Registered Number: 09899024

Honeycomb Investment Trust plc

Interim Report and Unaudited Financial Statements

For the period from 1 January 2020 to 30 June 2020

Table of Contents

1 Strategic Report

Investment Objective

The investment objective of Honeycomb Investment Trust plc (the “Company”) and its subsidiaries (together, the “Group”) is to provide shareholders with an attractive level of dividend income and capital growth primarily through investing in asset secured loans (“Credit Assets”) and selected equity investments that are aligned with the Group’s strategy and that present opportunities to enhance the Group’s returns from its investments (”Equity Assets”).

Financial and Operational Highlights

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
NET ASSET VALUE			
NET ASSET VALUE (CUM INCOME) (£'000) (1)	371,126	400,050	400,361
NET ASSET VALUE (EX INCOME) (£'000) (2) (3)	369,772	393,784	393,784
MARKET CAPITALISATION (£'000) (4)	274,775	437,894	383,650
PER SHARE METRICS			
SHARE PRICE (AT CLOSE) (5)	753.0p	1,110.0p	972.5p
NAV PER SHARE (CUM INCOME) (1)	1,016.4p	1,014.1p	1,014.9p
NAV PER SHARE (EX INCOME) (2)	1,012.7p	998.2p	998.2p
SHARES IN ISSUE	36,514,919	39,449,919	39,449,919
PERFORMANCE INDICATORS AND KEY RATIOS			
PREMIUM / (DISCOUNT) (3) (6)	(26.0)%	9.5%	(4.2)%
ANNUALISED NAV PER SHARE RETURN (3) (7)	8.2%	7.5%	7.8%
ITD TOTAL NAV PER SHARE RETURN (3) (8) (9)	37.4%	29.0%	33.2%
DEBT TO EQUITY (10)	51.9%	44.9%	51.7%
REVENUE RETURN (11)	5.0%	7.5%	7.8%
DIVIDEND RETURN (12)	8.0%	8.0%	8.0%
ONGOING CHARGES (13)	1.8%	1.7%	1.8%

(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. NAV per share is calculated by dividing the calculated figure by the total number of shares.

(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. NAV per share is calculated by dividing the calculated figure by the total number of shares.

(3) ALTERNATIVE PERFORMANCE MEASURES: Alternative Performance Measures ("APMs") are used to improve the comparability of information between reporting periods, either by adjusting for uncontrollable or one-off factors which impact upon IFRS measures or, by aggregating measures, to aid the user understand the activity taking place. The Strategic Report includes both statutory and adjusted measures, the latter of which, reflects the underlying performance of the business and provides a more meaningful comparison of how the business is managed. APMs are not considered to be a substitute for IFRS measures but provide additional insight on the performance of the business. Reconciliations to amounts appearing in the financial statements can be found in section 5.

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

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

(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 as Net Asset Value (Cum Income) at the end of the period, plus dividends declared during the period, divided by NAV (Cum Income) calculated on a per share basis at the start of the year annualised.

(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 period, divided by NAV (Cum Income) calculated on a per share basis at the start of the year. There was a 1.06 per cent uplift on the inception to date total NAV per share return due to the effect of shares being issued at a premium during May-17 capital raise and 0.73 per cent in relation to the April-18 capital raise.

(10) DEBT TO EQUITY: is calculated as the Group's interest bearing debt divided by the Net Asset Value.

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

(12) DIVIDEND RETURN: is calculated as the total declared dividends for the period divided by IPO issue price annualised.

(13) ONGOING CHARGES RATIO: The Annualised Ongoing Charge is calculated using the Association of Investment Companies recommended methodology. It is calculated as a percentage of annualised ongoing charge over average reported Net Asset Value annualised. Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs. The AIC excludes performance fees from the Ongoing Charges calculation.

Chairman's Statement

I am pleased to present the 2020 interim results for Honeycomb Investment Trust plc, covering the period 1 January 2020 to 30 June 2020.

The Company is a UK listed company dedicated to providing investors with access to UK lending opportunities which Pollen Street Capital Limited, the Company's appointed investment manager (the "Manager"), believes have potential to provide attractive and consistent risk-adjusted returns throughout the cycle.

PERFORMANCE

The first six months of 2020 have been some of the most challenging in recent memory. The Coronavirus pandemic ("Covid-19") has disrupted much of the UK economy significantly, leading the government to introduce a wide range of stimulus programmes, the majority of which are unprecedented. Over this period, the Company has focused on prudently managing the existing assets, deleveraging the portfolio and returning cash to shareholders through share buybacks. This strategy has delivered an annualised NAV return of 8.2 per cent (H1 2019: 7.5 per cent) for the period. The Board is very pleased that the Company has continued to deliver its targeted returns in this environment.

ASSET PORTFOLIO

The performance of the underlying Credit Assets has remained stable throughout the Covid-19 crisis, with the underlying returns increasing through Q2 2020 as many customers are ending their forbearance plans and returning to full payments across all sectors. The stable performance is driven by the consistent application of our business model and a focus on senior secured credit investments which has provided a strong base of investments made in the past which offer attractive risk-adjusted returns. In August 2020, the Company disposed of a portfolio of unsecured loans. This has accelerated the reduction of the unsecured book and further strengthens the resilience of the portfolio.

The Manager has worked very closely with borrowers to mitigate the impact of Covid-19 on the portfolio. Cash collections and forbearance statistics are tracked daily for both the whole loan portfolio, where the Company owns loans directly, and the underlying loan portfolios of structured loan facilities.

IMPAIRMENTS & ASSET VALUATIONS

The interim result includes an elevated level of expected credit loss ("ECL") provisions under IFRS 9. This relates to anticipated potential losses as opposed to realised losses as the Manager has prudently built additional coverage on loans that have entered forbearance or reduced payment plans, in line with Bank of England and regulatory guidance. The ECL modelling has been aligned to the latest economic forecasts produced by Oxford Economics in June 2020.

ECL expense recognised in H1 2020, was 72 per cent higher than in H1 2019. The strategy of selecting only the assets that meet the strict risk adjusted returns criteria and maintaining strong credit quality through predominantly lending on secured assets supported by specialist underwriting expertise has supported the portfolio.

GEARING

The Company has reduced the Net Investment Assets from a high of £595 million at 29 February 2020 to £551 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 debt from £221 million to £193 million from 29 February 2020 to 30 June 2020. The debt to equity ratio decreased from 58.2 per cent to 51.9 per cent over the same period.

DIVIDENDS

Our business and balance sheet have shown resilience during the first several months of the Covid-19 pandemic. We have acted prudently and taken into consideration all of our stakeholders. The dividend has remained at 20.00 pence per share for Q1 2020 and Q2 2020, which is in line with prior years. This provides the targeted 8.0 per cent annualised dividend on the original issuance price and a point of stability in an uncertain economic environment.

SHARE PRICE AND BUYBACKS

The Company's share price at 30 June was 753.0 pence per share, representing a discount to NAV of 26.0 per cent. The discount to NAV was in the range of 8.9 per cent to 28.1 per cent over the course of the six months to 30 June 2020. As part of its ongoing discount management policy, the Company bought back 2,935,000 shares during the first 6 months of 2020. This had the effect of increasing the NAV return by 2.9 per cent. The underlying NAV return was 5.3 per cent. On 10 August the Company initiated a further share buyback program. It is anticipated that this active share price discount management strategy will work in the best interest of the Company's shareholders and will be value accretive to the Company.

OUTLOOK

The Company's strong performance through the challenging environment has positioned it well for the remainder of 2020. The Board continues to monitor the economy and the portfolio very closely but expects the Group to be in a position to capitalise on some compelling new opportunities over the coming months.

Following consultation with certain of its largest shareholders, on 6 August 2020 the Company announced a possible merger with Pollen Street Secured Lending plc ("PSSL"). On 3 September 2020, an announcement was made whereby the Board confirmed it did not intend to make a potential offer under Rule 2.7 of the takeover code (the "Code").

The Board has continued its share buyback program with the aim of reducing the discount between the NAV and share price. As at 10 September 2020 this has seen the Board buyback 558,289 shares representing 1.4 per cent of the total share capital this has bought the total buybacks in the calendar year to 10 September 2020 to 3,493,289 or 8.9 per cent of the total share capital. The Board is committed to continuing this buyback program until the share price is less than a 5 per cent discount to NAV. The share price has increased from 753 pence at 30 June to 893 pence at 10 September.

Robert Sharpe

Chairman
13 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. The Group 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 for 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.

This 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 Pollen Street being simply providers of access to capital. Pollen Street 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.

H1 2020 HIGHLIGHTS

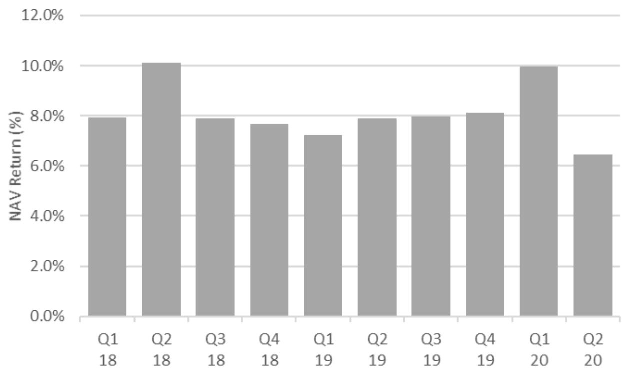
The Company has delivered 8.2 per cent annualised NAV return for the first six months of the year (30 June 2019: 7.5 per cent), which is in excess of the 8.0 per cent target. This is an impressive result in this environment.

Since the onset of Covid-19 the manager has been monitoring the impact of this on the portfolio carefully and has tracked cash collections and forbearance statistics daily from both the whole loan portfolio that the Company owns directly and the underlying loan portfolios of structured loan clients, which forms the collateral supporting the Honeycomb loan.

The portfolio has remained stable throughout the Covid-19 crisis, with the underlying returns increasing in Q2 2020. The portfolio has seen the majority of underlying customer loans (both owned directly and financed through structured facilities) now out of Covid-19 forbearance and making repayments. We are also seeing non-bank lenders tentatively re-enter the lending market with restricted scorecards as the economy has started to re-open.

The stable performance is driven by the consistent application of our business model which has provided a strong base of investments made in the past that offer attractive risk-adjusted returns.

Quarterly NAV return

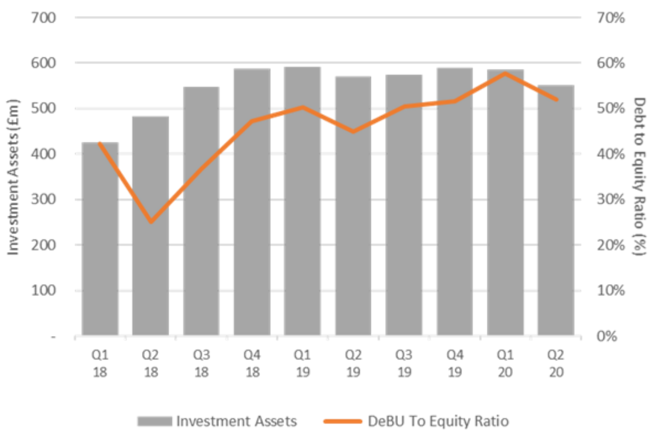


Earnings for the 6 months under review were £9.5 million (30 June 2019: £15.1 million). These earnings translated into basic earnings per share of 25.4 pence (30 June 2019: 38.3 pence). This is the equivalent of an underlying annualised NAV return of 5.3 per cent, which has been enhanced to 8.2 per cent through buybacks.

The reduction in earnings has been influenced by three key drivers:

- A reduction of income: In the first half of 2020, investment income was £29.3 million (FY19 H1: £30.3 million), a decrease of 3 per cent, which has been driven by a reduction of net investment assets to £550.9 million at the period end (FY19 H1: £570.7 million), as a result of the Investment Manager prudently focusing on cash collections. With this focus the cash generated has been re-invested very selectively during the period of uncertainty with the majority of cash going to reduce net debt.

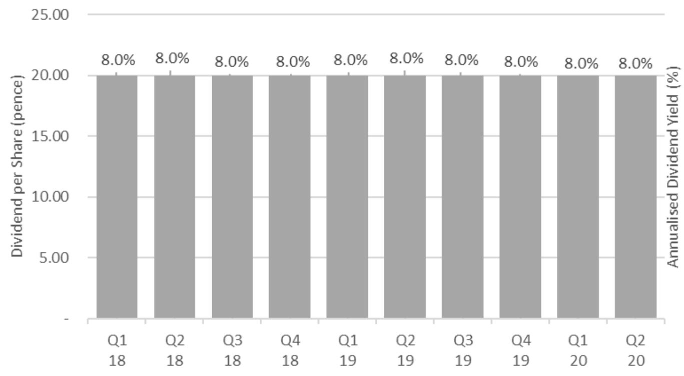
Investment Assets and Debt to Equity Ratio



- Increase in Expected Credit Losses ("ECL") provision: The ECL charge under IFRS 9 was £6.7 million (30 June 2019: £3.9 million), an increase of 72 per cent. Under IFRS 9, the Company calculates the ECL on its Credit Assets using forward looking estimates that are based on a range of economic scenarios. The economic outlook has materially changed following the onset of the Coronavirus Disease ("Covid-19") crisis so the Company has updated its estimate of ECL to reflect the latest available base forecasts for the UK economy produced by Oxford Economics. The ECL charge in the period is in relation to expected losses in the whole loan portfolio as opposed to realised losses, as the Manager prudently builds additional coverage on loans that are on forbearance and payment plans in line with Bank of England and regulatory guidance.

- Increase in leverage costs: The Company signed a new £125.0 million debt facility in May having extended its existing facility in March. There were one off costs associated with this and a higher margin than was being paid under the old facility.

Dividend Per Share and Annualised Dividend Yield



After initial listing costs, the Company had a NAV of 982 pence per share at the time of listing, with the NAV per share (cumulative of income) growing to 1,016.4 pence per ordinary share at 30 June 2020, which, including dividends declared or paid, is equivalent to a NAV return of 37.4 per cent since inception.

SHARE BUYBACK PROGRAMME

The share price of the Company at 30 June 2020 was 753.0 pence per share, representing a 26.0 per cent discount to NAV (cumulative of income).

The Investment Manager is acutely aware of the continued dislocation between the current share price and the underlying value of the portfolio. On this basis the Company has actively undertaken a share price discount management strategy through the buyback of 2,935,000 ordinary shares in issue being repurchased at an average price of 807.4 pence per ordinary share. This contributed 2.9 per cent to the NAV return. As well as being accretive to NAV, it is expected to assist in reducing the magnitude of the discount.

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 and the Manager is now seeing a number of attractive opportunities.

As at 30 June 2020, the portfolio of structured loans consisted of 21 facilities with an average balance outstanding per facility of £12.9 million. The facilities have an average effective advance rate of 66 per cent and typically benefit from robust covenants. The facilities are collateralised by over 400,000 underlying loans and receivables. The Group's portfolio of whole loans consists of 23 deals with an average balance outstanding per relationship c.£11.8 million, 66 per cent of whole loans are secured on property, average loan to value ("LTV") c70 per cent. 33 per cent are consumer unsecured and 1 per cent are SME.

The Manager will continue to work with the Board to support the active discount management programme which is aiming to reduce the discount between the NAV and share price. As at 10 September 2020 this has seen the Board buyback 558,289 shares representing 1.4 per cent of the total share capital, this has bought the total buybacks to 10 September 2020 to 3,493,289 or 8.9 per cent of the total share capital. The Board is committed to continuing this buyback program until the share price is less than a 5 per cent discount to NAV. The share price has increased from 763 pence at 31 July to 893 pence at 10 September.

OUTLOOK

Honeycomb has a long track record of consistent credit performance and dividends. The prudent approach over the course of the Covid-19 related macroeconomic downturn has preserved capital. The Investment Manager has now developed a strong pipeline of opportunities with attractive risk adjusted returns. These are being reviewed over the coming months.

Following consultation with certain of its largest shareholders, on 6 August 2020 the Company announced a possible merger with Pollen Street Secured Lending plc ("PSSL") to create the leading UK specialty finance investment trust. On 3 September 2020, an announcement was made whereby the Board confirmed it did not intend to make a potential offer under Rule 2.7 of the Code.

CONCLUSION

In our guidance issued at the time of the Company's initial public offering, we stated that we were targeting a dividend yield of at least 8.0 per cent (based on issue price). We are proud to have met their guidance in this environment.

Top Ten Holdings

		Country	Asset Type	Sector	Value of holding at 30 June 2020 (£'m)	Percentage of assets[1]
1	Creditfix Limited	United Kingdom	Structured	Consumer	50.7	9.20%
2	Sancus Loans Limited	United Kingdom	Structured	Real Estate	40.8	7.41%
3	Oplo Funding Limited (Formally 1st Stop Group Limited)[2]	United Kingdom	Structured	Consumer	30.0	5.45%
4	Madison CF UK Limited	United Kingdom	Structured	Consumer	21.3	3.86%
5	Duke Royalty Limited	United Kingdom	Structured	SME	18.0	3.27%
6	PF Capital Finance Limited	United Kingdom	Structured	Real Estate	14.2	2.58%
7	Caledonian Consumer Finance Limited & Carnegie Consumer Finance Limited	United Kingdom	Structured	Consumer	13.4	2.44%
8	Zorin Real Estate Loan	United Kingdom	Secured Loan to underlying borrower	Real Estate	11.9	1.15%
9	IWOCA Limited	United Kingdom	Structured	SME	11.0	1.99%
10	Amigo Loans Limited Bond Security	United Kingdom	Bond	Consumer	10.0	1.82%

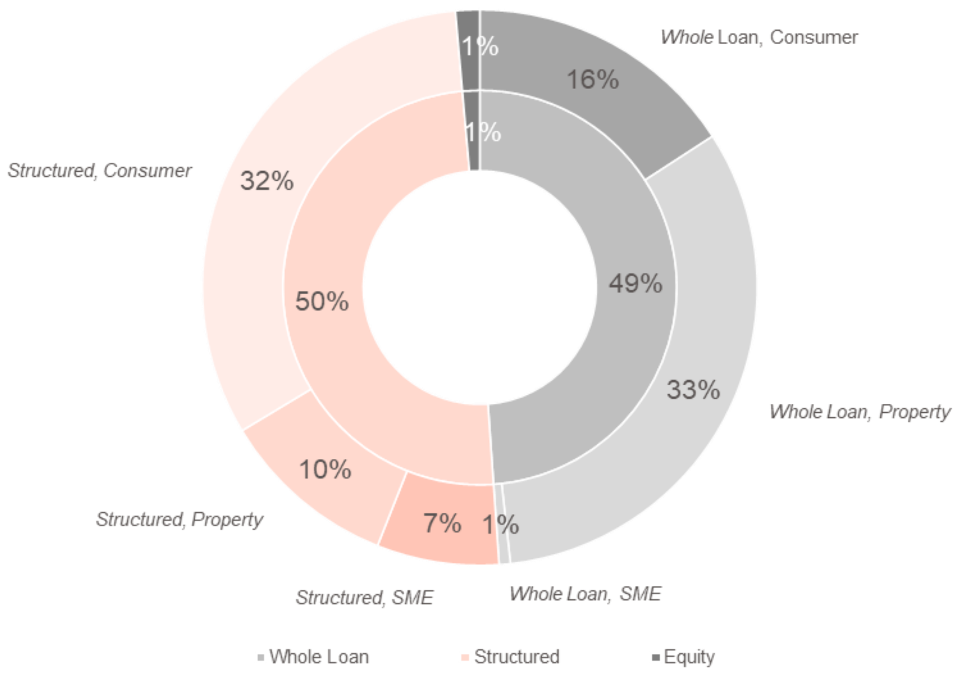
(1) Percentage of total investment assets of the Group (investment assets calculated as the carrying balance of all Credit Assets and related investments).

(2) Oplo Funding Limited (formally 1st Stop Group Limited) is also a portfolio company of funds managed or advised by the Investment Manager.

As at 30 June 2020 the value of the top 10 assets totalled £221.3 million (30 June 2019: £197.4 million, 31 December 2019: 231.5 million) which equated to 40.2 per cent (30 June 2019: 34.6 per cent, 31 December 2019: 39.3 per cent) of investment assets (investment assets calculated as the carrying balance of all Credit Assets at amortised cost and equity investments held at fair value through profit or loss).

Portfolio Composition

The composition of the Group's portfolio split by NAV excluding working capital and debt as at 30 June 2020:



Investment Restrictions

The Group will invest in Credit Assets originated across various sectors to ensure diversification and to seek to mitigate concentration risks. The following investment limits and restrictions apply to the Group 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 Group will not invest, in aggregate, more than 10 per cent of the aggregate value of total assets of the Group ("Gross Assets"), at the time of investment, in other investment funds that invest in Credit Assets.

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

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

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

Other restrictions

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

The Group will not invest in Collateralised Loan Obligations ("CLO") or Collateralised Debt Obligations ("CDO"). CLO's are a form of securitisation whereby payments from multiple loans are pooled together and passed on to different classes of owners in various tranches. CDO's are pooled debt obligations where pooled assets serve as collateral.

These restrictions were not breached in the period ended 30 June 2020, 30 June 2019 or the year ended 31 December 2019.

Principal Risks and Uncertainties

The Group is exposed to a number of potential risks and uncertainties. These risks could have a material impact on financial performance and position and could cause actual results to differ materially from expected and historical results.

The Group faces a number of risks both principal and emerging and as a result, the management of the risks we face is central to everything we do. These risks could have a material impact on financial performance and position and could cause actual results to differ materially from expected and historical results.

The Board has carried out a robust assessment of its principal and emerging risks and the controls to help mitigate the risks. It has established a robust process which involves the maintenance of a risk register, which identifies the risks facing the Group and assesses each risk on a scale, classifying the probability of the risk and the potential impact that an occurrence of the risk could have on the Group. The risk register was last reviewed by the Board on 2 September 2020 and is reviewed as part of the Audit and Risk Committee meetings during the year. The day-to-day risk management functions of the Group have been delegated to the Investment Manager, which reports to the Audit and Risk Committee

INVESTMENT RISKS

Achievement of the Investment Objective

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

Mitigation

The Group's investment decisions are delegated to the Investment Manager. Performance of the Group against its investment objectives is closely monitored on an ongoing basis by the Investment Manager and the Board and is reviewed in detail at each Board meeting. The Board has set investment restrictions and guidelines which the Investment Manager monitors and reports on quarterly to the Board. In the event it is required, any action required to mitigate underperformance is taken as deemed appropriate by the Investment Manager. The Investment Manager has adopted a prudent approach given the uncertain economic environment with the focus on the existing portfolio and ensuring cash collections remain robust and the appropriate strategies are put in place. We expect the economic environment to create some compelling new opportunities for the Group which the Investment Manager will selectively review and deploy capital into, however the priority has been to reduce net debt during this period of uncertainty.

Fluctuations in the market price of Issue Shares

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

Mitigation

The Investment Manager and the Board closely monitor the level of discount or premium at which the Company's shares trade on the open market. The Company may purchase the shares in the market with the intention of enhancing the Net Asset Value per ordinary share. However, there can be no assurance that any repurchases will take place or that any repurchases will have the effect of narrowing any discount to Net Asset Value at which the ordinary shares may trade. When the Company's shares trade at a premium the Company may issue shares to reduce the premium at which shares trade. As at 30 June 2020 the Company's shares were trading at a discount to Net Asset Value.

The last published NAV statement at the date of signing these accounts was the NAV for 31 July 2020. At this point the share price was at a discount of 25.4 per cent to the NAV. On 10 August 2020 the Board introduced a buyback programme.

Exposure to Credit Risk

As a lender to small businesses and individuals, the Group is exposed to credit losses if customers or counterparties are unable to repay loans and outstanding interest and fees or through fraud. The Group is expected to invest a significant proportion of its assets in Credit Assets which, by their nature, are exposed to credit risk and may be impacted by adverse economic and market conditions, including through higher impairment charges, increased capital losses and reduced opportunities for the Group to invest in Credit Assets. Additionally, competition could serve to reduce yields and lower the volume of loans generated by the Group.

The outbreak of Covid-19 has caused major disruption across the globe. At the time of writing the portfolio has seen some impact in payment performance as customers requested and were granted forbearance plans. Many customers are now beginning to end their forbearance plans and are returning to full payments across all sectors. Given the Group's UK focus, its performance is linked to the health of the UK economy. The Group could experience further impairments and consequently reduced profits, particularly if economic expectations deteriorate further from the base case. The overall effect of this cannot be quantified reliably because of uncertainty surrounding a second wave, the impact of the various government initiatives and the behaviour of customers as they reach the end of their payment holidays. The government has also launched a number of initiatives aimed at providing finance to SMEs. Two of our largest borrowers are in the process of lending under the CBIL government guarantee scheme which will also refinance part of their exposure with the benefit of the government guarantee. The Investment Manager has adopted a prudent approach with the focus on the existing portfolio and ensuring cash collections remain robust as the appropriate strategies are in place.

Mitigation

The Group will invest in a granular portfolio of assets, diversified by the number of borrowers, the type, and the credit risk (ranked A–E) of each borrower. Each loan is subject to, amongst other restrictions, a maximum single loan exposure limit. Additionally, the Group has made assumptions around loss and arrears rates within the portfolio in its financial projections. Further, the Investment Manager has established stringent underwriting criteria which includes credit referencing, income verification and affordability testing, identity verification and various forward-looking indicators of a borrower's likely financial strength. The Group also provides structured lending facilities to Corporate entities which can be larger value loans. Please see Note 12 to the financial statements for more details on Credit Risk.

Origination rates and performance of the underlying assets of the Group are closely monitored on an ongoing basis by the Investment Manager and the Board and are reviewed in detail at each Board meeting. The Manager has access to a diversified range of sources from which to select attractive assets. For structured lending facilities the Group undertakes a robust process. Facilities are secured and typically structured with minimum asset coverage ratios and covenants to provide early warning of credit deterioration and adequate asset cover in the event of stress. The Group operates within the Investment policy guidelines and lends on a secured basis against identifiable and accessible assets.

In relation to Covid-19 the impact is being mitigated where possible through the Investment Manager proposing not to re-invest the cash generated by the portfolio in new investments at the height of the crisis, although as we return to some level of normality in the economy this stance will change. In the structured portfolio where the Group provides finance to non-bank lenders, the Investment Manager is working with the borrowers to help them navigate the difficult environment.

Borrowing

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

Mitigation

The Investment Manager and the Board closely monitors the level of gearing of the Group. The Group has a maximum limitation on borrowings of 100 per cent of Net Asset Value (calculated at the time of draw down) which the Investment Manager may affect at its discretion.

In May 2020 the Group's main topco debt facility was refinanced with a 1-year term and revolving facility with extension options at the lender's consent. The Group retains the flexibility to refinance the facility.

Interest Rate Risk

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

Mitigation

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

The current Covid-19 outbreak has seen the Bank of England lower interest rates on 19 March 2020 to 0.1 per cent, the lowest they have been in its 325-year history. The Board will continue to monitor this development.

Following the recommendations of the Financial Stability Board, a fundamental review and reform of the major interest rates benchmarks, including Interbank offered rate ("Ibors"), are underway across the world's largest financial markets. In some cases, the reform will include replacing interest rate benchmarks with alternative risk-free rates ("RFRs"). This replacement process is at different stages, and is progressing at different speeds, across several major currencies. There is therefore uncertainty as to the basis, method and timing of transition and their implications on the participants in the financial markets. Until there is market acceptance on the form of alternative RFRs for different products, the legal mechanisms to effect transition cannot be confirmed, and the impact cannot be determined nor any associated costs accounted for. The Group is assessing the potential effects of these 'Libor replacement' and has the intention of minimising disruption through appropriate mitigating actions.

Liquidity of Investments

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

Mitigation

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

OPERATIONAL RISKS

Third Party Service Providers

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

As part of this, the operations of the third-party service providers are highly dependent on IT systems. Any critical system failure, prolonged loss of service availability or material breach of data security could cause serious damage to the third-party's ability to provide services to the Group, which could result in significant compensation costs or regulatory sanctions or a breach of applicable regulations. In particular, failures or breaches resulting in the loss or publication of confidential customer data could cause long-term damage to reputation and could affect regulatory approvals and competitive position which could undermine their ability to attract and retain customers.

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

Mitigation

The Group has appointed third party service providers who are experienced in their field and have a reputation for high standards of business conduct. Further, day-today oversight of third-party service providers is exercised by the Investment Manager and reported to the Board on a quarterly basis. As appropriate to the function being undertaken, each of the service providers is subject to regular performance and compliance monitoring. The performance of the Investment Manager in its duties to the Group is subject to ongoing review by the Board on a quarterly basis as well as formal annual review by the Group's Management Engagement Committee.

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

As part of the response to Covid-19 all outsourced third party service providers have successfully implemented business continuity processes such as working from home. This has meant that the service levels received by the Group have been maintained in this difficult time.

Reliance on key individuals

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

Mitigation

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

REGULATORY RISKS

Tax

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

Mitigation

The Group intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of Section 1158 of the Corporation Tax Act 2010. Both the Board and the Investment Manager are aware of the requirements which are to be fulfilled in any accounting period for the Group to maintain its investment trust status. The conditions required to satisfy the investment trust criteria are monitored by the Investment Manager and performance of the same shall be reported to the Board on a quarterly basis.

Breach of applicable legislative obligations

The Group and its third-party service providers are subject to various legislative and regulatory regimes, including, but not limited to, the Consumer Credit Act General Data Protection Regulation and the Data Protection Act 2018. Any breach of applicable legislative and/or regulatory obligations could have a negative impact on the Group and impact returns to shareholders.

Mitigation

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

2 Statement of Directors' Responsibilities

Statement of Directors' Responsibilities

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

a) the condensed set of Unaudited Financial Statements contained within the half-yearly financial report have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as adopted by the European Union, as required by the Disclosure and Transparency Rule 4.2.4R, and gives a true and fair view of the assets, liabilities and financial position of the Group;

b) the Interim Management Report[1] includes a fair review, as required by Disclosure and Transparency Rule 4.2.7R, of important events that have occurred during the first six months of the financial year, their impact on the condensed set of unaudited Financial Statements, and a description of the principal risks and perceived uncertainties for the remaining six months of the financial year; and

c) the Interim Management Report includes a fair review of the information concerning related parties' transactions as required by Disclosure and Transparency Rule 4.2.8R.

Signed on behalf of the Board by

Robert Sharpe
Chairman

13 September 2020

[1] The Interim Management Report includes the Chairman's Statement, the Investment Manager's Report, the Investment Restrictions, the Principal Risks and Uncertainties and the Notes to the Financial Statements

3 Financial Statements

Consolidated Statement of Comprehensive Income

For the period from 1 January 2020 to 30 June 2020 (Unaudited)

		For the period from 1 January 2020 to 30 June 2020 (Unaudited)			For the period from 1 January 2019 to 30 June 2019 (Re-presented)[A] (Unaudited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income							
Interest income on Credit Assets at amortised cost	4	29,338	-	29,338	30,341	-	30,341
Income / (loss) on Equity Assets at fair value through profit and loss		-	-	-	-	-	-
Credit impairment losses	9	(6,714)	-	(6,714)	(3,908)	-	(3,910)
Third party servicing		(1,914)	-	(1,914)	(1,994)	-	(1,992)
Net operating income before financing and fund costs		**20,710**	**-**	**20,710**	**24,439**	**-**	**24,439**
Finance costs	16	(6,537)	-	(6,537)	(3,994)	-	(3,994)
Net operating income before fund costs		**14,173**	**-**	**14,173**	**20,445**	**-**	**20,445**
Management fee	5	(2,928)	(42)	(2,970)	(2,956)	(51)	(3,007)
Performance fee	5	(1,059)	-	(1,059)	(1,680)	-	(1,680)
Fund expenses	6	(614)	-	(614)	(638)	-	(638)
Total operating expenses		**(4,601)**	**(42)**	**(4,643)**	**(5,274)**	**(51)**	**(5,325)**
Profit / (loss) before taxation		**9,572**	**(42)**	**9,530**	**15,171**	**(51)**	**15,120**
Tax expense		-	-	-	-	-	-
Profit / (loss) after taxation		**9,572**	**(42)**	**9,530**	**15,171**	**(51)**	**15,120**
Earnings per share (basic and diluted)	8	**25.67p**	**(0.11)p**	**25.56p**	**38.46p**	**(0.13)p**	**38.33p**

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

No operations were acquired during this period.

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

The notes on pages 27 to 49 form an integral part of these financial statements.

[A]See note 25 for further detail on the re-presentation

Consolidated Statement of Comprehensive Income (continued)

For the year ended 31 December 2019 (Audited)

		For the year ended 31 December 2019 (Audited)		
	Notes	**Revenue £'000**	**Capital £'000**	**Total £'000**
Income				
Interest income on Credit Assets at amortised cost	4	62,697	-	62,697
Income / (loss) on Equity Assets at fair value through profit and loss		-	30	30
Credit impairment losses	11	(7,372)	-	(7,372)
Third party servicing		(3,739)	-	(3,739)
Net operating income before financing and fund costs		**51,586**	**30**	**51,616**
Finance costs	16	(8,417)	-	(8,417)
Net operating income before fund costs		**43,169**	**30**	**43,199**
Management fee	5	(5,971)	(95)	(6,066)
Performance fee	5	(3,468)	-	(3,468)
Fund expenses	6	(2,454)	-	(2,454)
Total operating expenses		**(11,893)**	**(95)**	**(11,988)**
Profit / (loss) before taxation		**31,276**	**(65)**	**31,211**
Tax expense		-	-	-
Profit / (loss) after taxation		**31,276**	**(65)**	**31,211**
Earnings per share (basic and diluted)	8	**79.3p**	**(0.2)p**	**79.1p**

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

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

The notes on pages 27 to 49 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Non-current assets				
Equity Investments held at fair value through profit or loss	10	7,840	9,980	8,390
Credit Assets at amortised cost	9	543,076	560,604	580,998
Fixed assets	13	7	102	41
		550,923	**570,686**	**589,429**
Current assets				
Cash and cash equivalents	13	9,253	7,575	15,154
Receivables		9,168	6,423	8,875
		18,421	**13,998**	**24,029**
Total assets		**569,344**	**584,684**	**613,458**
Current liabilities				
Management fee payable		(2,458)	(986)	(511)
Performance fee payable		(1,059)	(1,680)	(3,468)
Other payables	15	(2,034)	(2,196)	(2,326)
Interest bearing borrowings		(124,798)	(179,772)	(130,741)
		(130,349)	**(184,634)**	**(137,046)**
Total assets less current liabilities		**438,995**	**400,050**	**476,412**
Interest bearing borrowings	16	(67,869)	-	(76,051)
Total net assets		**371,126**	**400,050**	**400,361**
Shareholders' funds				
Ordinary share capital	17	365	394	394
Share premium		299,599	299,599	299,599
Revenue reserves		89	4,945	5,270
Capital reserves		(1,072)	(1,016)	(1,030)
Special distributable reserves	18	72,145	96,128	96,128
Total shareholders' funds		**371,126**	**400,050**	**400,361**
Net asset value per share	20	**1,016.4p**	**1,014.1p**	**1,014.9p**

The notes on pages 27 to 49 form an integral part of the financial statements.

Consolidated Statement of Changes in Shareholders' Funds

For the period from 1 January 2020 to 30 June 2020 (Unaudited)

	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserves £'000	Capital Reserves £'000	Special Distributable Reserves £'000	Total Equity £'000
Shareholders' funds at 1 January 2020	**394**	**299,599**	**5,270**	**(1,030)**	**96,128**	**400,361**
Profit / (loss) after taxation	-	-	9,572	(42)	-	**9,530**
Amounts paid on buyback of Ordinary Shares	(29)	-	-	-	(23,983)	**(24,012)**
Dividends paid in the period	-	-	(14,753)	-	-	**(14,753)**
Shareholders' funds at 30 June 2020	**365**	**299,599**	**89**	**(1,072)**	**72,145**	**371,126**

As at 30 June 2020 the Group had distributable reserves of £71.1 million for the payment of future dividends. The distributable reserves are the revenue reserves (£0.1 million), realised capital reserves (-£1.1 million) and the special distributable reserves (£72.1 million).

For the period from 1 January 2019 to 30 June 2019 (Unaudited)

	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserves £'000	Capital Reserves £'000	Special Distributable Reserves £'000	Total Equity £'000
Shareholders' funds at 1 January 2019	**394**	**299,599**	**4,934**	**(965)**	**96,748**	**400,710**
Profit / (loss) after taxation	-	-	15,171	(51)	-	**15,120**
Dividends paid in the period	-	-	(15,160)	-	(620)	**(15,780)**
Shareholders' funds at 30 June 2019	**394**	**299,599**	**4,945**	**(1,016)**	**96,128**	**400,050**

As at 30 June 2019 the Group had distributable reserves of £100.1 million for the payment of future dividends. The distributable reserves are the revenue reserves (£4.9 million), realised capital reserves (-£1.0 million) and the special distributable reserves (£96.1 million).

Consolidated Statement of Changes in Shareholders’ Funds (continued)

For the year ended 31 December 2019 (Audited)

	Ordinary Share Capital £’000	Share Premium £’000	Revenue Reserves £’000	Capital Reserves £’000	Special Distributable Reserves £’000	Total Equity £’000
Shareholders’ funds at 1 January 2019	**394**	**299,599**	**4,934**	**(965)**	**96,748**	**400,710**
Profit / (loss) after taxation	-	-	31,276	(65)	-	**31,211**
Dividends paid in the period	-	-	(30,940)	-	(620)	**(31,560)**
Shareholders’ funds at 31 December 2019	**394**	**299,599**	**5,270**	**(1,030)**	**96,128**	**400,361**

As at 31 December 2019 the Group had distributable reserves of £100.4 million for the payment of future dividends. The distributable reserves are the revenue reserves (£5.3 million), realised capital reserves (-£1.0 million) and the special distributable reserves (£96.1 million).

Consolidated Statement of Cash Flows

For the period to 30 June 2020

	Notes	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Cash flows from operating activities:				
Profit after taxation		9,530	15,120	31,211
Adjustments for:				
Change in expected credit loss	9	6,714	3,908	7,372
Net change in unrealised losses/(gains)		-	-	(30)
Finance costs		6,537	3,994	8,418
Amortisation	13	34	115	176
(Increase) in receivables	14	(293)	(3,048)	(5,500)
(Decrease)/Increase in payables		(754)	(826)	617
Net cash inflow from operating activities		**21,768**	**19,263**	**42,264**
Cash flows from investing activities:				
Decrease/(Increase) in Investments at amortised cost		31,208	12,019	(11,840)
(Purchase) of investments	10	-	-	(380)
Disposal of investments	10	550	-	2,000
Net cash (outflow) from investing activities		**31,758**	**12,019**	**(10,220)**
Cash flows from financing activities:				
Proceeds from interest bearing borrowings	16	290,000	448,000	272,463
Repayments of interest bearing borrowings	16	(303,477)	(458,000)	(255,517)
Interest paid on financing activities		(7,185)	(3,485)	(7,835)
Dividends declared and paid	7	(14,753)	(15,780)	(31,560)
Amounts paid on buyback of Ordinary Shares		(24,012)	**-**	-
Net cash inflow from financing activities		**(59,427)**	**(29,265)**	**(22,449)**
Net change in cash and cash equivalents		**(5,901)**	**2,017**	**9,595**
Cash and cash equivalents at the beginning of the period		15,154	5,559	5,559
Net cash and cash equivalents		**9,253**	**7,576**	**15,154**

The notes on pages 27 to 49 form an integral part of the financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

Honeycomb Investment Trust plc (the "Company") and its subsidiaries (together, the "Group") is a closed-ended investment company incorporated in England and Wales on 2 December 2015 with registered number 09899024. The registered office is 6th Floor, 65 Gresham Street, London, EC2V 7NQ, United Kingdom. The Company commenced operations on 23 December 2015 and carries on business as an investment trust within the meaning of chapter 4 of Part 24 of the Corporation Tax Act 2010.

The Group's investment objective is to provide shareholders with an attractive level of dividend income and capital growth through the acquisition of Credit Assets, together with selected equity investments that are aligned with the Group's strategy and that present opportunities to enhance the Group's returns from its investments.

The Group seeks to acquire Credit Assets which meet the specified underwriting criteria through two routes; (1) providing structured loans to specialist finance companies whereby the Group takes security on the assets originated by the borrower with the borrower also providing 'first loss' in the form of 'real capital' whilst the Group provides the senior capital; and (2) acquiring portfolios of whole loans whereby the Group is exposed to the underlying risk and rewards of the loan that have the potential to provide attractive returns for investors on a risk-adjusted basis.

The Group accesses commercial and consumer borrowers who are underserved by traditional banking channels primarily by financing loans generated by the Investment Manager's network of non-bank lenders.

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

As at 30 June 2020 the Company's share capital comprised 36,514,919 ordinary shares (30 June 2019: 39,449,919 ordinary shares, 31 December 2019: 39,449,919 ordinary shares). These shares are listed and trade on the London Stock Exchange's Specialist Fund Market.

2. BASIS OF ACCOUNTING

The Group'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 Group'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 has adequate financial resources to enable it to continue operations for a period no less than 12 months from the reporting date. The Directors will be required by the Articles of Association to put a proposal for the continuation of the Company at the 2021 AGM, based on the current position, performance and prospects of the Company, and the fact that the earlier vote in December 2019 was passed they have no reason to believe that shareholders will vote against this continuation. Accordingly, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Group's financial statements.

The principal accounting policies adopted by the Group are consistent with those set out on pages 71 – 81 of the Annual report 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.

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. There has been one significant change in the basis upon which estimates have been determined compared to that applied at 31 December 2019 in relation to the forward-looking information used to calculate expected credit loses under IFRS 9.

The Group uses a model to project a number of key variables to generate future economic scenarios. These are ranked according to severity of loss and three economic scenarios have been selected to represent an unbiased and full loss distribution. They represent a 'most likely outcome' (the Base case scenario) and two, less likely, 'outer' scenarios, referred to as the 'Upside' and 'Downside' scenarios. These scenarios are used to produce a weighted average PD for each product grouping which is used to determine stage allocation and calculate the related ECL allowance. This weighting scheme is deemed appropriate for the computation of unbiased ECL. Key scenario assumptions are set using the average of forecasts from external economists, helping to ensure the IFRS 9 scenarios are unbiased and maximise the use of independent information. Using externally available forecast distributions helps ensure independence in scenario construction. While key economic variables are set with reference to external distributional forecasts, we also align the overall narrative of the scenarios to the macroeconomic risks faced by the Group at the 30 June 2020. The choice of alternative scenarios and probability weighting is a combination of quantitative analysis and judgemental assessments, designed to ensure that the full range of possible outcomes and material non-linearity are captured. Paths for the two outer scenarios are benchmarked to the Base scenario and reflect the economic risk assessment. Scenario probabilities reflect management judgement and are informed by data analysis of past recessions, transitions in and out of recession, and the current economic outlook. The key assumptions made, and the accompanying paths, represent our 'best estimate' of a scenario at a specified probability. The Base case, Upside and Downside scenarios have been generated to align them to the latest economic forecasts produced by Oxford Economics.

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

3. SEGMENTAL REPORTING

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

Whilst visibility over originations, portfolios, structured facilities and Equity Assets is afforded at an operational level, all are considered 'routes to market' for acquiring interests in Credit Assets, and thus act merely as indicators of the key drivers of financial performance and position of the Group.

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

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

4. INCOME

	30 Jun 2020 (Unaudited) £'000	30 Jun 2019 (Unaudited) £'000	31 Dec 2019 (Audited) £'000
Investment income			
Interest income	27,677	29,266	59,953
Commitment fee income	945	465	1,326
Arrangement fee income	715	609	1,416
Total investment income	**29,337**	**30,340**	**62,695**
Other income			
Deposit interest	1	1	2
Total investment income	**29,338**	**30,341**	**62,697**

5. MANAGEMENT AND PERFORMANCE FEE

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

Management Fee

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

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

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

Management fees charged for the period ended 30 June 2020 totalled £3.0 million (30 June 2019: £3.0 million, 31 December 2019 £6.1 million) of which £2.5 million was payable at the 30 June 2020 (30 June 2019: £1.0 million, 31 December 2019: £0.5 million).

Performance Fee

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

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

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

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

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

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

Performance fees for the period ended 30 June 2020 totalled £1.1 million (30 June 2019: £1.7 million, 31 December 2019: £3.5 million) of which £1.1 million was payable at the period-end (30 June 2019: £1.7 million 31 December 2019: £3.5 million).

Fee payable to Origination Partner

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

The Group reimburses the Origination Partner for the fees of Referral Partners, and Servicers (to the extent paid by the Origination Partner) in connection with Credit Assets in which the Group acquires an interest. The amount of such fees are agreed between the Origination Partner and the relevant counterparties on arm's length commercial terms, taking account of the strength of the relationship between the Origination Partner, the Investment Manager and each relevant counterparty. There was £nil payable to the Origination Partner at 30 June 2020 (June 2019: £nil, 31 December 2019: £nil).

6. OTHER EXPENSES

	30 Jun 2020 (Unaudited) £'000	30 Jun 2019 (Unaudited) £'000	31 Dec 2019 (Audited) £'000
Directors' fees	75	81	149
Administrator's fees	93	96	192
Auditors' remuneration	80	65	160
Amortisation	34	115	176
Capital raise and project costs	-	-	671
Other expenses	332	281	1,106
Total other expenses	**614**	**638**	**2,454**

All expenses are inclusive of VAT where applicable. Directors' fees above include £66,500 (June 2019: £64,750, 31 December 2019: £131,834) paid to Directors' and £8,582 (June 2019: £10,800, December 2020 £16,910) of employment taxes and valid business expenses.

The capital raise and project costs are in relation to the third base prospectus that the Company released on 21 December 2018. These costs were expensed in 2019 on the expiration of this placement programme. This is a one-off cost incurred in the year.

Company Secretary

Link Company Matters Limited (the "Company Secretary") has been appointed under the terms of the agreement, the annual fee for the provisions of the Company Secretary's services will be £52,500 (with VAT thereon).

Administrator

Apex Fund Services (UK) Ltd (the 'Administrator'), a company authorised and regulated by the FCA, has been appointed as the administrator of the Group. The Administrator provides the day-to-day administration of the Group. The Administrator is also responsible for the Group's general administrative functions, such as the calculation of the Net Asset Value and maintenance of the Group's accounting records.

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

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

Depositary

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

(A) where NAV is less than or equal to £200 million, 0.02 per cent. of NAV per annum, subject to a minimum monthly fee of £2,500; and

(B) where NAV is greater than £200 million, 0.02 per cent. of NAV per annum in respect of the first £200 million of NAV and:

   i. 0.0175 per cent. per annum of that part of NAV which is in excess of £200 million but less than or equal to £400 million; plus

   ii. 0.015 per cent. per annum of that part of NAV which is in excess of £400 million.

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

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

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

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

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

Corporate broker and financial adviser

Liberum Capital Limited ("Liberum"), a company authorised and regulated in the United Kingdom by the FCA, has been appointed as the Company's corporate broker and financial adviser.

7. ORDINARY DIVIDENDS

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

	30 Jun 2020 (Unaudited) £'000	30 Jun 2019 (Unaudited) £'000	31 Dec 2019 (Audited) £'000
20.00p Interim dividend for the period to 31 Dec 2018 (paid 29 Mar 2019)	-	7,890	7,890
20.00p Interim dividend for the period to 31 Mar 2019 (paid 29 Jun 2019)	-	7,890	7,890
20.00p Interim dividend for the period to 30 June 2019 (paid on 30 September 2019)	-	-	7,890
20.00p Interim dividend for the period to 30 September 2019 (paid 27 December 2019)	-	-	7,890
20.00p Interim dividend for the period to 31 Dec 2019 (paid 27 Mar 2020)	7,450	-	-
20.00p Interim dividend for the period to 31 Mar 2020 (paid 26 Jun 2020)	7,303	-	-
Total dividend paid in period	**14,753**	**11,970**	**31,560**
20.00p Interim dividend for the period to 31 Dec 2019 (paid 27 Mar 2020)	-	-	7,890
20.00p Interim dividend for the period to 30 Jun 2020 (paid 30 Sep 2020)*	7,201	-	-
Total dividend	**21,954**	**11,970**	**39,450**

*The dividend for the period to 30 June 2020 will be paid from a combination of the revenue reserves and the special distributable reserve

8. EARNINGS PER SHARE

The calculation at 30 June 2020 is based on revenue returns of £9.6 million, capital returns of £(0.04) million and total returns of £9.5 million and a weighted average number of ordinary shares of 37,290,799.

The calculation at 30 June 2019 is based on revenue returns of £15.2 million, capital returns of £(0.05) million and total returns of £15.1 million and a weighted average number of ordinary shares of 39,449,919.

The calculation at 31 December 2019 is based on revenue returns of £31.3 million, capital returns of £(0.1) million and total returns of £31.2 million and a weighted average number of ordinary shares of 39,449,919.

	30 Jun 2020 (Unaudited)	30 Jun 2019 (Unaudited)	31 Dec 2019 (Audited)
Revenue pence	25.67p	38.46p	79.3p
Capital pence	(0.11)p	(0.13)p	(0.2)p
Earnings per ordinary share	**25.56p**	**38.33p**	**79.1p**

9. INVESTMENTS AT AMORTISED COST

(a) Investments at amortised cost

The disclosure below presents the gross carrying amount of financial instruments to which the impairment requirements of IFRS 9 are applied. The following table represents the exposures on which credit risk is managed as at 30 June 2020.

Group	**30 June 2020 (Unaudited)**			**1 January 2020**		
Credit Assets at amortised cost	**Gross Carrying Amount £'000**	**Allowance for ECL £'000**	**Net Carrying Amount £'000**	**Gross Carrying Amount £'000**	**Allowance for ECL £'000**	**Net Carrying Amount £'000**
Consumer	282,981	(21,499)	261,482	320,108	(19,844)	300,264
Property	251,016	(12,791)	238,225	246,846	(10,051)	236,795
SME	43,634	(265)	43,369	44,198	(259)	43,939
Total Assets	**577,631**	**(34,555)**	**543,076**	**611,152**	**(30,154)**	**580,998**

Group (Unaudited)	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
At 1 January 2020	**3,217**	**2,606**	**24,331**	**30,154**
Movement from stage 1 to stage 2	(120)	3,247	-	**3,127**
Movement from stage 1 to stage 3	(245)	-	2,445	**2,200**
Movement from stage 2 to stage 1	42	(545)	-	**(503)**
Movement from stage 2 to stage 3	-	(1,269)	2,277	**1,008**
Movement from stage 3 to stage 2	-	123	(199)	**(76)**
Movement from stage 3 to stage 1	5	-	(376)	**(371)**
Remeasurements due to modelling	703	693	42	**1,438**
Decreases due to repayments	(1,339)	(1,152)	(1,273)	**(3,764)**
Increases due to origination	489	-	-	**489**
Increases within Stage	905	598	1,663	**3,166**
Loans Written Off	(3)	-	(2,310)	**(2,313)**
Carrying Value at 30 June 2020	**3,654**	**4,301**	**26,600**	**34,555**

The following table analyse loans by industry sector and represent the concentration of exposures on which credit risk is managed for the Group as at 30 June 2019.

Group	30 June 2019 (Unaudited)			1 January 2019		
Credit Assets at amortised cost	Gross Carrying Amount £'000	Allowance for ECL £'000	Net Carrying Amount £'000	Gross Carrying Amount £'000	Allowance for ECL £'000	Net Carrying Amount £'000
Consumer	284,655	(16,535)	268,120	294,467	(12,724)	281,743
Property	247,906	(9,968)	237,938	237,310	(9,880)	227,430
SME	54,734	(188)	54,546	67,536	(179)	67,357
Total Assets	**587,294**	**(26,691)**	**560,604**	**599,313**	**(22,783)**	**576,530**

Group (Unaudited)	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 January 2019	3,526	2,927	16,330	**22,783**
Movement from stage 1 to stage 2	(63)	1,417	-	**1,354**
Movement from stage 1 to stage 3	(512)	-	3,674	**3,162**
Movement from stage 2 to stage 1	10	(578)	-	**(568)**
Movement from stage 2 to stage 3	-	(1,173)	1,806	**633**
Movement from stage 3 to stage 2	-	176	(461)	**(285)**
Movement from stage 3 to stage 1	18	-	(343)	**(325)**
Remeasurements due to modelling	-	-	-	**-**
Decreases due to repayments	(966)	(115)	(627)	**(1,708)**
Increases due to origination	525	-	-	**525**
Increases within Stage	563	25	532	**1,120**
Carrying Value at 30 June 2019	**3,101**	**2,679**	**20,911**	**26,691**

The following table analyse loans by industry sector and represent the concentration of exposures on which credit risk is managed for the Group as at 31 December 2019.

Group	31 December 2019 (Audited)			1 January 2019		
Credit Assets at amortised cost	Gross Carrying Amount £'000	Allowance for ECL £'000	Net Carrying Amount £'000	Gross Carrying Amount £'000	Allowance for ECL £'000	Net Carrying Amount £'000
Consumer	320,107	(19,844)	300,264	294,467	(12,724)	281,743
Property	246,846	(10,051)	236,795	237,310	(9,880)	227,430
SME	44,198	(259)	43,939	67,536	(179)	67,357
Total Assets	**611,152**	**(30,154)**	**580,998**	**599,313**	**(22,783)**	**576,530**

Group (Audited)	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 January 2019	3,526	2,927	16,330	**22,783**
Movement from stage 1 to stage 2	(66)	1,905	-	**1,839**
Movement from stage 1 to stage 3	(505)	-	7,065	**6,560**
Movement from stage 2 to stage 1	5	(905)	-	**(900)**
Movement from stage 2 to stage 3	-	(1,274)	2,028	**754**
Movement from stage 3 to stage 2	-	128	(465)	**(337)**
Movement from stage 3 to stage 1	8	-	(502)	**(494)**
Remeasurements due to modelling	640	332	(672)	**300**
Decreases due to repayments	(2,208)	(521)	(673)	**(3,402)**
Increases due to origination	1,189	-	-	**1,189**
Increases within Stage	628	14	1,220	**1,862**
Carrying Value at 31 December 2019	**3,217**	**2,606**	**24,331**	**30,154**

(b) Expected Credit Loss allowance for IFRS 9

Under Expected credit loss model credit losses 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.

The following table analyses Group loans by stage and sector for the year ended 30 June 2020:

As at 30 June 2020 (Unaudited)	Consumer £'000	Property £'000	SME £'000	Total £'000
Opening balance 1 January 2020	**19,844**	**10,051**	**259**	**30,154**
Charge for the period – Stage 1	298	137	4	439
Charge for the period – Stage 2	538	1,146	10	1,694
Charge for the period – Stage 3	3,132	1,457	(8)	4,581
Total charge for expected credit losses	**3,968**	**2,740**	**6**	**6,714**
Amounts Written Off	(2,313)	-	-	(2,313)
Expected Credit Losses	**21,499**	**12,791**	**265**	**34,555**

The following table analyses Group loans by stage and sector for the year ended 30 June 2019:

As at 30 June 2019 (Unaudited)	Consumer £'000	Property £'000	SME £'000	Total £'000
Opening balance 1 January 2019	**12,724**	**9,880**	**179**	**22,783**
Charge for the period – Stage 1	(499)	74	-	(425)
Charge for the period – Stage 2	(72)	(176)	-	(248)
Charge for the period – Stage 3	4,382	190	9	4,581
Total charge for expected credit losses	**3,811**	**88**	**9**	**3,908**
Expected Credit Losses	**16,535**	**9,968**	**188**	**26,691**

The following table analyses Group loans by stage and sector for the year ended 31 December 2019:

As at 31 December 2019 (Audited)	Consumer £'000	Property £'000	SME £'000	Total £'000
Opening balance 1 January 2019	12,724	9,880	179	22,783
Charge for the period – Stage 1	(526)	181	36	(309)
Charge for the period – Stage 2	278	(588)	(11)	(321)
Charge for the period – Stage 3	7,368	578	55	8,001
Total charge for expected credit losses	**7,120**	**171**	**80**	**7,371**
Carrying Value at 31 December 2019	**19,844**	**10,051**	**259**	**30,154**

Measurement uncertainty and sensitivity analysis of ECL

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.

For most portfolios, the Group has adopted the use of three economic scenarios, representative of Oxford Economics 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. The Group has developed a shortlist of the upside and downside economic and political risks most relevant to the Group and the IFRS 9 measurement objective. These include economic and political risks which together affect economies that materially matter to the Group.

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 economic scenarios, 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. ECLs 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 numbers representing tail risk scenarios when assigned a 100 per cent. 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.

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.

The table below shows a sensitivity analysis for ECL based on changing the weighting of the scenarios to allocate a 100 per cent weight to the downside scenario. The scenarios are applicable to 30 June 2020. The analysis shows that the ECL would have been £2.9 million higher under this sensitivity.

2020 (unaudited)	**Weighted Year end ECL £'000**	**100% Downside Scenario £'000**
Consumer	21,499	22,302
Property	12,791	14,863
SME	265	265
Total	**34,555**	**37,430**

At 31 December 2019 if the weightings used represented a 100 per cent downside scenario the ECL would have been £2.1 million higher as split below:

2019 (Audited)	**Weighted Year end ECL £'000**	**100% Downside Scenario £'000**
Consumer	19,844	20,749
Property	10,051	11,282
SME	259	260
Total	**30,154**	**32,291**

At 30 June 2020 the ECL has been further sensitised by assessing the impact of £10.0 million of credit assets at amortised cost moving from Stage 1 to Stage 2. The analysis shows that the ECL would have been £2.7 million higher under this sensitivity.

At 31 December 2019 the ECL has been further sensitised by assessing the impact of £10.0 million of credit assets at amortised cost moving from Stage 1 to Stage 2. The analysis shows that the ECL would have been £1.5 million higher under this sensitivity.

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Movements in the period

The table below sets out the movement in Investments at fair value through profit or loss for the Group for the year ended 30 June 2020.

Group (Unaudited)	30 Jun 2020 £'000
Opening cost at 1 January 2020	
Valued using sales value	550
Valued using a revenue multiple	7,840
Opening fair value	**8,390**
Purchases at cost	-
Disposal at cost	(550)
Closing fair value at 30 June 2020	**7,840**
Comprising:	
Valued using a revenue multiple	**7,840**
Closing fair value as at 30 June 2020	**7,840**

The table below sets out the movement in Investments at fair value through profit or loss for the Group for the year ended 30 June 2019.

Group (Unaudited)	30 Jun 2019 £'000
Opening cost at 1 January 2019	9,980
Opening fair value	**9,980**
Purchases at cost	-
Disposal at cost	-
Closing fair value at 30 June 2019	**9,980**
Comprising:	
Valued using transaction price	6,980
Valued using a revenue multiple	3,000
Closing fair value as at 30 June 2019	**9,980**

The table below sets out the movement in Investments at fair value through profit or loss for the Group for the year ended 31 December 2019.

Group (Audited)	2019 £'000
Valued using transaction price	3,000
Valued using a revenue multiple	6,980
Opening fair value	**9,980**
Purchases at cost	380
Disposal at cost	(2,000)
Net change in unrealised (losses)/gains	30
Closing fair value at 31 December 2019	**8,390**
Comprising:	
Valued using sales value	550
Valued using a revenue multiple	7,840
Closing fair value as at 31 December 2019	**8,390**

(b) Fair value of financial instruments

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

- Level 1 – quoted prices in active markets for identical investments;
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc.); and
- Level 3 – significant unobservable inputs (including the Group's own assumptions in determining the fair value of investments).

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.

The following sets out the classifications used in valuing the Group's investments:

	Closing fair value as at 30 Jun 2020 (Unaudited) £'000	Closing fair value as at 30 Jun 2019 (Unaudited) £'000	Closing fair value as at 31 Dec 2019 (Audited) £'000
Level 1	-	-	-
Level 2	-	-	-
Level 3	7,840	9,980	8,390
Total	**7,840**	**9,980**	**8,390**

The investments in unlisted equities are valued using several different techniques, including revenue multiple, recent transactions and recent rounds of funding by the investee entities. Sensitivity analysis is not considered appropriate at this stage as there are not multiple inputs used for valuation.

11. FINANCIAL RISK MANAGEMENT

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

Market risk

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

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

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

(a) Price risk

Price risk 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 arising from its equity investments. 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 taken a 72 per cent increase in ECL's in the six months to June 2020 on the same period in the prior year, however the Board do not believe that the pricing of the group's equity investments has been materially affected by Covid-19.

(b) Interest rate risk

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

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

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

The Group finances its operations mainly through its share capital and reserves, including realised gains on investments. As at 30 June 2020 the Group had £192.7 million (June 2019: £179.0 million, 31 December 2019: £206.8 million) drawn-down under its facilities.

Exposure of the Group's financial assets and liabilities to floating interest rates (giving cash flow interest rate risk when rates are reset) and fixed interest rates (giving fair value risk) as at 30 June 2020 is shown below:

Financial instrument (Unaudited)	Floating Rate £'000	Fixed or Administered Rate £'000	Total £'000
Credit Assets at amortised cost	191,132	351,944	**543,076**
Cash and cash equivalents	9,253	-	**9,253**
Interest bearing borrowings	(192,667)	-	**(192,667)**
Total exposure	**7,718**	**351,944**	**359,662**

As at 30 June 2019 is shown below:

Financial instrument (Unaudited)	Floating Rate £'000	Fixed or Administered Rate £'000	Total £'000
Credit Assets at amortised cost	137,895	422,709	**560,604**
Cash and cash equivalents	7,575	-	**7,575**
Interest bearing borrowings	(179,772)	-	**(179,772)**
Total exposure	**(34,302)**	**422,709**	**388,407**

As at 31 December 2019 is shown below:

Financial instrument (Audited)	Floating Rate £'000	Fixed or Administered Rate £'000	Total £'000
Credit Assets at amortised cost	206,932	374,066	580,998
Cash and cash equivalents	15,154	-	15,154
Interest bearing borrowings	(206,792)	-	(206,792)
Total exposure	**15,294**	**374,066**	**389,360**

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

(c) Currency risk

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 Pounds Sterling and Euros. 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 Euros where material.

(d) 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 Group's credit asset exposure as at 30 June 2020 was €nil (30 June 2019: €11.9 million, 31 December 2019: €4.2 million).

12. 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 originated or acquired by the Group and cash deposited with banks, both of which are subject to risk of borrower default.

The Investment Manager establishes and adheres to stringent underwriting criteria as set out in the appropriate credit policies. For consumer loans, underwriting includes credit referencing, income verification and affordability testing, identity verification and various forward-looking indicators of a borrower's likely financial strength. The Group invests in a granular portfolio of assets, diversified at the underlying borrower level, with each loan being subject to a maximum single loan exposure limit. This helps mitigate credit concentrations in relation to an individual customer, a borrower group or a collection of related borrowers.

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

The Group further mitigates its exposure to Credit Risk through structuring facilities whereby the facilities are secured on a granular pool of performing loans and structured so that the Origination Platform and or borrower provides the first loss, and the Group finances the senior risk.

Further risk is mitigated in the property sector as the Group takes collateral in the form of property to mitigate the credit risk arising from residential mortgage lending and commercial real estate.

The outbreak of Covid-19 has caused major disruption across the globe. At the time of writing the portfolio is beginning to see many of those customers who originally requested payment holidays return to full payment. The ultimate impacts of the government's assistance to non-bank lenders and the continuation of the furlough scheme to assist end borrowers are yet unknown, but they are expected to reduce the potential expected credit loss impact. Depending on the evolution of the Covid-19 situation, with the potential of a second wave this could further result in changing economic environment and a further material increase in credit risk. This is being continually monitored.

Set out below is the analysis of the closing balances of the Group's Credit Assets split by the type of loan and the credit risk band as at 30 June 2020 (unaudited):

Credit Risk Band	Unsecured £'000	Secured £'000	Total £'000
A & B	90,294	462,584	**552,878**
C	14,352	141	**14,493**
D & E	10,260	-	**10,260**
Total	**114,906**	**462,725**	**577,631**

Set out below is the analysis of the closing balances of the Group's Credit Assets split by the type of loan and the credit risk band as at 30 June 2019 (unaudited):

Credit Risk Band	Unsecured £'000	Secured £'000	Total £'000
A & B	99,938	438,500	**538,438**
C	22,193	186	**22,379**
D & E	26,477	-	**26,477**
Total	**148,608**	**438,686**	**587,294**

Set out below is the analysis of the closing balances of the Group's Credit Assets split by the type of loan and the credit risk band as at 31 December 2019 (audited):

Credit Risk Band	Unsecured £'000	Secured £'000	Total £'000
A & B	102,930	475,796	**578,726**
C	14,790	150	**14,940**
D & E	17,486	-	**17,486**
Total	**135,206**	**475,946**	**611,152**

Each credit risk band is defined below:

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

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

Liquidity risk

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

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

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

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

For the Group for the period ended 30 June 2020:

(Unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Credit Assets at amortised cost	9,328	-	528,019	537,347
Receivables	-	9,168	-	9,168
Cash and cash equivalents	9,253	-	-	9,253
Total assets	**18,581**	**9,168**	**528,019**	**555,768**
Liabilities				
Management fee payable	-	2,458	-	2,458
Performance fee payable	-	1,059	-	1,059
Other payables	-	2,034	-	2,034
Interest bearing borrowings	-	192,667	-	192,667
Total liabilities	**-**	**198,218**	**-**	**198,218**

For the Group for the period ended 30 June 2019:

(Unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Credit Assets at amortised cost	15,888	-	544,716	560,604
Receivables	-	6,423	-	6,423
Cash and cash equivalents	7,575	-	-	7,575
Total assets	**23,463**	**6,423**	**544,716**	**574,602**
Liabilities				
Management fee payable	-	986	-	986
Performance fee payable	-	1,680	-	1,680
Other payables	-	2,196	-	2,196
Interest bearing borrowings	-	179,772	-	179,772
Total liabilities	**-**	**184,634**	**-**	**184,634**

For the year ended 31 December 2019:

(Audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Credit Assets at amortised cost	14,492	-	565,820	580,312
Receivables	-	8,875	-	8,875
Cash and cash equivalents	15,154	-	-	15,154
Total assets	**29,646**	**8,875**	**565,820**	**604,341**
Liabilities				
Management fee payable	-	511	-	511
Performance fee payable	-	3,468	-	3,468
Other payables	-	2,326	-	2,326
Interest bearing borrowings	-	206,792	-	206,792
Total liabilities	**-**	**213,097**	**-**	**213,097**

Categorisation within the hierarchy has been determined based on the lowest level input that is significant to the fair value measurement of the relevant asset or liability (see Note 12 Investments at Fair Value Through Profit or Loss for details). Further details of the loans at amortised cost held by the Group can be found in Note 11 to the financial statements.

Capital Management

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

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

The Company is subject to externally imposed capital requirements:

- The Company's Articles of Association restrict borrowings to the value of its share capital and reserves;
- As a public company, the Company has a minimum share capital of £50,000;
- To be able to pay dividends out of profits available for distribution by way of dividends, the Company must be able to meet one of the two capital restriction tests imposed on investment companies by company law; and

- The Company's borrowings are subject to covenants limiting the total exposure based on interest cover ratios, a minimum total net worth and a cap of borrowings as a percentage of the eligible borrowing base.

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

13. FIXED ASSETS

The tables below set out the movement in Fixed Assets for the Group

Period ended 30 June 2020 (Unaudited)	**IT Development and Software £'000**	**Total £'000**
Opening net book amount	41	41
Additions	-	-
Depreciation charge	(34)	(34)
Closing net book amount	**7**	**7**
As at 30 June 2020		
Cost	831	831
Accumulated depreciation	(824)	(824)
Net book amount (Unaudited)	**7**	**7**

Period ended 30 June 2019 (Unaudited)	**IT Development and Software £'000**	**Total £'000**
Opening net book amount	217	217
Additions	-	-
Depreciation charge	(115)	(115)
Closing net book amount	**102**	**102**
As at 30 June 2019		
Cost	831	831
Accumulated depreciation	(729)	(729)
Net book amount (Unaudited)	**102**	**102**

	IT Development and Software £'000	**Total £'000**
Period ended 31 December 2019 (Audited)		
Opening net book amount	217	217
Additions	-	-
Depreciation charge	(176)	(176)
Closing net book amount	**41**	**41**
As at 31 December 2019		
Cost	830	830
Accumulated depreciation	(789)	(789)
Net book amount (Audited)	**41**	**41**

14. RECEIVABLES

The table below set out a breakdown of the Group receivables.

	30 Jun 2020 (Unaudited) £'000	**30 Jun 2019 (Unaudited) £'000**	**31 Dec 2019 (Audited) £'000**
Prepayments	2,746	2,167	2,656
Amounts due from platforms	6,320	4,067	5,889
Other receivables	102	189	330
Total receivables	**9,168**	**6,423**	**8,875**

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

15. OTHER PAYABLES

The table below set out a breakdown of the Group payables.

	30 Jun 2020 (Unaudited) £'000	**30 Jun 2019 (Unaudited) £'000**	**31 Dec 2019 (Audited) £'000**
Accruals and deferred income	2,034	2,196	2,326
Total other payables	**2,034**	**2,196**	**2,326**

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

16. INTEREST BEARING BORROWINGS

	30 Jun 2020 (Unaudited) £'000	30 Jun 2019 (Unaudited) £'000	31 Dec 2019 (Audited) £'000
Current Liabilities			
Term and revolving credit facility	125,000	179,000	130,000
Prepaid legal expenses, Interest and commitment fees payable	(202)	772	741
Non-Current Liabilities			
Credit facility	67,869	-	75,946
Interest and commitment fees payable	-	-	105
Total interest-bearing borrowings	**192,667**	**179,772**	**206,792**

At 30 June 2019 and 31 December 2019, the Group's main debt facility was £150 million with The Royal Bank of Scotland plc as agent. The facility is secured upon the assets of the Group and had a maturity date of 20 March 2020. Interest is charged at one, three or six-month LIBOR plus a margin. The credit facility is syndicated, and other lenders may in the future accede to the facility. This facility was subsequently extended to 19 June 2020 and then refinanced in May 2020 with another lender.

In May 2020 this facility was refinanced with a different lender with £125.0 million capacity, and an extension in the maturity to May 2021. Interest is charged at one, three or six-month LIBOR plus a margin. The new facility also introduces an amortising element. The Group retains the flexibility to refinance the facility.

In August 2019, the Group entered a two-year debt facility to finance three residential mortgage portfolios, two commercial mortgage pools and a small unsecured consumer pool. These portfolios were previously leveraged through the Group level debt facility but getting assets specific leverage on these provides a lower cost of funding at a higher advance rate. The total debt raised on day one of this facility was £81.0 million and comes with a Libor floating cost. The facility has a 2-year term with a 1-year extension option and is structured as a run-off financing in that the debt will paydown over the term of the facility.

Below is a breakdown of finance charges for the period:

	30 Jun 2020 (Unaudited) £'000	30 Jun 2019 (Unaudited) £'000	31 Dec 2019 (Audited) £'000
Interest and commitment fees paid	3,900	2,991	6,166
Other finance charges	2,637	1,003	2,251
Total finance costs	**6,537**	**3,994**	**8,417**

As part of the amendments made to IAS 7, "Statement of cash flows", effective 1 January 2017, 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 for the Group:

30 June 2020 (Unaudited)	Total £'000
At 1 January 2020	206,792
Interest bearing borrowings	290,000
Repayments of interest bearing borrowing	(303,477)
Finance costs	6,537
Interest paid on financing activities	(7,185)
At 30 June 2020	**192,667**

As at the 30 June 2019 the below changes occurred for the Group:

30 June 2019 (Unaudited)	Total £'000
At 1 January 2019	189,263
Interest bearing borrowings	448,000
Repayments of interest bearing borrowing	(458,000)
Finance costs	3,994
Interest paid on financing activities	(3,485)
At 30 June 2019	**179,772**

As at the 31 December 2019 the below changes occurred for the Group:

31 December 2019 (Audited)	Total £'000
At 1 January 2019	189,263
Interest bearing borrowings	272,463
Repayments of interest bearing borrowing	(255,517)
Finance costs	8,418
Interest paid on financing activities	(7,835)
At 31 December 2019	**206,792**

The below table analyses the Group's financial liabilities into relevant maturity groupings as well as expected future interest costs 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 – 5 years £'000	Total £'000
Credit facility	125,000	67,869	192,869
Interest and commitment fees payable	6,741	386	7,127
Total exposure	**131,741**	**68,255**	**199,996**

30 June 2019 (Unaudited)	< 1 year £'000	1 – 5 years £'000	Total £'000
Credit facility	179,000	-	179,000
Interest and commitment fees payable	5,382	-	5,382
Total exposure	**184,382**	**-**	**184,382**

31 December 2019 (Audited)	< 1 year £'000	1 – 5 years £'000	Total £'000
Credit facility	142,041	63,905	205,946
Interest and commitment fees payable	3,484	1,475	4,959
Total exposure	**145,525**	**65,380**	**210,905**

17. ORDINARY SHARE CAPITAL

The table below details the issued share capital of the Company as at the 30 June 2020.

	30 Jun 2020 (Unaudited)	30 Jun 2019 (Unaudited)	31 Dec 2019 (Audited)
No. Issued, allotted and fully paid shares	36,514,919	39,449,919	39,449,919
£'000	365	394	394

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

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

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

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

On 31 May 2017 the Company announced the successful completion of a placing of a further 10,000,000 ordinary shares. The price paid per share was 1,050p and the total paid for the shares during the year amounted to £103.3 million net of issue costs.

On 25 April 2018 the Company announced the successful completion of a placing of a further 9,523,809 ordinary shares. The price paid per share was 1,050p and the total paid for the shares during the year amounted to £97.8 million net of issue costs.

On 27 January 2020 the Company repurchased into treasury 2,200,000 Ordinary Shares at a price of 850 pence per Ordinary Share.

On 2 June 2020 the Company repurchased into treasury 735,000 Ordinary Shares at a price of 680 pence per Ordinary Share.

Ordinary Shares

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

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

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

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

Voting rights

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

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

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

Variation of rights and distribution on wind up

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

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

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

The table below shows the movement in shares during the period 30 June 2020:

	Shares in issue at the beginning of the period	Buyback of Ordinary Shares	Shares in issue at the end of the period
Ordinary Shares	39,449,919	(2,935,000)	36,514,919
Treasury Shares	-	2,935,000	2,935,000

The table below shows the movement in shares during the period 30 June 2019:

	Shares in issue at the beginning of the period	Buyback of Ordinary Shares	Shares in issue at the end of the period
Ordinary Shares	39,449,919	-	39,449,919
Treasury Shares	-	-	-

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

	Shares in issue at the beginning of the year	Buyback of Ordinary Shares	Shares in issue at the end of the year
Ordinary Shares	39,449,919	-	39,449,919
Treasury Shares	-	-	-

Share Buyback

During the period ended 30 June 2020 the Company bought back two tranches of shares. All shares bought back are held in treasury at the end of the period. As at 30 June 2020, the Company had bought back 2,935,000 (30 June 2019: nil, 31 December 2019: nil) ordinary shares.

	Ordinary shares purchased	Average price per share	Lowest price per share	Highest price per share	Total Treasury Shares
Jan	2,200,000	850p	850p	850p	2,200,000
Feb	-	-	-	-	2,200,000
Mar	-	-	-	-	2,200,000
Apr	-	-	-	-	2,200,000
May	-	-	-	-	2,200,000
Jun	735,000	680p	680p	680p	2,935,000

As at 10 September 2020, 3,493,289 shares were held in treasury following 558,289 buybacks in August and September at an average price of 787 pence per share.

18. SPECIAL DISTRIBUTABLE RESERVE

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

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

During the period 2018 £0.6 million of the special distributable reserve was used to pay the Q4 2018 Dividend on 29 March 2019.

The net balance of the special distributable reserve is £96.1m.

19. INVESTMENTS IN ASSOCIATES

As at 30 June 2020, the Group has a single associate, being a 34.6 per cent investment in Allium Lending Group Limited ("Allium") (formally GDFC Group Limited, Hiber Limited and The Green Deal Finance Company Limited). The company number is 10028311 its registered office is Imperial House, 15 – 19 Kingsway, London, WC2B 6UN. GDFC Group Limited is incorporated in England and Wales.

This is a UK platform responsible for setting-up, financing and administering Green Deal Plans in The Green Deal programme. As permitted by IAS 28 'Investment in Associates' and in accordance with the Group's accounting policy the investment is accounted for at fair value through profit or loss. No dividends were declared during the year in respect of the investment. The Group holds Allium at a fair value of £3.4 million (June 2019: £3.0 million, 31 December 2019: £3.4 million).

The Group has also provided £8.7 million of debt funding to the platform (June 2019: £8.3 million, 31 December 2019: £8.7 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.

20. NET ASSET VALUE PER ORDINARY SHARE

	30 Jun 2020 (Unaudited) £'000	30 Jun 2019 (Unaudited) £'000	31 Dec 2019 (Audited) £'000
Net asset value per ordinary share pence	1,016.4p	1,014.1p	1,014.9p
Net assets attributable £'000	371,125	400,050	400,361

The net asset value per ordinary share at 30 June 2020 is based on net assets of £371.1 million and on 36,514,919 ordinary shares in issue.

The net asset value per ordinary share at 30 June 2019 is based on net assets of £400.9 million and on 39,449,919 ordinary shares in issue.

The net asset value per ordinary share as at 31 December 2019 is based on net assets at the year-end of £400.4 million and on 39,449,919 ordinary shares in issue at the year-end.

21. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2020, 30 June 2019 and 31 December 2019 there were no contingent liabilities or capital commitments for the Group.

22. RELATED PARTY TRANSACTIONS AND TRANSACTION WITH THE INVESTMENT MANAGER

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

Associates

At 30 June 2020 outstanding loan balance of £8.7 million (June 2019: £8.7 million, 31 December 2019: £8.7 million) and accrued interest of £1.5 million (June 2019: £0.7 million, 31 December 2019: £1.1 million) with Allium Lending Group Limited (formally GDFC Group Limited, Hiber Limited and The Green Deal Finance Company Limited). The structured facilities are secured on a granular pool of consumer loans.

Directors

At the start of 2019 the Directors remuneration was set at a rate of £45,000 per annum for the Chairman and £38,000 per annum for the other Directors. A further £5,000 per annum was payable to the Chairman of the Audit and Risk Committee. The Committee met on 21 February 2019 and considered the continued time commitment required to carry out their duties and the development and growing complexity of the business. The Committee recommended to the Board an increase of the Board's fees by £3,000 for the Chairman and £2,000 for all other members from 1 March 2019. The Directors remuneration was therefore set at a rate of £48,000 per annum for the Chairman and £40,000 per annum for the other Directors. A further £5,000 per annum will be paid to the Chairman of the Audit and Risk Committee. The Committee met on 18 February 2020 and considered the continued time commitment required to carry out their duties and recommended no change in Board salaries.

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was interested and which are or were significant in relation to the Company's business. There were no other transactions during the year with the Directors of the Company. The Directors do not hold any ordinary shares of the Company.

At 30 June 2020, 30 June 2019 and 31 December 2019, there was £nil payable to the Directors for fees and expenses.

Investment Manager

Pollen Street Capital Limited (the 'Investment Manager'), a UK-based company authorised and regulated by the FCA, has been appointed the Company's investment manager and AIFM for the purposes of the AIFMD. Details of the services provided by the Investment Manager and the fees paid are given on Note 6 to the financial statements.

During the period the Group paid £1.02 million (30 June 2019: £2.0 million, 31 December 2019: £5.56 million) of management fees and at 30 June 2020, there was £2.46 million (30 June 2019: £0.99 million, 31 December 2019: £0.51 million) payable to the Investment Manager. As at 30 June 2020 there were £1.06 million of performance fees payable to the Investment Manager (30 June 2019: £1.68 million, 31 December 2019: £3.47 million).

The Group considers all transactions with the Manager or companies that are controlled by the Manager as related party transactions.

Oplo Funding Limited (referred to as "Oplo", formally 1st Stop Group Limited), is an English based consumer lender. During the year the Group provided a structured facility to Oplo secured on a granular pool of consumer loans. Oplo is owned by a fund that is managed by an affiliate of the Investment Manager. As at 30 June 2020 the facility was £30.0 million drawn (30 June 2019: £20.0 million, 31 December 2019: £28.0 million). The Group also had a forward flow relationship in place with Oplo in which the Group provided £18.7 million (30 June 2019: £nil, 31 December 2019: £11.1 million) and these loans have an outstanding balance as at 30 June 2020 £17.4 million (30 June 2019: £nil, 31 December 2019: £10.6 million).

CapitalFlow Group ("CapitalFlow") is an Irish based SME lender. During the prior period to the 30 June 2019 the Group provided a short-term structured facility to CapitalFlow secured on a granular pool of SME loans. The facility was fully repaid during the first 6 months of 2019. CapitalFlow is owned by a fund that is managed by an affiliate of the Investment Manager.

In the prior year the Group also carried out FX hedging with Infinity International Limited ("Infinity") in relation to Euro development finance that it had entered during the prior period. Infinity is owned by a fund that is managed by an affiliate of the Investment Manager. There was no exposure as at 30 June 2020.

Origination Partner

The Origination Partner has been appointed as one of the Group's origination partners. Honeycomb Finance Limited is a wholly owned subsidiary of the Investment Manager's parent company.

During the period given that the Origination Partner was part of the same group as the Investment Manager, the fees payable to the Origination Partner by the Group were deducted from the management fee payable to the Investment Manager and totalled £9,352 (June 2019: £18,905), and at 30 June 2020, there was £nil (June 2019: Nil, 31 December 2019: £nil) payable to the Origination Partner.

23. ULTIMATE CONTROLLING PARTY

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

24. SUBSEQUENT EVENTS

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

Following consultation with certain of its largest shareholders, on 6 August 2020 the Company announced a possible merger with Pollen Street Secured Lending plc ("PSSL"). On 3 September 2020, an announcement was made whereby the Board confirmed it did not intend to make a potential offer under Rule 2.7 of the Code.

On 10 August 2020 the Company announced the implementation of a share buyback programme, pursuant to the authority granted at the Company's Annual General Meeting held on 26 June 2020, to purchase the Company's ordinary shares of £0.01 each. The Board believes that implementation of an active share price discount management strategy through this Buyback Programme works in the best interest of the Company's shareholders and will be value accretive to the Company. As at 10 September 2020, 3,493,289 shares were held in treasury.

During August, the company disposed of £44.6 million of consumer unsecured whole loans to Tandem Bank. This disposal is in line with the Company's strategy of focusing on secured credit assets with first loss protection from the borrower. This disposal reduced the Company's exposure to unsecured consumer whole loans to less than 9 per cent of investment assets (June 2020: 16 per cent, December 2019: 17 per cent). Tandem Bank also acquired Allium Lending Group ("ALG") in the period and the Company sold its equity stake and structured loan in ALG in exchange for equity in the Bank.

On 3 September 2020, a dividend of 20.00 pence per Ordinary Share was declared with an ex-dividend date 10 September 2020 and a payment date of 30 September 2020. A portion of this will be paid from the special distributable reserve.

25. RE-PRESENTATION OF FINANCIAL STATEMENTS

Following a review of the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position and the associated knock on effect on the Cashflow Statement, the Directors have decided to re-present these statements for June 2019 and incorporate them in 2020. The changes made to the face of these financial statements are to make them easier to read and understand for the end user and to align with how the Company monitors and reviews performance. There have been no changes to the basis on which the items are estimated or measured. The main change is reporting the credit asset servicing costs on a separate line item. A number of other line items were renamed, so they better reflect how these assets are reviewed. See note 29 of the 2019 Annual Report and Audited Financial Statements for further detail.

26. APPROVAL OF FINANCIAL STATEMENTS

The unaudited financial statements were approved by the Board of Directors of Honeycomb Investment Trust plc (a public limited company incorporated in England and Wales with company number 09899024) and authorised for issue on 13 September 2020.

4 Shareholders' Information

Directors, Portfolio Manager and Advisers

Directors
Robert Sharpe
Jim Coyle
Richard Rowney

all at the registered office below

Registered Office
6th Floor
65 Gresham Street
London EC2V 7NQ
England

Investment Manager and AIFM
Pollen Street Capital Limited
11 – 12 Hanover Square
London W1S 1JJ
England

Financial Adviser and Broker
Liberum Capital Limited
Level 12, Ropemaker Place
25 Ropemaker Place
London EC2Y 9LY
England

Custodian
Sparkasse Bank Malta PLC
101 Townsquare
Sliema SLM3112
Malta

Website
http://www.honeycombplc.com/

Share Identifiers
ISIN: GB00BYZV3G25
Sedol: BYZV3G2
Ticker: HONY

Administrator
Apex Fund Services (UK) Ltd
5th Floor, Bastion House
140 London Wall
London EC2Y 5DN
England

Depositary
Indos Financial Limited
5th Floor 54 Fenchurch Street
London EC3M 3JY
England

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

Company Secretary
Link Company Matters Limited
6th Floor
65 Gresham Street
London EC2V 7NQ
England

Independent Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT
England

5 Definitions

Credit Assets	Credit Assets are loans made to consumers and small businesses as well as other counterparties, together with related investments.
Equity Assets	Equity Assets are selected equity investments that are aligned with the Company's strategy and that present opportunities to enhance the Company's returns from its investments.
Net asset value (NAV)	Net asset value represents the total value of the Company's assets less the total value of its liabilities. For valuation purposes, it is common to express the net asset value on a per share basis.
Ongoing charges	Ongoing charges is calculated as a percentage of annualised ongoing charge over average reported Net Asset Value. Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future.
Premium	If the share price of the Company is higher than the net asset value per share, the Company's shares are said to be trading at a premium. The premium is shown as a percentage of the net asset value.
Discount	If the share price of the Company is lower than the net asset value per share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the net asset value.
Fair Value	The amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.
Registrar	An entity that manages the Company's shareholder register. The Company's registrar is Computershare Investor Services PLC.
AIF	An Alternative Investment Fund, as defined in the AIFM Directive 2011/61/EU on Alternative Investment Fund Managers
LIBOR (London Inter-Bank Offered Rate)	The interest rate participating banks offer to other banks for loans on the London market.
AIFM	An Alternative Investment Fund Manager, as defined in the AIFM Directive. Pollen Street Capital Limited undertakes this role on behalf of the Company.
Neither past due nor impaired	Loans that are not in arrears and which do not meet the impaired asset definition. This segment can include assets subject to forbearance solutions.
Consumer Loan	An amount of money lent to an individual for personal, family, or household purposes.
Servicers	Comprehensive loan servicing to support the full loan lifecycle, from origination, through account servicing to arrears management.
Hedging	An investment to reduce the risk of adverse price movements in an asset.

RECONCILIATION TO ALTERNATIVE PERFORMANCE MEASURES

NET Asset Value (ex-income)

	30 June 2020 (Unaudited) £'000	30 June 2019 (Unaudited) £'000	31 December 2019 (Audited) £'000
Net asset value	371,126	400,050	400,361
Revenue Account	(89)	(4,945)	(5,270)
Capital Account	1,072	1,016	1,030
IFRS 9 Adoption	(2,337)	(2,337)	(2,337)
Net Asset Value (ex-income)	**369,772**	**393,784**	**393,784**

Net Asset Value (Ex Income) is calculated as 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. NAV per share is calculated by dividing the calculated figure by the total number of shares. Number of shares at 30 June 2020 36,514,919 (30 June 2019: 39,499,919, 31 December 2019: 39,499,919).

Premium / (Discount) to NAV per share

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
NAV per share (Cum income)	1,016.4p	1,014.1p	1,014.9p
Share Price at Close	753.0p	1,110.0p	972.5p
Premium / (Discount)	**(26.0)%**	**9.5%**	**(4.2)%**

The premium / (discount) to NAV per share is calculated by taking the difference between the share price at close and the NAV per share (Cum income) and dividing it by the NAV per share.

Annualised NAV per Share Return

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
NAV per share (Cum income) at period end	1,016.4p	1,014.1p	1,014.9p
Opening NAV per share (Cum income)	1,014.9p	1,015.7p	1,015.7p
Dividends per share paid in the year	40.0p	40.0p	80.0p
Annualised NAV per Share Return	**8.2%**	**7.5%**	**7.8%**

The annualised NAV per share return is calculated by taking the total of the closing NAV per share (cum income) at period end, adding the dividend per share paid in the year and subtracting the opening NAV per share (Cum Income), divided by the opening NAV per share (cum income). The result for the half year is annualised by multiplying this result by the actual number of days in the year and dividing by the actual number of days in the period.

Inception to Date ("ITD") NAV per Share Return

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
NAV per share (Cum income)	1,016.4p	1,014.1p	1,014.9p
Opening NAV per share (Cum income) at inception	982.0p	982.0p	982.0p
Dividends per share paid since inception	332.9p	252.9p	292.9p
ITD NAV per Share Return	**37.4%**	**29.0%**	**33.2%**

The ITD NAV per share return is calculated by taking the total of the closing NAV per share (cum income) at period end and adding the dividend per share paid since inception and subtracting the opening NAV per share (Cum Income) at inception, divided by the NAV per share (cum income) at inception.

Debt to Equity

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
Borrowings	192,667	179,772	400,361
NAV (£'000)	371,126	400,050	206,792
Debt to Equity ratio	**51.9%**	**44.9%**	**51.7%**

Debt to equity ratio is calculated as the Company's interest bearing debt divided NAV expressed as a percentage.

Revenue Return

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
Profit after taxation (£'000)	9,572	15,171	31,276
Average NAV (£'000)	382,764	402,440	402,619
Revenue Return	**5.0%**	**7.5%**	**7.8%**

Revenue return is calculated as profit after taxation from revenue divided by average NAV during the period, annualised.

Dividend Return

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
Dividend declared (pence)	40	40	80
IPO issue price (pence)	1,000	1,000	1,000
Dividend Return	**8.0%**	**8.0%**	**8.0%**

Dividend return is calculated as the total declared dividends for the period divided by IPO issue price annualised.

Ongoing Charges

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
Auditors' remuneration (£'000)	80	65	160
Administrator's fees (£'000)	93	96	192
Directors' fees (£'000)	75	81	149
Management Fee (£'000)	2,970	3,007	6,066
Other costs (£'000)	283	265	673
Average NAV (£'000)	382,764	402,440	402,619
Ongoing Charges	**1.8%**	**1.7%**	**1.8%**

Ongoing charges ratio: The Annualised Ongoing Charge is calculated using the Association of Investment Companies recommended methodology. It is calculated as a percentage of annualised ongoing charge over average NAV. Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs. The AIC excludes performance fees from the Ongoing Charges calculation.