



RNS      Half-year/Interim Report

Half-year Report

POLLEN STREET SECURED LENDING PLC

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Pollen Street Secured Lending PLC  
30 September 2020

Pollen Street Secured Lending plc  
Half Year Report and unaudited Condensed Financial  
Statements for the six months ended 30 June 2020

Copies of the Half Year Report can be obtained from the following website:

<https://www.pollenstreetsecuredlending.com/investor-information>

Investment Objective

The investment objective of Pollen Street Secured Lending plc (the "Company") and its subsidiaries (together, the "Group") is to provide shareholders with an attractive level of dividend income through exposure to investments in alternative finance and related instruments. The Company wants to achieve investment diversification across originators, geographies, loan asset classes and credit grades and allow shareholders to access equity assets that are aligned with the Company's Investment Policy. The policy was updated on 19 December 2017, with the aim of using the Company's revised strategy to capitalise on opportunities that present themselves to enhance the Company's returns.

Financial and Operational Highlights

	30 June 2020	30 June 2019	31 December 2019
NET ASSET VALUE			
NET ASSET VALUE (CUM INCOME) (£'000) <sup>1</sup>	700,824	722,288	718,245
NET ASSET VALUE (EX INCOME) (£'000) <sup>2</sup>	691,862	712,255	703,198
MARKET CAPITALISATION (£'000) <sup>3</sup>	539,382	632,294	617,539
PER SHARE METRICS			
SHARE PRICE (AT CLOSE) <sup>4</sup>	730.0	844.0p	830.0p
NET ASSET VALUE PER SHARE (CUM INCOME)	948.5p	964.1p	965.4p
NET ASSET VALUE PER SHARE (EX INCOME)	936.4p	950.7p	945.1p
INTERIM DIVIDENDS PAID <sup>5</sup>	24.0p	24.0p	48.0p
SHARES IN ISSUE	73,888,011	74,916,368	74,402,289
SHARE BUYBACK IN THE PERIOD	514,278	1,172,033	1,686,112
KEY RATIOS			
DISCOUNT TO NAV <sup>3 6</sup>	(23.0%)	(12.5%)	(14.0%)
ANNUALISED NAV PER SHARE RETURN <sup>7</sup>	0.7%	5.1%	5.3%
ITD TOTAL NAV PER SHARE RETURN <sup>8 9</sup>	27.7%	23.5%	26.8%
CONTINUING PORTFOLIO <sup>10</sup>	96%	90%	93%
LEGACY PORTFOLIO <sup>11</sup>	4%	10%	7%

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

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

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

4      SHARE PRICE (AT CLOSE): the closing mid-market share price at period end.

5      INTERIM DIVIDENDS: dividends relating to 6 months to June 2020 were paid in May 2020 and are due to be paid in October 2020, dividends relating to 2019 financial year were paid in June 2019, September 2019, December 2019 and March 2020. Dividends relating to 6 months to June 2019 were paid in May 2019 and August 2019.

- 6 PREMIUM/(DISCOUNT): the amount by which the price per share is either higher (at a premium) or lower (at a discount) than the net asset value per share (cum income), expressed as a percentage of the net asset value per share.
- 7 ANNUAL NAV PER SHARE RETURN: is calculated from the monthly returns in the period, which are calculated as Net Asset Value (Cum Income) at the end of the month, plus dividends declared during the month, divided by NAV (Cum Income) calculated on a per share basis at the start of the month and the actual number of days in the year divided by actual number of days in the month.
- 8 ITD: inception to date - excludes issue costs.
- 9 TOTAL NAV PER SHARE RETURN: is calculated as Net Asset Value (Cum Income) at the end of the year, plus dividends declared during the year, divided by NAV (Cum Income) calculated on a per share basis at the start of the year.
- 10 CONTINUING PORTFOLIO: portfolio of Platforms that the Group has originated through in 2018, 2019 and 2020 calculated based on NAV exposure to investment assets as a percentage of total NAV before deducting topco debt, excluding cash, working capital and equity positions.
- 11 LEGACY PORTFOLIO: portfolio of Platforms that the Group has not originated through in 2018, 2019 and 2020 (predominately Consumer Platforms) calculated based on NAV exposure to investment assets as a percentage of total NAV before deducting topco debt excluding cash, working capital and equity positions.

## Chairman's Statement

### INTRODUCTION

I am pleased to present Pollen Street Secured Lending plc's half yearly financial report, which covers the period from 1 January 2020 to 30 June 2020.

The first half of 2020 has been a period of considerable uncertainty for the Group, with the economic and market impact of the COVID-19 pandemic and the ongoing processes relating to the possible cash offer from Waterfall Asset Management LLC ("WAM") and the change of the Group's investment manager.

During this period the Board has taken care to oversee a conservative approach to portfolio management, implemented by the Investment Manager, and to maximise the alternatives available to shareholders. We believe this strategy has served shareholders well in challenging circumstances.

### INVESTMENT PERFORMANCE AND DIVIDENDS

Interest income on Credit Assets at amortised cost for the first six months of the year was £43.6 million (H1 2019: £50.0 million). The Credit Assets have reduced to £837.2 million (H1 2019: £1,001.8 million) as the Company has deleveraged. The charge for credit impairment loss provision under IFRS 9 was £14.5 million (H1 2019: £11.3 million), an increase of 28 per cent. The increase is attributable to a change to the economic outlook in addition to forbearance following the onset of COVID-19. The Company paid dividends of 24.0 pence (H1 2019: 24.0 pence) per ordinary share in relation to the first half of 2020. The dividend return was 4.8 per cent (2018: 4.8 per cent) on the original issue price.

The portfolio continues to perform well with significant cash collection and a reduction in the number of loans in forbearance plans. In the US portfolio, we have seen a significant reduction in the number of loans in payment plans as the economy has started to reopen. The UK portfolio is starting to see the early signs of a similar trend with loans that went into a 3-month payment plan in March coming to an end in June with the majority of customers indicating that they would like to go back onto full contractual payments.

### SHARE PRICE AND BUYBACKS

The share price of the Company at 30 June 2020 was 730 pence per share. The NAV per share (cumulative of income) is 948 pence per ordinary share representing a 23.0 per cent discount to NAV (cumulative of income). Throughout the first half of 2020, share buy backs accounted for 514,278 ordinary shares (H1 2019: 1,172,033) which were repurchased into treasury at an average price of 719 pence per ordinary share (H1 2019: 820 pence).

### RISK MANAGEMENT AND OVERSIGHT

The Board plays a key role in supporting and challenging the Group's long-term strategic planning. This includes a rigorous assessment of both the risks and opportunities presented by the evolving market environment and considering the interests of key stakeholders. The oversight is exercised through the board's committee structure and further information is provided in each Board committee report in the Annual Report and Financial Statements.

### OUTLOOK

As announced in the Group's most recent update to the market on 8 September 2020 it is expected that transition of the Group's investment management contract to WAM will be completed as soon as practicable. Discussions regarding a possible cash offer by WAM are also ongoing.

Since 30 June the Group has continued to reduce leverage and increase its liquidity. This pattern is expected to continue in the light of continued market uncertainty resulting from the COVID-19 pandemic and pending the change of investment manager.

If a cash offer for the Group is not completed the Board expects to recommend to shareholders that the Group's investment policy is changed to provide for a controlled run-off of the Group's assets and return of capital to shareholders. Any change of investment policy will be subject to shareholder approval.

Simon King

*Chairman*

30 September 2020

## Investment Manager's Report

The Investment Manager is a member of the Pollen Street Capital Group ("PSC"). PSC is an independent asset manager with private equity and credit strategies. PSC was formed in 2013 and possesses a strong and consistent track record within the financial and business services sectors.

PSC has significant experience in lending markets. It works with the specialty finance market, which the Investment Manager believes is underserved by the banking industry, capital markets and more generalist credit funds. The strategy is supported by changes in the focus of mainstream lenders together with the implementation of new models that utilise data, analytics and technology more effectively. It provides an opportunity to generate attractive returns to investors whilst maintaining a prudent approach to risk.

The Investment Manager partners with the highest quality originators in order to access exciting credit opportunities with a focus on asset backed investments. In addition, where there is an aligned strategic opportunity, certain minority equity stakes are held.

The Investment Manager provides the Group with access to an established network of specialist lenders, market leading underwriting capabilities and strategic insight into the optimal collection strategy. The relationship with the platforms extends beyond PSC being simply providers of access to capital. PSC leverages its expertise to enable the platforms it

partners with to outperform across all stages of the credit cycle. The relationships and expertise created are difficult to replicate and help provide more stable and attractive returns. The Investment Manager is deeply involved in the underwriting decisions, the customer journey, and collections.

## FINANCIAL HIGHLIGHTS

The Coronavirus pandemic ("COVID-19") has disrupted much of the global economy, leading governments to introduce a wide range of stimulus programmes, the majority of which are unprecedented. Over this period, the Investment Manager has focused on prudently managing the existing assets, deleveraging the portfolio and increasing liquidity.

Interest income on Credit Assets at amortised cost for the first six months of the year was £43.6 million (H1 2019: £50.0 million). The main driver of the 12.8 per cent reduction in interest income was a 16.3 per cent reduction in Credit Assets to £837.2 million (H1 2019: £1,001.8 million) as the Investment Manager has deleveraged the Group. The reductions in assets was offset by an increase in yield as the portfolio has been transitioned to higher yielding assets.

There was a £7.4 million net loss (H1 2019: £0.2 million gain) for the period from the legacy Equity Assets held at fair value through profit and loss. The equity investments made by the previous investment manager primarily consist of investments in marketplace lenders in the UK, US and Australasia. These business models were challenged going into the COVID-19 pandemic with many of them yet to reach profitability and therefore reliant on equity support to continue to operate. The current macro environment has heightened the stress on the business models. PSC has proactively sought to exit these positions where possible and has reduced the portfolio from £34.4 million to £15.2 million since September 2017. The write down mainly relates to two positions: Ratesetter and Payoff. The Investment Manager also reached agreement to sell PSSL's stake in another UK platform in the period for £1.6 million, at only a modest discount to the carrying value.

The charge for credit impairment loss provision under IFRS 9 was £14.5 million (H1 2019: £11.3 million), an increase of 28 per cent. The increase is attributable to expected credited loss as opposed to realised losses. Under IFRS 9, the Company calculates the provision charge using forward looking estimates that are based on a range of economic scenarios. The economic outlook has materially changed following the onset of the COVID-19. The Investment Manager has updated its estimate of expected credit losses to reflect the latest available forecasts for the economy produced by Oxford Economics, giving rise to an initial charge of £2.0 million in March 2020 and a further £1.6 million in June 2020 when these were finalised. In addition to this the Investment Manager has prudently built additional provision coverage on loans that are on forbearance and payment plans in line with Bank of England and regulatory guidance.

Expenses for the period were £3.3 million (H2 2019: £1.3 million). The increase is mainly attributable to costs associated with the dispute between the Investment Manager and the Group and the possible offer from Waterfall Asset Management LLC. The profit after tax for the period closed at £4.1 million (H1 2018: £16.4 million).

## PORTFOLIO

Since the onset of the COVID-19 crisis the Investment Manager has prudently been focusing on cash collections. The portfolio remains highly diversified across two types of facilities, structured loans and whole loans, and three sectors, consumer, property and SME.

The portfolio continues to perform well with significant cash collection and a reduction in the number of loans in forbearance plans. In the US portfolio, we have seen a significant reduction in the number of loans in payment plans as the economy has started to reopen. The loans in payment plans for the two largest consumer portfolios has reduced in aggregate by more than 50% with the subsequent payment performance being strong. The UK portfolio is starting to see the early signs of a similar trend with loans that went into a 3-month payment plan in March coming to an end in June with the majority of customers indicating that they would like to go back onto full contractual payments.

The SME sector is seeing significant refinancing of loans from the government schemes, which is leading to high cash collections across this portfolio. The Real Estate sector is seeing a strong refinancing market driven by competition in the mortgage market and the early signs that the sales market is starting to pick up. This is likely to drive strong cash collections over the coming months.

## GEARING

The Company has reduced the Net Investment Assets from a high of £957 million at 31 January 2020 to £865 million at 30 June 2020, and consequently de-levered the Company.

Cash generated by the Company in the period has been used to reduce the outstanding net debt from £281.6 million to £198.6 million from 31 January 2020 to 30 June 2020. Consequently, the net debt to equity ratio decreased from 38.9 per cent to 28.3 per cent over the same period.

## SHARE PRICE AND BUYBACKS

The share price of the Company at 30 June 2020 was 730 pence per share. The NAV per share (cumulative of income) was 948 pence per ordinary share representing a 23.0 per cent discount to NAV (cumulative of income). The Investment Manager has reduced net debt to create capacity to materially increase share buy backs. As at 30 June 2020 there was £95.5 million (H1 2020: £50.7 million) of cash and cash equivalents on the balance sheet ready to be returned to shareholders. Throughout the first half of 2020, share buy backs reduced to 514,278 ordinary shares (H1 2019: 1,172,033) being repurchased at an average price of 719 pence per ordinary share (H1 2019: 820 pence).

## OUTLOOK

The portfolio has performed well to date with strong cash collections and underlying returns demonstrating the resilience of the portfolio. The majority of the portfolio benefits from asset backing: 72 per cent of the continuing portfolio at 30 June 2020 benefits from either platform first loss equity, as is the case with the structured loan portfolio, or security over real estate. The Group is well diversified with the underlying loan portfolios being highly granular with low concentration risk.

The Investment Manager continues to have faith in the strength of the asset class despite these unprecedented conditions. The asset class requires active management. It is critical that this continues to ensure this performance is maintained. This is particularly relevant in the post-COVID environment.

## Top Ten Holdings

Investment	Investment Type	Country	Sector	Value	
				as at 30	
				June-20	% of Net
				£'m	Assets
CapitalFlow Group	Structured	Ireland	<b>SME</b>	56.2	8.02
PF Capital Finance Limited	Structured	United Kingdom	<b>Property</b>	46.2	6.60

RapidAdvance	Structured	USA	SME	41.1	5.87
Equifinance Limited	Structured	United Kingdom	Property	25.3	3.61
Amigo Loans Limited	Bond	United Kingdom	Consumer	20.5	2.93
Madison CF UK Limited	Structured	United Kingdom	Consumer	19.5	2.79
SPV Naga Funding Limited	Structured	United Kingdom	Property	19.5	2.78
Insolvency Asset Holdings Limited	Structured	United Kingdom	Consumer	18.0	2.56
Sunbit Receivables Trust II	Structured	United Kingdom	Consumer	16.2	2.31
	Secured Loan to underlying borrower	United Kingdom	Property	15.6	2.23

As at 30 June 2020 the value of the top 10 assets totalled £278.2 million which equated to 40 per cent of net assets.

Portfolio Composition

Portfolio Overview as at 30 June 2020 <sup>1</sup>		
Whole Loan, Consumer	20%	
Whole Loan, Property	3%	
Whole Loan, SME	6%	
Whole Loan	29%	
Structured SME	17%	
Structured, Property	32%	
Structured, Consumer	14%	
Structured	63%	
Run-Off Portfolio	4%	4%
Equity	3%	3%
Total	99%	99%

<sup>1</sup> Continuing and legacy portfolios, excluding bond and equity positions

INTERIM MANAGEMENT REPORT AND RESPONSIBILITY STATEMENT

Interim Management Report

The important events that have occurred during the period under review, the key factors influencing the financial statements and the principal factors that could impact the remaining six months of the financial period are set out in the Chairman's statement and the Investment Manager's reports.

Principal Risks and Uncertainties

The principal risks faced by the Company can be divided into various areas as follows:

- Operational Risks
  - Third party service providers
  - Reliance on key individuals
  - Fluctuations in the market price of issued shares
- Investment Risks
  - Achievement of the Investment Objective
  - Borrowing
  - Exposure to Credit Risk
  - Interest Rate Risk
  - Foreign Exchange Rate Risk
  - Liquidity of Investments
- Regulatory Risks
  - Tax
  - Breach of Applicable Legislative Obligations
- Emerging Risks

The Board reported on the principal risks and uncertainties faced by the Company in the Annual Report and Financial Statements for the year ended 31 December 2019. A detailed explanation can be found in the Strategic Report on pages 23 to 27 and in note 8 on pages 105 to 69 of the Annual Report and Financial Statements which are available on the website at: <https://www.pollenstreetsecuredlending.com/media/10264/2019-annual-report-and-accounts-final-unsigned.pdf>

The Board has reviewed the principal risks and uncertainties of the Company as part of the review of this half year financial report. The Board notes the following updates to the relevant disclosure in the 2019 report and accounts.

### Operational Risk

On 25 February 2020, the Group served 12 months to terminate the investment management agreement with Pollen Street Capital. The Company is seeking alternative service providers and has announced Waterfall Asset Management LLP as the intended successor to PSC as investment manager. The volume of change might elevate the operational risk to which the Company is exposed. The Risk Committee is actively overseeing this risk.

### COVID-19

The Company's exposure to credit risk has increased as a result of the COVID-19 situation, as disclosed in the Annual Report and Financial Statements. Since this report was published, the COVID-19 crisis has evolved with various regulatory and government announcements on the matter. The performance of the portfolio through the COVID-19 crisis demonstrates the resilience of the strategy that PSC has implemented for the Company. However, there are no comparable recent events that may provide guidance as to the ultimate effect of the spread of COVID-19 and its effect on the global economy. As a result, the ultimate impact of the outbreak is highly uncertain and cannot be forecast accurately. The risk is being mitigated by careful management of the portfolio.

### Related Party Disclosure and Transactions with the Investment Manager

Pollen Street Capital (US) LLC, as Investment Manager, is a related party to the Company. The management fee due to the Investment Manager for the period is disclosed in the consolidated statement of comprehensive income and in note 8.

The Directors of the Company are related parties. Fees paid to Directors are included in other expenses in the consolidated statement of comprehensive income.

### Going concern

In the 2019 report and accounts, the Directors of the Company considered the potential consequences of the possible offer by Waterfall Asset Management LLP ("Waterfall") and the continuation vote were conditions that indicated the existence of a material uncertainty which may cast significant doubt about the Group's and Company's plans or ability to continue as a going concern. The Directors' have considered:

1. The further extension of the Waterfall proposed bid timetable from 8 September 2020 for a further 28 days together with the ongoing support of the largest shareholder for this process, and
2. The arrangements with respect to Waterfall entering into an advisory role with the Company and potentially becoming Investment Manager of the Company referred to in the announcement on 14 August 2020

as part of preparing this half yearly financial report and believe the material uncertainty remains. Notwithstanding this uncertainty, the Directors are satisfied that the going concern basis remains appropriate for the preparation of the Financial Statements. The Group Financial Statements do not include the adjustments that would result if the Group was no longer to be considered a going concern.

### Responsibility Statement of the Directors

The Directors confirm that to the best of their knowledge:

- the unaudited consolidated financial statements have been prepared in accordance with FRS 104 (Interim Financial Reporting) and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- this Interim management report and the condensed set of financial statements include a fair review of the information required by:
  - a. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the six months ended 30 June 2020 and their impact on the consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the period; and
  - b. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place during the six months ended 30 June 2020 and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions that could do so.

The Half Year Report and unaudited financial statements were approved by the Board of Directors on 30 September 2020 and the above responsibility statement was signed on its behalf by:

**Simon King**

*Chairman*

30 September 2020

### Financial Statements

#### Consolidated Financial Statement of Financial Position

#### AS AT 30 JUNE 2020

		30 June	30 June	31
		2020	2019	December
		(Unaudited)	(Unaudited)	2019
Group	Notes	(Re-presented)*	(Audited)	
		£'000	£'000	£'000
<b>Assets</b>				
Cash and cash equivalents		95,548	50,712	70,884
Cash pledged as collateral		7,980	16,710	3,970
Investment assets at fair value through profit or loss	3	15,221	35,509	24,357
Derivative financial instruments	3	1,362	648	3,586
Credit assets at amortised cost	6	837,247	1,001,815	912,091
Interest receivable	9	15,406	33,460	12,149
Prepaid expenses and other assets		13,345	12,090	13,895
<b>Total Assets</b>		<b>986,109</b>	<b>1,150,944</b>	<b>1,040,932</b>
<b>Liabilities</b>				
Management fees payable	8	(585)	(1,206)	(1,202)
Performance fees payable	8	(941)	(3,217)	(6,541)
Accrued expenses and other liabilities		(8,267)	(11,902)	(9,382)
Cash received as collateral		-	(9)	(720)

Derivative financial instruments	3	(5,701)	(81)	(2,643)
Borrowings	10	(269,791)	(412,241)	(302,199)
<b>Total liabilities</b>		<b>(285,285)</b>	<b>(428,656)</b>	<b>(322,687)</b>
<b>Net assets</b>		<b>700,824</b>	<b>722,288</b>	<b>718,245</b>
<b>Equity attributable to Shareholders of the Company</b>				
Called-up share capital	15	863	863	863
Share premium account	15	27,792	27,792	27,792
Capital reserves	15	(10,420)	1,938	(2,950)
Revenue reserve	15	9,142	(9,426)	15,373
Special distributable reserve	15	673,447	701,121	677,167
<b>Total shareholders' funds</b>		<b>700,824</b>	<b>722,288</b>	<b>718,245</b>
<b>Net Asset Value per Ordinary share</b>	<b>14</b>	<b>948.49p</b>	<b>964.13p</b>	<b>965.35p</b>

\*the Consolidated Statement of Financial Position as at 30 June 2019 has been re-presented to make it easier to compare to 2020. There have been no changes to the basis on which the items are estimated or measured. See note 25 of the Annual Report and Financial Statements for further detail.

The financial statements were approved by the Board of Directors on 30 September 2020 and signed on its behalf by:

**Simon King**  
*Chairman*  
30 September 2020

**Consolidated Statement of Comprehensive Income**  
FOR THE PERIOD ENDED 30 JUNE 2020 (UNAUDITED)

	Notes	Revenue	Capital	Total
Group		£'000	£'000	£'000
Interest Income on credit assets at amortised cost	4	43,562	-	43,562
Income on equity assets at fair value through profit and loss	4	-	(7,367)	(7,367)
Credit impairment losses	7	(14,510)	-	(14,510)
Third Party Servicing Costs		(4,346)	-	(4,346)
Net operating income before financing and fund costs		24,706	(7,367)	17,339
Finance costs	10	(5,405)	-	(5,405)
<b>Net operating income before fund costs</b>		<b>19,301</b>	<b>(7,367)</b>	<b>11,934</b>
Management fee	8	(3,472)	(104)	(3,576)
Performance fee	8	(941)		(941)
Other Fund expenses	8	(3,328)		(3,328)
<b>Total fund expenses</b>		<b>(7,741)</b>	<b>(104)</b>	<b>(7,845)</b>
<b>Profit before tax</b>		<b>11,560</b>	<b>(7,471)</b>	<b>4,089</b>
<b>Tax expense</b>		-	-	-
<b>Profit after tax</b>	5	<b>11,560</b>	<b>(7,471)</b>	<b>4,089</b>
<b>Profit per Ordinary Share (basic and diluted)</b>	5	<b>15.65p</b>	<b>(10.11p)</b>	<b>5.54p</b>

The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above Statement derive from continuing operations. There is no other comprehensive income.

**Consolidated Statement of Comprehensive Income (Continued)**

FOR THE PERIOD ENDED 30 JUNE 2019 (UNAUDITED) (RE-PRESENTED)\*

	Notes	Revenue	Capital	Total
Group		£'000	£'000	£'000
Interest Income on credit assets at amortised cost	4	49,965	-	49,965
Income on equity assets at fair value through profit and loss	4		246	246
Credit impairment losses	7	(11,282)		(11,282)
Third Party Servicing Costs		(5,950)	-	(5,950)
<b>Net operating income before financing and fund costs</b>		<b>32,733</b>	<b>246</b>	<b>32,979</b>
Finance costs	10	(8,148)	-	(8,148)
<b>Net operating income before fund costs</b>		<b>24,585</b>	<b>246</b>	<b>24,831</b>
Management fee	8	(3,639)	(1)	(3,640)
Performance fee	8	(3,217)		(3,217)
Other Fund expenses	8			

		(1,340)		(1,340)
<b>Total fund expenses</b>		<b>(8,196)</b>	<b>(1)</b>	<b>(8,197)</b>
<b>Profit before tax</b>		<b>16,389</b>	<b>245</b>	<b>16,634</b>
<b>Tax expense</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit after tax</b>	5	<b>16,389</b>	<b>245</b>	<b>16,634</b>
<b>Profit per Ordinary Share (basic and diluted)</b>	5	<b>21.88p</b>	<b>0.33p</b>	<b>22.20p</b>

\*The Consolidated Statement of Comprehensive Income for the period ended 30 June 2019 has been re-presented to make it easier to compare to 2020. There have been no changes to the basis on which the items are estimated or measured. See note 25 of the 2019 Annual Report and Financial Statements for further detail.

*The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above Statement derive from continuing operations. There is no other comprehensive income.*

### Consolidated Statement of Comprehensive Income (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019 (AUDITED)

Group	Notes	Revenue £'000	Capital £'000	Total £'000
Interest Income on credit assets at amortised cost	4	99,415	-	99,415
Income on equity assets at fair value through profit and loss	4	-	(4,647)	(4,647)
Credit impairment losses	7	(18,003)	-	(18,003)
Third Party Servicing Costs		(9,648)	-	(9,648)
<b>Net operating income before financing and fund costs</b>		<b>71,764</b>	<b>(4,647)</b>	<b>67,117</b>
Finance costs	10	(14,691)	-	(14,691)
<b>Net operating income before fund costs</b>		<b>57,073</b>	<b>(4,647)</b>	<b>52,426</b>
Management fee	8	(7,272)	4	(7,268)
Performance fee	8	(6,541)	-	(6,541)
Other Fund expenses	8	(3,794)	-	(3,794)
<b>Total fund expenses</b>		<b>(17,607)</b>	<b>4</b>	<b>(17,603)</b>
<b>Profit before tax</b>		<b>39,466</b>	<b>(4,643)</b>	<b>34,823</b>
<b>Tax expense</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit after tax</b>	5	<b>39,466</b>	<b>(4,643)</b>	<b>34,823</b>
<b>Profit per Ordinary Share (basic and diluted)</b>	5	<b>53.04p</b>	<b>(6.24p)</b>	<b>46.80p</b>

*The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above Statement derive from continuing operations. There is no other comprehensive income.*

### Consolidated Statement of Changes in Shareholders' Funds

FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2020 (UNAUDITED)

Group	Called up share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Special distributable reserve £'000	Total £'000
<b>Net assets attributable to Shareholders at the beginning of the year</b>	<b>863</b>	<b>27,792</b>	<b>(2,950)</b>	<b>15,373</b>	<b>677,167</b>	<b>718,245</b>
Amounts paid on buyback of Ordinary Shares	-	-	-	-	(3,719)	(3,719)
Profit after tax	-	-	(7,471)	11,560	-	
Dividends declared and paid	-	-	-	(17,791)	-	(17,791)
<b>Net assets attributable to Shareholders at the end of the year</b>	<b>863</b>	<b>27,792</b>	<b>(10,421)</b>	<b>9,142</b>	<b>673,448</b>	<b>700,824</b>

FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2019 (UNAUDITED)

Group	Called up share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Special distributable reserve £'000	Total £'000
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<b>Net assets attributable to Shareholders at the beginning of the year</b>	<b>863</b>	<b>27,792</b>	<b>1,693</b>	<b>(7,723)</b>	<b>710,824</b>	<b>733,449</b>
Amounts paid on buyback of Ordinary Shares	-	-	-	-	(9,703)	(9,703)
Profit after tax	-	-	245	16,389	-	16,634
Dividends declared and paid	-	-	-	(18,092)	-	(18,092)
<b>Net assets attributable to Shareholders at the end of the year</b>	<b>863</b>	<b>27,792</b>	<b>1,938</b>	<b>(9,426)</b>	<b>701,121</b>	<b>722,288</b>

### Consolidated Statement of Changes in Shareholders' Funds (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019 (AUDITED)

Group	Called up share capital £'000	Share premium £'000	Capital reserve £'000	Revenue reserve £'000	Special distributable reserve £'000	Total £'000
<b>Net assets attributable to Shareholders at the beginning of the year</b>	<b>863</b>	<b>27,792</b>	<b>1,693</b>	<b>(7,723)</b>	<b>710,824</b>	<b>733,449</b>
Re-allocation in relation to initial application of IFRS9	-	-	-	19,641	(19,641)	-
Amounts paid on buyback of Ordinary Shares	-	-	-	-	(14,016)	(14,016)
Profit after tax	-	-	(4,643)	39,466	-	34,823
Dividends declared and paid	-	-	-	(36,011)	-	(36,011)
<b>Net assets attributable to Shareholders at the end of the year</b>	<b>863</b>	<b>27,792</b>	<b>(2,950)</b>	<b>15,373</b>	<b>677,167</b>	<b>718,245</b>

### Consolidated Cash Flow Statement

FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2020 (UNAUDITED)

	30 June 2020 (Unaudited) £'000	30 June 2020 (Unaudited) (Re-presented)* £'000	31 December 2019 (Audited) £'000
<b>Cash flows from operating activities:</b>			
Net profit after taxation	4,089	16,634	34,823
<b>Adjustments to reconcile profit after tax to net cash inflow / (outflow) from operating activities:</b>			
Unrealised loss on equity assets	7,891	1,247	5,927
Realised (gain) on equity assets	(466)	-	(1,221)
(Increase) / decrease in cash pledged or received as collateral	(4,730)	(16,710)	(4,032)
(Increase) / decrease in interest receivable	(3,257)	(10,260)	11,051
(Increase) / decrease in prepaid expenses and other assets	2,774	(8,763)	(12,051)
Increase / (decrease) in accrued expenses and other liabilities	(4,274)	(1,497)	2,719
Changes in estimated credit losses	14,510	11,282	18,003
<b>Net cash inflow / (outflow) from operating activities</b>	<b>16,537</b>	<b>(8,067)</b>	<b>55,219</b>
<b>Capital expenditure and financial investments</b>			
Sale of equity assets	1,428	(63)	3,686
Net sale / (purchase) of loans	69,358	(53,951)	31,429
<b>Net cash inflow / (outflow) from capital expenditure and financial investments</b>	<b>70,786</b>	<b>(54,014)</b>	<b>35,115</b>
<b>Net cash inflow / (outflow) from operating activities</b>	<b>87,323</b>	<b>(62,081)</b>	<b>90,334</b>
<b>Cash flows from financing activities:</b>			
Proceeds from debt issued	191,695	294,511	315,285
Principal payments on debt issued	(232,702)	(260,822)	(391,445)
(Decrease) / increase in interest payable	(142)	541	379
Amounts paid on buyback of Ordinary Shares	(3,719)	(9,703)	(14,016)
Dividends declared and paid	(17,791)	(18,092)	(36,011)
<b>Net cash (used in) / provided by financing activities</b>	<b>(62,659)</b>	<b>6,435</b>	<b>(125,808)</b>
Net change in cash and cash equivalents	24,664	(55,646)	(35,474)
Cash and cash equivalents at the beginning of the period	70,884	106,358	106,358
<b>Net cash and cash equivalents</b>	<b>95,548</b>	<b>50,712</b>	<b>70,884</b>

\*The Consolidated Cash Flow Statement for the period ended 30 June 2019 has been re-presented to make it easier to compare to 2020. There have been no changes to the basis on which the items are estimated or measured. See note 25 of the 2019 Annual Report and Financial Statements for further detail.

## Notes to the Consolidated Financial Statements

### 1. GENERAL INFORMATION

Pollen Street Secured Lending plc (the "Company") is a closed-ended investment company incorporated in the United Kingdom on 6 December 2013 with registered number 8805459. The Company is a publicly listed company and commenced operations on 30 May 2014.

The investment objective of the Company is to provide shareholders with an attractive level of dividend income and capital growth through exposure to investments in alternative finance and related instruments.

The Company's investment manager is PSC Credit Holdings LLP (the "Investment Manager"). Pollen Street Capital (US) LLC, an affiliate of the Investment Manager and an SEC registered investment adviser, was appointed as sub investment manager (the "Sub-Manager") to the Company. The Investment Manager has, pursuant to the Sub- Management Agreement, delegated certain of its responsibilities and functions, including those in relation to its discretionary management of the Company's portfolio of credit assets, to the Sub-Manager.

The Investment Manager is authorised as an Alternative Investment Fund Manager ("AIFM") under the Alternative Investment Fund Managers Directive ("AIFMD"). The Company is defined as an Alternative Investment Fund and is subject to the relevant articles of the AIFMD.

The Company invests, directly and indirectly, in consumer loans, secured real estate loans, small and medium sized enterprises ("SME") loans, advances against corporate trade receivables and/or purchases of corporate trade receivables ("Credit Assets") which have been originated via Platforms. The Company will typically seek to invest in Credit Assets with targeted net annualised returns of 5 to 15 per cent. The Company will seek to purchase Credit Assets directly (via Platforms or via other originators) and may also invest in such assets indirectly via funds, partnerships or special purpose vehicles (including those managed by the Investment Manager, the Sub-Manager or their affiliates) that it deems suitable with a view to enhancing Shareholder returns and providing diversification of the Company's assets.

As at 30 June 2020, the Company had total issued equity in the form of 86,306,803 ordinary shares (30 June 2019: 86,306,803, 31 December 2019: 86,306,803) of which 73,888,011 (30 June 2019: 74,916,368, 31 December 2019: 74,402,289) were outstanding and 12,418,792 (30 June 2019: 11,390,435, 31 December 2019: 11,904,514) were held as treasury shares. These shares are listed on the Premium listing segment of the Official List of the UK Listing Authority and trade on the London Stock Exchange's main market for listed securities.

Citco Fund Services (Ireland) Limited (the "Administrator") has been appointed as the Administrator of the Company. The Administrator is responsible for the Company's general administrative functions, such as the calculation and publication of the Net Asset Value ("NAV") and maintenance of the Company's accounting records.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The Company's financial statements are prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"). They comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Financial Reporting Committee ("IFRC"), interpretations issued by the International Accounting Standard Committee ("IASC") that remain in effect, to the extent they have been adopted by the European Union. The financial statements are also in compliance with relevant provisions of the Companies Act 2006 as applicable to companies reporting under IAS 34. The results for the half year ended 30 June 2020 constitute non-statutory accounts within the meaning of Section 435 of the Companies Act 2006 and have not been audited by the Company's Auditor. They do not include all financial information required for full annual financial statements. The latest published accounts which have been delivered to the Registrar of companies are for the year ended 31 December 2019; the report of the Auditor thereon was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The comparative figures for the year ended 31 December 2019 have been extracted from those accounts.

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

The principal accounting policies adopted by the Company are consistent with those set out on pages 74 - 92 of the Annual Report and Financial Statements 2019. Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in November 2014 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

#### (b) Consolidation

Subsidiaries are investees controlled by the Company. The Company controls an investee if it is exposed to, or has the rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reassesses whether it has control if there are changes to one or more elements of control. The Company does not consider itself to be an investment entity for the purposes of IFRS 10, as it does not hold substantially all of its investments at fair value. Consequently, it consolidates its subsidiaries rather than treating its subsidiaries as investments at fair value through profit or loss. At the Company level, the Company's investments in its subsidiaries are measured at fair value which is represented as net asset value.

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

No associates are presented on the Statement of Financial Position using the equity accounting method as the Group elects to hold such investments at fair value through profit and loss. This treatment is permitted by International Accounting Standard ("IAS") 28 Investment in Associates and Joint Ventures, which also permits investments held by entities that are venture capital organisations, mutual funds or similar entities to be excluded from its measurement methodology requirements where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9 Financial Instruments. Changes in fair value of associates are recognised in the Statement of Comprehensive Income in the period in which the change occurs.

The disclosures required by Section 409 of the Companies Act 2006 for associated undertakings are included in Note 13 to the financial statements.

As at 30 June 2020, the Company controls four legal entities listed below as well as nine Trusts which are subsidiaries that the Company controls (together "the Group").

Name of entity	Registered Office
Eaglewood SPV I LP	747 Third Avenue, 19th Floor, New York,

NY 10017, USA			
Eaglewood Income Fund I, LP		747 Third Avenue, 19th Floor, New York, NY 10017, USA	
Marketplace Assets 2017-1 PLC	Originated	Consumer	1 Bartholomew Lane, London, United Kingdom, EC2N 2AX
EW-PFL Trust		500 Delaware Avenue, 11th Floor, Wilmington, DE, 19801, USA	
SPV I Loan Trust		500 Delaware Avenue, 11th Floor, Wilmington, DE, 19801, USA	
Payoff Consumer Loan Trust		500 Delaware Avenue, 11th Floor, Wilmington, DE, 19801, USA	
BFCL Trust		500 Delaware Avenue, 11th Floor, Wilmington, DE, 19801, USA	
Eaglewood LC Trust		500 Delaware Avenue, 11th Floor, Wilmington, DE, 19801, USA	
PSC 1803 Autoloan Trust		1100 North Market Street Wilmington, DE 19801, USA	
PSC Rocketloans Prime Consumer Loan Trust		1100 North Market Street Wilmington, DE 19801, USA	
PSC 2018F Loan Trust		1100 North Market Street Wilmington, DE 19801, USA	
PSC 2019P LLC		1013 Centre Road, Suite 403-B, Wilmington DE 19805, USA	
Small Business Origination Loan Trust 2019-1 DAC		1st Floor, 1-2 Victoria Buildings, Haddington Road, Dublin 4, Ireland Certificated	

The Company invests in a special purpose vehicle, Eaglewood SPV I LP (the "SPV") and at 30 June 2020 is the sole Limited Partner in that SPV and controls it. The principal activity of Eaglewood SPV I LP is to invest in alternative finance investments and related instruments, including marketplace loans, which is aligned with the Company's investment objective. The Company's position with regards to the SPV is that of an investor where its maximum loss is restricted to its investment in the vehicle and in return for this receives a quarterly income distribution.

The Company controls Eaglewood Income Fund I, LP (the "Eaglewood Fund"), a Delaware limited partnership established on 3 February 2012, through the control of the SPV. As at 30 June 2020, the SPV is the sole limited partner in the Eaglewood Fund. The Eaglewood Fund is an open-ended private investment fund, offering monthly subscriptions and quarterly redemptions, with 90 days' notice. The Eaglewood Fund is managed by the Investment Manager, Pollen Street Capital (US), LLP. It employs a strategy that primarily involves leveraged investment in monthly amortising unsecured US consumer loans originated by a single Platform with terms of three to five years.

The Company also controls Marketplace Originated Consumer Assets 2017-1 PLC ("MOCA 2017") a public limited company incorporated under the Law of England and Wales. MOCA 2017 is a securitisation vehicle for UK consumer loans and operates in a pre-determined manner. The Company is considered to control MOCA 2017 by virtue of being its sponsor whilst having exposure to the variable returns of the vehicle through the holding of junior notes issued by it. MOCA 2017 was incorporated in November 2017.

The Company also controls Small Business Origination Loan Trust 2019-1 DAC ("SBOLT 2019") a public limited company incorporated in Ireland, SBOLT 2019 is a securitisation vehicle for unsecured loans made to small and medium-sized enterprises ("SMEs") incorporated in the UK and operates in a pre-determined manner. The Company is considered to control SBOLT 2019 from April 2019 by virtue of being its sponsor whilst having exposure to the variable returns of the vehicle through the holding of junior notes issued by it. SBOLT 2019 was incorporated in April 2019.

The Company also controls a number of trusts ("Trusts") through its control of the SPV and the Eaglewood Fund. The SPV and the Eaglewood Fund control a Trust if they are exposed to, or have the rights to, variable returns from their involvement with the Trust and have the ability to affect those returns through its power over the Trust. As at 30 June 2020, the SPV is the sole beneficial owner of EW-PFL Trust, SPV I Loan Trust, Payoff Consumer Loan Trust, PSC 1803 Autoloan Trust, PSC 2018F Loan Trust and PSC Rocketloans Prime Consumer Loan Trust while the Eaglewood Fund is the sole beneficial owner of Eaglewood LC Trust.

All entities within the Group have co-terminus reporting dates.

Intra-group balances and transactions, and any unrealised income and expenses (except for currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

### (c) Critical accounting estimates and judgements

The preparation of the half yearly report requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the half yearly report. Although these estimates and assumptions are based on the management's best judgement at that date, actual results may differ from these estimates.

The economic outlook has materially changed following the onset of the COVID-19. The estimate of expected credit losses has been updated to reflect the forecasts for the economy produced by Oxford Economics during June 2020. In addition to this there are additional provisions included on loans that are in forbearance and payment plans, in line with Bank of England and regulatory guidance.

There have been no other significant changes in the basis upon which estimates have been determined compared to that applied at 31 December 2019.

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

### 3. FAIR VALUE MEASUREMENT

Group	30 June 2020	30 June 2019	31 December 2019
	(Unaudited)	(Unaudited)	(Audited)
	£'000	£'000	£'000
<b>Investment assets at fair value through profit or loss</b>			
Fixed income	-	2,890	773
Unquoted equities	15,221	32,341	22,578
Listed equities	-	278	1,006
<b>Total</b>	<b>15,221</b>	<b>35,509</b>	<b>24,357</b>

<b>Derivative financial assets</b>			
Forward foreign exchange contracts	1,338	648	3,509
Interest rate derivatives	24	-	77
<b>Total</b>	<b>1,362</b>	<b>648</b>	<b>3,586</b>
<b>Derivative financial liabilities</b>			
Forward foreign exchange contracts	(3,134)	(81)	(384)
Interest rate derivatives	(2,567)	-	(2,259)
<b>Total</b>	<b>(5,701)</b>	<b>(81)</b>	<b>(2,643)</b>

Financial instruments measured and reported at fair value are classified and disclosed in one of the following fair value hierarchy levels based on the significance of the inputs used in measuring its fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.

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).

Level 3 - Pricing inputs for the asset or liability that are not based on observable market data (unobservable inputs).

An investment is always categorised as Level 1, 2 or 3 in its entirety. In certain cases, the fair value measurement for an investment may use a number of different inputs that fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement and is specific to the investment.

Level 3 investment in a fixed income security issued by a fund is valued based on the NAV as calculated by the fund's Administrator at the balance sheet date. The constitutional and offering documentation of the fund sets out the valuation methodology, the applicable generally accepted accounting principles and the frequency, by which its assets are to be valued and the NAV are to be calculated. No adjustments have been determined to be necessary to the NAV as supplied by the Administrator as this reflects the fair value of the underlying investments under the relevant valuation methodology. The NAV is the value of all the assets of the fund less its liabilities to creditors (including provisions for such liabilities) determined in accordance with applicable accounting standards. The NAV of the fund is sensitive to movements in interest rates due to its investment in fixed rate loans.

The other investments in fixed income securities included within Level 3 of the hierarchy are valued based on, if available, recent transactions and otherwise broker quotes. The investments in unquoted equities are valued using several different techniques, primarily recent transactions and recent rounds of funding by the investee entities.

The Group's Level 2 positions are valued by the Administrator, acting in their capacity as the External Valuer, in accordance with the valuation policy. Fixed income positions are valued using prices from an independent market data provider. Forward foreign exchange contracts are valued using interpolated FX forward points from Bloomberg. The option contracts are valued using yield curves from Bloomberg.

The following table analyses within the fair value hierarchy the Group's assets and liabilities measured at fair value at 30 June 2020:

Group Unaudited	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
<b>Investment assets at fair value through profit or loss</b>				
Fixed income	-	-	-	-
Unquoted equities	15,221	-	-	15,221
Listed equities	-	-	-	-
<b>Total</b>	<b>15,221</b>	<b>-</b>	<b>-</b>	<b>15,221</b>
<b>Derivative financial assets</b>				
Forward foreign exchange contracts	1,338	-	1,338	-
Interest rate derivatives	24	-	24	-
<b>Total</b>	<b>1,362</b>	<b>-</b>	<b>1,362</b>	<b>-</b>
<b>Derivative financial liabilities</b>				
Forward foreign exchange contracts	(3,134)	-	(3,134)	-
Interest rate derivatives	(2,567)	-	(2,567)	-
<b>Total</b>	<b>(5,701)</b>	<b>-</b>	<b>(5,701)</b>	<b>-</b>

There were no transfers between the levels during the period ended 30 June 2020.

The following table analyses within the fair value hierarchy the Group's assets and liabilities measured at fair value at 30 June 2019:

Group Unaudited	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
<b>Investment assets at fair value through profit or loss</b>				
Fixed income	2,890	-	-	2,890
Unquoted equities	32,341	-	-	32,341
Listed equities	276	278	-	-
<b>Total</b>	<b>35,509</b>	<b>278</b>	<b>-</b>	<b>35,231</b>
<b>Derivative financial assets</b>				
Forward foreign exchange contracts	648	-	648	-
Interest rate derivatives	-	-	-	-
<b>Total</b>	<b>648</b>	<b>-</b>	<b>648</b>	<b>-</b>
<b>Derivative financial liabilities</b>				
Forward foreign exchange contracts	(81)	-	(81)	-
Interest rate	-	-	-	-

derivatives

<b>Total</b>	<b>(81)</b>	<b>-</b>	<b>(81)</b>	<b>-</b>
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The following table analyses within the fair value hierarchy the Group's assets and liabilities measured at fair value at 31 December 2019:

<b>Group Audited</b>	<b>Total £'000</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>
<b>Investment assets at fair value through profit or loss</b>				
Fixed income	773	-	-	773
Unquoted equities	22,578	-	-	22,578
Listed equities	1,006	1,006	-	-
<b>Total</b>	<b>24,357</b>	<b>1,006</b>	<b>-</b>	<b>23,351</b>
<b>Derivative financial assets</b>				
Forward foreign exchange contracts	3,509	-	3,509	-
Interest rate derivatives	77	-	77	-
<b>Total</b>	<b>3,586</b>	<b>-</b>	<b>3,586</b>	<b>-</b>
<b>Derivative financial liabilities</b>				
Forward foreign exchange contracts	(384)	-	(384)	-
Interest rate derivatives	(2,259)	-	(2,259)	-
<b>Total</b>	<b>(2,643)</b>	<b>-</b>	<b>(2,643)</b>	<b>-</b>

The following table presents the movement in the Group's Level 3 positions for the period ended 30 June 2020.

<b>Group Unaudited</b>	<b>Fixed Income £'000</b>	<b>Unquoted equities £'000</b>	<b>Total £'000</b>
Opening balance	773	22,578	23,351
Purchases	-	-	-
Sales	(819)	(1,428)	(2,247)
Realised gains	46	466	512
Net change in unrealised gains	-	(7,891)	(7,891)
Foreign exchange impact	-	1,496	1,496
<b>Closing balance</b>	<b>-</b>	<b>15,221</b>	<b>15,221</b>

The net change in realised/unrealised gains and losses is recognised within net losses on investments in the Consolidated Statement of Comprehensive Income.

The following table presents the movement in the Group's Level 3 positions as at 30 June 2019.

<b>Group Unaudited</b>	<b>Fixed Income £'000</b>	<b>Unquoted equities £'000</b>	<b>Total £'000</b>
Opening balance	2,549	32,328	34,877
Purchases	63	-	63
Net change in unrealised gains	278	13	291
<b>Closing balance</b>	<b>2,890</b>	<b>32,341</b>	<b>35,231</b>

The net change in realised/unrealised gains and losses is recognised within net losses on investments in the Consolidated Statement of Comprehensive Income.

The following table presents the movement in the Group's Level 3 positions as at 31 December 2019.

<b>Group Audited</b>	<b>Fixed Income £'000</b>	<b>Unquoted equities £'000</b>	<b>Total £'000</b>
Opening balance	2,550	32,328	34,878
Transfer	-	-	-
Purchases	-	-	-
Sales	-	(2,834)	(2,834)
Distribution	(2,142)	-	(2,142)
Realised gains	234	1,743	1,977
Net change in unrealised gains / (losses)	131	(8,659)	(8,528)
<b>Closing balance</b>	<b>773</b>	<b>22,578</b>	<b>23,351</b>
<b>Change in unrealised gains/(losses) on investments still held as at 31 December 2019</b>			
	<b>693</b>	<b>(7,080)</b>	<b>(6,387)</b>

The net change in realised/unrealised gains and losses is recognised within net losses on investments in the Consolidated Statement of Comprehensive Income.

Quantitative information regarding the unobservable inputs for the Group's Level 3 positions as at 30 June 2020 is given below:

<b>Group Unaudited</b>	<b>Fair value at 30 June 2020 £'000</b>	<b>Valuation technique</b>	<b>20% change in discount £'000</b>
Unquoted equities	10,780	Recent transactions	2,156
Unquoted equities	1,043	Residual value	209
<b>Group Unaudited</b>	<b>Fair value at 30 June 2020 £'000</b>	<b>Valuation technique</b>	<b>Multiple increased by 1 £'000</b>
Unquoted equities	3,398	Earnings multiple	523

Quantitative information regarding the unobservable inputs for the Group's Level 3 positions as at 30 June 2019 is given below:

<b>Group Unaudited</b>	<b>Fair value at 30 June 2019 £'000</b>	<b>Valuation technique</b>	<b>20% change in discount £'000</b>
------------------------	-------------------------------------------------	----------------------------	-----------------------------------------

Unquoted equities	27,595	Recent transactions	5,519
Unquoted equities	1,348	Residual value	270
	<b>Fair value at 30 June 2019</b>		<b>5% change in discount</b>
<b>Group Unaudited</b>	<b>£'000</b>	<b>Valuation technique</b>	<b>£'000</b>
Fixed income	2,890	Discounted cash flow	47
	<b>Fair value at 30 June 2019</b>		<b>Multiple increased by 1</b>
<b>Group Unaudited</b>	<b>£'000</b>	<b>Valuation technique</b>	<b>£'000</b>
Unquoted equities	3,398	Earnings multiple	523

Quantitative information regarding the unobservable inputs for the Group's Level 3 positions as at 31 December 2019 is given below:

	<b>Fair value at 31 December 2019</b>		<b>20% change in discount</b>
<b>Group Audited</b>	<b>£'000</b>	<b>Valuation technique</b>	<b>£'000</b>
Unquoted equities	17,832	Recent transactions	3,566
Unquoted equities	1,348	Residual value	270
	<b>Fair value at 31 December 2019</b>		<b>5% change in discount</b>
<b>Group Audited</b>	<b>£'000</b>	<b>Valuation technique</b>	<b>£'000</b>
		<b>Discounted cash flow</b>	
Junior debt	773		22
	<b>Fair value at 31 December 2019</b>		<b>Multiple increased by 1</b>
<b>Group Audited</b>	<b>£'000</b>	<b>Valuation technique</b>	<b>£'000</b>
Unquoted equities	3,398	Earnings multiple	553

#### 4. INCOME AND GAINS ON INVESTMENTS

	<b>30 June 2020 (Unaudited) £'000</b>	<b>30 June 2019 (Unaudited) £'000</b>	<b>31 December 2019 (Audited) £'000</b>
<b>Interest on credit assets at amortised cost*</b>			
Net gain/(loss) on foreign exchange**	538	(1,446)	(3,021)
Interest income on loans at amortised costs	46,045	51,024	104,799
(Loss)/gain on IR swaps	(3,021)	(47)	(2,511)
Dividend income	-	148	-
Other income	-	286	148
	<b>43,562</b>	<b>49,965</b>	<b>99,415</b>
<b>Income on equity assets at fair value through profit*</b>			
Loss on investment in unquoted equities	(7,891)	-	(5,464)
Gain/(loss) on listed equities	466	25	758
Gain/(loss) on foreign exchange	58	221	59
<b>Total</b>	<b>(7,367)</b>	<b>246</b>	<b>(4,647)</b>

\* Loss on foreign exchange also includes fair value movements on derivatives taken out to economically hedge fair value exposures.

\*\* Loss on foreign exchange also includes fair value movements on derivatives taken out to economically hedge fair value exposures.

#### 5. EARNINGS PER SHARE

Basic earnings per share is calculated using the number of shares held at year end, excluding the number of shares purchased by the Company and held as treasury shares.

	<b>30 June 2020 (Unaudited)</b>	<b>30 June 2019 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Group profit for period £'000	4,089	16,634	34,823
Weighted Number of ordinary shares held during the year	74,149,101	74,916,368	74,412,289
Earnings per ordinary share (basic and diluted) (pence per share)	5.54p	22.20p	46.08p

The Company has not issued any shares or other instruments that are considered to have dilutive potential.

#### 6. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

##### Management of risk

The Group's financial instruments may comprise:

- Loans
  - Listed and unquoted equities and investment funds held in accordance with the Group's investment objective and policies;
  - Derivative instruments which could include forward currency contracts and options; and
  - Cash, liquid resources and short term debtors and creditors that arise from its operations.
- The risks identified by IFRS 7 arising from the Group's financial instruments are market risk (which comprises market price risk, interest rate risk and foreign currency risk), liquidity risk, credit risk and operational risk.

The sensitivity analysis in this note is used by management to measure the Group's exposure to these risks. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of the accounting period.

The investment objective and operating environment of the Subsidiaries are consistent with that of the Company. Therefore the risks and uncertainties detailed below are applicable to both the Company and the Group.

In seeking to implement the investment objectives of the Group while limiting risk, the Group is subject to the investment limits restrictions set out in the Credit Risk section of this note.

**Market risk**

Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, equity prices and interest rates. The Group is exposed to market risk primarily through its Financial Instruments.

The Investment Manager regularly reviews the investment portfolio and industry developments to ensure that any events which may impact the Group are identified and considered. This also ensures that any risks affecting the investment portfolio are identified and mitigated to the fullest extent possible.

**Market price risk**

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions, or other events could have a significant impact on the Group and market prices of its investments. The Group is exposed to price risk primarily through its exposure from investments in money market funds, fixed income products and equities. Refer to Note 4 for further details on the sensitivity of the Group's Level 3 investments to price risk.

The value of certain investments held by the Group is determined by market forces and there is accordingly a risk that market prices can change in a way that is adverse to the Group's performance. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 and a potential pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change. The Group has adopted a number of investment restrictions which are set out in the prospectus which limit the exposure of the Group to market risk.

**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Loans held by the Group at amortised cost, with a fixed interest rate, are not exposed to interest rate changes. Fixed income securities with fixed interest rates are exposed to fair value interest rate risk. As at 30 June 2020 the Group had 3.0 per cent (30 June 2019: 2.6 per cent, 31 December 2019: nil per cent) of the total assets with a fixed interest rate.

Financial instruments with a floating interest rate that resets as market rates change are exposed to cash flow interest rate risk. At 30 June 2020 the Group had 9.71 per cent (30 June 2019: 4.41 per cent, 31 December 2019: 6.81 per cent) of total assets classified as cash and cash equivalents and Nil per cent (30 June 2019: 0.5 per cent, 31 December 2019: Nil per cent) of fixed income securities with floating interest rates. At 30 June 2020, if interest rates had increased/decreased by 1 per cent with all other variables held constant, the change in the value of future expected interest cash flows of these assets would have been £1.0 million (30 June 2019: £0.7 million, 31 December 2019: £0.7 million). 1 per cent is considered to be a reasonably possible movement in interest rates.

The Group has entered into various credit facilities which are subject to a variable interest rate. As at 30 June 2020 the Group had £Nil (30 June 2019: £0.4 million, 31 December 2019: £0.4 million) drawn down under these facilities. Please see Note 10 for further details.

The Group does not intend to hedge interest rate risk on a regular basis. However, certain transactions have floating-rate liabilities and fixed-rate loans. The interest rate exposure of these may be hedged, taking into consideration amongst other things the cost of hedging and the general interest rate environment.

**Currency risk**

Currency risk is the risk that the value of net assets will fluctuate due to changes in foreign exchange rates. Relevant risk variables are generally movements in the exchange rates of non-functional currencies in which the Group holds financial assets and liabilities.

The assets of the Group are invested in Credit Assets and other investments including unquoted equities which are denominated in US Dollars, Euros, Pounds Sterling and other currencies. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. The Group hedges currency exposure between Pounds Sterling and any other currency in which the Group's assets may be denominated, in particular US Dollars and Euros.

**Concentration of foreign currency exposure**

The Investment Manager monitors the fluctuations in foreign currency exchange rates and may use forward foreign exchange contracts to hedge the currency exposure of the Group's non-GBP denominated investments. The Investment Manager re-examines the currency exposure on a regular basis in each currency and manages the Group's currency exposure in accordance with market expectations.

The below table presents the net exposure to foreign currency at 30 June 2020. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Consolidated Statement of Financial Position.

	Total asset	Total liability	Forward Contract	Net exposure after forward contract
Unaudited	£'000	£'000	£'000	£'000
Australian Dollar	865	(183)	(780)	(98)
Euro	66,049	(232)	(62,449)	3,368
US Dollar	230,384	(44,266)	(186,549)	(431)
New Zealand Dollar	11,951	(1,147)	(10,811)	(7)

If the GBP exchange rate simultaneously increased/decreased by 10 per cent against the above currencies, the impact on profit would be an increase/decrease of £0.3 million. 10 per cent is considered to be a reasonably possible movement in foreign exchange rates. The total GBP exposure as at 30 June 2020 is £437.4 million.

The below table presents the net exposure to foreign currency at 30 June 2019. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Consolidated Statement of Financial Position.

	Total asset	Total liability	Forward Contract	Net exposure after forward contract
Unaudited	£'000	£'000	£'000	£'000
Australian Dollar	2,217	(240)	(1,819)	158

Euro	250,216	(46,875)	(204,071)	(730)
US Dollar	242,380	(105,723)	(141,366)	(4,709)
New Zealand Dollar	26,802	(2,266)	(23,391)	1,145

If the GBP exchange rate simultaneously increased/decreased by 10 per cent against the above currencies, the impact on profit would be an increase/decrease of £0.4 million. 10 per cent is considered to be a reasonably possible movement in foreign exchange rates. The total GBP exposure as at 30 June 2019 is £353.8 million.

The below table presents the net exposure to foreign currency at 31 December 2019. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Consolidated Statement of Financial Position.

	Total asset	Total liability	Forward Contract	Net exposure after forward contract
Audited	£'000	£'000	£'000	£'000
Australian Dollar	2,194	(239)	(2,387)	(432)
Euro	101,003	(1,238)	(97,302)	(2,463)
US Dollar	232,041	(38,232)	(189,993)	(3,816)
New Zealand Dollar	16,011	(1,669)	(16,639)	(2,297)

If the GBP exchange rate simultaneously increased/decreased by 10 per cent against the above currencies, the impact on profit would be an increase/decrease of £0.4 million. 10 per cent is considered to be a reasonably possible movement in foreign exchange rates. The total GBP exposure as of 31 December 2019 is £408.4 million.

### Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price. Ordinary shares are not redeemable at the holder's option.

The Investment Manager manages the Group's liquidity risk actively including monitoring of amortising cash flows, monitoring of debt requirements and monitoring and forecasting of cash flows.

Financial liabilities consisting of forward foreign exchange contracts, dividends and interest payable, and accrued expenses and other liabilities are all due within three months.

The liquidity profile of the Group's borrowings is detailed in Note 10.

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risks arise principally through exposures to loans acquired by the Group, which are subject to risk of borrower default and disclosed as loans held at amortised cost on the Statement of Financial Position. The ability of the Group to earn revenue is completely dependent upon payments being made by the borrower of the loan acquired by the Group.

Consumer loans are typically unsecured obligations of borrowers. They are not secured by any collateral, not guaranteed or insured by any third party and not backed by governmental authority in any way. Secured consumer loans will be secured against collateral. SME loans are typically not secured against collateral but are backed by personal guarantees of the business' director(s). Real estate loans and structured facilities are secured against collateral. The Group must rely on the collection efforts of the Platforms and their designated collection agencies and has no direct recourse against borrower members.

The Manager undertakes the primary credit risk assessment when originating loans or receivables. It also conducts due diligence on an ongoing basis and monitors the performance of acquired loans and the entire platform loan book if available.

As at 30 June 2020, the Group has not directly originated any loans that do not involve Platforms.

The Group will invest across various Platforms, asset classes, geographies (primarily United States and Europe) and credit bands in order to ensure diversification and to seek to mitigate concentration risks.

### Loans at amortised cost

The table below provides details of the loans at amortised cost held by the Group at 30 June 2020.

Group	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Loans at amortised cost before expected credit loss	905,195	1,056,397	964,926
Expected Credit Loss	(67,948)	(54,582)	(52,835)
<b>Loans at amortised cost</b>	<b>837,247</b>	<b>1,001,815</b>	<b>912,091</b>

The financial assets recorded in each stage have the following characteristics:

Stage	Characteristics
Stage 1	Unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.
Stage 2	A significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due and are transferred from Stage 1 to Stage 2.
Stage 3	Objective evidence of impairment and are therefore considered to be in default or otherwise credit-impaired on which a lifetime ECL is recognised.

The following tables analyse loans by type of exposure and geography and represent the concentration of exposures on which credit risk is managed as at 30 June 2020.

Group as 30 June 2020 (Unaudited)	Secured			Unsecured			Total £'000
	Real Estate £'000	SME UK £'000	SME Other £'000	Consumer UK £'000	Consumer US £'000	Consumer Other £'000	
Stage 1	217,293	119,885	97,416	133,206	231,150	9,294	808,244

Stage 2	705	7,134	-	3,799	11,001	144	22,783
Stage 3	12,377	22,176	3,778	13,546	21,538	753	74,168
<b>Gross</b>	<b>230,375</b>	<b>149,195</b>	<b>101,194</b>	<b>150,551</b>	<b>263,689</b>	<b>10,191</b>	<b>905,195</b>
<b>Allowance for credit losses</b>							
Stage 1	(600)	(2,053)	-	(603)	(4,981)	(239)	(8,476)
Stage 2	0	(3,884)	-	(1,906)	(1,888)	(85)	(7,763)
Stage 3	(223)	(17,328)	(3,115)	(11,441)	(18,883)	(719)	(51,709)
<b>Total allowance for credit losses</b>	<b>(823)</b>	<b>(23,265)</b>	<b>(3,115)</b>	<b>(13,950)</b>	<b>(25,752)</b>	<b>(1,043)</b>	<b>(67,948)</b>
<b>Net loans at amortised cost</b>							
	<b>229,552</b>	<b>125,930</b>	<b>98,079</b>	<b>136,601</b>	<b>237,937</b>	<b>9,148</b>	<b>837,247</b>
Stage 1	0.3%	1.7%	0.0%	0.5%	2.2%	2.6%	1.1%
Stage 2	0.0%	54.4%	-	36.7%	17.2%	59.0%	32.1%
Stage 3	1.8%	78.1%	82.5%	84.5%	87.7%	95.5%	69.7%
<b>Total</b>	<b>0.4%</b>	<b>15.6%</b>	<b>3.1%</b>	<b>9.3%</b>	<b>9.8%</b>	<b>10.2%</b>	<b>7.5%</b>

The following tables analyse loans by type of exposure and geography and represent the concentration of exposures on which credit risk is managed as at 30 June 2019.

Group as 30 June 2019 (Unaudited)	Secured			Unsecured			Total £'000
	Real Estate £'000	SME UK £'000	SME Other £'000	Consumer UK £'000	Consumer US £'000	Consumer Other £'000	
Stage 1	387,967	222,823	56,344	167,475	135,039	21,700	991,348
Stage 2	2,908	3,428	-	2,301	9,069	746	18,452
Stage 3	509	9,621	4,019	18,611	12,614	1,223	46,597
<b>Gross</b>	<b>391,384</b>	<b>235,872</b>	<b>60,363</b>	<b>188,387</b>	<b>156,722</b>	<b>23,669</b>	<b>1,056,397</b>
<b>Allowance for credit losses</b>							
Stage 1	(1,810)	(3,291)	-	(1,216)	(2,066)	(546)	(8,929)
Stage 2	(57)	(2,021)	-	(1,525)	(1,846)	(405)	(5,854)
Stage 3	(22)	(7,386)	(3,027)	(16,653)	(11,652)	(1,059)	(39,799)
<b>Total allowance for credit losses</b>	<b>(1,889)</b>	<b>(12,698)</b>	<b>(3,027)</b>	<b>(19,394)</b>	<b>(15,564)</b>	<b>(2,010)</b>	<b>(54,582)</b>
<b>Net loans at amortised cost</b>							
	<b>389,495</b>	<b>223,174</b>	<b>57,336</b>	<b>168,993</b>	<b>141,158</b>	<b>21,659</b>	<b>1,001,815</b>
Stage 1	0.5%	1.5%	0.0%	0.7%	1.5%	2.5%	0.9%
Stage 2	1.9%	59.0%	0.0%	66.3%	20.4%	54.4%	31.7%
Stage 3	4.3%	76.8%	75.3%	89.5%	92.4%	86.7%	85.4%
<b>Total</b>	<b>0.5%</b>	<b>5.4%</b>	<b>5.0%</b>	<b>10.3%</b>	<b>9.9%</b>	<b>8.5%</b>	<b>5.2%</b>

The following tables analyse loans by type of exposure and geography and represent the concentration of exposures on which credit risk is managed as at 31 December 2019.

Group as at 31 December 2019 (Audited)	Secured			Unsecured			Total £'000
	Real Estate £'000	SME UK £'000	SME Other £'000	Consumer UK £'000	Consumer US £'000	Consumer Other £'000	
Stage 1	247,793	157,773	91,218	168,686	211,103	13,568	890,141
Stage 2	961	2,758	-	1,312	11,142	596	16,769
Stage 3	8,682	15,986	3,620	12,026	16,348	1,354	58,016
<b>Gross</b>	<b>257,436</b>	<b>176,517</b>	<b>94,838</b>	<b>182,024</b>	<b>238,593</b>	<b>15,518</b>	<b>964,926</b>
<b>Allowance for credit losses</b>							
Stage 1	(1,076)	(2,305)	-	(676)	(2,844)	(262)	(7,163)
Stage 2	(1)	(1,536)	-	(700)	(1,886)	(202)	(4,325)
Stage 3	(133)	(12,391)	(2,906)	(10,183)	(14,557)	(1,177)	(41,347)
<b>Total allowance for credit losses</b>	<b>(1,210)</b>	<b>(16,232)</b>	<b>(2,906)</b>	<b>(11,559)</b>	<b>(19,287)</b>	<b>(1,641)</b>	<b>(52,835)</b>
<b>Net loans at amortised cost</b>							
	<b>256,226</b>	<b>160,285</b>	<b>91,932</b>	<b>170,465</b>	<b>219,306</b>	<b>13,877</b>	<b>912,091</b>
Stage 1	0.4%	1.5%	-	0.4%	1.3%	1.9%	0.8%
Stage 2	0.1%	55.7%	-	53.4%	16.9%	33.9%	25.8%
Stage 3	1.5%	77.5%	80.3%	84.7%	89.0%	86.9%	71.3%
<b>Total</b>	<b>0.5%</b>	<b>9.2%</b>	<b>3.1%</b>	<b>6.4%</b>	<b>8.1%</b>	<b>10.6%</b>	<b>5.5%</b>

#### Collateral held as security for financial assets

Consumer loans are typically unsecured obligations of borrowers. They are not secured by any collateral, not guaranteed or insured by any third party and not backed by any governmental authority in any way. SME Loans are typically not secured against collateral but are backed by personal guarantees of the business' director(s).

The Group originates real estate loans through platforms and also has a portfolio of structured facilities and bonds totalling £97,559,000 that are classed as real estate. The originated loans through platforms are secured against collateral as follows:

Loan to value	31 December 2019		
	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	(Audited) £'000
Less than 70%	120,319	360,942	137,970
Between 70% - 75%	5,262	17,848	7,947
Between 75% - 80%	2,676	646	5,379
Greater than 80%	4,559	-	-

#### Maximum credit exposure loan commitments

The Company has provided credit facilities that are undrawn as at 30 June 2020. These primarily relate to secured real estate loans. The undrawn balance as at 30 June 2020 was £304.4 million (30 June 2019: £236.0 million, 31 December 2019: £419.0 million).

#### Platform restrictions

The Group will not invest more than 33 per cent of gross assets via any single Platform. This limit may be increased to 66 per cent of Gross Assets via any single Platform, provided that where this limit is so increased in respect of any Platform the Group does not invest an amount which is greater than 25 per cent (by value) of the total loan origination or investment of the preceding calendar year via such Platform or counterparty.

#### Asset class restrictions

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

The Company will not invest more than 20 per cent of gross assets, at the time of investment, via any single investment fund investing in Credit Assets. The Group will not invest, in aggregate, more than 60 per cent of gross assets, at the time of investment, in other investment funds that invest in Credit Assets.

The Company will not invest more than 10 per cent of its gross assets, at the time of investment, in other listed closed-ended investment funds, whether managed by the Investment Manager or not, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15 per cent of their gross assets in other listed closed-ended investment funds.

The following apply, in each case at the time of investment by the Company, to both Credit Assets acquired by the Company directly and on a look-through basis to any Credit Assets held by another investment fund which is managed by the Investment Manager, the Sub-Manager or their affiliates in which the Company invests (proportionate to the percentage interest the Company has in such investment fund). It is intended that:

- No single consumer loan shall exceed 0.25 per cent of gross assets;
- No single SME loan shall exceed 5.0 per cent of gross assets;
- No single advance or loan against a trade receivable asset shall exceed 5.0 per cent of gross assets;
- No single corporate loan shall exceed 5 per cent of gross assets; and
- No single facility, security or other interest backed by a portfolio of loans, assets or receivables (excluding any borrowing ring-fenced within any SPV which would be without recourse to the Company) shall exceed 20 per cent of gross assets.

At any given time, not more than 50 per cent of Gross Assets will be maintained in SME Credit Assets and not more than 50 per cent of Gross Assets will be maintained in trade receivable assets (taking into account both Credit Assets acquired by the Company directly and, on a look-through basis, any Credit Assets held by another investment fund managed by the Investment Manager, the Sub-Manager or their affiliates in which the Company invests (proportionate to the percentage interest the Company has in such investment fund)).

#### Other restrictions

The Company may invest in cash, cash equivalents and fixed income instruments for cash management purposes and with a view to enhancing returns to shareholders or mitigating credit exposure. However, for cash management purposes the Company will only invest in fixed income instruments of investment grade.

The Company will not invest in collateralised debt obligations ("CDOs"). CDO's are pooled debt obligations where pooled assets serve as collateral.

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that counterparties fail to perform their obligations as at 30 June 2020, 30 June 2019 and 31 December 2019 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Consolidated Statement of Financial Position.

## 7. EXPECTED CREDIT LOSS ALLOWANCE OF INVESTMENTS AT AMORTISED COST

Under the expected credit loss model of IFRS 9 impairment provisions are driven by changes in credit risk of instruments, with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly since initial recognition.

30 June 2020 (Unaudited)	Real Estate £'000	SME UK £'000	SME Other £'000	Consumer UK £'000	Consumer US £'000	Consumer Other £'000	Total £'000
Impairment allowance as at 31 December 2018	1,210	16,232	2,906	11,559	19,287	1,641	52,835

#### ECL charge to the statement of comprehensive income

Stage 1	(500)	(252)	-	(94)	1,895	(28)	1,021
Stage 2	(1)	2,348	-	1,207	(133)	(117)	3,304
Stage 3	74	4,905	(52)	1,465	3,434	359	10,185
<b>Total ECL charge for first 6 months of 2019</b>	<b>(427)</b>	<b>7,001</b>	<b>(52)</b>	<b>2,578</b>	<b>5,196</b>	<b>214</b>	<b>14,510</b>
Loans and receivables written off	-	-	-	(335)	(650)	(832)	(1,817)
Recoveries of amount written off in previous years	3	32	52	148	430	6	671
Foreign exchange impact	37	-	209	-	1,489	14	1,749
<b>As at 30 June 2020</b>	<b>823</b>	<b>23,265</b>	<b>3,115</b>	<b>13,950</b>	<b>25,752</b>	<b>1,043</b>	<b>67,948</b>

30 June 2019 (Unaudited)	Real Estate £'000	SME UK £'000	SME Other £'000	Consumer UK £'000	Consumer US £'000	Consumer Other £'000	Total £'000
Impairment allowance as at 31 December 2018	1,698	12,037	2,795	16,666	16,018	1,989	51,203

#### ECL charge to the statement of comprehensive income

Stage 1	114	1,503	-	(669)	809	(144)	1,613
Stage 2	56	1,258	-	(128)	(490)	(180)	516
Stage 3	22	3,140	54	4,223	939	775	9,153
<b>Total ECL charge for first 6 months of 2019</b>	<b>192</b>	<b>5,901</b>	<b>54</b>	<b>3,426</b>	<b>1,258</b>	<b>451</b>	<b>11,282</b>
Loans and receivables written off	-	(5,471)	-	(765)	(2,597)	(449)	(9,282)
Recoveries of amount written off in previous years	-	231	172	67	881	15	1,366
Foreign exchange impact	(1)	-	6	-	4	4	13
<b>As at 30 June 2019</b>	<b>1,889</b>	<b>12,698</b>	<b>3,027</b>	<b>19,394</b>	<b>15,564</b>	<b>2,010</b>	<b>54,582</b>

31 December 2019 (Audited)	Real Estate £'000	SME UK £'000	SME Other £'000	Consumer UK £'000	Consumer US £'000	Consumer Other £'000	Total £'000
Impairment allowance as at 31 December 2018	1,698	12,037	2,795	16,666	16,018	1,989	51,203

#### ECL charge to the statement of comprehensive income

Stage 1	366	(1,246)	-	(1,209)	1,713	(411)	(787)
Stage 2	1	772	-	(953)	(379)	(369)	(928)
Stage 3	187	9,755	(53)	4,867	3,769	1,193	19,718
<b>Total ECL charge for 2019</b>	<b>554</b>	<b>9,281</b>	<b>(53)</b>	<b>2,705</b>	<b>5,103</b>	<b>413</b>	<b>18,003</b>

Loans and receivables written off	(408)	(6,238)	-	(2,902)	(3,436)	(721)	(13,705)
Loans and receivables sold	(949)	-	-	(6,548)	-	-	(7,497)
Recoveries of amount written off in previous years	359	1,152	280	1,638	2,369	23	5,821
Foreign exchange impact	(44)	-	(116)	-	(767)	(63)	(990)
<b>As at 31 December 2019</b>	<b>1,210</b>	<b>16,232</b>	<b>2,906</b>	<b>11,559</b>	<b>19,287</b>	<b>1,641</b>	<b>52,835</b>

The following tables analyse how the expected credit loss provision as at 30 June 2020 and 31 December 2019 for the Group has moved.

Group as at 30 June 2020 (Unaudited)	ELC Allowance				Principal Balance			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Opening Balance	(7,163)	(4,325)	(41,527)	(52,835)	890,141	16,769	58,016	964,926
Stage 1 to Stage 2	301	(8,278)	-	(7,977)	(20,421)	20,421	-	-
Stage 1 to Stage 3	337	-	(12,570)	(12,233)	(22,534)	-	22,534	-
Stage 2 to Stage 1	(65)	922	-	857	3,848	(3,848)	-	-
Stage 2 to Stage 3	-	2,037	(3,464)	(1,427)	-	(4,779)	4,779	-
Stage 3 to Stage 1	(6)	-	303	297	2,048	-	(2,048)	-
Stage 3 to Stage 2	-	(40)	89	49	-	127	(127)	-
Changes in model assumptions	(2,921)	365	(1,342)	(3,898)	-	-	-	-
Repayments	1,947	1,690	6,325	9,962	(281,347)	(6,749)	(9,374)	(297,470)
Originations	(614)	-	-	(614)	210,560	-	-	210,560
Write-offs	-	-	1,620	1,620	-	-	(1,817)	(1,817)
FX	(292)	(134)	(1,323)	(1,749)	25,949	842	2,205	28,996
<b>Total</b>	<b>(8,476)</b>	<b>(7,763)</b>	<b>(51,709)</b>	<b>(67,948)</b>	<b>808,244</b>	<b>22,783</b>	<b>74,168</b>	<b>905,195</b>

Group as at 31 December 2019 (Audited)	ELC Allowance				Principal Balance			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Opening Balance	(9,066)	(5,345)	(36,972)	(51,203)	942,227	21,860	46,263	1,010,350
Stage 1 to Stage 2	228	(5,317)	-	(5,089)	(14,576)	14,576	-	-
Stage 1 to Stage 3	460	-	(21,578)	(21,118)	(37,210)	-	37,210	-
Stage 2 to Stage 1	(15)	356	-	341	638	(638)	-	-
Stage 2 to Stage 3	-	2,592	(3,916)	(1,324)	-	(4,588)	4,588	-
Stage 3 to Stage 1	(2)	-	110	108	126	-	(126)	-
Stage 3 to Stage 2	-	(12)	18	6	-	21	(21)	-
Changes in model assumptions	508	603	(682)	429	-	-	-	-
Repayments	4,394	2,709	4,367	11,470	(789,544)	(13,939)	(7,347)	(810,830)
Originations	(4,788)	-	-	(4,788)	1,057,177	-	-	1,057,177
Loans sold or deconsolidated	979	-	6,518	7,497	(255,104)	-	(7,664)	(262,768)
Write-offs	-	-	9,846	9,846	-	-	(13,705)	(13,705)
FX	139	89	762	990	(13,593)	(523)	(1,182)	(15,298)
<b>Total</b>	<b>(7,163)</b>	<b>(4,325)</b>	<b>(41,527)</b>	<b>(52,835)</b>	<b>890,141</b>	<b>16,769</b>	<b>58,016</b>	<b>964,926</b>

#### Measurement uncertainty and sensitivity analysis of expected credit loss

The recognition and measurement of expected credit losses ("ECL") is highly complex and involves the use of significant judgement and estimation. This includes the formulation and incorporation of multiple forward-looking economic conditions into ECL to meet the measurement objective of IFRS 9.

The ECL recognised in the financial statements reflect the effect on expected credit losses of a range of possible outcomes, calculated on a probability-weighted basis, based on the economic scenarios described above, including management overlays where required. The probability-weighted amount is typically a higher number than would result from using only the Base (most likely) economic scenario. Expected credit losses typically have a non-linear relationship to the many factors which influence credit losses, such that more favourable macroeconomic factors do not reduce defaults as much as less favourable macroeconomic factors increase defaults. The ECL calculated for each of the scenarios represent a range of possible outcomes that have been evaluated to estimate ECL. As a result, the ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible actual ECL outcomes. There is a high degree of estimation uncertainty in representing tail risk scenarios when assigned a 100 per cent weighting. A wider range of possible ECL outcomes reflects uncertainty about the distribution of economic conditions and does not necessarily mean that credit risk on the associated loans is higher than for loans where the distribution of possible future economic conditions is narrower.

The Company has adopted the use of three economic scenarios, representative of our view of forecast economic conditions, sufficient to calculate unbiased ECL. They represent a 'most likely outcome' (the Base scenario) and two, less likely, 'outer' scenarios, referred to as the 'Upside' and 'Downside' scenarios.

For stage 3 impaired loans, LGD estimates take into account independent recovery valuations provided by independent third parties where available, or internal forecasts corresponding to anticipated economic conditions.

## 8. FEES AND EXPENSES

### Investment management and performance fees

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

The management fee is payable monthly in arrears and is at the rate of 1/12 of 1.0 per cent per month of NAV (the "Management Fee"). For the period from admission to trading on the London Stock Exchange's main market for listed securities (the "Admission") until the date on which 90 per cent of the net proceeds of the Issue have been invested or committed for investment, directly or indirectly, in Credit Assets, the value attributable to any assets of the Group other than Credit Assets (including any cash) will be excluded from the calculation of NAV for the purposes of determining the Management Fee.

The Investment Manager shall not charge a management fee or performance fee twice. Accordingly, if at any time the Group invests in or through any other investment fund or special purpose vehicle and a management fee or advisory fee is charged to such investment fund or special purpose vehicle by the Investment Manager, the Sub-Manager or any of their affiliates, the value of such investment shall be excluded from the calculation of NAV for the purposes of determining the Management Fee payable.

Notwithstanding the above, the Investment Manager may charge a fee based on a percentage of gross assets (such percentage not to exceed 1.0 per cent) to any entity which is within the same group of companies of which the Company forms part, provided that such an entity employs leverage for the purpose of its investment policy or strategy. Effective from 1 January 2017, the Investment Manager waived the management fee charged on leverage.

Management fees charged for the period ended 30 June 2020 totalled £3.5 million (30 June 2019: £3.6 million) (31 December 2019: £7.3 million), of which £0.6 million was payable at the period-end (30 June 2019: £1.2 million) (31 December 2019: £1.2 million).

The management fees are allocated between the revenue and capital accounts based on the prospective split of NAV between revenue and capital. The percentage of management expenses allocated to capital is less than 1 per cent of the total.

The performance fee is calculated in respect of each twelve month starting on 1 January and ending on 31 December in each calendar year (the "Calculation Period"), save that the first Calculation Period was the period commencing on admission and ending on 31 December 2014 and provided further that if at the end of what would otherwise be a Calculation Period no performance fee has been earned in respect of that period, the Calculation Period shall carry on for the next 12 month period and shall be deemed to be the same Calculation Period and this process shall continue until a performance fee is next earned at the end of the relevant period.

The performance fee is calculated by reference to the movements in the Adjusted Net Asset Value (as defined below) since the end of the Calculation Period in respect of which a performance fee was last earned or Admission if no performance fee has yet been earned (the "High Water Mark").

The performance fee will be a sum equal to 15 per cent of such amount (if positive) and will only be payable if the Adjusted NAV at the end of a Calculation Period exceeds the High Water Mark. From 1 January 2018, the performance fee will be subject to a hurdle of 5 per cent with full catch up. The performance fee shall be payable to the Investment Manager in arrears within 30 calendar days of the end of the relevant Calculation Period.

Performance fees for the period ended 30 June 2020 totalled £0.9 million (31 December 2019: £6.5 million), (30 June 2019: £3.2 million) of which £0.9 million was payable at the period-end (31 December 2019: £6.5 million), (30 June 2019: £3.2 million).

"Adjusted Net Asset Value" means the NAV adjusted for: (i) any increases or decreases in NAV arising from issues or repurchases of ordinary or C shares during the relevant Calculation Period; (ii) adding back the aggregate amount of any dividends or distributions (for which no adjustment has already been made under (i)) made by the Group at any time during the relevant Calculation Period; (iii) before deduction for any accrued performance fees; and (iv) to the extent that the Group invests in any other investment fund or via any special purpose vehicle or via any separate managed account arrangement which is managed or advised by the Investment Manager, the Sub-Manager or any of their affiliates, if the Investment Manager, the Sub-Manager or such affiliate is entitled to (including where it is not yet earned) receive a performance fee or performance allocation at the level of that investee entity or under such separate managed account arrangement, excluding any gain or loss attributable to those investments during the relevant Calculation Period.

### Administration

The Company has entered into an administration agreement with Citco Fund Services (Ireland) Limited. The Company pays to the Administrator out of the assets of the Company an annual administration fee based on the Company's net assets subject to a monthly minimum charge. Administration fees for the period ended 30 June 2020 totalled £264,000 (30 June 2019: £263,000, 31 December 2019: £530,000) of which £88,000 was payable at the 30 June 2020 (30 June 2019: £119,200, 31 December 2019: £132,000).

The Administrator shall also be entitled to be repaid out of the assets of the Company all of its reasonable out-of-pocket expenses incurred on behalf of the Company.

### Other expenses

Group	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Auditors' remuneration	195	195	385
Assurance & Tax*	67	127	206
Administration fees	264	263	530
Directors' fees	171	120	256
Regulatory costs	92	125	248
Other	896	510	2,169
Offer Costs**	1,643	-	-
<b>Total</b>	<b>3,328</b>	<b>1,340</b>	<b>3,794</b>

\* As at 31 December 2019 of the assurance and tax work only £27,000 relates to PwC.

\*\* These are costs incurred by the Company in relation to the possible offer from Waterfall Asset Management LLC.

### Company Secretary

Under the terms of the Company Secretarial Agreement, Link Company Matters Limited is entitled to an annual fee of £55,000 (exclusive of VAT and disbursements).

### Registrar

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual maintenance fee of £1.25 per Shareholder account per annum, subject to a minimum fee of £2,500 per annum (exclusive of VAT).

### Depository

On 21 July 2017, the Company appointed Citco Custody (UK) Limited as Depository to replace Deutsche Bank Luxembourg, S.A. Under the terms of the Depository Agreement, the Depository is entitled to be paid a fee of up to 0.04 per cent per annum of NAV, subject to a minimum monthly fee of £3,000 (exclusive of VAT). Prior to 21 July 2017, Deutsche Bank Luxembourg was entitled to be paid a fee of up to 0.025 per cent per annum of NAV, subject to a minimum monthly fee of £3,000 (exclusive of VAT).

### Other operational expenses

Other on-going operational expenses (excluding fees paid to service providers as detailed above) of the Group will be borne by the Group including printing, audit, finance costs, due diligence and legal fees. All reasonable out of pocket expenses of the Investment Manager, the Administrator, the Company Secretary, the Registrar, the Depository, the Custodian, and the Directors relating to the Group will be borne by the Group.

## 9. INTEREST RECEIVABLE

Interest income is earned from investments in fixed income securities and loans and broker balances. The below tables show the interest receivables of the Group as at 30 June 2020.

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
<b>Group</b>			
Interest receivable	15,406	33,460	12,149
<b>Total</b>	<b>15,406</b>	<b>33,460</b>	<b>12,149</b>

## 10. NON-CURRENT LIABILITIES

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
<b>Group</b>			
Revolving bank facilities	89,757	84,605	83,707
Principal protected notes	109,520	208,916	150,678
Term facilities	70,514	118,720	67,814
<b>Total borrowings</b>	<b>269,791</b>	<b>412,241</b>	<b>302,199</b>

The Company entered into a 30-month debt facility in December 2018 that had both a term and a revolving element. This refinanced its maturing £200 million debt facility. The new facility has a number of differences to the previous facility, those being the ability to draw down in multiple currencies to align with the underlying assets of the Group and therefore reducing the need for foreign currency hedging. It also provides both term and revolving debt that will allow the Group to repay the part of the debt when it has surplus liquidity. The facility has a day-1 committed size of £150.0 million, with the ability to increase further in the future. The facility is secured by way of fixed and floating charges; interest on the loan is paid quarterly and is charged on LIBOR plus margin. As at 30 June 2020 the facility is £70.5 million drawn (30 June 2019: £112.0 million, 31 December 2019: £67.8 million).

During the year ended 31 December 2017, MOCA 2017 issued notes as securitisations of loans. These were issued in the form of PPNs. The PPNs amortise, in order of seniority, on a monthly basis based on the receipts arising on the underlying loan assets. Consequently, the weighted average life of the PPNs is expected to be significantly shorter than the contractual maturity of December 2027. The PPNs held by third parties pay interest at one month LIBOR plus a range of margins. The original principal balance on the underlying assets was £216.5 million and as at 30 June 2020 was £33.3 million (30 June 2019: £75.5 million, 31 December 2019: £51.9 million). As at 30 June 2020 the outstanding issued PPN was £28.5 million (30 June 2019: £70.5 million, 31 December 2019: £46.1 million).

During the year ended 31 December 2019, SBOLT 2019 issued notes as securitisations of loans. These were issued in the form of PPNs. The PPNs amortise, in order of seniority, on a monthly basis based on the receipts arising on the underlying loan assets. Consequently, the weighted average life of the PPNs is expected to be significantly shorter than the contractual maturity of December 2027. The PPNs held by third parties pay interest at one month LIBOR plus a range of margins. The original principal balance on the underlying assets was £188.9 million and as at 30 June 2020 was £85.1 million (30 June 2019: £152.7 million, 31 December 2019: £118.2 million). As at 30 June 2020 the outstanding issued PPN was £80.5 million (30 June 2019: £134.6 million, 31 December 2019: £104.1 million).

During the year end 31 December 2019 the Group entered into a \$120.0 million debt facility loan with a 1-year drawdown period and a further 2-year life. Interest on the loan is charged monthly on a 3-month LIBOR plus margin. As at 30 June 2020 the facility is \$110.7 million drawn (30 June 2019: \$53.1 million, 31 December 2019: \$110.4 million). These new facilities allowed the Company to align the currency of the underlying assets of the Group with the currency of the leverage, reducing the need for foreign currency hedging.

The below tables analyse the Group's borrowings into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the final scheduled maturity date.

30 June 2020 (Unaudited)	<1 year £'000	1 - 3 years £'000	3 - 5 years £'000	> 5 years £'000	Total £'000
Revolving bank facilities	-	62	-	89,695	89,757
Principal protected notes	-	-	-	109,520	109,520
Term facilities	-	70,514	-	-	70,514
<b>Total</b>	<b>-</b>	<b>70,576</b>	<b>-</b>	<b>199,215</b>	<b>269,791</b>

  

30 June 2019 (Unaudited)	<1 year £'000	1 - 3 years £'000	3 - 5 years £'000	> 5 years £'000	Total £'000
Revolving bank facilities	-	42,765	-	41,840	84,605
Principal protected notes	-	-	-	208,916	208,916
Term facilities	-	118,720	-	-	118,720
<b>Total</b>	<b>-</b>	<b>161,485</b>	<b>-</b>	<b>250,756</b>	<b>412,241</b>

  

31 December 2019 (Audited)	<1 year £'000	1 - 3 years £'000	3 - 5 years £'000	> 5 years £'000	Total £'000
Revolving bank facilities	-	152	-	83,555	83,707
Principal protected notes	-	-	-	150,678	150,678
Term facilities	-	67,814	-	-	67,814
<b>Total</b>	<b>-</b>	<b>67,966</b>	<b>-</b>	<b>234,233</b>	<b>302,199</b>

As part of IAS 7, "Statement of Cash Flows" an entity is required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. As at the 30 June 2020 the below changes occurred:

30 June 2020 (Unaudited)	Opening balance as at 1 January 2020 £'000	Payments £'000	Acquisitions/ Drawdowns £'000	Interest Expense £'000	Foreign Exchange movements £'000	Closing balance as at 30 June 2020 £'000
Borrowings	302,199	(235,825)	191,695	5,180	6,542	269,791
<b>Total liabilities from financing activities</b>	<b>302,199</b>	<b>(235,825)</b>	<b>191,695</b>	<b>5,180</b>	<b>6,542</b>	<b>269,791</b>

  

30 June 2019 (Unaudited)	Opening balance as at 1 January 2019 £'000	Payments £'000	Acquisitions/ Drawdowns £'000	Interest Expense £'000	Foreign Exchange movements £'000	Closing balance as at 30 June 2019 £'000
Borrowings	378,011	(267,956)	291,673	7,218	3,295	412,241
<b>Total liabilities from financing activities</b>	<b>378,011</b>	<b>(267,956)</b>	<b>291,673</b>	<b>7,218</b>	<b>3,295</b>	<b>412,241</b>

  

31 December 2019 (Audited)	Opening balance as at 1 January 2019 £'000	Payments £'000	Acquisitions/ Drawdowns £'000	Interest Expense £'000	Foreign Exchange movements £'000	Closing balance as at 31 December 2019 £'000
Borrowings	378,011	(401,099)	315,286	14,691	(4,690)	302,199
<b>Total liabilities from financing activities</b>	<b>378,011</b>	<b>(401,099)</b>	<b>315,286</b>	<b>14,691</b>	<b>(4,690)</b>	<b>302,199</b>

## 11. STRUCTURED ENTITIES

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Structured entities are consolidated when the substance of the relationship indicates control.

Structured entities are assessed for consolidation in accordance with the accounting policy set out in Note 2. The following structured entities are consolidated in the Group's results.

Structured entity	Nature of business	Principal place of business and incorporation
Eaglewood Income Fund I, LP	Alternative finance investments	Delaware USA
Eaglewood SPV I LP	Alternative finance investments	Delaware USA
Marketplace Originated Consumer Assets 2017-1 PLC	Securitisation of UK consumer loans	England and Wales
EW-PFL Trust	Alternative finance investments	Delaware USA
SPV I Loan Trust	Alternative finance investments	Delaware USA
Payoff Consumer Loan Trust	Alternative finance investments	Delaware USA
BFCL Trust	Alternative finance investments	Delaware USA
Eaglewood LC Trust	Alternative finance investments	Delaware USA
PSC 1803 Autoloan Trust	Alternative finance investments	Delaware USA
PSC Rocketloans Prime Consumer Loan Trust	Alternative finance investments	Delaware USA
PSC 2018F Loan Trust	Alternative finance investments	Delaware USA
Small Business Origination Loan Trust 2019-1 DAC	Securitisation of UK SME loans	Ireland

Further details on the activities of these consolidated structured entities are set out in Note 2.

The following structured entity is not consolidated in the Group's results, as Eaglewood Fund only retained 25 per cent pari passu of the residual note, the Group does not have control. The structured entity is treated as an associate.

Structured entity	Nature of business	Principal place of business and incorporation
MW-EW Financing Trust	Alternative finance investments	Delaware USA

## 12. SUBSIDIARIES

### Accounting for investment in subsidiaries

The Company's investments in subsidiaries, as at 30 June 2020 consist of:

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
<b>Investments in subsidiaries</b>			
Investments in SPV partnership interest	228,132	195,501	221,863
CH Mercury Note Issuer DAC	-	57,962	-

## 13. INVESTMENTS IN ASSOCIATES

Associates are entities over which the Group has significant influence, but does not control, generally accompanied by a shareholding of between 20 per cent and 50 per cent of the voting rights. Given the nature of the below shareholdings these are all deemed to be associates given that the Company does not have control.

The below companies are associates within the Group Financial Statements:

Entity	Nature of business	Principal place of business
Zorin Finance Limited	Real Estate	UK
MW-EW Financing Trust	Consumer	USA

As at 30 June 2020, the Group has two associates, one being Zorin Finance Limited ("Zorin") a UK platform originating secured real estate loans and MW-EW-Financing Trust whereby the Eaglewood Fund holds a 25 per cent residual note. The investments are accounted for at fair value through profit or loss. No dividends were declared during the period in respect of the investments.

The Group has a direct equity ownership of Zorin of 33.3 per cent. Zorin is a private limited company registered at 1 Knightsbridge Green, London, England, SW1X 7NE and has a registered number of 07514913. It also has provided £6.0 million (30 June 2019: £6.0 million 31 December 2019: £6.0 million) of debt funding to the platform in the form of convertible loan notes of which, as at 30 June 2020, £2.0 million (30 June 2019: £3.0 million 31 December 2019: £2.0 million) has been drawn.

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

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

The unaudited net assets of Zorin as at 30 June 2020 were £10.8 million (30 June 2019: £9.1 million 31 December 2019: £10.2 million), and the unaudited profit after tax was £0.8 million (H1 2019: £1.0 million 2019: £1.5 million).

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

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

The Group has a residual note in MW-EW Financing Trust. In 2017, the Eaglewood Fund registered 11th Floor 500 Delaware Avenue, Wilmington, Delaware, 19801. MW-EW Financing Trust was the primary beneficiary of LC Trust, MW EW Financing Trust, Warehouse I, Warehouse II and CLT 2014. In October 2017, the SPV became the sole investor and thus, consolidation of the Eaglewood Fund took place. Upon consolidation, the loan investments held by Warehouse I and Warehouse II were transferred to MW EW Financing Trust and the ineligible loan investments to LC Trust and CLT 2014. To obtain funding, MW-EW Financing Trust issued asset backed notes ("Notes"). The senior tranche of the Notes ("Senior Note") is held by a bank, representing 76 per cent of the interest and the residual portion of the Notes ("Residual Note") was retained by the Eaglewood Fund. The Eaglewood Fund subsequently sold 75 per cent of the Residual Note to an external investor and retained 25 per cent. During the period the loan investments were sold from MW-EW Financing Trust and the outstanding notes were fully repaid.

#### 14. NET ASSET VALUE PER ORDINARY SHARE

Group	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
<b>Ordinary Shares</b>			
Net assets attributable at end of period (£'000)	700,824	722,288	718,245
Shares in issue	73,888,011	74,916,368	74,402,289
Net asset value per ordinary share (pence)	948.49p	964.13p	965.35p

#### 15. SHAREHOLDERS' CAPITAL

Set out below is the issued share capital of the Company as at 30 June 2020.

Group (Unaudited)	Nominal value £'000	Number of shares	Voting rights of shares
Ordinary Shares	739	73,888,011	73,888,011
Ordinary Shares held in Treasury	124	12,418,792	-
<b>Total</b>	<b>863</b>	<b>86,306,803</b>	<b>73,888,011</b>

Set out below is the issued share capital of the Company as at 30 June 2019.

Group (Unaudited)	Nominal value £'000	Number of shares	Voting rights of shares
Ordinary Shares	749	74,916,368	74,916,368
Ordinary Shares held in Treasury	114	11,390,435	-
<b>Total</b>	<b>863</b>	<b>86,306,803</b>	<b>74,916,368</b>

Set out below is the issued share capital of the Company as at 31 December 2019.

Group (Audited)	Nominal value £'000	Number of shares	Voting rights of shares
Ordinary Shares	744	74,402,289	74,402,289
Ordinary Shares held in Treasury	119	11,904,514	-
<b>Total</b>	<b>863</b>	<b>86,306,803</b>	<b>74,402,289</b>

On incorporation, the issued share capital of the Company was £0.01 represented by one ordinary share, held by the subscriber to the Company's memorandum of association.

#### Rights attaching to the ordinary shares

The holders of ordinary shares shall be entitled to all of the Company's net assets.

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

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

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

### Voting rights

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

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

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

### Variation of rights & distribution on winding up

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

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

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

The table below shows the movement in shares during the year ended 30 June 2020.

For the period ended 30 June 2020 (Unaudited)	Shares in issue at the beginning of the period	Buyback of Ordinary Shares	Shares in issued at the end of the period
Ordinary Shares	74,402,289	(514,278)	73,888,011
Treasury Shares	11,904,514	514,278	12,418,792

The table below shows the movement in shares during the year ended 30 June 2019.

For the period ended 30 June 2019 (Unaudited)	Shares in issue at the beginning of the period	Buyback of Ordinary Shares	Shares in issued at the end of the period
Ordinary Shares	76,088,401	(1,172,033)	74,916,368
Treasury Shares	10,218,402	1,172,033	11,390,435

The table below shows the movement in shares during the year ended 31 December 2019.

For the year ended 31 December 2019 (Audited)	Shares in issue at the beginning of the year	Buyback of Ordinary Shares	Shares in issued at the end of the year
Ordinary Shares	76,088,401	(1,686,112)	74,402,289
Treasury Shares	10,218,402	1,686,112	11,904,514

Cash consideration was received for all subscriptions for shares.

### Share Buyback

During the year ended 31 December 2016 the Company commenced a share buyback program. All shares bought back are held in treasury at the end of the period. As at 30 June 2020, the Company had bought back 12,418,792 (30 June 2019: 11,390,435, 31 December 2019: 11,904,514) ordinary shares.

The Company has engaged Liberum Capital Limited to effect on-market purchases of its shares on its behalf. Both parties can terminate the contract without cause at any point other than during a closed period (H1 2019 was not a closed period). As a result, no liability has been recognised as at 30 June 2020 other than in relation to those shares acquired pending settlement.

2020 (Unaudited)	Ordinary shares purchased	Average price per share	Lowest price per share	Highest price per share	Total Treasury Shares
January	110,000	831.7p	824.0p	842.0p	12,014,514
February	80,000	828.7p	824.0p	834.0p	12,094,514
March	35,000	504.5p	416.0p	686.0p	12,129,514
April	100,000	644.8p	586.0p	716.0p	12,229,514
May	79,278	643.6p	582.0p	708.0p	12,308,792
June	110,000	709.7p	670.0p	752.0p	12,418,792

2019 (Audited)	Ordinary shares purchased	Average price per share	Lowest price per share	Highest price per share	Total Treasury Shares
January	342,584	812.8p	800.0p	825.0p	10,560,986
February	282,503	818.0p	806.0p	827.0p	10,843,489
March	296,697	810.6p	806.0p	816.0p	11,140,186
April	75,000	823.0p	812.0p	834.0p	11,215,186
May	80,878	855.5p	848.0p	860.0p	11,296,064
June	94,371	845.7p	840.0p	853.0p	11,390,435
July	102,250	841.2p	834.1p	848.0p	11,492,685
August	100,428	844.5p	838.0p	860.0p	11,593,113
September	97,500	822.4p	800.0p	838.0p	11,690,613
October	20,000	830.3p	835.0p	838.0p	11,710,613
November	102,021	829.5p	800.0p	852.0p	11,812,634
December	91,880	823.6p	814.0p	832.0p	11,904,514

### Special Distributable Reserve

At a general meeting of the Company held on 15 June 2015, special resolutions were passed approving the cancellation of the amount standing to the credit of the Company's share premium account as at 29 May 2015 and additional share premium following the issue of new C shares, which occurred on 28 July 2015. These C shares were subsequently converted so that there is no C shares as at 30 June 2020 (31 December 2019: £Nil), (30 June 2019: £Nil).

Following the approval of the Court and the subsequent registration of the Court order with the Registrar of Companies on 17 September 2015, the reduction became effective. Accordingly £832,647,915, previously held in the share premium

account, was transferred to the special distributable reserves of the Group as disclosed in the Consolidated Statement of Financial Position.

The cost of the buyback of ordinary shares as detailed above was funded by the special distributable reserve. Also, dividends were paid out of the special distributable reserve. Therefore the closing balance in the special distributable reserve has been reduced to £673,448,000 (31 December 2019: £677,167,000), (30 June 2019: £701,122,000).

## 16. DIVIDENDS

The following table summarises the year end dividends payable to equity shareholders in the year:

Period to	Share Class	Amount	Payment date	30 June	30 June	31
				2020	2019	December
				(Unaudited)	(Unaudited)	(Audited)
				£'000	£'000	£'000
31 December 2018	Ordinary	12.0p	27 March 2019	-	9,084	9,084
31 March 2019	Ordinary	12.0p	14 June 2019	-	9,008	9,008
30 June 2019	Ordinary	12.0p	30 September 2019	-	-	8,972
30 September 2019	Ordinary	12.0p	13 December 2019	-	-	8,947
31 December 2019	Ordinary	12.0p	27 March 2020	8,906	-	-
31 March 2020	Ordinary	12.0p	19 June 2020	8,885	-	-
<b>Total</b>				<b>17,791</b>	<b>18,092</b>	<b>36,011</b>

## 17. RELATED PARTY TRANSACTIONS

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

### Directors

Each of the Directors is entitled to receive a fee from the Group at such rate as may be determined in accordance with the Articles. Save for the Chairman of the Board, the fees are £40,000 for each Director per annum. The Chairman's fee is £45,000 per annum. During the period under review each Director received an additional payment of £15,000 (Chairman: £25,000) in respect of one-off project work undertaken to date during the year ending 31 December 2020.

All of the Directors are also entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, Board or Committee meetings or otherwise in connection with the performance of their duties. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Group.

As at 30 June 2020, the Directors' interests in the Group's shares were as follows:

	30 June	30 June	31 December
	2020	2019	2019
	(Unaudited)	(Unaudited)	(Audited)
Simon King - Ordinary Shares	29,895	29,895	29,895
Michael Cassidy - Ordinary Shares	21,000	21,000	21,000
<b>Total</b>	<b>50,895</b>	<b>50,895</b>	<b>50,895</b>

### Associates

As at 30 June 2020 the Group had several investments in associates please see Note 13 for details of these related parties.

### Subsidiaries

As at 30 June 2020 the Group had several subsidiaries please see Note 2 for details of these subsidiaries during the year and Note 12 for further disclosure on investments in subsidiaries.

### Investment Manager

Investment management fees and performance fees for the period ended 30 June 2020 are paid by the Group to the Investment Manager and these are presented on the Consolidated Statement of Comprehensive Income. Details of Investment management fees and performance fees paid during the year are disclosed in Note 8.

Those within the Investment Manager deemed to have significant influence held 411,910 (30 June 2019: 411,910 31 December 2019: 411,910) ordinary shares as at 30 June 2020.

## 18. SUBSEQUENT EVENTS

The Company has continued the share buyback programme in the open market and as at 30 September 2020, 12,720,992 shares were held in treasury.

An interim dividend of 12.0p per Ordinary Share was declared by the Board on 2 September 2020 in respect of the three month period to 30 June 2020, which will be paid on 9 October 2020 to shareholders on the register as at 11 September 2020.

The Company announced on 25 February 2020 that it was in discussions with Waterfall Asset Management, LLC ("Waterfall") in relation to a possible cash offer by funds advised by Waterfall for the entire issued and to be issued share capital of the Company. On 8 September 2020 the Company announced that the Panel on Takeovers and Mergers (the "Panel") had consented to an extension of the relevant deadline, until 6 October 2020 to enable the parties to continue their ongoing discussions. By this time Waterfall must either announce a firm intention to make an offer for the Company or announce that it does not intend to do so. The deadline of 6 October 2020 can be extended with the consent of the Panel.

On 14 August 2020, the Board entered into an interim advisory agreement with Waterfall for the provision of advisory services, which includes providing the Board with proposals for the transfer of the management of the Company's portfolio of investments to a replacement manager. It is expected that Waterfall will be confirmed and appointed as the replacement investment manager as soon as practicable. Significant progress in preparing to enter into an Investment Management Agreement has been made and Waterfall has also progressed discussions with the Company's lending banks and has engaged with the Company's counterparties. Waterfall have been engaging with the outgoing investment

manager PSC Credit Holdings LLP, with a view to securing PSC's cooperation in ensuring a smooth transition of the portfolio.

## 19. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information contained in this half yearly financial report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the six months ended 30 June 2020 and 30 June 2019 has not been reviewed or audited by the auditor.

The information for the year ended 31 December 2019 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies unless otherwise stated. The report of the Auditors on those accounts contained no qualification or statement under sections 498(2) or 498(3) of the Companies Act 2006.

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