Honeycomb Investment Trust plc
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Honeycomb Investment Trust plc

Interim Report and Unaudited Financial Statements
For the period from 2 December 2015 (date of incorporation) to 30 June 2016

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Financial and Operational Highlights

Ordinary shares as at 30 June 2016

£147,979,439 NET ASSETS (EX INCOME) [1]	£150,928,774 NET ASSETS (CUM INCOME) [2]
1,015.00p SHARE PRICE (30 JUNE 2016 CLOSE)	£152,250,102 MARKET CAPITALISATION
2.48% ITD TOTAL NAV PER SHARE RETURN [3]	0.88% PREMIUM / (DISCOUNT) TO NAV (CUM INCOME)
15,000,001 SHARES IN ISSUE	1,000.00p ISSUE PRICE (23 DECEMBER 2015)
986.53p NAV PER SHARE (EX INCOME)	1,006.19p NAV PER SHARE (CUM INCOME)

(1) EX INCOME: net assets after recognition of the proposed dividend

(2) CUM INCOME: net assets before recognition of the proposed dividend

(3) ITD: inception to date – includes issue costs

Chairman's Statement

Dear Shareholders,

I am pleased to report the results of Honeycomb Investment Trust plc ("Honeycomb", the "Company") for the period from the date of the Company's listing on the Specialist Funds Market of the London Stock Exchange to 30 June 2016. The period under review covers fractionally over two financial quarters and I am pleased to say that the Company has successfully deployed the proceeds of the initial and subsequent capital raise ahead of the timetable set out in the offerings and that the returns from the investments made to date are ahead of expectations.

The Company believes that the retrenchment of mainstream lenders from specialist markets presents an enormous opportunity to engage with customers in markets which are underserved by traditional lenders and platforms. We further believe that through targeting verticals that require a specialist understanding, more detailed underwriting, or where the vertical pre-selects higher quality borrowers, attractive risk-adjusted returns can be delivered with low volatility throughout the cycle.

Additionally, the Company believes that outperformance can be delivered through the establishment of long-term, preferred relationships with origination partners. This not only provides the Company with differentiated deal flow, but by making equity investments in select origination partners themselves, it allows the Company, and our investors, to share in their success as they grow.

We are hugely encouraged to see that our strategic focus resonates with investors and both the Board and the Investment Manager would like to thank investors for their support.

Deployment

As noted above, I am pleased to report that the Company had, by the end of June 2016, fully invested all of the net proceeds of both share offerings primarily through the acquisition of loan portfolios whilst the volume of originated loans through Honeycomb Finance (the "Origination Partner") and its referral partners continued to develop.

Outlook

The Company has made an excellent start raising capital and deploying it quickly. It has raised an initial tranche of debt during this period. The core proposition of providing a targeted and tailored financial solution in those segments of the market that continue to be underserved by mainstream providers remains a strong one, and the Company sees a number of further opportunities in which to deploy capital. In light of these opportunities we are progressing discussions with additional leverage providers during the second half of 2016.

During the period the UK voted to leave the European Union. As a result, there is uncertainty in the political and economic landscape which we are monitoring closely. We believe that the structural changes in the market and specialist approach that drive our business, together with our intensive credit analysis, provides a positive outlook for the business. In addition, new opportunities may arise as mainstream lenders tighten their credit-risk appetite. However, we remain vigilant of the impact any downturn in the general economic environment.

Dividend

I am pleased to announce that the period to 30 June 2016 the Company is paying a second quarter dividend of 19.66 pence per share (£2.9 million).

The dividend represents an annualised return of 7.9% of the share issue price for the 2nd quarter, just over a month after full deployment of the capital raised.

We have made excellent progress through the first half of the financial year.

Robert Sharpe

Chairman

22 August 2016

Investment Manager's Report

Honeycomb Investment Trust (the "Company") was established in December 2015 to provide investors with access to UK lending opportunities which Pollen Street Capital (the "Investment Manager", the "Manager") believes have potential to provide attractive and consistent risk-adjusted returns throughout the cycle.

These returns are delivered through the Investment Manager's focus on high-quality underwriting of borrowers in markets that are underserved by mainstream finance providers and platforms, as well as direct origination through specialist channels. The Investment Manager has a combined experience of over 100 years in consumer finance, providing the Company with both deep insights to the underwriting space and also access to the Manager's established eco-system enabling whole of market, high-quality origination flow and portfolio acquisition opportunities.

To further enhance investor returns, the Company will make selected investments in companies which are aligned with the Company's strategy, such as brokers and originators of loans and strategic providers of data and technology related to consumers and small and medium enterprises.

The Company completed its initial public offering on 23 December 2015, raising initial gross proceeds of £100.0 million and subsequently a further offering in May with gross proceeds of £50.0 million. This was in conjunction with completing the first debt facility with a European bank for £37.5 million in June 2016. The Company continues a program of effective capital deployment through both direct originations and portfolio acquisitions during the first half of 2016. As at 30 June, the Company had completed investments with a total value exceeding £170.0 million.

Also during the first half, the Company's Origination Partner saw the successful roll-out of its first two referral partner arrangements with Freedom Finance and Pay4Later, both of whom have seen a steady growth of origination volumes (£10.6 million) during the period. Further referral partners are currently being on-boarded.

Equity investments as at 30 June totalled £4.7 million, consisting of a 19.9% holding in Freedom Finance and a 4.9% equity investment in retail point of sale finance provider Pay4Later. The Investment Manager continues to observe the marketplace for potential additional equity stakes in key suppliers to allow for growth in originations.

The Investment Manager continues to see a strong pipeline of opportunities to deploy funds in line with its returns targets.

After initial listing costs, the Company had a NAV of 981.86 pence per share upon listing, with the NAV per share (cumulative of income) growing to 1,006.19 pence per ordinary share at 30 June, equivalent to an increase of 2.48%. Additionally, the share price of the Company at 30 June 2016 was 1,015.00 pence per share, representing a 0.88% premium to NAV (cumulative of income).

Interim Management Report

For the period from 2 December 2015 (date of incorporation) to 30 June 2016

Principal Risks and Uncertainties

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Company is exposed to market risk (which includes currency risk, interest rate risk and market price risk), credit risk and liquidity risk arising from the financial instruments held by the Company (see note 5).

The principal risks and uncertainties that could have a material impact on the Company's performance have not changed from those set out in detail on pages 18-37 of the Company's Prospectus dated 18 December 2015.

During the period the UK voted to leave the European Union. As a result, there is uncertainty in the political and economic landscape which we are monitoring closely. We believe that the structural changes in the market and specialist approach that drive our business, together with our intensive credit analysis, provides a positive outlook for the business. In addition, new opportunities may arise as mainstream lenders tighten their credit-risk appetite. However, we remain vigilant of the impact any downturn in the general economic environment.

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

Going Concern

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 Company has adequate financial resources to enable it to continue operations for a period no less than 12 months from the reporting date. Accordingly, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Company's financial statements.

Related Party Transactions

All related party transactions that have taken place during the period are detailed in note 13.

Responsibility Statement of the Directors

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 Company.

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

Robert Sharpe

Signed on behalf of the Board of Directors by:

Robert Sharpe

Chairman

22 August 2016

Statement of Financial Position

As at 30 June 2016

	Notes	(Unaudited) 30 June 2016 £
Non-current assets		
Financial assets designated as held at fair value through profit or loss	3	4,730,000
Loans at amortised cost	3, 6	144,950,207
		149,680,207
Current assets		
Cash and cash equivalents		5,379,419
Other current assets and prepaid expenses		1,361,417
		6,740,835
Total assets		**156,421,043**
Current liabilities		
Investment management fees payable	7	169,919
Performance fees payable	7	396,027
Accrued expenses and other liabilities		1,926,323
		2,492,269
Total assets less current liabilities		**153,928,774**
Borrowings	8	3,000,000
Total net assets		**150,928,774**
Equity attributable to Shareholders of the Company		
Called-up share capital	11	150,000
Share premium		49,379,547
Revenue reserve		3,312,393
Capital reserve		(13,167)
Special distributable reserve	11	98,100,000
Total equity		**150,928,774**
Net Asset Value per Ordinary Share	10	**1,006.19p**

Signed on behalf of the Board of Directors by Robert Sharpe, Chairman

22 August 2016

See notes to the financial statements

Statement of Comprehensive Income

For the period from 2 December 2015 (date of incorporation) to 30 June 2016 (unaudited)

	Notes	Revenue £	Capital £	Total £
Interest income	4	5,104,098	-	5,104,098
Total return		**5,104,098**	**-**	**5,104,098**
Expenses				
Investment management fee	7	(403,489)	(13,167)	(416,656)
Performance fee	7	(396,027)	-	(396,027)
Impairment of loans	6	(139,070)	-	(139,070)
Other expenses	7	(505,680)	-	(505,680)
Total operating expenses		**(1,444,267)**	**(13,167)**	**(1,457,433)**
Net return on ordinary activities before finance costs and taxation		**3,659,831**	**(13,167)**	**3,646,665**
Finance costs		(30,938)	-	(30,938)
Net return on ordinary activities before taxation		**3,628,893**	**(13,167)**	**3,615,727**
Taxation on ordinary activities	9	-	-	-
Net return on ordinary activities after taxation		**3,628,893**	**(13,167)**	**3,615,727**
Return per Ordinary Share (basic and diluted)		**241.93p**	**(0.88)p**	**241.05p**

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS"). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above Statement derive from continuing operations.

See notes to the financial statements

Statement of Changes in Shareholders' Funds

For the period from 2 December 2015 (date of incorporation) to 30 June 2016 (unaudited)

	Called-up Share Capital £	Share Premium £	Revenue Reserve £	Capital Reserve £	Special Distributable Reserve £	Total Equity £
Net assets attributable to shareholders at the beginning of the period	**-**	**-**	**-**	**-**	**-**	**-**
Amounts receivable on issue of Management Shares	50,000	-	-	-	-	50,000
Management Shares redeemed	(50,000)	-	-	-	-	(50,000)
Amounts receivable on issue of Ordinary Shares	150,000	149,850,000	-	-	-	150,000,000
Share issue costs	-	(2,370,453)	-	-	-	(2,370,453)
Transfer to special distributable reserve	-	(98,100,000)	-	-	98,100,000	-
Return on ordinary activities after taxation	-	-	3,628,893	(13,167)	-	3,615,727
Dividends declared and paid	-	-	(316,500)	-	-	(316,500)
Net assets attributable to shareholders as at 30 June 2016	**150,000**	**49,379,547**	**3,312,393**	**(13,167)**	**98,100,000**	**150,928,774**

See notes to the financial statements

Statement of Cash Flows

For the period from 2 December 2015 (date of incorporation) to 30 June 2016 (unaudited)

	Notes	(Unaudited) 30 June 2016 £
Cash flows from operating activities:		
Net return on ordinary activities after taxation		3,615,727
Adjustments to reconcile net return on ordinary activities after taxation to net cash inflow from operating activities		
Increase in other assets and prepaid expenses		(1,361,417)
Increase in trade and other payables		2,492,269
Impairment of loans		139,070
Net cash inflow from operating activities		**4,885,649**
Cash flows from investing activities:		
Purchase of investments		(4,730,000)
Purchase of loans		(145,089,278)
Net cash (outflow) from investing activities		**(149,819,278)**
Cash flows from financing activities:		
Proceeds from subscription of Ordinary Shares		150,000,000
Proceeds from issue of management shares		50,000
Share issue costs		(2,370,453)
Redemption of management shares		(50,000)
Borrowings		3,000,000
Dividends declared and paid		(316,500)
Net cash inflow from financing activities		**150,313,047**
Net change in cash and cash equivalents		**5,379,419**
Cash and cash equivalents at the beginning of the period		-
Net cash and cash equivalents		**5,379,419**

See notes to the financial statements

Notes to the Financial Statements

For the period from 2 December 2015 (date of incorporation) to 30 June 2016 (unaudited)

1. General Information

Honeycomb Investment Trust plc (the "Company") is a closed-ended investment company incorporated in England and Wales on 2 December 2015 with registered number 09899024. 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 Company's investment objective is to provide shareholders with an attractive level of dividend income and capital growth through the acquisition of loans made to consumers and small businesses as well as other counterparties, together with related investments (''Credit Assets'') and selected equity investments that are aligned with the Company's strategy and that present opportunities to enhance the Company's returns from its investments (''Equity Assets'').

The Company's investment manager is Pollen Street Capital Limited (the "Investment Manager"), who also acts as the Alternative Investment Fund Manager (the "AIFM") under the Alternative Investment Fund Managers Directive (the "AIFMD"). The Company is defined as an Alternative Investment Fund and is subject to the relevant articles of the AIFMD.

The Company invest, directly and indirectly, in Credit Assets in a number of ways:

a) the acquisition of interests in loans to consumers, small businesses and other counterparties, whether offered to the Company by the Origination Partner (see note 7) or by other third party sources. These loans may be unsecured or secured;

b) investments in loans to specialist lenders for the purposes of providing wholesale finance to those specialist lenders, secured against (amongst other things) granular portfolios of loan receivables; and

c) the acquisition by the Company of, or the investment by the Company in, interests in portfolios of Credit Assets from third parties.

The Company will seek to enhance returns for shareholders through Equity Assets that are selected investments in listed and unlisted securities that are aligned with the Company's strategy and that present opportunities to enhance the Company's returns from its investments, including (but not limited to), investments in entities involved in:

a) the brokerage and origination of consumer loans, small business loans and other related investments; and

b) the acquisition, transmission, storage, processing and analysis of data related to lending to consumers and small and medium enterprises.

As at 30 June 2016 the Company's share capital comprised 15,000,001 ordinary shares. These shares are listed and trade on the London Stock Exchange's Specialist Fund Market.

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

Notes to the Financial Statements (continued)

2. Significant Accounting Policies

Basis of preparation

The Company's financial statements are prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). They comprise standards and interpretations approved by the International Accounting Standards Board and International Financial Reporting Committee, interpretations issued by the International Accounting Standard Committee 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 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 Company has adequate financial resources to enable it to continue operations for a period no less than 12 months from the reporting date. Accordingly, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Company's financial statements.

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in January 2009 is consistent with the requirements of IAS 34, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The Company's presentational and functional currency is Pounds Sterling (£). Pounds Sterling reflects the currency in which funds from financing activities are generated.

Presentation of Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with the guidance set out by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of revenue and capital nature has been presented alongside the Statement of Comprehensive Income. Net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 1158 of the Corporation Taxes Act 2010.

In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, all expenses and finance costs, which are accounted for on an accruals basis, have been presented as revenue items except those items listed below:

a) expenses are allocated to capital where a direct connection with the maintenance or enhancement of the value of the investments can be demonstrated. Investment management fees and finance costs are allocated to capital in accordance with accounting policy set out below in expenses, fees and commissions; and

b) expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

The following are presented as capital items:

a) gains and losses on the realisation of investments;

b) increases and decreases in the valuation of investments held at the year-end;

c) expenses, together with the related taxation effect, allocated to capital in accordance with the above policies

Income

For financial instruments measured at amortised cost the effective interest rate ("EIR") method is used to measure the carrying value of a financial asset or liability and to allocate associated interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Notes to the Financial Statements (continued)

2. Significant Accounting Policies (continued)

In calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, early redemption penalty charges) but does not consider future credit losses. The calculation includes all fees received and paid and costs borne that are an integral part of the effective interest rate and all other premiums or discounts above or below market rates.

Once a financial asset or a group of similar financial assets becomes impaired, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss and is recognised over the period to which the expected cash flows relate.

Dividend income from investments is taken to the revenue column of the Statement of Comprehensive Income on an ex-dividend basis.

Bank interest and other income receivable are accounted for on an accruals basis.

Expenses, fees and commissions

Expenses, fees and commissions not directly attributable to generating a financial instrument are recognised when services are provided, or on the performance of a significant act which means the Company has become contractually obligated to settle those amounts.

Investment management fees are allocated between the revenue and capital accounts based on the relevant split of Credit Assets and Equity Assets (being 96.8% and 3.2% respectively). The Company charges performance fees to the revenue account as it is the current expectation that the majority of the Company's return will be generated through revenue rather than capital gains on equity investments. Refer to Note 7 for further details of the management and performance fees.

All other expenses are accounted for on an accruals basis.

Dividends payable to Shareholders

Dividends to shareholders are accounted for in the period which they are paid or approved in general meetings. Dividends payable to shareholders are recognised in the Statement of Changes in Equity when they are paid, or have been approved by shareholders in the case of a final dividend and become a liability to the Group.

Taxation

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the Statement of Financial Position date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Investment trusts which have approval as such under section 1158 of the Corporation Taxes Act 2010 are not liable for taxation on capital gains. The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. Significant Accounting Policies (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial assets and financial liabilities

The Company classifies its financial assets and financial liabilities into the following categories:

(i) Financial assets and financial liabilities at fair value through profit or loss

This category consists of unlisted equities that are valued at fair value based on primary issuance of stock, secondary market transactions, discounted cash flow and other models, consideration of market multiples for comparative companies or third party valuations which are considered representative of the fair value. Gains and losses arising from the changes in the fair values are recognised in the Statement of Comprehensive Income.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loan assets are classified as loans and receivables.

Loans are recognised when the funds are advanced to borrowers. Loans and receivables are carried at amortised cost using the effective interest rate method less provisions for impairment.

(iii) Purchases and sales of financial assets

Purchases and sales of financial assets are accounted for at trade date. Financial assets are derecognised when the rights to receive cash flows have expired or where the assets have been transferred and substantially all of the risks and rewards of ownership have been transferred.

(iv) Impairment of financial assets

Assets carried at amortised cost

The Company assesses at each reporting date whether, as a result of one or more events that occurred after initial recognition, there is objective evidence that a financial asset or group of financial assets is impaired. Evidence of impairment may include:

- indications that a borrower or group of borrowers is experiencing significant financial difficulty;
- default or delinquency in interest or principal payments; or
- debt being restructured to reduce the burden on the borrower.

The Company assesses whether objective evidence of impairment exists either individually for assets that are separately significant or individually or collectively for assets that are not separately significant.

If there is no objective evidence of impairment for an individually assessed asset it is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The resultant provisions are deducted from the appropriate asset values in the Statement of Financial Position.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the provision is adjusted and the amount of the reversal is recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

2. Significant Accounting Policies (continued)

Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are reflected against the impairment losses recorded in the Statement of Comprehensive Income.

Key estimates and assumptions in impairment of financial assets

The assessment of impairment of the loans and receivables at amortised cost requires the use of accounting estimates and assumptions that could cause material adjustment to the carrying value of those investments. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company.

(v) Financial liabilities

Financial liabilities are derecognised when the obligation is discharged, cancelled or has expired.

(vi) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with a maturity of 3 months or less that are readily convertible to known amounts of cash.

Other current assets and prepaid expenses

Other current assets and prepaid expenses do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated impairment.

Current liabilities

Current liabilities, other than derivatives, are not interest-bearing and are stated at their nominal value.

Ordinary shares

Ordinary shares are classified as equity. The costs of issuing or acquiring equity are recognised in equity (net of any related income tax benefit), as a reduction of equity on the condition that these are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

The costs of an equity transaction that is abandoned are recognised as an expense. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties.

The Company’s NAV per ordinary share is calculated by dividing the total net assets by the total number of outstanding ordinary shares.

Capital reserves

Capital reserve – arising on investments sold includes:

- gains/losses on disposal of investments;
- exchange differences on currency balances and on settlement of loan balances;
- cost of own shares bought back; and
- other capital charges and credits charged to this account in accordance with the accounting policies above.

Capital reserve – arising on investments held includes:

- increases and decreases in the valuation of investments held at the year end.

All of the above are accounted for in the Statement of Comprehensive Income except the cost of own shares bought back which is accounted for in the Statement of Changes in Shareholders’ Funds.

Notes to the Financial Statements (continued)

2. Significant Accounting Policies (continued)

Segmental reporting

The Chief Operating Decision Maker is the Board of Directors. The Directors are of the opinion that the Company is engaged in a single segment of business, being the investment of the Company's capital in Credit Assets and Equity Assets.

Key estimates and assumptions

Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The results of these estimates and assumptions form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The Company's loans and receivables are held at amortised costs less impairments. Loans are assessed individually for impairment based on specific evidence of an impairment having occurred, for example a borrower being a certain number of days late. Through a review of the Company's own data as well as that reported by servicers, a percentage of principal is impaired at different stages of delinquency as a borrower becomes progressively later on their payment. This rate varies by loan type. Recovery assumptions are made depending on any security posted against a loan, any sale agreements for loans in arrears, actual recoveries observed over time on comparable loans, or as determined and approved by the Investment Manager. The amount of impairment loss experienced for any given loan may ultimately differ from these assumptions. As the Company records further data about impairment losses, the estimates applied to the impairment assessment continue to be refined and updated as applicable. Further information about significant areas of estimation uncertainty and critical judgements in relation to the impairment of loans are described in Note 6.

Estimates and assumptions made in the valuation of unquoted investments and investments for which there is an inactive market may cause material adjustment to the carrying value of those assets and liabilities. These are valued in accordance with the techniques set out under Note 2 financial assets and financial liabilities.

Accounting standards issued but not yet effective

At the date of this document, the following applicable standards were in issue but not yet effective:

IFRS 9, 'Financial instruments', effective from 1 January 2018, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. IFRS 9 now divides all financial assets that are under the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value. The determination is made at initial recognition. Specifically, under IFRS 9 loans and receivables can be measured at amortised cost only if the objective of the entity is to hold the financial asset to collect contractual cash flows and that the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments will be measured at fair value through profit or loss. Also, IFRS 9 requires expected credit losses to be recognised in contrast to IAS 39 which only recognises incurred credit losses.

IFRS 15, 'Revenue from contracts with customers', effective 1 January 2018. This is the converged standard on revenue recognition and replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations.

Both IFRS 9 and IFRS 15 are subject to endorsement from the European Union. The Directors are currently evaluating the impact of the above standards on the Company's financial statements.

Notes to the Financial Statements (continued)

3. Fair Value Measurement

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

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

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

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

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

The following table analyses within the fair value hierarchy the Company's assets and liabilities measured at fair value at 30 June 2016:

	Total **£**	**Level 1** **£**	**Level 2** **£**	**Level 3** **£**
Unlisted equities	4,730,000	-	-	4,730,000
Total	**4,730,000**	**-**	**-**	**4,730,000**

The following table presents the movement in the Company's level 3 positions for the period ended 30 June 2016.

	Unlisted Equities **£**	**Total** **£**
Opening balance	-	-
Purchases	4,730,000	4,730,000
Sales	-	-
Net change in realised/unrealised gains	-	-
Distributed income re-invested	-	-
Closing balance	**4,730,000**	**4,730,000**

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

Quantitative information regarding the unobservable inputs for the Company's Level 3 positions is given below:

Description	**Fair value at 30 June 2016** **£**	**Valuation technique**
Unlisted equities	4,730,000	Recent transactions

If the price of unlisted equities held at 30 June 2016 period end had increased/decreased by 5% it would have resulted in an increase/decrease in the total value of unlisted equities of £236,500.

Notes to the Financial Statements (continued)

3. Fair Value Measurement (continued)

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

The following table presents the fair value of the Company's assets and liabilities (by class) not measured at fair value through profit and loss at 30 June 2016 but for which fair value is disclosed:

	Total	Level 1	Level 2	Level 3
	£	£	£	£
Assets				
Cash and cash equivalents	5,379,419	5,379,419	-	-
Other current assets and prepaid expenses	1,361,417	-	1,361,417	-
Loans at amortised cost	144,950,207	-	-	144,950,207
Total	**151,691,043**	**5,379,419**	**1,361,417**	**144,950,207**
Liabilities				
Investment management fees payable	169,919	-	169,919	-
Performance fees payable	396,027	-	396,027	-
Accrued expenses and other liabilities	1,926,323	-	1,926,323	-
Total	**2,492,269**	**-**	**2,492,269**	**-**

The table below provides details of the loans at amortised cost held by the Company at 30 June 2016.

	Amortised cost before impairment	Cumulative impairment	Amortised cost	Carrying value
	£	£	£	£
Loans at amortised cost	148,953,440	(4,003,232)	144,950,207	144,950,207

Cumulative impairment includes incurred losses already present on the loan portfolios acquired at a discount to face value in secondary transactions which are brought onto the balance sheet at an amount that includes impairment losses up to the date of their acquisition. Impairment included in the Statement of Financial Position for the period is reported in impairment of loans in the Statement of Comprehensive Income (see note 6).

4. Income and Gains on Investments

	(Unaudited) 30 June 2016
	£
Interest Income	
Interest from loans	5,052,171
Interest from deposit account	11,874
Other income	40,052
Total	**5,014,098**

Notes to the Financial Statements (continued)

5. Principal Risks and Uncertainties

Introduction

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Company is exposed to market risk (which includes currency risk, interest rate risk and market price risk), credit risk and liquidity risk arising from the financial instruments held by the Company.

Risk management structure

The Directors are ultimately responsible for identifying and controlling the risks inherent in the Company's activities, which are managed through a process of ongoing identification, measurement and monitoring, risk limits and other controls. The day to day management of the risks affecting the Company has been delegated to Pollen Street Capital Limited as Investment Manager and AIFM to the Company.

The Company has no employees and the Directors have all been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for its executive function. In particular, the Investment Manager, the Depositary, the Administrator, the Registrar and servicers are performing services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company.

The principal risks and uncertainties that could have a material impact on the Company's performance have not changed from those set out in detail on pages 18-37 of the Company's Prospectus dated 18 December 2015, available on the Company's website, www.honeycombplc.com. Namely:

a) There can be no assurance that the Investment Manager will be successful in implementing the Company's investment objective or that the Company's portfolio of investments will generate the rates of return expected. There is no guarantee that any dividends will be paid in respect of any financial year or period.

b) The Company has no employees and is reliant on the performance of third party service providers, it has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations.

c) Market conditions may delay or prevent the Company from making appropriate investments that generate attractive returns. Adverse market conditions and their consequences may have a material adverse effect on the Investment Manager's ability to identify and invest in Credit Assets and Equity Assets delivering the returns necessary for the Company to meet its investment objective.

d) The Company is likely to borrow in connection with its investment activities, which subjects it to interest rate risk and additional losses if the value of its investments fall.

e) Credit Assets are subject to risks of borrower default. The default history for loans is limited and actual defaults may be greater than indicated by historical data.

f) Increasing competition for Credit Assets, and increasing regulation of the consumer, small business and specialist lending industry, may lead to reductions in yields on Credit Assets. This may result in a reduction in the Company's aggregate return on investments, which may have a material adverse effect on the Company's financial condition and results of operations, and its ability to meet its investment objective.

g) The Origination Partner (see Note 7) has not guaranteed to provide a minimum number of Credit Assets to the Company. Similarly, the other third party sources have not guaranteed to refer a minimum number of loan applications to the Origination Partner. As such, the Company will only be able to invest in Credit Assets to the extent that:

    i) The other third party sources receive sufficient loan applications from underlying borrowers which satisfy the criteria set by the Origination Partner (such that the other third party sources refer the loan application to the Origination Partner); and

    ii) The Origination Partner refers sufficient opportunities to the Company to invest in Credit Assets which satisfy the Investment Manager's underwriting criteria.

Notes to the Financial Statements (continued)

5. Principal Risks and Uncertainties (continued)

h) The Company, may be exposed to the following risks relating to compliance and regulation.

   i) Non-compliance with laws and regulations may impair the Service Providers' ability to arrange or service Credit Assets.

   ii) Should the Company fail to maintain its investment trust status it would be subject to the normal rates of corporation tax on chargeable gains arising on the transfer or disposal of Equity Assets, which could adversely affect the Company’s financial performance, its ability to provide returns to its Shareholders or the post-tax returns received by its Shareholders.

i) Failure by the Company, the Investment Manager, the Origination Partner, the Servicer or any of the Referral Partners to comply with applicable laws and regulations relating to the origination, acquisition and servicing of the Credit Assets and the broader consumer credit industry could result in suspension, termination or impairment of the Company’s ability to invest in Credit Assets.

j) Changes in tax law may reduce any return for investors in the Company.

During the period the UK voted to leave the European Union. As a result, there is uncertainty in the political and economic landscape which we are monitoring closely. We believe that the structural changes in the market and specialist approach that drive our business, together with our intensive credit analysis, provides a positive outlook for the business. In addition, new opportunities may arise as mainstream lenders tighten their credit-risk appetite. However, we remain vigilant of the impact any downturn in the general economic environment.

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

Market risk (incorporating currency risk, interest rate risk and market price risk)

Market risk is the risk of loss arising from movements in observable market variables. The Company is exposed to market risk primarily through its investments in Credit Assets and Equity Assets.

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

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 Company holds financial assets and liabilities.

All the assets of the Company are invested in assets which are denominated in Pounds Sterling, as such the Company is not exposed to currency risk.

Interest rate risk

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

Loans held by the Company at amortised cost, with a fixed interest rate or subject to an administered rate, are not exposed to interest rate changes. As at 30 June 2016, 90.26% of the total assets were classified as loans with a fixed interest rate or subject to an administered rate.

Financial Instruments with a floating interest rate that resets as market rates change are exposed to cash flow interest rate risk. As at 30 June 2016, the Company had 3.44% of the total assets classified as cash and cash equivalents and 2.4% of loans at amortised cost with floating interest rates.

Notes to the Financial Statements (continued)

5. Principal Risks and Uncertainties (continued)

The Company entered into a revolving bank facility which is subject to a variable interest rate. At 30 June 2016 the Company had £3,000,000 drawn down under the facility.

The Company does not intend to hedge interest rate risk on a regular basis. However, where it enters floating-rate liabilities against fixed-rate loans, it may at its sole discretion, seek to hedge out the interest rate exposure, taking into consideration amongst other things the cost of hedging and the general interest rate environment.

Market price risk

The Company is exposed to price risk arising from the investments held by the Company for which prices in the future are uncertain. The investments in the Equity Assets are exposed to market price risk. Refer to Note 3 for further details on the sensitivity of the Company's Level 3 investments to price risk.

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 Company's credit risks arise principally through exposures to loans originated or acquired by the Company, which are subject to risk of borrower default. The ability of the Company to earn revenue is dependent upon payments being made by the borrower of the loan originated or acquired by the Company. The Company will receive payments under any loans it originates or acquires if the corresponding borrower makes payments on the loan. On select portfolios security could also be held on property or guarantees of repayment from government authorities.

The Company will invest in Credit Assets originated across various sectors and across credit risk bands in order to ensure diversification and to seek to mitigate concentration risks. The investment limits and restrictions outlined below apply to the Company, to ensure that the diversification of the Portfolio is maintained, that concentration risk is limited and that limits are placed on risk associated with borrowings. The Company may invest across various channels, asset classes, geographies primarily United Kingdom and credit bands in order to ensure diversification and to seek to mitigate concentration risks.

Liquidity risk

Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Ordinary Shares in issue as at 30 June 2016 are not redeemable. Redeemable shares may be issued subject to any rights attached to existing shares, and the Board may determine the terms and conditions and manner of redemption of any redeemable shares issued.

The Company has borrowings in the form of a two year revolving bank facility which is subject to regular performance and covenant testing and is secured on the assets of the Company.

The Investment Manager manages the Company's liquidity risk, including monitoring of amortising cash flows and monitoring and forecasting of cash flows.

Asset class restrictions

The Company will not invest, in aggregate, more than 10 per cent of the aggregate value of the total assets of the Company (the “Gross Assets”), at the time of investment, in other investment funds that invest in Credit Assets.

The Company 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 Limited (“Shawbrook”) referred to the Origination Partner by Shawbrook.

Notes to the Financial Statements (continued)

5. Principal Risks and Uncertainties (continued)

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

- 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 per cent of Gross Assets; and
- no single facility, security or other interest backed by a portfolio of loans, assets or receivables (excluding any borrowing ring-fenced within any SPV which would be without recourse to the Company) shall exceed 20 per cent of Gross Assets. For the avoidance of doubt, this restriction shall not prevent the Company from directly acquiring portfolios of Credit Assets which comply with the other investment restrictions described in this section.

The Company will not invest in Equity Assets to the extent that such investment would, at the time of investment, result in the Company controlling more than 35 per cent of the issued and voting share capital of the issuer of such Equity Assets.

Other restrictions

The Company may invest in cash, cash equivalents, money market instruments, money market funds, bonds, commercial paper or other debt obligations (excluding collateralised loan obligations or collateralised 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 FCA rules) for cash management purposes and with a view to enhancing returns to shareholders or mitigating credit exposure.

6. Impairment of Investments at Amortised Cost

A financial asset is past due when the counterparty has failed to make a payment when contractually due. The Company assesses at each Statement of Financial Position date whether there is objective evidence that a loan or group of loans, classified as investments at amortised cost, is impaired. In performing such analysis, the Company assesses the probability of default based on the number of payments overdue, using recent historical rates of default on loan portfolios with credit risk characteristics similar to those of the Company.

The following impairment charges have been recorded in the Statement of Financial Position relating to investments at amortised cost:

	(Unaudited) 30 June 2016 £
Incurred losses recognised at acquisition of loan portfolios	3,864,162
Impairment of loans through profit or loss	139,070
Cumulative impairment	**4,003,232**

Cumulative impairment includes incurred losses already present on the loan portfolios acquired at a discount to face value in secondary transactions which are brought onto the balance sheet at an amount that includes impairment losses up to the date of their acquisition. Impairment included in the Statement of Financial Position for the period is reported in impairment of loans in the Statement of Comprehensive Income (see note 6).

Notes to the Financial Statements (continued)

7. Fees and Expenses

Investment management and performance fees

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

The Investment Manager charges a fee based on a percentage of Gross Assets (such percentage not to exceed 1.0 per cent per annum and provided that the aggregate Management Fee payable by the Company shall not exceed an amount equal to 1.0 per cent of the Gross Assets of the Company or the gross assets of its group in aggregate (as applicable) in any year) to any entity which is within the Company's group (including the Company).

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 Company to the Origination Partner shall be deducted from the Management Fee.

The Investment Manager is also entitled to a performance fee calculated by reference to movements in the Adjusted Net Asset Value (as defined below) from time to time.

The performance fee will be calculated in respect of each twelve month period starting on 1 January and ending on 31 December in each calendar year ("Calculation Period") save that the first Calculation Period shall be the period from admission to trading on the London Stock Exchange and ending on 31 December 2015, and the final Calculation Period shall end on the day on which the Investment 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 (the ''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) ten 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.

Origination Partner

The Origination Partner is Honeycomb Finance Limited. The Origination Partner is wholly owned by the Investment Manager.

The Origination Partner has agreed to provide the Company with opportunities to acquire Credit Assets originated or acquired by the Origination Partner which meet specified underwriting criteria relating to the underlying borrower and the corresponding terms of credit (which may be modified from time to time at the discretion of the Investment Manager).

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

7. Fees and Expenses (continued)

The Company shall reimburse the Origination Partner for acquisition related costs and on-going servicing fees (to the extent paid by the Origination Partner) in connection with Credit Assets in which the Company acquires an interest, but shall not be liable to reimburse the Origination Partner for any other costs and expenses. The amount of such fees shall be agreed between the Origination Partner and the relevant counterparties on arm's length commercial terms.

Administration

The Company has entered into an administration agreement with Apex Fund Services (UK) Limited. The Administrator is responsible for the Company's general administrative functions, such as the calculation of the NAV and maintenance of the Company's accounting records.

Under the terms of the administration agreement, the Administrator is entitled to an initial implementation fee of £5,000 and to an administration fee equal to the greater of: (i) £5,000 per month; and (ii) an amount equal to 1/12 of 0.06 per cent of the portion of NAV up to and including £150 million, and 1/12 of 0.05 per cent of the portion of NAV 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.

Company Secretary

Under the terms of the administration agreement, the fee for the provisions of the Company Secretary's services will be included in the fund administration fee paid to the Administrator.

Registrar

Computershare Investor Services PLC has been appointed as the Company's registrar to provide share registration services. They will be entitled to an annual register maintenance fee from the Company equal to £1.30 per shareholder per annum or part thereof, subject to a minimum of £3,800 per annum. Other activity will be charged for in accordance with the Registrar's normal tariff as published from time to time.

Depositary

Indos Financial Limited has been appointed as the Company's depositary for the purposes of the AIFM Directive. Under the terms of the depositary 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, the sum of 0.02 per cent 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; and

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

Other operational expenses

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

Notes to the Financial Statements (continued)

8. Borrowings

	(Unaudited) 30 June 2016 £
Revolving bank facility	3,000,000
Total	**3,000,000**

The Company entered into a two year revolving bank facility for £37.5 million on 17 June 2016 with a European bank. The revolving bank facility is secured upon the assets of the Company, has a term of two years and interest is charged at one, three or six month LIBOR plus a margin.

9. Taxation

Investment trust status

It is the intention of the Directors to conduct the affairs of the Company so as to satisfy the conditions for approval as an investment trust. As at 30 June 2016 the Company does not hold more than 15% of its investments in any single company. As an investment trust the Company is exempt from corporation tax on capital gains. The Company's revenue income from loans is taxable in the hands of the Company's shareholders and likewise is not subject to corporation tax.

Any change in the Company's tax status or in taxation legislation generally could affect the value of investments held by the Company, affect the Company's ability to provide returns to shareholders, lead the Company to lose its exemption from UK Corporation tax on chargeable gains or alter the post-tax returns to shareholders. It is not possible to guarantee that the Company will remain a non-close company, which is a requirement to maintain status as an investment trust, as the ordinary shares are freely transferable. The Company, in the unlikely event that it becomes aware that it is a close company, or otherwise fail to meet the criteria for maintaining investment trust status, will as soon as reasonably practicable, notify shareholders of this fact.

The following table presents the tax chargeable on the Company for the period ended 30 June 2016.

	Revenue £	Capital £	Total £
Net return on ordinary activities before taxation	3,628,893	(13,167)	3,615,727
Tax at the standard UK corporation tax rate of 20%	725,779	(2,633)	723,145
Effects of:			
Capital items exempt from corporation tax	-	2,633	2,633
Non-taxable income	(725,779)	-	(725,779)
Total tax charge	**-**	**-**	**-**

Overseas taxation

The Company may be subject to taxation under the tax rules of the jurisdictions in which it invests, including by way of withholding of tax from interest and other income receipts. Although the Company will endeavour to minimise any such taxes this may affect the level of returns to shareholders.

Notes to the Financial Statements (continued)

10. Net Asset Value Per Share

	(Unaudited) 30 June 2016
Ordinary Shares	
Net assets attributable at end of period	£150,928,774
Shares in issue	15,000,001
Net asset value per ordinary share	1,006.19p

11. Shareholders' Capital

Set out below is the issued share capital of the Company as at 30 June 2016.

	Nominal value £	Number of shares	Voting rights of shares
Ordinary shares	150,000	15,000,001	15,000,001

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

50,000 management shares of £1 par value were paid up in full on admission to the London Stock Exchange and redeemed out of the proceeds of the issue.

Rights attaching to the Shares

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

On a winding-up or a return of capital by the Company, the holders of any Ordinary Shares shall be entitled to all of the Company's net assets.

The Ordinary Shares shall carry the right to receive notice of, attend and vote at general meetings of the Company. On a show of hands each Shareholder has one vote, and on a poll each Shareholder has one vote per Ordinary Share held.

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

Voting Rights

Members will be entitled to vote at a general meeting or class meeting whether on a show of hands or a poll, as provided in the applicable statutes (in this section, the ''Companies Acts''). The Companies Act provides that:

a) on a show of hands every member present in person has one vote and every proxy present who has been duly appointed by one or more members will have one vote, except that a proxy has one vote for and one vote against if the proxy has been duly appointed by more than one member and the proxy has been instructed by one or more members to vote for and by one or more other members to vote against. For this purpose, the Articles provide that, where a proxy is given discretion as to how to vote on a show of hands, this will be treated as an instruction by the relevant member to vote in the way that the proxy decides to exercise that discretion; and

b) on a poll every member has one vote per share held by him and he may vote in person or by one or more proxies. Where he appoints more than one proxy, the proxies appointed by him taken together shall not have more extensive voting rights than he could exercise in person.

Notes to the Financial Statements (continued)

11. Shareholders' Capital (continued)

This is subject to any special terms as to voting which are given to any shares or on which shares are held.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

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

Variation of Rights & Distribution on Winding Up

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

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

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

The table below shows the movement in shares during the period ended 30 June 2016.

	Shares in issue at the beginning of the period	Shares subscribed	Shares redeemed	Shares in issue at the end of the period
Management shares	-	50,000	(50,000)	-
Ordinary shares	1	15,000,000	-	15,000,001

Cash consideration was received for all subscriptions of shares.

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 has now become effective. Accordingly, £98,100,000, previously held in the share premium account, has been transferred to the special distributable reserve as disclosed in the Statement of Financial Position.

Notes to the Financial Statements (continued)

12. Dividends Per Share

The following table summarises the interim dividends payable to Ordinary Shareholders during the period:

	(Unaudited) 30 June 2016 £
2.11p per Ordinary Share for the period to 31 March 2016 paid on 21 June 2016	316,500
Total	**361,500**

13. Related Party Transactions

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. Save for the Chairman of the Board, the fees are £25,000 for each Director per annum. The Chairman's fee is £30,000 per annum. The Director's fees for the period ended 30 June 2016 totalled £60,456 out of which £26,863 was payable at the period end.

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

The Directors do not hold any Ordinary Shares.

Investment management fees and performance fees for the period ended 30 June 2016 are payable by the Company to the Investment Manager and these are presented on the Statement of Comprehensive Income with further details disclosed in Note 7.

14. Approval of Financial Statements

The unaudited financial statements were approved and authorised for issue by the Directors on 22 August 2016.

Company Information

Directors
Robert Sharpe
James Coyle
Ravi Takhar
Mark Huggins (resigned on 13 April 2016)
all of the registered office below

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England

Company Number
09899024

Website Address
www.honeycombplc.com

Sponsor, Broker and Placing Agent
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25 Ropemaker Place
London EC2Y 9LY
England

Investment Manager and AIFM
Pollen Street Capital Limited
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London W1S 1YF
England

Administrator and Company Secretary
Apex Fund Services (UK) Ltd
Veritas House
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England

Registrar
Computershare Investor Services PLC
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Depositary
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Auditor
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