are classified as equity based on the substance of the contractual arrangements and in accordance with the definition of equity instruments under IAS 32, "Financial Instruments: Presentation" and IFRS 9. The proceeds from the issue of Ordinary Shares and C Shares are recognised in the Consolidated Statement of Changes in Equity, net of issue costs.

The Company's records and bank accounts are operated so that the assets attributable to the Ordinary Shares and C Shares can, at all times, be separately identified and separate cash accounts shall be created and maintained in the books of the Company for the assets attributable to the C Shares.

m) Interest income
Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income on loans advanced is recognised separately through profit or loss in the Consolidated Statement of Comprehensive Income on a time-apportioned basis, by reference to the principal outstanding using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Interest on cash and cash equivalents is recognised on an accruals basis.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

n) Other income

Other fee income is fees due under the contractual terms of the debt instruments, such as commitment fees from borrowers on undrawn loan amounts. Such fees and related cash receipts are not considered to form an integral part of the effective interest rate and are accounted for on an accrual basis.

o) Operating expenses

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

The operating expenses of the Group are allocated between the assets of Ordinary Shares and C Shares as the Directors fairly consider attributable to each Share class. Group expenses are generally proportioned on a gross asset value basis to each Share class, except where expenses can be attributable to a particular Share class.

p) Functional and Presentation Currency

The Consolidated Financial Statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). The Directors have considered the primary economic currency of the Group; the currency in which the original finance was raised; the currency in which distributions will be made; and ultimately what currency would be returned to Shareholders if the Company was wound up. The Directors have also considered the currency to which the Group's investments are exposed. On balance, the Directors believe that the functional currency of the Group is Pound Sterling ("£"). Therefore, the books and records are maintained in Pound Sterling and, for the purpose of the Consolidated Financial Statements, the results and financial position of the Group are presented in Pound Sterling, which has been selected as the presentation currency of the Group.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency balances at the period end are translated into the functional currency at the exchange rates prevailing at the period end date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated using the exchange rate at the date when fair value was determined.

The Company's Subsidiaries' functional currencies are also Pound Sterling and therefore no foreign currency translation is required.

At 30 June 2019 and 30 June 2018, the Group had no direct exposure to foreign currencies.

q) Prepayment Option within Financial Assets

Some of the Group's loan investments have a prepayment option embedded within the contracts for loans advanced to borrowers. The Directors are required to determine the fair value of the embedded prepayment option and the key factors considered in the valuation of prepayment option include the exercise price, the interest rate of the loan contract, differential to current market interest rates, contractual terms of the prepayment option and the expected term of the option.

r) Taxation

Income tax expense is recognised through profit or loss in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

The tax charge is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

r) Taxation, continued

The Company is exempt from Guernsey taxation under the Income Tax (except bodies) Ordinance 1989 for which it pays an annual fee of £1,200 which is included within "Other expenses" in the Statement of Comprehensive Income. The Company is required to apply annually to obtain the exempt status for the purpose of Guernsey Taxation.

Note Co and Finance Co meet the requirements and fall within the scope of the UK securitisation company regime provided for by section 623 of the Corporation Tax Act 2010 and the Taxation of the Securitisation Companies Regulations 2006, as such the Subsidiaries are subject to UK corporation tax on their "retained profits" only. Asset Co does not meet the requirements of the UK securitisation company regime and is subject to UK corporation tax on their "taxable profits" in accordance with the Corporation Tax Act 2010.

s) Dividends

Dividends to the holders of Ordinary Shares and C Shares are recorded through the Consolidated Statement of Changes in Equity when they are declared to Shareholders. The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by the Companies (Guernsey) Law, 2008.

t) Segmental Reporting

The Board has considered the requirements of IFRS 8, "Operating Segments". The Company has entered into Investment Management and Investment Advisory Agreements with the Investment Manager and Investment Adviser respectively, under which the Board has appointed the Investment Manager to manage the assets of the Company and who has then delegated that responsibility to the Investment Adviser per the Investment Advisory Agreement, subject to their review and control and ultimately the overall supervision of the Board. Subject to its terms and conditions, the Investment Advisory Agreement requires the Investment Adviser to manage the Group's portfolio in accordance with the Company's investment guidelines in effect from time to time. However, the Board retains full responsibility to ensure that the Investment Adviser adheres to its mandate. Moreover, the Board is fully responsible for the appointment and/or removal of the Investment Adviser. Accordingly, the Board is deemed to be the "Chief Operating Decision Maker" of the Company.

In the Board's opinion, the Group is engaged in a single segment of business, being investment in primarily secured loans originated across a variety of channels, assets and industry segments.

The Group receives no revenues from external customers, nor holds directly any non-current assets, in any geographical area other than Guernsey and the UK.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities in the Consolidated Financial Statements. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was 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.

Critical judgements in applying accounting policies:

a) Basis of Consolidation

IFRS 10 includes a definition of control that determines which entities are consolidated.

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the principle of control sets out the following three elements of control:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES, continued

Critical judgements in applying accounting policies, continued:

a) Basis of Consolidation, continued
The standard also sets out requirements on how to apply the control principle:

- in circumstances when voting rights or similar rights give an investor power, including situations where the investor holds less than a majority of voting rights and in circumstances involving voting rights;
- in circumstances when an investee is designed so that voting rights are not the dominant factor in deciding who controls the investee, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements;
- in circumstances involving agency relationships;
- in circumstances when the investor has control over specified assets of an investee.

Note Co
Note Co issues variable funding notes ("VFNs") to the Company. Note Co in turn provided a variable funding loan ("VFL") to Finance Co. This VFL enables Finance Co to acquire and originate loans in line with the Company's investment policy. Interest and principal repayments received by Finance Co from its underlying loan assets flow back up from Finance Co to Note Co and, finally, the Company via payments of interest and principal on the VFL and VFNs respectively. Note Co was created solely for the purpose of allowing the VFN and VFL funding mechanism for the Company and the Company has in effect the power to control the activities and variable returns of Note Co.

Whilst the Company does not own the equity of Note Co, the Board has determined that the Company has all the elements of control as prescribed by IFRS 10 in relation to Note Co through its investment in VFNs which have been issued by Note Co. As detailed above the Company receives payment of interest and principal, the interest payments are at variable rates based on the amount of interest received through the structure from the underlying loan assets. This exposes the Company to the default and credit risk of Note Co and provides the Company with exposure and rights to the variable returns made by Note Co.

As a result, the Board have determined that voting rights in Note Co are not the dominant factor in the control over Note Co rather it is contractual arrangements within the terms of the VFNs which allow the Company to direct the relevant activities and establish control. Note Co is therefore deemed a subsidiary of the Company and has been consolidated in full within these Consolidated Financial Statement from the date when VFNs were first issued on 21 December 2016.

Newcos
During the year ended 30 June 2019, as detailed further in Note 6, the Group has obtained a 45% stake in the ordinary share capital of two new companies (the "Newcos"). The Investment Adviser, likewise, also obtained a 45% stake in the ordinary share capital of the Newcos. The Board has, however, determined that the Group does not have all the elements of control as prescribed by IFRS 10 over the Newcos and, therefore, is not required to consolidate the Newcos into these Consolidated Financial Statements. This was determined as the Group is not able to exercise control over the Newcos due to its lack of ability to compel the Investment Adviser to sell their share holding, hence, the Investment Adviser is not acting as an agent for the Group on this transaction.

b) Leases
The Group's Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of an asset to the lessee. All other leases are classified as operating leases.

The Group as lessor
As the lessor, the Company must distinguish whether the lease can be considered an operating or finance lease. For the purposes of these Financial Statements, the Directors have established that the lease meets the criteria to be classified as a finance lease. For a finance lease, the Company recognises a receivable at an amount equal to the net investment in the lease. Finance income is recognised over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES, continued

Critical judgements in applying accounting policies, continued:

b) Leases, continued

Sale and Leaseback transaction as Lessor
The Group must establish whether substantially all the risks and rewards of ownership of an asset, in accordance with IFRS 15, have transferred in order to recognise the purchase of an asset.

The Group entered into sale and leaseback transactions during the period and the transactions do not satisfy the risks and rewards transfer requirements of IFRS 15 to be accounted for as a purchase of assets and as such the Group shall not recognise the transferred assets. The Group shall instead recognise financial assets equal to the transfer proceeds. The classification and measurement of the financial assets are accounted for in accordance with IFRS 9 and treated as loans advanced at amortised cost.

Key sources of estimation uncertainty

The following are the key assumptions and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a) Expected credit loss and impairment of loans
Expected credit loss provisions and impairments on loans are considered to be a key source of estimation uncertainty that the Board make in the process of applying the Group's policies and which has the most significant effect on the amounts recognised in the Consolidated Financial Statements. The loans advanced are assessed by the Investment Adviser for indication of increases in credit risk since initial recognition during the financial period, at the Statement of Financial Position date and up to the date of approving these Financial Statements. For further details on the considerations made with regards to the expected credit loss provisions and impairment of loans, see notes 2(g), 2(h) and 6 and, in addition, also see the Report of the Audit and Risk Committee on pages 25 and 26.

b) Prepayment options
The Group has loans and receivables with a prepayment option embedded. Given the low probability of exercise and indeterminable exercise date, the value attributed to these embedded derivatives is considered to be £nil (30 June 2018: £nil) (see note 2 (q) for further details).

c) Fair Value
The Group records its investments in Preference Shares at Fair Value. Fair value is determined by the Group using a discounted cash flow ("DCF") analysis of two new companies (see note 7 for further details). The discount rate applied in the DCF analysis is 30%, this discount rate has been used to account for the uncertainty associated with cash flows generated from the Newcos, the relatively long time span to 2036 for which the analysis has been produced and additionally, the business closure costs, which were factored into the discount rate.

4. DIVIDENDS

In accordance with the Company's dividend policy, the Company intends to distribute at least 85% of its distributable income earned in each financial year by way of dividends. Distributable income is equal to total income, less fair value movements through profit or loss on financial assets, net of operating expenses but excluding the expected credit losses on financial assets. For the year ended 30 June 2019, 85% of distributable income amounted to £7,315,502 (30 June 2018: £4,827,470).

4. DIVIDENDS, continued

During the year ended 30 June 2019, the Directors declared the following interim dividends to holders of Ordinary Shares:

Period to	Payment date	Dividend per share £	Net dividend payable £	Record date	Ex-dividend date
30 June 2018	24 August 2018	1.5 pence	1,875,419	3 August 2018	2 August 2018
30 September 2018	19 November 2018	1.5 pence	1,875,419	2 November 2018	1 November 2018
31 December 2018	7 March 2018	1.5 pence	2,177,557	15 February 2019	14 February 2019
31 March 2019	14 June 2019	1.5 pence	2,177,558	17 May 2019	16 May 2019
		6.0 pence	8,105,953		

During the year to 30 June 2018, the Directors declared the following interim dividends to holders of Ordinary Shares:

Period to	Payment date	Dividend per share £	Net dividend payable £	Record date	Ex-dividend date
30 June 2017	25 August 2017	1.5 pence	1,200,371	4 August 2017	3 August 2017
30 September 2017	24 November 2017	1.5 pence	1,200,370	3 November 2017	2 November 2017
31 December 2017	9 March 2018	1.5 pence	1,200,371	16 February 2018	15 February 2018
31 March 2018	31 May 2018	1.5 pence	1,875,419	11 May 2018	10 May 2018
		6.0 pence	5,476,531		

Under Guernsey law, the Company can pay dividends in provided it satisfies the solvency test prescribed by the Companies (Guernsey) Law, 2008. The solvency test considers whether the Company is able to pay its debts when they fall due, and whether the value of the Company's assets is greater than its liabilities. The Company satisfied the solvency test in respect of the dividends declared in the period.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Strategy in using financial instruments

The Group invests primarily in loans to under-served segments of the UK SME market. Generally, the Group directly lends to operating businesses to fund capital assets and for general corporate purposes. Loans are secured by a range of collateral, including transportation equipment, production equipment, property, inventory and financial assets. The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit and counterparty risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Categories of financial instruments	30 June 2019 £	30 June 2018 £
Financial assets at amortised cost		
Loans advanced at amortised cost	148,452,690	91,534,788
Trade and other receivables (excluding prepayments)	972,666	79,939
Cash and cash equivalents	3,343,071	50,987,285
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss	98,496	-
Total assets	**152,866,923**	**142,602,012**
Financial liabilities at amortised cost		
Credit facility	15,500,000	-
Trade and other payables	308,055	268,037
Total liabilities	**15,808,055**	**268,037**

The financial asset at fair value through profit or loss is measured at fair value, all other financial assets and financial liabilities are measured at amortised cost.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

At 30 June 2019 and 30 June 2018, the Group's financial instruments are affected by the following risks in actual market prices: interest rates, credit exposure and liquidity.

Capital Risk Management

The Company's investment objective is to provide Shareholders with regular, sustainable dividends and to generate capital appreciation through exposure, directly or indirectly, to primarily secured loans originated across a variety of channels, assets and industry segments. The Company targets an annualised dividend yield for Ordinary Shares of 6.0 pence per share per annum, which has been achieved for the years' ended 30 June 2019 and 30 June 2018.

The capital structure of the Company consists of equity attributable to equity holders, comprising issued share capital as disclosed in note 13 and accumulated deficit.

The Company manages its capital to endeavour to ensure that its primary investment objective is met. It does this by investing available cash in line with the Company's investment policy as detailed on pages 3 and 4. As explained in more detail on note 14, the Company did employ leverage for short term liquidity or investment purposes. At 30 June 2019 and 30 June 2018, the Group had no externally imposed capital requirements.

The Company applies investment limits as a percentage of the net asset value, measured at the time of investment, as follows:

Restriction	% of NAV
Maximum single investment	10%
Maximum exposure to a single borrower or group	10%
Maximum exposure to loans sourced through a single originator	40%
Maximum proportion of unsecured loans	10%
Maximum proportion of loans sourced through non-UK originators or denominated in currencies other then Pound Sterling	10%
Maximum investment in assets other than loans and other instruments with comparable characteristics	10%

Interest rate risk

The Group is exposed to interest rate risk due to fluctuations in the prevailing market rates.

In the event that interest rate movements increase the level of interest payable on the Group's credit facility, the Group's interest paid will be increased. Interest rate risk is analysed by the Investment Manager on a monthly basis and by the Board on a quarterly basis.

At 30 June 2019, the Group's direct exposure to interest rate risk relates to interest payable on the floating rate credit facility which it entered into during the year, see note 14 for details (30 June 2018: exposure was on interest earned on floating rate cash deposits). All the Group loans advanced are at a fixed rate of interest, held to maturity and carried at amortised cost, as such changes in interest rates will not have a direct impact on the market value or the interest earned on the loan portfolio at 30 June 2019. Interest rate fluctuations will have an indirect impact on the Group's loans with regards to the fair value of the portfolio, availability and sourcing of loans and the ability of loan counterparties to repay their loans. As long as borrowers remain current and within loan covenants the effects of interest rate risk on loans is mitigated.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

The tables below summarise the Group's direct exposure to interest rate risks:

30 June 2019	Floating rate £	Fixed rate £	Non-interest bearing £	Total £
Financial assets				
Loans advanced at amortised cost	-	148,452,690	-	148,452,690
Trade and other receivables (excluding prepayments)	-	-	972,666	972,666
Investment at fair value through profit or loss	-	98,496	-	98,496
Cash and cash equivalents	-	-	3,343,071	3,343,071
Total financial assets	**-**	**148,551,186**	**4,315,737**	**152,866,923**
Financial liabilities				
Credit facility	15,500,000	-	-	15,500,000
Trade and other payables	-	-	308,055	308,055
Total financial liabilities	**15,500,000**	**-**	**308,055**	**15,808,055**
Total interest sensitivity gap	**(15,500,000)**	**148,551,186**	**4,007,682**	**137,058,868**

30 June 2018	Floating rate £	Fixed rate £	Non-interest bearing £	Total £
Financial assets				
Loans advanced at amortised cost	-	91,534,788	-	91,534,788
Trade and other receivables (excluding prepayments)	-	-	79,939	79,939
Cash and cash equivalents	28,815,441	-	22,171,844	50,987,285
Total financial assets	**28,815,441**	**91,534,788**	**22,251,783**	**142,602,012**
Financial liabilities				
Trade and other payables	-	-	268,037	268,037
Total financial liabilities	**-**	**-**	**268,037**	**268,037**
Total interest sensitivity gap	**28,815,441**	**91,534,788**	**21,983,746**	**142,333,975**

The following details the Group's sensitivity to a 25 basis point increase and decrease in interest rates on floating interest rate bearing assets, with 25 basis points being the Investment Manager's assessment of a reasonably possible change in interest rates during the next financial period.

At 30 June 2019, should interest rates have lowered by 25 basis points with all other variables remaining constant, the increase in net assets attributable to holders of Company's Shares for the year would amount to approximately £38,750 (30 June 2018: £72,039 decrease). If interest rates had risen by 25 basis points, the decrease in net assets attributable to holders of Company's Shares would amount to £38,750 (30 June 2018: £72,039 increase).

Currency risk
Currency risk is the risk the exchange rate volatility may have an adverse impact on Company's financial position and results. At 30 June 2019 and 30 June 2018, all of the Company's financial assets and liabilities are denominated in Pound Sterling. As a result, the Company is not directly subject to significant risk due to fluctuations in foreign currency movements. In addition, the Company is restricted to invest a maximum of 10% of in loans denominated in currencies other than Pound Sterling.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Credit and counterparty risk
Credit risk is the risk of financial loss to the Group if the borrower fails to meet its contractual obligations. Impairment provisions are provided for losses that have been incurred by the reporting date, if any. At 30 June 2019, one asset held by the Group and classified under stage 3 of the IFRS 9 frame work was deemed past due and impaired (30 June 2018: none).

The following table shows the maximum exposure to credit risk:

	30 June 2019 £	30 June 2018 £
Loans advanced at amortised cost (note 6)	148,452,690	91,534,788
Investment at fair value through profit or loss (note 7)	98,496	-
Trade and other receivables (excluding prepayments)	972,666	79,939
Cash and cash equivalents (note 11)	3,343,071	50,987,285
Total	**152,866,923**	**142,602,012**

Amounts in the above table are based on the carrying value of all financial assets.

The Company has a disciplined risk management and surveillance process which is connected to a risk grading applied by the Investment Adviser. The Investment Adviser seeks to mitigate the credit risk by actively monitoring the Group's loan portfolio and the underlying credit quality of the borrowers. The Investment Adviser uses appropriate loan origination procedures and prudent credit and risk management policies on assessing potential new loan investments. The Company focuses on loans secured against physical collateral and other assets made to borrowers with sufficient cash flows to service their loan repayments. The Company allocates an expected loss reserves, in accordance with IFRS 9, based on the credit grades applied by the Investment Adviser. An expected credit loss reserve is established at the time each investment is made based on its credit grade and related statistical probability of loss.

Loans are monitored on a regular basis and if, whether as a result of regular monitoring or as a result of some event or action, credit deterioration is observed, the investment will be reviewed for possible downgrade or increases in the risk of default. If an investment is downgraded, it will attract a higher level of expected loss provision because the risk of default and loss on that investment has increased. The main factors considered for evidence that the risk of default and loss on an investment has increased include material financial deterioration of the borrower, breach of contract such as default or delinquency in interest or principal repayments, probability that a borrower will enter bankruptcy or financial re-organisation and material decline in the value of the underlying applicable security. Also, the Company's investment restriction policy, as detailed under Capital Risk Management on page 52, requires diversification of investments, helping to mitigate credit risk by spreading the Group's exposure over a portfolio of loans from a variety of originators and industry sectors.

Cash and cash equivalents are placed, where possible, only with banks that hold at least an S&P BBB long term credit rating or equivalent. In addition, and where possible, no more than 40% of the Group's net assets are placed with any one bank at any time. At 30 June 2019, the Group's cash and cash equivalent balances were spread across a range of banks to reduce concentration risk. The majority of the Group's cash and cash equivalents are with Royal Bank of Scotland International Limited ("RBSI") and National Westminster Bank Plc ("Natwest"). RBSI and Natwest have a S&P Long-term rating of A- and A respectively.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group finances its operations through Shareholder funding and as set out in the Company's prospectus, Shareholders will have no right of redemption and will usually have to rely on the existence of a liquid market in the Company's shares in order to realise their investment. The Group's policy and the Investment Adviser's approach to managing the liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Liquidity risk, continued

Liquidity risk occurs for the Group with meeting its dividend obligations to Ordinary Shareholders. It is expected that loan interest payments to the Group shall be closely aligned with the Group's stated target level of distributions. The Group intends to distribute a minimum of 85% of net income to Ordinary Shareholders. Dividend payment levels are monitored on an ongoing basis to evaluate any potential operational liquidity stresses and ensure distributions over an annual period fall in-line with the Group's stated investment policy, that is, to generate a 6% yield for its Ordinary Share investors, which is expected to grow over time.

There is also a risk that should the Group enter loan commitments in which the loans will be drawn down over time then it may overcommit its liquidity unless careful monitoring of these loans and expected draw down timetables is carried out. In order to mitigate this risk and the potentially adverse impact of cash drag, the Company entered into a revolving credit facility ("RCF") on 13 November 2018 of which £15,500,000 was drawn at 30 June 2019 (30 June 2018: none). The RCF is for a one-year period to 13 November 2019. The Investment Manager and Investment Adviser ensure the loan drawdown timetables and repayment schedules are tightly monitored.

The Investment Manager and Investment adviser monitor the portfolio carefully to ensure that liquidity levels are sufficient to meet ongoing financial obligations with particular consideration to prospective dividend distributions and pending new loan commitments. As explained in more detail on note 14, during the year the Company entered into a liquidity facility of which £15,500,000 was drawn at 30 June 2019 (30 June 2018: none), other than this there was no leverage employed by the Group and no other collateral requirements needed to be considered in assessing the availability of cash for liquidity purposes.

The Group's overall liquidity risk is monitored on a quarterly basis by the Board of Directors.

The tables below analyse the Group's financial assets and liabilities into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. The loan principal, interest and exit fees maturity groups detailed in the below table are based on the undiscounted contractual cash flows on loan amounts advanced at 30 June 2019 and 30 June 2018. This does not take into account future loan advancements and associated cash flows.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Liquidity risk, continued

30 June 2019	Within one year £	Between 1 and 2 years £	Between 2 and 3 years £	Between 3 and 4 years £	Between 4 and 5 years £	Greater than 5 years	Total £
Financial assets							
Loans – principal	41,812,785	24,192,515	31,454,383	34,526,009	11,289,487	10,432,862	153,708,041
Loans – interest and exit fees	13,103,940	8,609,321	6,384,776	3,671,847	1,067,844	4,435,557	37,273,285
Investment at fair value through profit or loss	-	-	-	-	-	98,496	98,496
Trade and other receivables (excluding prepayments)	972,666	-	-	-	-	-	972,666
Cash and cash equivalents	3,343,071	-	-	-	-	-	3,343,071
Total financial assets	59,232,462	32,801,836	37,839,159	38,197,856	12,357,331	14,966,915	195,395,559
Financial liabilities							
Credit facility	15,500,000	-	-	-	-	-	15,500,000
Trade and other payables	308,055	-	-	-	-	-	308,055
Total financial liabilities	15,808,055	-	-	-	-	-	15,808,055
Liquidity gap	43,424,407	32,801,836	37,839,159	38,197,856	12,357,331	14,966,915	179,587,504
Total cumulative liquidity gap	43,424,407	76,226,243	114,065,402	152,263,258	164,620,589	179,587,504	

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Liquidity risk, continued

30 June 2018	**Within one year £**	**Between 1 and 2 years £**	**Between 2 and 3 years £**	**Between 3 and 4 years £**	**Between 4 and 5 years £**	**Total £**
Financial assets						
Loans – principal	3,848,054	24,834,084	12,359,562	30,087,653	20,853,392	91,982,745
Loans – interest and exit fees	7,812,854	6,927,061	4,724,744	3,105,762	815,928	23,386,349
Trade and other receivables (excluding prepayments)	79,939	-	-	-	-	79,939
Cash and cash equivalents	50,987,285	-	-	-	-	50,987,285
Total financial assets	62,728,132	31,761,145	17,084,306	33,193,415	21,669,320	166,436,318
Financial liabilities						
Trade and other payables	268,037	-	-	-	-	268,037
Total financial liabilities	268,037	-	-	-	-	268,037
Liquidity gap	62,460,095	31,761,145	17,084,306	33,193,415	21,669,320	166,168,281
Total cumulative liquidity gap	62,460,095	94,221,240	111,305,546	144,498,961	166,168,281	

6. LOANS ADVANCED AT AMORTISED COST

	For the year ended 30 June 2019 £	For the year ended 30 June 2018 £
Loans held at amortised cost		
Opening loan balance	91,982,745	58,001,548
Loans advanced	76,980,530	39,989,206
Principal repayments	(15,255,234)	(6,008,009)
Closing loan balance	**153,708,041**	**91,982,745**
Effective interest rate adjustment	(33,449)	(447,957)
Closing loan balance at amortised cost	**153,674,592**	**91,534,788**
Expected credit loss provision ("ECL")	(5,221,902)	-
Closing loan balance at amortised cost, net of ECL	**148,452,690**	**91,534,788**

At 30 June 2019, £41,812,785 (30 June 2018: £3,848,054) of the closing loans balance at amortised cost is due for repayment within one year.

The Group's loans are expected to be held to maturity and are therefore valued at amortised cost using the effective interest rate method. The carrying values of such instruments include assumptions that are based on market conditions at each statement of financial position date. Such assumptions include application of default rate and identification of an appropriate effective interest rate taking into account the credit standing of each borrower. The effective interest rate method also takes into account all contractual terms (including any arrangement and exit fees) that are an integral part of the loan agreement. As the fees are taken into account when determining the initial carrying value, their recognition in profit or loss in the Consolidated Statement of Comprehensive Income is effectively spread over the life of the loan.

At the year end, the Directors consider that the carrying value of the loans recorded at amortised cost in the Financial Statements, approximates to their fair value. As referred to in the Investment Adviser's report, the Dawnus investment is considered to be a stage 3 asset as defined by IFRS 9, no other element of the loans advanced to date are considered a stage 3 asset.

The loans advanced are assessed by the Investment Adviser for indication of increases in credit risk since initial recognition during the financial period, at the statement of financial position date and up to the date of approving these Interim Financial Statements. The main factors considered for evidence of credit risk increases include significant difficulty of the borrower to service the loan, breach of contract such as default in interest or principal repayments, probability that a borrower will enter bankruptcy or financial re-organisation and devaluation of collateral.

As referred to in the Investment Adviser's Report, during the year ended 30 June 2019, the Group had a loan and hire purchase agreement in place with Arensis Energy Ltd, Entrade Energy Ltd and Arensis Energy One Ltd (each a "Borrower" and together the "Entrade Group"), for a principal amount of £12.7 million. As the Company announced and detailed on 19 December 2018 and 24 December 2018, the Entrade Group entered administration proceedings on 15 October 2018. The assets of the Entrade Group were then acquired out of administration by two new companies (the "Newcos") on 21 December 2018. The Newcos acquired the plant and associated operations of the Entrade Group, which was financed by the Group. As part of this financing and restructure, the Group agreed to new loan facilities for an aggregate amount of £8.7 million and a new finance lease for a capital amount of £4.8 million with the Newcos. In addition, non-voting preference shares for an aggregate nominal value of £1.6 million and a 45% stake in the ordinary share capital of each of the Newcos were issued to the Group (see note 7 for further details).

During the year ended 30 June 2019, the Group recognised an expected credit loss on its loan portfolio of £4,881,542 in the Consolidated Statement of Comprehensive Income. On 1 July 2018, on the implementation of IFRS 9, the Group also recognised a total expected credit loss on its loan portfolio at 30 June 2018 of £340,360 through the Consolidated Statement of Changes in Equity. At 30 June 2019, the Group had a total expected credit loss provision of £5,221,902 on the Consolidated Statement of Financial Position. At 30 June 2019, there were no significant aged outstanding receivables from the relevant borrowers.

6. LOANS ADVANCED AT AMORTISED COST, continued

A summary of the movements in the expected credit loss provisions during the year is shown in the following table:

	For the year ended 30 June 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£	**£**		
Expected credit loss provision				
Opening balance at 30 June 2018 under IAS 39	-	-	-	-
Adjustments on application of IFRS 9	340,360	-	-	340,360
Restated balance as at 1 July 2018 under IFRS 9	**340,360**	**-**	**-**	**340,360**
Amounts recovered during the year	(38,838)	**-**	-	(38,838)
Changes to ECL provision due to new loans advanced during the year	515,517	-	-	515,517
Transfer to Stages 2 and 3	(472,595)	464,081	8,514	-
Change in credit risk parameters	148,465	4,164,912	91,486	4,404,863
Closing ECL provision at 30 June 2019	**492,909**	**4,628,993**	**100,000**	**5,221,902**

Expected credit loss provisions on loans are considered to be a key source of estimation uncertainty, as detailed further in note 3, that the Board make, which has a significant effect on the amounts recognised in the Consolidated Financial Statements. With the most significant impact being the ECL provisions on the stage 2 and stage 3 loans. If the ECL provision at 30 June 2019 on these loans had increased by 5% with all other variables held constant, representing the Directors' assessment of a reasonably possible change, this would have decreased net assets by approximately £1.8 million. Conversely, if the ECL provision on these loans had decreased by 5%, this would have increased net assets by approximately £1.7 million.

Sale and leaseback transaction
The Group entered into sale and leaseback transactions during the year which, as detailed further in Note 3 b), have been recognised as a financial asset equal to the transfer proceeds. The classification and measurement of these financial assets are accounted for in accordance with IFRS 9 and treated as Loans advanced at amortised cost. At 30 June 2019, the outstanding balance of financial assets at amortised cost in relation to the sale and leaseback transactions amounted to £13,921,539 (30 June 2018: £3,382,050), with £3,810,799 (30 June 2018: £887,037) receivable within one year.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the year ended 30 June 2019	**For the year ended 30 June 2018**
	£	**£**
Cost of financial assets at fair value through profit or loss at the start of the year	**-**	-
Financial assets at fair value through profit or loss obtained during the year	425,013	-
Net movement in fair value through profit or loss during the year	(326,517)	-
Financial assets at fair value through profit or loss at the end of the year	**98,496**	-

As referred to in Note 6, during the year ended 30 June 2019, one of the Group's investments entered into administration. As part of the restructuring of this investment, the Group received non-voting preference shares and a 45% stake in the ordinary share capital of each of the Newcos. At 30 June 2019, the ordinary shares are valued at £nil. The preference shares were obtained in connection with a lease termination at a nominal value of £1,609,661. These preference shares are classified as financial assets at fair value through profit or loss and have a stated dividend of 20% of their nominal value. These financial assets are not traded in active markets and therefore the Group is unable to base the fair value of its financial assets on quoted market prices or broker price quotations. The Group therefore determines fair values using other valuation techniques.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, continued

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. At 30 June 2019, the valuation technique applied is based on discounted cash flow ("DCF") analysis of the Newcos. The discount rate applied in the DCF analysis is 30%, this discount rate has been used to account for the uncertainty associated with cash flows generated from the Newcos, the relatively long time span to 2036 for which the analysis has been produced and additionally, the business closure costs, which were factored into the discount rate. At 30 June 2019, the Directors have assessed the fair value of these preference shares to be £98,496.

IFRS 13 requires that a fair value hierarchy be established that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are set as follows:

– Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;

– Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

– Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be that market data that is readily available, regularly distributed or updated, reliable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Group's financial assets (by class, excluding financial assets held at amortised cost, cash and cash equivalents, trade and other receivables and trade and other payables) measured at fair value:

	30 June 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Assets:				
Financial assets at fair value through profit or loss	-	-	98,496	98,496
Total	**-**	**-**	**98,496**	**98,496**

There have been no transfers between levels of the fair value hierarchy during the year. Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, continued

The Group's financial assets at fair value through profit or loss, which are fair valued at each reporting date, have been classified within Level 3 as they are not traded and contain unobservable inputs. The valuation technique applied is based on DCF analysis of the underlying investee companies. The following table shows the Directors' best estimate of the sensitivity of the Group's Level 3 investments to changes in the principal unobservable inputs, with all other variables held constant.

Unobservable input	Possible reasonable change in input	30 June 2019 effect on net assets and profit or loss £
Discount rate	+5%	(50,758)
	-5%	106,945
Revenue rate	+5%	652,155
	-5%	(98,496)

8. RELATED PARTY TRANSACTIONS AND MATERIAL AGREEMENTS

Investment Adviser fees

Hadrian's Wall Capital Limited (the "Investment Adviser") is entitled to an Investment Adviser fee in accordance with the Investment Advisory Agreement between the Company and the Investment Adviser dated 31 May 2016.

For the services performed under the Investment Advisory Agreement, the Company shall pay to the Investment Adviser a fee which shall be calculated and accrued at a rate equivalent to 1.00% per annum of the Net Asset Value.

The Investment Advisory Agreement may be terminated on twelve months' notice in writing, such notice not to be served until the third anniversary of the Commencement Date (31 May 2016) such that the notice may not expire before the fourth anniversary of the Commencement Date.

Certain financing arrangements of the Group require site audits to be conducted, and various reconciliation and verification procedures to be performed. A number of borrowers under these arrangements pay affiliates of the Investment Adviser to provide such services with a typical average cost of between 45-50 basis points, amounting to approximately £0.6 million for the year ended 30 June 2019.

Investment Management fees

International Fund Management Limited (the "Investment Manager") is entitled to an Investment Management fee in accordance with the Investment Management Agreement between the Company and the Investment Manager dated 31 May 2016.

For the services performed under the Investment Management Agreement, the Company shall pay to the Investment Manager a management fee which shall be calculated and accrued at a rate equivalent to:

- 0.10% of NAV per annum up to a total NAV of £150 million;
- Reducing to 0.08% of NAV per annum for that part of the NAV (if any) between £150-250 million
- reducing further to 0.06% per annum of NAV for that part of the NAV (if any) in excess of £250 million; and
- subject, in each case, to an annualised minimum of £85,000 applied on a quarterly basis. The minimum investment management fee will be subject to an annual review on 1 May of each year. At such annual review, as a minimum, the annualised minimum will be varied by the Guernsey Retail Price Index. The investment management fees are payable quarterly in arrears.

The Investment Management Agreement is terminable by either party on not less than six months' notice. The agreement may also be terminated by immediate notice in writing in circumstances including, inter alia, material and continuing breach of the agreement, insolvency of any party or a party is in non-compliance with any applicable laws or regulations.

8. RELATED PARTY TRANSACTIONS AND MATERIAL AGREEMENTS, continued

Administration fees
Up to 31 July 2017, Praxis Fund Services Limited (the "Administrator") was entitled to an Administration fee in accordance with the Agreement made between the Company and the Administrator dated 31 May 2016. This Administration Agreement dated 31 May 2016 was terminated and replaced with a new administration agreement between the Company and the Administrator dated 20 October 2017 (the "Administration Agreement").

With effect from 1 August 2017, in respect of the services provided under the Administration Agreement, the Company pays the Administrator a fee as stated below:

- 0.075% per annum of NAV up to a total NAV of £150 million;
- reducing to 0.06% per annum of NAV for that part of the NAV (if any) between £150-250 million;
- reducing further to 0.05% per annum of NAV for that part of the NAV (if any) in excess of £250 million; and
- subject to a minimum annual fee of £75,000 plus disbursements and a fee for company secretarial services based on time-costs.

Under the Administration Agreement, the Administrator also provides administration services to Finance Co and Asset Co.

The Administration Agreement may be terminated by the Company or the Administrator on not less than 3 months' notice in writing. The agreement may also be terminated by immediate notice in writing in circumstances including, inter alia, material and continuing breach of the agreement, insolvency of any party or a party is in non-compliance with any applicable laws or regulations.

Subsidiary Administration fees for Note Co
CSC Corporate Services (UK) Limited ("CSC") is entitled to service fees in accordance with a Corporate Services Agreement dated 12 March 2018 between Note Co and CSC (the "Note Co Corporate Services Agreement").

In respect of the services provided under the Note Co Corporate Services Agreement, the Group pays the CSC a fee of £9,000 per annum for corporate governance, financial services, trustee services and agency services.

Directors' fees
David Warr is entitled to a fee in remuneration for his services as a non-executive Director and Chairman of the Company at a rate payable of £40,000 per annum.

John Falla is entitled to a fee in remuneration for his services as a non-executive Director and Chairman of the Audit and Risk Committee of the Company at a rate payable of £35,000 per annum.

The remaining Directors are entitled to a fee in remuneration for their services as Directors at a rate of £30,000 each per annum.

The Directors are regarded as related parties. Transactions with the Directors during the year are described below.

Directors and their families held the following interests in the Ordinary Shares of the Company at 30 June 2019 and 30 June 2018:

	30 June 2019		30 June 2018	
Name	**No. of Ordinary Shares**	**Percentage***	**No. of Ordinary Shares**	**Percentage***
David Warr	156,973	0.11%	156,973	0.11%
John Falla	17,463	0.01%	17,463	0.01%
Paul Craig	7,463	0.01%	7,463	0.01%
Nigel Ward	7,463	0.01%	7,463	0.01%

*Under the Articles, at any general meeting of the Company each Share (Ordinary Share) shall have one vote, therefore, the percentage shown is based on the aggregate total number of Ordinary Shares in issue.

8. RELATED PARTY TRANSACTIONS AND MATERIAL AGREEMENTS, continued

Directors' fees. continued

Paul Craig is also a Portfolio Manager at Quilter Investors which, as at 30 September 2019 (being the latest practicable date prior to the date of this report), was the registered holder of approximately 24.75% of the Shares in issue as at that date.

During the financial year the Directors received the following amounts as dividends from Ordinary Shares:

Name	For the year ended 30 June 2019 £	For the year ended 30 June 2018 £
David Warr	9,418	4,605
John Falla	1,048	712
Paul Craig	448	112
Nigel Ward	448	112

The amounts charged for the above-mentioned fees during the year ended 30 June 2019 and outstanding at 30 June 2019 are as follows:

Name	Charge for the Year ended 30 June 2019 £	Amounts outstanding at 30 June 2019 £	Charge for the year ended 30 June 2018 £	Amounts outstanding at 30 June 2018 £
Investment advisory fee	1,416,062	113,756	1,238,251	117,467
Investment management fee	141,096	11,376	128,880	11,747
Administration fees	208,222	11,106	169,894	14,970
Corporate Service fees – Note Co	8,934	2,500	49,709	2,500
Directors' fees	135,000	-	135,000	-

9. TAX STATUS

The Company is exempt from Guernsey income tax and is charged an annual exemption fee of £1,200 (30 June 2018: £1,200).

Note Co and Finance Co meet the requirements and fall within the scope of the UK securitisation company regime provided for by section 623 of the Corporation Tax Act 2010 and the Taxation of the Securitisation Companies Regulations 2006, as such the Subsidiaries are subject to UK corporation tax on their "retained profits" only. Asset Co does not meet the requirements of the UK securitisation company regime and is subject to UK corporation tax on its "taxable profits" in accordance with the Corporation Tax Act 2010.

	For the year ended 30 June 2019 £	For the year ended 30 June 2018 £
Analysis of tax charge in the year		
Current tax (see note below)	3,721	3,968
Tax on profit on ordinary activities	**3,721**	**3,968**

9. TAX STATUS, continued

Factors affecting tax charge for the year

The tax assessed for the year ended 30 June 2019 is the standard rate of corporation tax in the UK applicable to the year of 19% (30 June 2018: 19%).

	For the year ended 30 June 2019 £	For the year ended 30 June 2018 £
Profit on ordinary activities before tax	3,203,455	5,683,345
Profit on ordinary activities multiplied by the rate of Corporation tax in the UK applicable to the year of 19% (30 June 2018: 19%)	608,656	1,079,836
Effects of:		
Profits exempt from Guernsey income tax and not subject to tax in accordance with the tax rules applicable to UK securitisation vehicles	(604,935)	(1,075,868)
Total tax charge	**3,721**	**3,968**

10. BASIC AND DILUTED EARNINGS/(DEFICIT) PER ORDINARY SHARE AND C SHARE

Basic and diluted earnings/(deficit) per Share are calculated by dividing the profit/(loss) for the year by the weighted average number of Shares outstanding during the year.

	For the year ended 30 June 2019	For the year ended 30 June 2018
Weighted average number of Ordinary Shares outstanding	145,170,463	125,027,953
Profit for the financial year	£3,203,455	£5,740,590
Basic and diluted earnings per Ordinary Share	2.21p	4.59p

	For the year ended 30 June 2019	For the period 13 March 2018 to 30 June 2018
Weighted average number of 2018 C Shares outstanding	-	20,074,263
Loss for the financial period	-	£(61,213)
Basic and diluted deficit per C Share	-	(0.30)p

The weighted average number of Ordinary Shares (30 June 2018: C Shares also) for the year ended 30 June 2019 is based on the number of Ordinary Shares (30 June 2018: C Shares also) in issue during the year, as detailed in note 13. There are no instruments in issue that could potentially dilute earnings or deficit per Ordinary Share and C Shares in future periods.

On 19 December 2019, as detailed further in note 13, the 2018 C Shares were converted into Ordinary Shares in accordance with the Conversation Ratio. The Conversation Ratio takes into account any profits or losses generated by the C Shares in the period prior to conversion and subsequently apportions the appropriate number of new Ordinary Shares. As a result, the new Ordinary Shares are deemed to have been in issue since the start of the financial period and the weighted average number of Ordinary Shares for the year to 30 June 2019, as shown above, is equal to the number of Ordinary Shares in issue at 30 June 2019, as shown in note 13.

11. CASH AND CASH EQUIVALENTS

	For the year ended 30 June 2019 £	For the year ended 30 June 2018 £
Opening cash and cash equivalents	50,987,285	64,912,369
Net movement in the year	(47,644,214)	(13,925,084)
Closing cash and cash equivalents	**3,343,071**	**50,987,285**

Cash and cash equivalents comprise bank balances and cash held by the Group including short-term bank deposits with an original maturity date of three months or less. The carrying value of these assets approximates to their fair value.

12. TRADE AND OTHER PAYABLES

	Note	30 June 2019 £	30 June 2018 £
Investment advisory fee payable	8	113,756	117,467
Investment management fees payable	8	11,376	11,747
Administration fees payable	8	11,106	14,970
Auditor's remuneration for audit services payable		54,000	45,000
Broker fees payable		25,000	24,795
Legal and professional fees payable		12,252	-
Credit facility interest payable	14	28,141	-
Prepaid loan interest		32,180	-
Share issue costs payable		6,000	32,907
Taxation payable		4,023	5,380
Sundry expenses payable		10,221	15,771
Total other payables		**308,055**	**268,037**

13. SHARE CAPITAL

Authorised Capital

The Company has the power to issue an unlimited number of shares of no par value which may be issued as Ordinary Shares, B Shares or C Shares, in each case of such classes, and denominated in such currencies, as shall be determined at the discretion of the Board. The Company has Ordinary Shares (30 June 2018: C Shares also) denominated in Pound Sterling in issue at the date of this report.

Issued and fully paid Capital		30 June 2019	
	Ordinary Shares Number	2018 C Shares Number	Total Shares Number
Share Capital at the beginning of the year	125,027,953	20,074,263	145,102,216
Conversion of C Shares during the year	20,142,510	(20,074,263)	68,247
Total Share Capital at the end of the year	**145,170,463**	**-**	**145,170,463**

Issued and fully paid Capital		30 June 2019	
	Ordinary Shares £	2018 C Shares £	Total £
Share Capital at the beginning of the year	122,744,577	19,672,778	142,417,355
Conversion of C Shares during the year	19,672,778	(19,672,778)	-
Total Share Capital at the end of the year	**142,417,355**	**-**	**142,417,355**

13. SHARE CAPITAL, continued

Issued and fully paid Capital	**30 June 2018**			
	Ordinary Shares Number	**2018 C Shares Number**	**2017 C Shares Number**	**Total Shares Number**
Share Capital at the beginning of the period/year	80,024,706	-	45,224,862	124,249,568
Conversion of C Shares during the period/year	45,003,247	-	(45,224,862)	(221,615)
Shares issued and fully paid	-	20,074,263	-	20,074,263
Total Share Capital at the end of the period/year	**125,027,953**	**20,074,263**	**-**	**145,102,216**

Issued and fully paid Capital	**30 June 2018**			
	Ordinary Shares £	**2018 C Shares £**	**2017 C Shares £**	**Total £**
Share Capital at the beginning of the period/year	78,424,212	-	44,320,365	122,744,577
Conversion of C Shares during the period/year	44,320,365	-	(44,320,365)	-
Shares issued and fully paid	-	20,074,263	-	20,074,263
Share issue costs	-	(401,485)	-	(401,485)
Total Share Capital at the end of the period/year	**122,744,577**	**19,672,778**	**-**	**142,417,355**

On 19 December 2018, the Company announced the results of the C Shares conversion to Ordinary Shares. The Conversion Ratio, as calculated in accordance with the terms set out in the Company's prospectus dated 2 May 2017, was 1.0034 Ordinary Shares for each C Share held on the record date of 17 December 2018.

In total 20,142,510 new Ordinary Shares were allotted pursuant to the 2018 C Share conversion. Accordingly, applications were made for 20,142,510 Ordinary Shares to be admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities ("Admission"). Admission occurred at 8.00 a.m. on 21 December 2018.

The Ordinary Shares arising on Conversion rank pari passu with, and have the same rights as, the Ordinary Shares of the Company already in issue, including the right to receive dividends declared subsequent to Admission. With effect from 21 December 2018, the total number of Ordinary Shares in issue were 145,170,463 and the total number of voting rights in the Company were 145,170,463.

Ordinary Shares

The authorised share capital of the Company is represented by an unlimited number of Ordinary Shares of nil par value and have the following rights:

(a) Dividends:

Shareholders are entitled to receive, and participate in, any dividends or other distributions resolved to be distributed in respect of any accounting period or other period, provided that no calls or other sums due by them to the Company are outstanding.

(b) Winding Up:

On a winding up, the shareholders shall be entitled to the surplus assets remaining after payment of all the creditors of the Company.

(c) Voting:

Subject to any rights or restrictions attached to any shares, at a general meeting of the Company, on a show of hands, every holder of voting shares present in person or by proxy and entitled to vote shall have one vote, and on a poll every holder of voting shares present in person or by proxy shall have one vote for each share held by him, but this entitlement shall be subject to the conditions with respect to any special voting powers or restrictions for the time being attached to any shares which may be subject to special conditions. Refer to the Memorandum and Articles of Incorporation for further details.

14. REVOLVING CREDIT FACILITY

On 13 November 2018, the Company entered into a £25 million revolving loan facility agreement with Shawbrook Bank Limited ("the Facility"). The Facility is for a one-year period to 13 November 2019.

The Company intends to use the Facility to minimise unused cash balances in order to improve returns to shareholders. The Company does not intend to use permanent leverage but will use the Facility as and when necessary in order to best manage the Company's ongoing liquidity requirements. In accordance with the terms of the Facility, the Company must meet certain financial and portfolio covenants. For the year ended 30 June 2019, all covenant requirements were met by the Company. On 24 October 2019, the Facility was extended for a further one-year period to 10 November 2020.

At 30 June 2019, £15.5 million of the facility had been drawn upon. Interest on the facility is charged at Libor plus a margin rate per annum on the amount drawn and an additional non utilisation fee is charged on the amount undrawn. During the year ended 30 June 2019, the Company had incurred £0.3 million of interest and non utilisation fees on the facility. Credit facility finance costs (including arrangement and legal fees) of £0.3 million were payable on the credit facility, of which £0.2 million were expensed in the Consolidated Statement of Comprehensive Income for the year ended 30 June 2019.

15. NET ASSET VALUE PER ORDINARY SHARE AND C SHARE

The net asset value per Ordinary Share of 94.45p (30 June 2018: 98.17p) is based on the net assets at the year end of £137,111,517 (30 June 2018: £122,742,810) and on 145,170,463 (30 June 2018: 125,027,953) Ordinary Shares, being the number of Ordinary Shares in issue at the year end.

At 30 June 2018, the net asset value per 2018 C Share of 97.70p is based on the net assets at the year end of £19,611,565 and on 20,074,263 2018 C Shares, being the number of 2018 C Shares in issue at the year end.

16. RECONCILIATION OF FINANCIAL STATEMENTS NAV PER ORDINARY SHARE AND PUBLISHED NAV PER ORDINARY SHARE

30 June 2019	**Net asset value attributable to Ordinary Shares £**	**NAV per Ordinary Share Pence**
Published net asset value	138,268,859	95.25
Effective interest rate adjustments	(830,825)	(0.57)
Financial assets at fair value through profit or loss adjustment	(326,517)	(0.23)
Financial Statements net asset value	**137,111,517**	**94.45**

30 June 2018	**Net asset value attributable to Ordinary Shares £**	**NAV per Ordinary Share Pence**
Published net asset value	123,170,053	98.51
Effective interest rate adjustments	(427,243)	(0.34)
Financial Statements net asset value	**122,742,810**	**98.17**

The difference between the Published net asset value per Ordinary Share of 95.25p (30 June 2018: 98.51p) and the Financial Statements net asset value per Ordinary Share of 94.45p (30 June 2018: 98.17p) at 30 June 2019, was primarily due to the application of the Effective Interest Rate method with regards to £0.4 million (30 June 2018: £0.5 million) of upfront fees which were received by the Group. At 30 June 2019, a fair value adjustment to the preference shares held by the Group which are measured at fair value through profit or loss (see note 7 for further details) has been applied as a result of the completion of revised discounted cash flow analysis.

At 30 June 2018, there was no difference between the Financial Statements NAV per 2018 C Share and the Published NAV per 2018 C Share.

17. COMMITMENTS AND CONTINGENCIES

At 30 June 2019, the Group had undrawn loan commitment amounts of £5.6 million (30 June 2018: £24.2 million).

At 30 June 2019, the Group had no contingent liabilities (30 June 2018: none).

18. POST YEAR END EVENTS

On 26 July 2019, the Directors declared an interim dividend in relation to the three months ended 30 June 2019 of 1.5 pence per Ordinary Share which was paid on 9 September 2019, at a total cost of £2,167,495, to Shareholders on the register at 9 August 2019. The ex-dividend date was 8 August 2019. In accordance with IAS 10, this dividend has not been included within these Consolidated Financial Statements.

On 30 July 2019, the Company repurchased 670,796 Ordinary Shares of no par value at 80.0 pence per Ordinary Share to be held in treasury. Following this repurchase the Company had 144,499,667 Ordinary Shares in issue, excluding 670,796 Ordinary Shares held in treasury. The Company had 144,499,667 total voting rights following this transaction.

On 5 September 2019, the Company repurchased 1,000,000 Ordinary Shares of no par value at 78.0 pence per Ordinary Share to be held in treasury. Following this repurchase the Company had 143,499,667 Ordinary Shares in issue, excluding 1,670,796 Ordinary Shares held in treasury. The Company had 143,499,667 total voting rights following this transaction.

On 2 October 2019, the Company announced an update with respect to Biomass Premium Fuels Limited ("BPFL") and Biomass Optimum Fuels Limited ("BOFL") which separately acquired the assets of Arensis Energy Ltd, Entrade Energy Ltd and Arensis Energy One Ltd out of administration on 21 December 2018. The Company financed these acquisitions and provided additional capital for working capital and capex.

BOFL has entered into a strategic partnership with the SDL Group to operate the manufacturing facilities of BOFL. The agreement is for an initial three years with prospective extensions. SDL was founded in 2007 and is an established manufacturer and distributor of biomass fuel products and related renewable energy services across the UK. The agreement with BOFL increases SDL's UK manufacturing capacity. The Company's investment in BOFL is currently £6.6 million.

BPFL, in respect of which the Company's investment is £10.7 million, is now engaged in ongoing discussions and due diligence to enter into a joint venture or partnership. These discussions have not progressed at the pace previously anticipated, however, discussions are continuing, and Investment Adviser remains optimistic that progress will continue to be made with a favourable outcome in the near term.

The Board, on advice from the Investment Adviser, considers that the successful completion of the agreement between BOFL and SDL reduces the risk of material loss to the Company in respect of BOFL. If comparable arrangements for BPFL are not completed in a satisfactory manner, the outcome in relation to the Company's investment in BPFL would be uncertain and the Company could be exposed to the risk of a material loss.

The Investment Adviser remains of the view that individual case loss reserves continue not to be required in respect of either of these investments at this time. Nevertheless, the Company is maintaining its expected credit loss provisions in connection with BPFL at £1.4 million, and BOFL at £1.8 million.

On 24 October 2019, the Directors declared an interim dividend in relation to the three months ended 30 September 2019 of 1.5 pence per Ordinary Share which will be paid on 22 November 2019, to Shareholders on the register at 1 November 2019. The ex-dividend date is 31 October 2019. In accordance with IAS 10, this dividend has not been included within these Consolidated Financial Statements.

On 24 October 2019, the £25 million revolving loan facility agreement with Shawbrook Bank Limited was extended for a further one-year period to 10 November 2020.

There were no other significant post year end events that require disclosure in the Consolidated Financial Statements.

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
MANAGEMENT AND ADMINISTRATION

Directors
Mr David Warr (Independent non-executive Chairman)
Mr Paul Craig (Independent non-executive Director)
Mr John Falla (Independent non-executive Director)
Mr Nigel Ward (Independent non-executive Director)

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Alternative Performance Measures used in the Financial Statements

- **Ongoing charges ratio ("OCR")**
  The ongoing charges ratio of an investment company is the annual percentage reduction in shareholder returns as a result of recurring operational expenditure. Ongoing charges are classified as those expenses which are likely to recur in the foreseeable future, and which relate to the operation of the Company, excluding investment transaction costs, finance charges, taxation and any gains or losses on investments or expected credit losses. The OCR is calculated as the total ongoing charges for a year/period divided by the average net asset value over that period.

	For the year ended 30 June 2019		
	Ordinary Shares		
	Company	**Subsidiaries**	**Total**
	£	**£**	**£**
Total expenses	7,830,497	55,419	7,885,916
Non-recurring expenses	(5,685,982)	(4,654)	(5,690,636)
Total ongoing expenses	2,144,515	50,765	2,195,280
Average NAV			140,859,322
Ongoing charges ratio (using AIC methodology)			**1.56%**

	For the year ended 30 June 2018		
	Ordinary Shares		
	Company	**Subsidiaries**	**Total**
	£	**£**	**£**
Total expenses	1,836,116	73,607	1,909,723
Non-recurring expenses	(72,650)	(3,968)	(76,618)
Total ongoing expenses	1,763,466	69,639	1,833,105
Average NAV			122,858,063
Ongoing charges ratio (using AIC methodology)			**1.49%**

	For the year ended 30 June 2018		
	C Shares		
	Company	**Subsidiaries**	**Total**
	£	**£**	**£**
Total expenses	86,075	-	86,075
Non-recurring expenses	(930)	-	(930)
Total ongoing expenses	85,145	-	85,145
Annualised total ongoing expenses			282,525
Average NAV			19,638,789
Ongoing charges ratio (using AIC methodology)			**1.44%**