Honeycomb Investment Trust

Interim Report and Unaudited Financial Statements

For the period 1 January 2022 to 30 June 2022

Registered Number: 09899024

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1 Strategic Report

The Company

Honeycomb Investment Trust plc ("the Company" or "Honeycomb") is a UK listed investment trust. It provides investors with access to asset-backed lending opportunities that its manager, Pollen Street Capital Limited (the "Investment Manager"), believes has potential to generate high income returns together with strong capital preservation. The Company holds an investment portfolio on its balance sheet. This portfolio is invested in predominantly high quality, diversified and low risk asset based direct lending investments, with potential to generate high income returns, together with strong capital preservation.

At the General Meeting held on 1 June 2022, shareholders voted in favour of the combination of Pollen Street Capital Holdings Limited ("Pollen Street"), the parent company of the Investment Manager, and Honeycomb to form an asset management company that benefits from a complementary set of investment management activities and balance sheet activities (the "Combination"). The directors believe that the combined business has an attractive dividend yield and strong growth opportunities. The Combination is expected to complete during September 2022.

Pollen Street was founded in 2013 and is an alternative investment management company with deep capability across the financial and business services sectors and a focus on investments aligned with mega-trends, being new technology driving disruptive business models, significant SME financing whitespace and the green transition, that are shaping the future of the industry. Pollen Street has extensive experience managing funds with credit and private equity strategies and has a strong and consistent track record of delivering top tier returns.

Investment Objective

The Company and its subsidiaries (together, "the Group") operate an asset backed credit strategy that delivers stable income alongside strong downside protection through providing predominantly senior lending to non-bank lenders secured on their underlying loan portfolios. The investment strategy is supported by the ongoing structural changes in the financial services industry that create a significant opportunity for non-bank lenders to reach customers who are underserved by mainstream banks with bespoke and appropriate products. The strategy is focused on generating positive impact around five key areas where Honeycomb can make a meaningful difference: environmental impact; affordable housing; financial inclusion; regional economic growth and the highest standards of governance. The Combination will enable the Company to earn management fees and performance fees and carried interest on funds managed or advised by Pollen Street.

Performance Highlights

Dividend Yield[1]

2021	8.0%
H1 2022	8.0%
Target	8.0%

Dividend yield stable at 8.0 per cent of IPO issue price - in line with the published target

Note - target dividend is not a profit forecast

NAV return in line with Dividend Yield

NAV Return[1]

2021	8.5%
H1 2022	8.0%

NAV per Share

31 Dec 2021	1,019.1p
30 Jun 2022	1,019.7p

NAV per share stable

[1]See section 5 for reconciliation to Alternative Performance Measures

Chairman's Statement

I am pleased to present the 2022 interim results for Honeycomb Investment Trust plc, covering the period 1 January 2022 to 30 June 2022.

COMBINATION WITH POLLEN STREET

At the General Meeting held on 1 June 2022 shareholders voted in favour of the resolution to combine Pollen Street Capital Holdings Limited and Honeycomb Investment Trust plc. The Combination is expected to complete during September 2022 following approval of the transaction by regulators. My board colleagues and I are looking forward to the successful completion of this transaction and would like to thank the Board's advisers for their hard work.

My fellow directors and I believe that the Combination offers shareholders the opportunity to benefit from a compelling combination with a fast growing, purpose-led, high performing private capital asset manager. Pollen Street benefits from:

- Expertise in investing in both private equity and credit;
- A proven track record of strong returns at low risk;
- A growing and established blue chip investor base;
- Deep technical expertise in critical financial and business services sectors across the capital structure;
- A long history of operating as a trusted partner to secure excellent deal flow;
- Being a purpose and values-based organisation; and
- A well invested platform sharing deep insight and best practice positioned to grow and drive operational leverage.

Pollen Street and Honeycomb have been working together closely for the past six years, with Pollen Street acting as Honeycomb's investment manager.

ECONOMIC ENVIRONMENT

There has been extensive disruption in the macroeconomic environment over H1 2022. The war in Ukraine has led to an unsettled geo-political environment and considerable market volatility. Alongside that, there are concerns about inflation, rising interest rates, as well as continued pressure across supply chains. These have all exacerbated uncertainty.

Despite this market backdrop, Pollen Street has continued to grow, with assets under management ("AuM") increasing to £3.2 billion at 30 June 2022 from £3.0 billion at 31 December 2021, and Honeycomb's investment asset portfolio has been resilient with performance maintained in line with the historical track record.

The board risk committee is monitoring these emerging risks carefully to ensure that they are being managed appropriately.

INVESTMENT ASSET PORTFOLIO

Honeycomb's investment portfolio performed well throughout the first half of the year, demonstrating consistent and robust performance. The Company delivered an annualised NAV return of 8.0 per cent[1] for the period (H1 2021: 8.7 per cent). This performance is particularly pleasing given the macroeconomic backdrop noted above. My board colleagues and I believe the Company's strategy, combining bespoke structuring and asset backing via large diverse pools of financial and hard assets, is invaluable in driving good performance through a more uncertain and volatile macro environment.

The performance of the underlying Credit Assets has remained consistent throughout the first six months of 2022. Investment Assets[2] have remained broadly stable (31 December 2021: £615 million; 30 June 2022: £583 million) with the Company redeploying capital from realised deals into new as well as existing investments.

The interim results show a reduced level of expected credit loss ("ECL") provision charges under IFRS 9, against the same period in 2021. The ECL release for the first half of 2022 was £0.1 million (30 June 2021: £0.5 million charge, 31 December 2021 full year: £0.8 million release). The portfolio continues to benefit from the Investment Manager's shift to structurally secured assets with greater protection from adverse credit losses. The investment assets are now 97 per cent senior and asset secured.

The Manager has a strong pipeline of transactions in documentation or late-stage due diligence. The pipeline is well diversified across subsectors and asset classes.

GEARING

Gearing remains within the target range. Net debt to equity was 63.6 per cent as at 30 June 2022, down from 70.9 per cent as at 31 December 2021.

Following completion of the Combination, the target gearing will be unchanged: net debt to tangible equity is targeted to remain between 50 per cent. to 75 per cent. and the debt facilities will be upsized and extended resulting in a lower blended margin.

[1] See section 5 for reconciliation to Alternative Performance Measures

[2]Investment Assets includes credit assets held at amortised cost, credit assets held at fair value through profit or loss and equity assets held at fair value through profit or loss

DIVIDENDS

The Company has continued to meet its dividend target of 20 pence per share per quarter, in line with the target dividend yield of 8.0 per cent annualised on the issued share price at the Company's initial public offering.

Following completion of the Combination, I am pleased to reiterate that the Company is targeting increasing the dividend in 2022 with total dividends for the period of £30 million (2021: £28 million), increasing again to £32 million in respect of 2023 and a progressive dividend policy of at least £33 million in respect of 2024.

SHARE PRICE AND BUYBACKS

A total of 523,000 shares have been repurchased over H1 2022 under the Board's share buyback programme. The board continues to monitor the share price closely and will use further buybacks as appropriate.

OUTLOOK

My board colleagues and I are excited about the future for the combined Company. I am confident that Pollen Street is well positioned in its target markets to benefit from the strong tailwinds from investor demand in its products. With a highly experienced team, the Company is well placed to deliver on its goals.

The investment portfolio's strong performance through the first six months of 2022, builds on a successful 2021. The Investment Manager's intensive approach to portfolio management and focus on asset-backed, senior secured investments, positions the Company well. The combination of the dividend yield, with the strong growth opportunities in AuM, positions the Company favourably compared to its peer group and presents a compelling opportunity for shareholders.

Robert Sharpe

Chairman

12 September 2022

Investment Manager's Report on the Investment Portfolio

This section covers Pollen Street's investment manager's report on Honeycomb's on balance sheet Investment Asset portfolio. See Pollen Street Update, on page 9, for a wider update on Pollen Street's business.

The Pollen Street team has been investing together in the financial and business services sectors since 2008 and possesses a strong and consistent track record as a multi-strategy investment manager. Pollen Street believes that its sector expertise, combined with structured assessments of key industry drivers, enables sourcing of attractive opportunities and the mitigation of downside risks.

The Pollen Street team aims to be the partner of choice in its market by employing its sector specialist knowledge, deep industry insight and extensive and long-standing network. Pollen Street believes that these attributes, combined with its sector-dedicated investment team and proactive approach to origination has delivered industry leading returns whilst having a controlled risk profile.

H1 2022 HIGHLIGHTS

The portfolio has continued to perform strongly in 2022 with the underlying return on assets of 9.0 per cent. and de-minimis bad debts or impairments. This has delivered an 8.0 per cent annualised NAV return and 39p per share in dividends for the first six months of the year (30 June 2021: 8.7 per cent and 44p respectively).

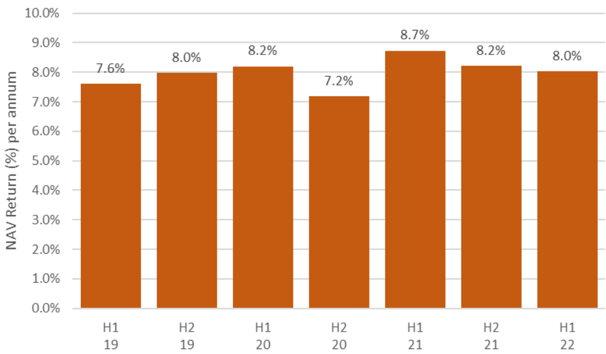
The portfolio has also remained highly invested with investment assets closing the period at £583m and net debt to equity at 63.6%. Several new transactions have been completed in H1 with a focus on sustainability and financings that help individuals reduce their carbon footprint. These include a senior facility provided to ONTO, Europe's largest pure play electric vehicle leasing business, secured on their fleet of electric vehicles; and a senior facility to Tier, Europe's largest micro mobility operator, secured on their fleet of scooters and bikes. In addition, we have also done a number of upsizes to facilities with existing borrowers.

Pollen Street continues to focus on asset-backed, senior secured loans which we believe positions the portfolio to perform well through a more difficult macro environment. The combination of bespoke structuring, seniority, diverse asset pools and covenants combine to offer strong downside protection alongside the attractive yields Pollen Street has consistently been able to achieve.

We continue to operate a proactive and collaborative approach with our new and existing partners. We are in constant dialogue with our borrowers to ensure we are receiving regular updates and underlying live performance data to enable us to be both forward looking and proactive.

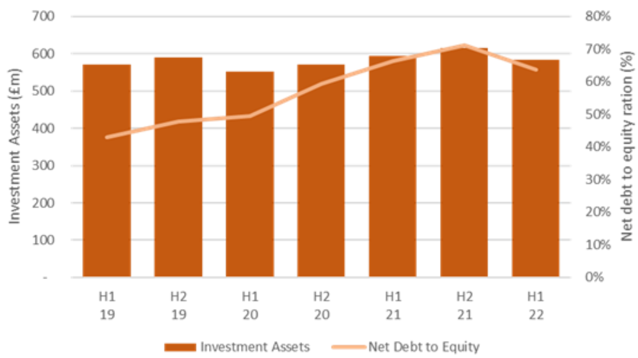
Alongside the new partners onboarded in H1 2022, we have a strong pipeline of well progressed transactions, as well as a broader pipeline of £2 billion to support future growth.

Half Yearly NAV Return



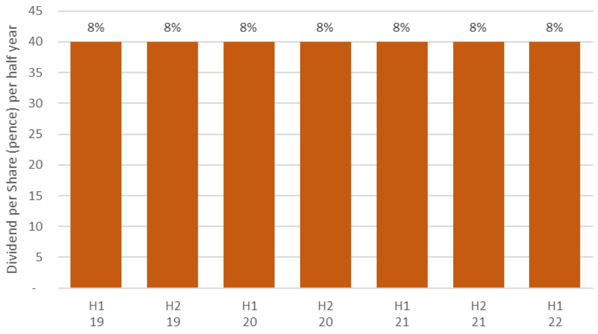
Profit for the first 6 months of the year was £13.7 million (30 June 2021: £15.5 million), which translated into an earnings per share of 39p (30 June 2021: 44 pence), which is broadly in line with guidance issued at the time of the Company's initial public offering.

Investment Assets and Net Debt to Equity Ratio



The net debt to equity ratio closed the period at 63.6 per cent. (30 June 2021: 66.1 per cent.), which is also within the target range of 50 per cent to 75 per cent.

Dividend Per Share and Annualised Dividend Yield



Since its IPO in December 2015 the investment portfolio has delivered a NAV return equivalent of 54 per cent (including dividends declared or paid) with the NAV per share (cumulative of income) of 1,019.7 pence per ordinary share at 30 June 2022.

ECONOMIC ENVIRONMENT

The broader macro environment remains uncertain with a number of risks and concerns with the impact of inflation and higher interest rates the most immediate threat albeit offset somewhat by continuing high levels of employment and rising nominal wages. We are monitoring the performance of the underlying assets closely and we are still seeing very consistent and good performance. We are factoring in the impact of higher prices and interest rates when underwriting and structuring and are also seeing opportunities in sectors with low correlation to the macro. The uncertain environment is also presenting opportunities and we are taking the opportunity to increase returns on new transactions alongside continuing to ensure prudent LTVs such that our investments are able to withstand significant stresses without impairment.

The investment portfolio is well hedged from an interest rate perspective with £237m of floating rate liabilities and £269m of floating rate credit assets.

PORTFOLIO

NAV returns for the investment portfolio have been consistent throughout H1 2022, building on the strong performance on 2021. As at 30 June 2022, 97 per cent of the investment portfolio consists of senior and secured exposures across 35 borrowers with an average balance outstanding of £16 million, average LTV of 68 per cent and collateralised by over 200,000 underlying financial or hard assets.

The remainder of the portfolio is made up of the small equity portfolio of 3 per cent.

ESG

We were delighted win the award for Best Responsible Alternative Investment Team UK 2022 by CFI, for the second year running. The award recognises the team's commitment to investments that "help consumers make greener choices, increase their access to finance and SMEs to promote job creation".

The Investment Manager has undertaken significant upgrades to data collection and developed a proprietary scoring system to benchmark investments and monitor overall performance. The team uses this data to work closely with lending partners to implement action plans and support their positive impact.

With an ever-growing focus on actionable and meaningful ESG reporting we are proud of the progress we have made in H1 2022. As an Investment Manager we are excited to deliver against our values in generating positive impact for our partners and wider society alongside delivering attractive risk adjusted returns and sustainable growth for shareholders.

We were also thrilled that Pollen Street Capital was recognised for our progress and work in DE&I, with two FTAdviser Diversity and Inclusion Awards. Lindsey McMurray was named Diversity Champion of the Year (Small Firm) at the Diversity in Finance Awards 2022. Pollen Street Capital was also recognised in the Company Champion awards, being Highly Commended in the Championing Women's Equality Award.

OUTLOOK

We are proud to once again continue to have delivered 8.0 per cent returns on investment assets.

Honeycomb has a track record of consistent credit performance. The stability of the performance reflects the prudent approach, discipline and high standards of governance in the Investment Manager's established business model.

We believe the combination of asset backing via large diverse pools of financial and hard assets along with bespoke structuring means our asset-backed credit strategy is well positioned to perform through a more uncertain and volatile macro environment. Despite the more challenging macro-outlook, the Investment Manager believes that asset-backed direct lending represents a resilient asset class that delivers strong relative value versus other private credit opportunities and publicly traded comparable companies.

We look forward to working more closely together with the board of Honeycomb as a single combined business.

Pollen Street

12 September 2022

Pollen Street Update

Pollen Street's asset management business has performed in line with expectations over H1 2022. This is a particularly pleasing result given the macro-economic environment.

The business has continued to grow its investor base in H1 2022 with £0.2 billion raised since 31 December 2021, increasing AuM on an investor commitment basis from £3.0 billion at 31 December 21 to £3.2 billion at 30 June 22. This capital has been raised into the credit strategies across both Flagship Credit III and the separately managed accounts ("SMAs"). The Private Equity business has not been in active fundraising in 2022 whilst Flagship PE IV is deployed, good progress is being made towards the launch of Flagship PE V in 2023.

AuM on an investor commitment basis[3] is broken down by strategy as follows:

- £1.8 billion in private equity split by:
    - £0.7 billion in Flagship PE IV;
    - £0.3 billion in Flagship PE III; and
    - £0.8 billion in satellite and coinvest vehicles.
- £1.4 billion in private credit split by:
    - £0.3 billion in Flagship Credit III;
    - £0.5 billion in SMAs; and
    - £0.6 billion in on balance sheet assets.

Average Fee Paying AuM[4] has also grown strongly over the first 6 months of 2022 increasing to £2.1 billion, an uplift of £0.3 billion or 21 per cent on the average for the 12 month period ending 31 December 2021.

OUTLOOK

Pollen Street expects to continue the momentum in fundraising from H1 2022 through into H2 with increasing AuM in the credit business alongside continuing to prepare for the launch of the new flagship PE fund in 2023. As such the Company expects to deliver similar growth in AuM (on an investor commitment basis[3]) in H2 2022 as H1 2022, which reflects:

- small decline in private equity AuM given the timing of new fund launches and portfolio realisations; and
- 30 per cent to 40 per cent growth in Credit AuM.

Total Fund Management Revenue in 2022 is expected to grow by approximately 10 per cent over 2021 (£34m). This is broken down by:

- Gross management fee revenues in 2022 are expected to be broadly in line with 2021 with growth in credit management fees almost offsetting private equity catch up management fees received in 2021, which only occur in the years in which flagship private equity funds are raised. This is expected to result in management fee income over Average Fee Paying AuM of approximately 1.25 per cent given the growth in credit AuM and timing of the new flagship private equity fund; and
- Performance fees for 2022 are expected to be in line with the long-term guidance of 15 per cent to 25 per cent of total Pollen Street Fund Management Revenue.

As set out in the Circular published on 10 May 2022, the medium-term guidance for the combined group remains unchanged and is expected to deliver:

- £4-5 billion of medium-term fee paying AUM (c.2 to 3 years);
- Management fee rate of approximately 1.25-1.50 per cent on average Fee Paying AuM over the long term;
- Carried interest and performance fees representing approximately 15 to 25 per cent of total Fund Management Revenue on average over the long-term;
- Long-term Fund Management Adjusted EBITDA Margin in excess of 50 per cent.;
- Targeted investment returns of approximately 8 per cent long term return on Net Investment Assets; and
- a dividend for the Combined Group of £30 million in aggregate for the year ending 31 December 2022 and £32 million in aggregate for the year ending 31 December 2023, with the aim of growing the aggregate dividend payable by the Combined Group progressively over time, with the aggregate dividend payable for the year ending 31 December 2024 being not lower than £33 million.

[3] AuM on an investor commitment basis calculated as investor commitments for active private equity funds, invested cost for other private equity funds, total assets for the Company's on balance sheet assets and investor commitments for private credit funds

[4] Average Fee Paying AuM is calculated as the average of the opening and closing investor commitments for active fee paying private equity funds, invested cost for other fee paying private equity funds, total assets for the Company's on balance sheet assets and net invested amount for fee paying private credit funds

Top Ten Investment Assets

This section shows the largest investment assets within Honeycomb's Investment Asset portfolio.

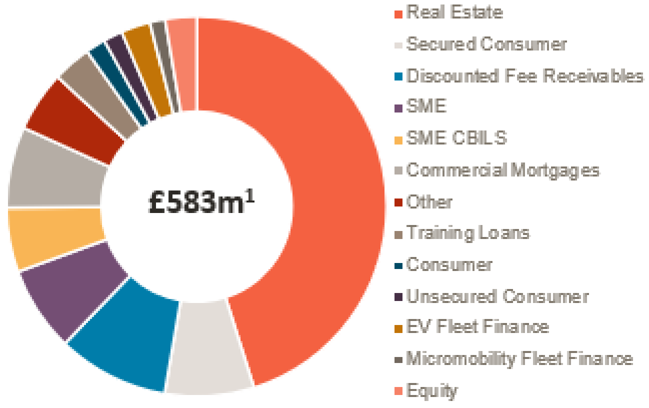
		Country	Deal Type	Structure	Sector	Value of holding at period-end (£m)[1]	LTV	Percentage of assets[2]
1	Downing Development Loans	United Kingdom	Structured	Senior	Real Estate	56.9	63%	10.0%
2	Sancus Loans Limited	United Kingdom	Structured	Senior	Real Estate	55.4	54%	9.7%
3	Creditfix Limited	United Kingdom	Structured	Senior	Discounted Fee Receivables	51.3	39%	9.0%
4	UK Agricultural Finance	United Kingdom	Direct Portfolio	Senior	Real Estate	50.8	50%	8.9%
5	Beaufort	United Kingdom	Direct Portfolio	Senior	Real Estate	34.5	70%	6.1%
6	Queen Street	United Kingdom	Direct Portfolio	Senior	Real Estate	32.1	75%	5.7%
7	Nucleus Cash Flow Finance Limited	United Kingdom	Structured	Senior	CBILS SME	31.8	96%	5.6%
8	GE Portfolio	United Kingdom	Direct Portfolio	Secured	Secured Consumer	27.8	61%	4.9%
9	iWoca Loans Limited	United Kingdom	Structured	Senior	SME	18.4	90%	3.2%
10	Amicus Commercial Mortgages	United Kingdom	Direct Portfolio	Senior	Real Estate	16.9	60%	3.0%

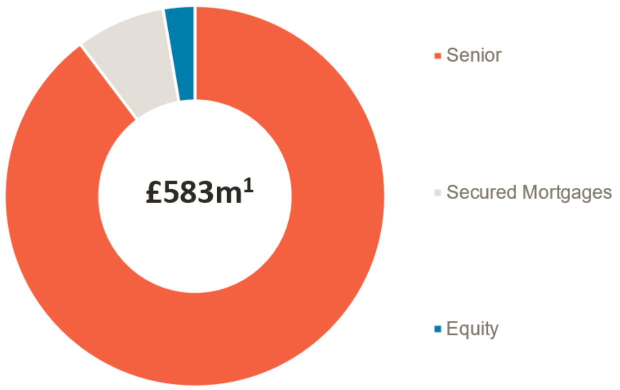
1 Direct portfolios have been aggregated by originator and servicer
2 Percentage of total investment assets of the Group (investment assets calculated as the carrying balance of all credit assets at amortised cost, credit assets held at fair value through profit or loss and equity investments held at fair value through profit or loss).

As at 30 June 2022 the value of the top 10 assets totalled £375.9 million (June 2021: 387.3 million, 31 December 2021: £403.0 million) which equated to 66.1 per cent (June 2021: 65.2 per cent, 31 December 2021: 65.5 per cent) of investment assets (investment assets calculated as the carrying balance of all credit assets at amortised cost and credit and equity investments held at fair value through profit or loss).

Investment Portfolio Composition

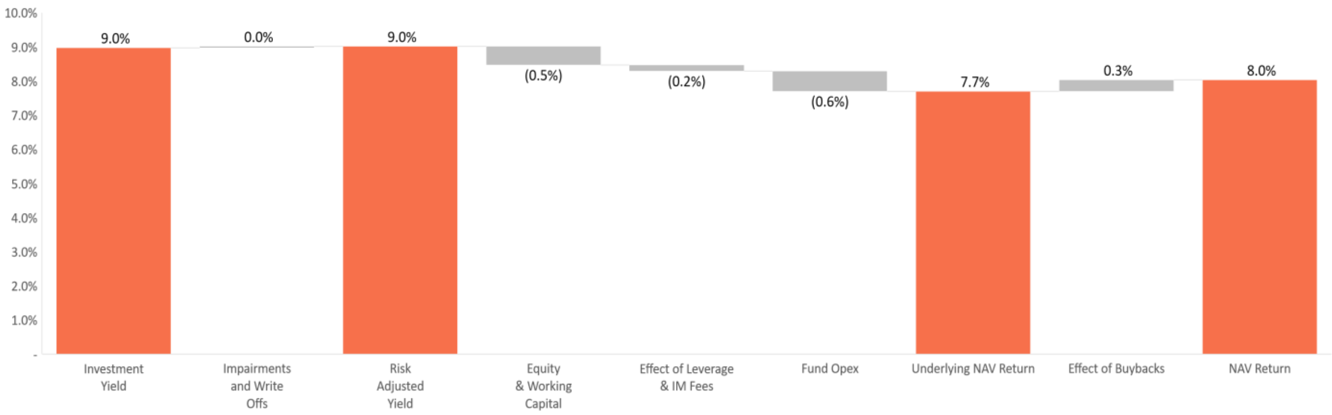
Loan Book Stratification by Asset Class & Structure





[1] Net Investment Assets

Investment Returns Bridge



ESG at The Heart of Investment Management

The Investment Manager has developed a framework which helps contribute to the UN Sustainable Development Goals (SDGs). These provide a lens through which investors can align themselves with the needs of the wider world. The metrics we collect from our credit partners enable us to develop deeper insights into where investments have an impact

The ESG framework is built around identifying where our portfolio companies can have a positive impact and amplifying that through investment processes. We provide reporting on this framework annually in the Pollen Street Capital ESG Report. https://www.pollencap.com/responsible-investing/esg-report-2021/. All of our credit facilities align to SDGs, but the ones in the framework below are where we feel we have the most concentration.

ENVIRONMENTAL IMPACT

We recognise our responsibility to do business in a manner that protects and improves the environment for future generations, as well as supporting businesses that take us closer to a clean and sustainable environment.

CREATING A LASTING ENVIRONMENTAL IMPACT › Create solutions that have a positive environmental impact – e.g. funding for residential energy efficiency initiatives and electric vehicles › 13 CLIMATE ACTION; 7 AFFORDABLE AND CLEAN ENERGY

SOCIAL IMPACT

We aim to ensure that the products and services of our portfolio companies and credit partners provide the best outcomes for stakeholders, including improving financial health for consumers and SMEs.

FINANCIAL INCLUSION › Access to loans and other financial products is made available to a broader audience, promoting greater access to opportunity › 1 NO POVERTY; 10 REDUCED INEQUALITIES

We believe that a diverse business has multiple benefits. We champion diversity and seek to ensure that equal opportunities are promoted to all.

PROMOTE DIVERSITY › Promoting diversity and, in particular seeking to broaden representation at Board and company levels › 5 GENDER EQUALITY; 10 REDUCED INEQUALITIES

We focus on efforts that provide real benefits and which address relevant regional issues.

REGIONAL ECONOMIC GROWTH › Provide services to small businesses promoting growth and job creation throughout the markets in which Pollen Street operates › 11 SUSTAINABLE CITIES AND COMMUNITIES; 8 DECENT WORK AND ECONOMIC GROWTH

GOVERNANCE & LEADERSHIP

We ensure we are appropriately accountable for our decisions, implementing strong governance throughout operational processes with the ability to identify and manage material risk factors, including sustainability risks. As we focus our investments within the largely regulated financial services sector, our portfolio operates high governance standards as a baseline.

REDUCING THE IMPACT OF FINANCIAL CRIME › Help reduce financial crime through a focus on governance, regulatory compliance and effective AML & Cyber procedures › 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

The Investment Manager is pleased with the progress and impacts we are seeing across the ESG and Diversity & Inclusion agenda, combined with external recognition of our efforts.

We are thrilled that Pollen Street Capital has been named Best Responsible Alternative Investment Team UK 2022 by Capital Finance International (CFI). This is the second year we have been awarded this title.

Pollen Street participates in a number of organisations and initiatives to advance collaboration, best-practice and transparency on ESG across the industry and broader society, These include the United Nations' Principles of Responsible Investment, the ESG Data Convergence Initiative, and Initiative Climate International.

Signatory of:

Pollen Street is now Carbon Neutral. We have reduced Pollen Street's scope 2 emissions by sourcing renewable electricity tariffs, and offsetting all emissions by purchasing verified carbon offsets to achieve the goal we set ourselves of having carbon neutral operations by 2022. Through data and engagement, we can help our portfolio investments to accelerate their commitments to reduce and remove their carbon emissions.

ESG MEASUREMENT

Pollen Street Capital collects data across its Credit portfolio, collecting both core ESG metrics and relevant impact measures, as well as aligning with regulatory disclosures such as the EU sustainable Financial Disclosure ("SFDR").

In the first half of the year, we have expanded our ESG data collection across our firm and portfolio and have developed a proprietary scoring mechanism. This means we are better equipped than ever to track and build on our positive impact, and enables us to benchmark investments, monitor overall performance and to identify areas for ESG improvement.

ESG IN ACTION

Through our investments we can drive change, whether that be by funding green alternatives for homes and transport, accelerating financial inclusion and promoting high quality products and efficiency, or even driving regional economic growth by investing in businesses and real estate developers across the UK and Europe that help to reduce regional disparities. The following table shows recent examples of how Pollen Street Capital's credit facilities have supported a tangible ESG impact. The potential impact on the 17 Sustainable Development Goals as set by the United Nations has also been shown in the table.

Positive Environmental Impact

13 CLIMATE ACTION

7 AFFORDABLE AND CLEAN ENERGY

Accelerating the transition to green transport

Micro-mobility

The Investment Manager recently completed an €80m facility with one of the world's leading micro-mobility providers. The financing provides additional resources for the firm's existing micro-mobility portfolio, helping to tackle carbon emissions by providing alternative green transport to cities around the world and drive positive change in travel habits.

Socially Impactful Products & Propositions

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

Enabling developers of affordable, efficient and good value homes

Our credit partners include real estate and bridging lenders. These lenders support communities in meeting the critical housing gap in the UK and Europe, adopt sustainable living standards and improve the environmental impact of property.

Two recently announced joint ventures in have been with high quality partners in Ireland, financing much needed homes all across the region.

Providing financing across the UK

The Investment Manager overall, and the Honeycomb Portfolio, are regionally balanced with facilities and borrowers across the UK and Ireland.

87% of the Investment Manager's facilities are outside London.

Principal Risks and Uncertainties

The Group faces a number of both principal and emerging risks, 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 considers the controls in place help to mitigate the risks on a regular basis. It maintains a risk register that identifies the risks facing the Group, 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 Risk Committee and Board on 6 September 2022. It was previously reviewed by the Risk Committee on 20 January 2022.

The Combination with Pollen Street changes the business and consequently the risk profile materially. The impact of the Combination has been described below as a single item. There has been extensive disclosure published in the transaction documents around this. These are available on the Company's website. Further disclosure in relation to this will be published in the full year accounts for 2022. Additionally, there are changes arising from the unsettled geo-political environment, rising inflation & interest rates, as well as continued pressure across supply chains.

COMBINATION WITH POLLEN STREET

The Combination with Pollen Street is materially changing the business and consequently the risk profile. The combined group inherits risks associated with the Pollen Street business such as risks associated with the combined group's ability to raise additional third party capital to manage, the management fee rates that are due on the capital raised and the recognition of performance fees and carried interest income from the funds under management

Mitigation

There are a range of risk mitigants that reduce the exposure to these risks. The mitigants include tail winds in the sector, which is causing growth in demand for private equity and private credit funds, the combined group's track record or raising capital and negotiating management and performance fees and extensive diligence conducted by third party advisers advising Honeycomb on the Combination with Pollen Street.

Further information will be available in prospectus, which will be published shortly on the Company's website.

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. 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.

Fluctuations in the market price of Issue Shares

The market price of the Group's shares may fluctuate in response to different factors and there can be no assurance 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 Company's shares price. The Company may purchase the shares in the market with the intention of enhancing value to shareholders. However, there can be no assurance that any repurchases will take place or that any repurchases will have the intended effect.

Exposure to Credit Risk

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 invests 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.

Mitigation

The Group invests in a diverse portfolio of assets, diversified by the number of borrowers, the type, and the credit risk of each borrower. Many loans are senior and/or secured and hence the Company benefits from seniority over other creditors and security over collateral. Additionally, the Group provided for expected credit loses within the valuation of its assets. Please see Note 11 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.

Borrowing

The Group uses borrowings to enhance investment returns. 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. Further, the group targets maintaining a net debt to tangible equity ratio in the range of 50 to 75 per cent.

Further detail on the Company's debt facilities can be found in Note 14.

Interest Rate Risk

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 other benchmarks) 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.

Liquidity

The Group may invest in assets that are aligned with the Group's strategy and that present opportunities to enhance the Group's return on its investments. Such assets are likely to be illiquid and therefore may be more difficult to realise.

Mitigation

The Group actively manages its liquidity position to ensure there is sufficient liquidity to meet liabilities as they fall due. Other mitigants include long-term debt facilities with amortisation periods rather than bullet repayments; amortising assets that are highly cash generative; strong covenant packages that gives the Group ability to influence the borrower's behaviours in times of stress.

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 hold the appropriate regulatory approvals for the function they perform, are experienced in their field, and have a reputation for high standards of business conduct. Further, day-to-day 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 Evaluation 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.

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 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 Evaluation Committee.

REGULATORY RISKS

Tax

Any changes in the Group's tax status or in taxation legislation could 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. Where new SPVs are created or acquired these are done in such a way to not impact the potential tax liability of the Group.

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 Evaluation Committee.

EMERGING RISKS

The Group monitors its emerging risks, supporting organisational readiness for external volatility. This incorporates input and insight from both a top-down and bottom-up perspective:

- Top-down: Emerging risks identified by directors at a group level via the Risk Committee and the Board.
- Bottom-up: Emerging risks identified at a business level and escalated, where appropriate by the Investment Manager, via risk updates into the Risk Committee and the Board.

Emerging risks are monitored by the Risk Committee on an ongoing basis, with agreed actions tracked to ensure the Group's preparedness should an emerging risk crystallise.

Over the period, the committee has focused on risks arising from the Combination with Pollen Street. The committee benefitted from extensive third party diligence conducted by advisers to Honeycomb.

Mitigation

Emerging risks are monitored by the Risk Committee on an ongoing basis. Actions are tracked to ensure the Group's preparedness should an emerging risk crystallise. The Risk Committee will continue to monitor these risks and respond to the evolving risk landscape.

Investment Restrictions

The Group invests 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 periods ended 30 June 2022, 30 June 2021 or the year ended 31 December 2021.

Key Performance Indicators

The Board monitors success in implementing the Group's strategy against a range of key performance indicators ("KPIs"), which are viewed as significant measures of success over the longer term. Although performance relative to the KPIs is also monitored over shorter periods, it is success over the long-term that is viewed as more important, given the inherent volatility of short-term investment returns. The principal KPIs are set out below with commentary included throughout the Strategic Report:

	30 June 2022	30 June 2021	31 December 2021
NET ASSET VALUE			
NET ASSET VALUE (CUM INCOME) (£'000) (1)	354,218	358,595	359,342
MARKET CAPITALISATION (£'000) (2) (3)	309,159	342,019	333,204
PER SHARE METRICS			
SHARE PRICE (AT CLOSE) (4)	890p	970p	945.0p
NAV PER SHARE (CUM INCOME) (1)	1,019.7p	1,017.0p	1,019.1p
SHARES IN ISSUE	34,736,934	35,259,741	35,259,741
PERFORMANCE INDICATORS AND KEY RATIOS			
PREMIUM / (DISCOUNT) (2) (5)	(12.7)%	(4.6)%	(7.3)%
ANNUALISED NAV RETURN (2) (6)	8.0%	8.7%	8.5%
PROFIT (£'000) (7) (14)	13,745	15,467	30,318
ITD TOTAL NAV RETURN (2) (8) (9)	54.0%	45.6%	49.9%
DEBT TO EQUITY (2) (10)	66.9%	74.0%	74.5%
NET DEBT TO EQUITY (2) (11)	63.6%	66.1%	70.9%
DIVIDEND RETURN (2) (12) (14)	8.0%	8.0%	8.0%
ONGOING CHARGES (2) (13) (14)	2.2%	2.2%	2.3%

(1) NET ASSET VALUE (CUM INCOME): includes the value of investments, other assets and cash, including current year revenue, less liabilities. NAV per share is calculated by dividing the calculated figure by the total number of shares.
(2) 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.
(3) MARKET CAPITALISATION: the closing mid-market share price multiplied by the number of shares outstanding at period end.
(4) SHARE PRICE (AT CLOSE): closing mid-market share price at period end (excluding dividends reinvested).
(5) PREMIUM / (DISCOUNT): the amount by which the price per share of an investment trust 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.
(6) ANNUALISED NAV 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) at the start of the period, calculated on a per share basis, pro-rata for the number of the days in the period
(7) PROFIT: is profit after taxation
(8) ITD: inception to date - excludes issue costs.
(9) TOTAL NAV 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) at the start of the period, calculated on a per share basis. 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, expressed as a percentage.
(11) NET DEBT TO EQUITY: is calculated as the Group's interest bearing debt, less cash and cash equivalents, divided by the net asset value, expressed as a percentage.
(12) DIVIDEND RETURN: is calculated as the total declared dividends for the period divided by IPO issue price.
(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. 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
(14) For 30 June 2022 the period covered is 1 January 2022 to 30 June 2022, for 30 June 2021 the period covered is 1 January 2021 to 30 June 2021 and for 31 December 2021 the period covered is 1 January 2021 to 31 December 2021

2 Directors' Report

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 UK-adopted IAS 34 'Interim Financial Reporting', 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 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
12 September 2022

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Unaudited Financial Statements

Consolidated Statement of Comprehensive Income

	Notes	For the period from 1 January 2022 to 30 June 2022			For the period from 1 January 2021 to 30 June 2021		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net Income							
Interest Income on credit assets at amortised cost	3	25,045	-	25,045	29,479	-	29,479
Income on assets at fair value through profit and loss	9	1,570	-	1,570	103	192	295
Credit impairment releases / (charges)	8	128	-	128	(516)	-	(516)
Third party servicing		(1,134)	-	(1,134)	(1,469)	-	(1,469)
Net operating income before financing and fund costs		25,609	-	25,609	27,597	192	27,789
Finance costs	14	(6,369)	-	(6,369)	(6,644)	-	(6,644)
Net operating income before fund costs		19,240	-	19,240	20,953	192	21,145
Management and performance fee	4	(4,370)	(78)	(4,448)	(4,814)	(75)	(4,889)
Fund expenses	5	(1,047)	-	(1,047)	(789)	-	(789)
Total operating expenses		(5,417)	(78)	(5,495)	(5,603)	(75)	(5,678)
Profit / (loss) before taxation		13,823	(78)	13,745	15,350	117	15,467
Tax expense		-	-	-	-	-	-
Profit / (loss) after taxation		13,823	(78)	13,745	15,350	117	15,467
Earnings per share (basic and diluted)	6	39.3p	(0.2)p	39.1p	43.5p	0.3p	43.8p

The total column of this statement represents the Statement of comprehensive income prepared in accordance UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The supplementary revenue return and capital return columns are both prepared under guidance issued by the Association of Investment Companies ("AIC"). All items in the above statement derive from continuing operations.

No operations were discontinued during the period.

The Company 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). There is no other comprehensive income for the period.

The notes on pages 30 to 52 form an integral part of the financial statements.

For the period from 1 January 2021 to 31 December 2021

	Notes	Revenue £'000	Capital £'000	Total £'000
Net Income				
Interest Income on credit assets at amortised cost	3	56,484	-	56,484
Income / (Loss) on credit and equity assets at fair value through profit and loss	9	1,874	(1,337)	537
Credit impairment losses	8	844	-	844
Third party servicing		(2,810)	-	(2,810)
Net operating income before financing and fund costs		56,392	(1,337)	55,055
Finance costs	14	(12,859)	-	(12,859)
Net operating income before fund costs		43,533	(1,337)	42,196
Management and performance fee	4	(9,560)	(158)	(9,718)
Fund expenses	5	(2,160)	-	(2,160)
Total operating expenses		(11,720)	(158)	(11,878)
Profit before taxation		31,813	(1,495)	30,318
Tax expense		-	-	-
Profit after taxation		31,813	(1,495)	30,318
Earnings per share (basic and diluted)	6	90.2p	(4.2)p	86.0p

The total column of this statement represents the Statement of comprehensive income prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The supplementary revenue return and capital return columns are both prepared under guidance issued by the Association of Investment Companies ("AIC"). All items in the above statement derive from continuing operations.

No operations were discontinued during the year.

The Company does not have any income or expense that is not included in net profit for the year. Accordingly, the net profit for the year is also the Total Comprehensive Income for the year, as defined in IAS1 (revised). There is no other comprehensive income for the year.

The notes on pages 30 to 52 form an integral part of the financial statements.

Consolidated Statement of Financial Position

	Notes	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Non-current assets				
Assets held at fair value through profit or loss	9	59,158	20,967	48,770
Credit assets at amortised cost	8	523,476	573,113	565,994
Derivative assets held at fair value through profit or loss		-	26	-
		582,634	594,106	614,764
Current assets				
Cash and cash equivalents		11,848	28,359	12,948
Receivables	12	1,002	5,320	6,554
		12,850	33,679	19,502
Total assets		595,484	627,785	634,266
Current liabilities				
Management and performance fee payable	4	(1,900)	(2,770)	(4,468)
Other payables	13	(1,559)	(953)	(2,691)
Derivative liability held at fair value through profit or loss		(696)	-	(108)
Interest bearing borrowings	14	(62,601)	(28,600)	(49,339)
		(66,756)	(32,323)	(56,606)
Total assets less current liabilities		528,728	595,462	577,660
Non-current liabilities				
Interest bearing borrowings	14	(174,510)	(236,867)	(218,318)
Net assets		354,218	358,595	359,342
Shareholders' funds				
Ordinary share capital	15	347	352	352
Share premium		299,599	299,599	299,599
Revenue reserves		4,567	2,431	4,790
Capital reserves		(2,322)	(632)	(2,244)
Special distributable reserves	16	52,027	56,845	56,845
Total shareholders' funds		354,218	358,595	359,342
Net asset value per share	18	1,019.7p	1,017.0p	1,019.1p

The notes on pages 30 to 52 form an integral part of the financial statements. The financial statements on pages 24 to 29 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 12 September 2022.

Consolidated Statement of Changes in Shareholders' Funds

For the period from 1 January 2022 to 30 June 2022

	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 2022	352	299,599	4,790	(2,244)	56,845	359,342
Ordinary shares bought back	(5)	-	-	-	(4,818)	(4,823)
Profit after taxation	-	-	13,823	(78)	-	13,745
Dividends paid in the period	-	-	(14,046)	-	-	(14,046)
Shareholders' funds at 30 June 2022	347	299,599	4,567	(2,322)	52,027	354,218

The Group's capital reserve arising on investments sold and revenue reserve may be distributed by way of a dividend. The portion of capital reserve arising on investments held is wholly non-distributable. There may be factors that restrict the value of the reserves that can be distributed and these factors may be complex to determine. Amounts fully distributable may therefore not be the total of the revenue reserve and the portion of the capital reserve arising on investments sold.

For the period from 1 January 2021 to 30 June 2021

	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 2021	352	299,599	1,185	(749)	56,845	357,232
Ordinary shares bought back	-	-	-	-	-	-
Profit / (Loss) after taxation	-	-	15,350	117	-	15,467
Dividends paid in the period	-	-	(14,104)	-	-	(14,104)
Shareholders' funds at 30 June 2021	352	299,599	2,431	(632)	56,845	358,595

The Group's capital reserve arising on investments sold and revenue reserve may be distributed by way of a dividend. The portion of capital reserve arising on investments held is wholly non-distributable. There may be factors that restrict the value of the reserves that can be distributed and these factors may be complex to determine. Amounts fully distributable may therefore not be the total of the revenue reserve and the portion of the capital reserve arising on investments sold.

For the year ended 31 December 2021

	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 2021	352	299,599	1,185	(749)	56,845	357,232
Ordinary shares bought back	-	-	-	-	-	-
Profit / (Loss) after taxation	-	-	31,813	(1,495)	-	30,318
Dividends paid in the year	-	-	(28,208)	-	-	(28,208)
Shareholders' funds at 31 December 2021	352	299,599	4,790	(2,244)	56,845	359,342

The Group's capital reserve arising on investments sold and revenue reserve may be distributed by way of a dividend. The portion of capital reserve arising on investments held is wholly non-distributable. There may be factors that restrict the value of the reserves that can be distributed and these factors may be complex to determine. Amounts fully distributable may therefore not be the total of the revenue reserve and the portion of the capital reserve arising on investments sold.

The notes on pages 30 to 52 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the period ended 30 June 2022

	Notes	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Cash flows from operating activities:				
Profit after taxation		13,745	15,467	30,318
Adjustments for:				
Net purchase of fair value credit investments	9	(8,554)	-	(21,583)
(Advances) / repayments of investments at amortised cost		42,644	(25,892)	(22,883)
Change in expected credit loss	8	(128)	516	(844)
Net change in unrealised gains	9	(1,834)	(103)	(854)
Finance costs		6,369	6,644	12,859
(Increase) / decrease in receivables	12	5,552	1,453	219
Increase in derivatives		587	(5)	130
Increase in payables	13	(3,700)	(3,449)	(13)
Net cash inflow from operating activities		54,681	(5,369)	(2,651)
Cash flows from financing activities:				
Redemption of shares	16	(4,820)	-	-
Drawdown of interest bearing borrowings	14	-	-	27,000
Repayments of interest-bearing borrowings	14	(31,372)	(9,092)	(34,375)
Interest paid on financing activities	14	(5,543)	(5,624)	(11,366)
Dividends declared and paid	7	(14,046)	(14,104)	(28,208)
Net cash (outflow) from financing activities		(55,781)	(28,820)	(46,949)
Net change in cash and cash equivalents		(1,100)	(34,189)	(49,600)
Cash and cash equivalents at the beginning of the period		12,948	62,548	62,548
Cash and cash equivalents		11,848	28,359	12,948

The notes on pages 30 to 52 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'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 2022 the Company's share capital comprised 39,449,919 ordinary shares in issue (30 June 2021: 39,449,919, 31 December 2021: 39,449,919), of which 4,712,985 were held by the Company as treasury shares (30 June 2021: 4,190,178, 31 December 2021: 4,190,178). The total number of voting rights at 30 June 2022 was therefore 35,259,741 (30 June 2021: 35,259,741, 31 December 2021: 35,259,741). These shares are listed and trade on the Premium Segment of the London Stock Exchange's main market.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The financial statements for the 6 months period ended 30 June 2022 have been prepared on the basis of the policies set out in the 2021 annual financial statements and in accordance with UK adopted IAS 34 and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority.

The results for the half year ended 30 June 2022 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.

The interim financial statements need to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021 which were prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared on a going concern basis and under the historic cost convention modified by the revaluation of financial assets held at fair value through profit and loss as applicable. The Directors consider that the Group has adequate financial resources to enable it to continue operations for a period of no less than 12 months from the reporting date. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The principal accounting policies adopted by the Group are consistent with those set out on pages 76 – 87 of the Annual report 2021. 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.

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

Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in accordance with both UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards requires the Group to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. UK company law and IFRS require the Directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed on an ongoing basis. Although these estimates are based on the Directors' best knowledge of the amount, actual results may differ ultimately from those estimates.

The estimates of most significance to the financial statements, are in relation to expected credit losses, equity investments at fair value through profit or loss and consolidation. These have been applied consistently with the methodology detailed in the annual report on pages 88 to 90.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

To estimate expected credit losses, the Group uses a model to project a number of key variables to generate future economic scenarios. These scenarios are used to produce a weighted average probability of default ("PD") for each product grouping which is used to determine stage allocation and calculate the related ECL allowance. 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 the 'best estimate' of a scenario at a specified probability. The scenarios have been updated using the latest economic forecasts produced by Oxford Economics for June 2022 and an assessment of the potential outlook for the economy in light of the evolving macro economic situation. The impact of the change in scenarios is not material.

3. INTEREST INCOME ON CREDIT ASSETS AT AMORTISED COST

Group	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Investment income			
Interest income	22,867	27,067	51,900
Commitment fee income	808	1,218	2,403
Arrangement fee income	1,291	1,207	2,232
Net profit / (loss) on foreign exchange	75	(13)	(53)
Total investment income	25,041	29,479	56,482
Other income			
Deposit interest	4	-	2
Total income	25,045	29,479	56,484

*Net profit / (loss) on foreign exchange also includes fair value movements on derivatives taken out to economically hedge fair value exposures

4. MANAGEMENT AND PERFORMANCE FEE

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"). Gross Asset Value is the equivalent of Total Assets on the Consolidated Statement of Financial Position. 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. The Management Fee is allocated between the revenue and capital accounts based on the prospective split of the Gross Asset Value between revenue and capital.

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.

Management fees charged for the period ended 30 June 2022 totalled £2.9 million (30 June 2021: £3.2 million, 31 December 2021: £6.4 million) of which £0.4 million was payable at 30 June 2022 (30 June 2021: £1.1 million, 31 December 2021: £1.0 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 2022 totalled £1.5 million (30 June 2021: £1.7 million, 31 December 2021: £3.4 million) of which £1.5 million was payable at 30 June 2022 (30 June 2021: £1.7 million, 31 December 2021: £3.4 million).

5. FUND EXPENSES

Group	30 June 2022 £’000	30 June 2021 £’000	31 December 2021 £’000
Directors’ fees	112	99	203
Administrator’s fees	89	89	179
Auditors’ remuneration	160	143	319
Project Costs	-	48	18
Other expenses	686	410	1,441
Total fund expenses	1,047	789	2,160

All expenses where applicable are exclusive of VAT. Directors’ fees at the period ended 30 June 2022 include £111,875 (30 June 2021: £99,000, 31 December 2021: £203,000) paid to Directors’.

6. EARNINGS PER SHARE

Group	30 June 2022	30 June 2021	31 December 2021
Revenue	39.3p	43.5p	90.2p
Capital	(0.2)p	0.3p	(4.2)p
Earnings per ordinary share	39.1p	43.8p	86.0p

The calculation for the period ended 30 June 2022 is based on a profit after tax of £13.8 million (30 June 2021: £15.4 million, 31 December 2021: £31.8 million) and capital returns of (£0.1) million (30 June 2021: £0.1 million, 31 December 2021: (£1.5) million) and total returns of £13.7 million (30 June 2021: £15.5 million, 31 December 2021: £30.3 million) and a weighted average number of ordinary shares of 35,135,634 (30 June 2021: 35,259,741 ,31 December 2021: 35,259,741).

7. ORDINARY DIVIDENDS

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
20.00p Interim dividend for the period to 31 December 2020 (paid 26 March 2021)	-	7,052	7,052
20.00p Interim dividend for the period to 31 March 2021 (paid on 25 June 2021)	-	7,052	7,052
20.00p Interim dividend for the period to 30 June 2021 (paid on 30 September 2021)	-	-	7,052
20.00p Interim dividend for the period to 30 September 2021 (paid 24 December 2021)	-	-	7,052
20.00p Interim dividend for the period to 31 December 2021 (paid 22 March 2022)	7,052	-	-
20.00p Interim dividend for the period to 31 March 2022 (paid on 22 June 2022)	6,994	-	-
Total dividend paid/to be paid in relation to period	14,046	14,104	28,208
20.00p Interim dividend for the period to 30 June 2022 (to be paid on 30 September 2022)	6,947	-	-
20.00p Interim dividend for the period to 30 June 2021 (paid on 30 September 2021)		7,052	
20.00p Interim dividend for the period to 31 December 2021 (paid 25 March 2022)	-	-	7,052
Total dividend paid/to be paid in relation to period	13,941	14,104	28,208

The 30 September 2022 interim dividend of 20.00 pence was approved on 6 September 2022 and will be paid on 30 September 2022.

8. INVESTMENTS AT AMORTISED COST

(a) Credit Assets at amortised cost

The disclosure below presents the gross carrying value of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL. Please see Note 2 for more detail on the allowance for ECL.

The following table analyses loans by industry sector and represent the concentration of exposures on which credit risk is managed for the Group as at 30 June 2022.

	30 June 2022			31 December 2021		
Group and Company	Gross Carrying Amount £'000	Allowance for ECL £'000	Net Carrying Amount £'000	Gross Carrying Amount £'000	Allowance for ECL £'000	Net Carrying Amount £'000
Total Assets at amortised cost	532,866	(9,390)	523,476	576,780	(10,786)	565,994

The following table analyses loans by staging for both the Group and Company as at 30 June 2022:

	30 June 2022			31 December 2021		
Group and Company	Gross Carrying Amount £'000	Allowance for ECL £'000	Net Carrying Amount £'000	Gross Carrying Amount £'000	Allowance for ECL £'000	Net Carrying Amount £'000
Credit Assets at amortised cost						
Stage 1	502,292	(1,103)	501,189	544,233	(952)	543,281
Stage 2	5,575	(618)	4,957	6,363	(946)	5,417
Stage 3	24,999	(7,669)	17,330	26,184	(8,888)	17,296
Total Assets	532,866	(9,390)	523,476	576,780	(10,786)	565,994

Group and Company	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 January 2022	952	946	8,888	10,786
Movement from stage 1 to stage 2	(2)	134	-	132
Movement from stage 1 to stage 3	(1)	-	59	58
Movement from stage 2 to stage 1	3	(163)	-	(160)
Movement from stage 2 to stage 3	-	(172)	236	64
Movement from stage 3 to stage 1	-	-	(182)	(182)
Movement from stage 3 to stage 2	-	24	(59)	(35)
Decreases due to repayments	264	(18)	(863)	(617)
Increases due to origination	-	-	-	-
Remeasurements due to modelling	(18)	(96)	726	612
Loans sold	(95)	(37)	(131)	(263)
Loans written off	-	-	(1,005)	(1,005)
Allowance for ECL at 30 June 2022	1,103	618	7,669	9,390

Group and Company	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 January 2021	1,464	1,927	27,086	30,477
Movement from stage 1 to stage 2	(39)	465	-	426
Movement from stage 1 to stage 3	(84)	-	2,286	2,202
Movement from stage 2 to stage 1	9	(302)	-	(293)
Movement from stage 2 to stage 3	-	(698)	890	192
Movement from stage 3 to stage 1	8	-	(587)	(579)
Movement from stage 3 to stage 2	-	145	(385)	(240)
Remeasurements due to repayments, originations, sales and remodelling	691	(28)	(2,149)	(1,486)
Allowances on loans written off	-	(1)	(289)	(290)
Allowance for ECL at 30 June 2021	2,049	1,508)	26,852	30,409

Group and Company	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 January 2021	1,464	1,927	27,086	30,477
Movement from stage 1 to stage 2	(8)	450	-	442
Movement from stage 1 to stage 3	(2)	-	766	764
Movement from stage 2 to stage 1	-	(218)	-	(218)
Movement from stage 2 to stage 3	-	(321)	432	111
Movement from stage 3 to stage 1	2	-	(388)	(386)
Movement from stage 3 to stage 2	-	58	(237)	(179)
Decreases due to repayments	(53)	(139)	(1,651)	(1,843)
Increases due to origination	67	-	-	67
Remeasurements due to modelling	460	33	(94)	399
Loans sold	(978)	(843)	(16,714)	(18,535)
Loans written off	-	(1)	(312)	(313)
Allowance for ECL at 31 December 2021	952	946	8,888	10,786

(b) Expected Credit Loss allowance for IFRS 9

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

The following table analyses Group loans by stage and sector for the period ended 30 June 2022:

Group	Total £'000
At 1 January 2022	10,786
Charge for period – Stage 1	(32)
Charge for period – Stage 2	(15)
Charge for period – Stage 3	(81)
Charge for period - total	(128)
Loans sold & write-offs	(1,268)
Allowance for ECL at 30 June 2022	9,390

The following table analyses Group loans by stage and sector for the period ended 30 June 2021:

Group	Total £'000
At 1 January 2021	30,477
Charge for period – Stage 1	585
Charge for period – Stage 2	(418)
Charge for period – Stage 3	349
Charge for period - total	516
Loans sold	(248)
Gross value of loans written off	(336)
Allowance for ECL at 30 June 2021	30,409

The following table analyses Group loans by stage and sector for the period ended 31 December 2021:

Group	Total £'000
At 1 January 2022	30,477
Charge for period – Stage 1	290
Charge for period – Stage 2	(483)
Charge for period – Stage 3	(651)
Charge for period - total	(844)
Loans sold	(18,847)
Allowance for ECL at 31 December 2021	10,786

Measurement uncertainty and sensitivity analysis of ECL

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

The 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 ECL recognised in the financial statements reflect the effect on expected credit losses of a range of possible outcomes, calculated on a probability-weighted basis, based on the economic scenarios described in Note 2 to the financial statements, 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 consider independent recovery valuations provided by external consultants where available, or internal forecasts corresponding to anticipated economic conditions.

9. ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Total assets at fair value through profit or loss

(a) Movements in the period

The tables below set out the total movement in assets measured at fair value through profit or loss for the Group for the periods ended 30 June 2022, 30 June 2021 and 31 December 2021.

Group	£'000
Opening fair value	48,770
Purchases at cost	9,587
Disposal at cost	(1,033)
Income on fair value assets	1,570
Realised income on fair value assets	(819)
FX revaluation on fair value assets	1,083
Closing fair value at 30 June 2022	59,158
Comprising:	
Equity assets at fair value	15,659
Credit assets at fair value	43,499
Closing fair value as at 30 June 2022	59,158

Group	£'000
Opening fair value	20,864
Purchases at cost	-
Disposal at cost	-
Income on fair value assets	103
Realised income on fair value assets	-
Closing fair value at 30 June 2021	20,967
Comprising:	
Equity assets at fair value	3,035
Credit assets at fair value	17,932
Closing fair value as at 30 June 2021	20,967

Group	£'000
Opening fair value	20,864
Purchases at cost	31,347
Reclassification from loans at amortised cost	5,476
Disposal at cost	(9,726)
Income on fair value assets	809
Realised income on fair value assets	-
Closing fair value at 31 December 2021	48,770
Comprising:	
Equity assets at fair value	15,659
Credit assets at fair value	33,111
Closing fair value as at 31 December 2021	48,770

(b) Fair value of financial instruments

IFRS 13 requires the Company 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 Company'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 in valuing the Group's investments:

Group	Closing fair value as at 30 June 2022 £'000	Closing fair value as at 30 June 2021 £'000	Closing fair value as at 31 December 2021 £'000
Level 1	-	-	-
Level 2	-	-	-
Level 3	59,158	48,770	20,967
Total	59,158	48,770	20,967

Equity assets at Fair value through profit or loss

The tables below set out the movement in equity assets measured at fair value through profit or loss for the Group for the periods ended 30 June 2022, 30 June 2021 and 31 December 2021.

Group	£'000
Opening fair value	15,659
Purchases at cost	-
Disposal at cost	-
Income on fair value assets	-
Realised income on fair value assets	-
FX revaluation on fair value assets	-
Closing fair value at 30 June 2022	15,659
Comprising:	
Valued using an earnings multiple	1,359
Valued using a TNAV multiple	14,300
Closing fair value as at 30 June 2022	15,659

Group	£'000
Opening fair value	14,959
Purchases at cost	-
Disposal at cost	-
Income on fair value assets	-
Realised income on fair value assets	-
FX revaluation on fair value assets	-
Closing fair value at 30 June 2021	14,959
Comprising:	
Valued using an earnings multiple	1,380
Valued using a TNAV multiple	13,579
Closing fair value as at 30 June 2021	14,959

Group	£'000
Opening fair value	14,959
Purchases at cost	2,037
Disposal at cost	-
Income on fair value assets	(1,337)
Realised income on fair value assets	-
Closing fair value at 31 December 2021	15,659
Comprising:	
Valued using an earnings multiple	1,359
Valued using a TNAV multiple	14,300
Closing fair value as at 31 December 2021	15,659

Credit assets at fair value through profit or loss

The tables below set out the movement in credit assets measured at fair value through profit or loss for the Group for the periods ended 30 June 2022, 30 June 2021 and 31 December 2021.

Group	2022 £'000
Opening fair value	33,111
Purchases at cost	9,587
Disposal at cost	(1,033)
Income on fair value assets	1,570
Realised income on fair value assets	(819)
FX revaluation on fair value assets	1,083
Closing fair value at 30 June 2022	43,499
Comprising:	
Valued using an earnings multiple	-
Valued using a TNAV multiple	43,499
Closing fair value as at 30 June 2022	43,499

Group	£'000
Opening fair value	5,905
Purchases at cost	-
Disposals	-
Income on fair value assets	103
Realised income on fair value assets	-
FX revaluation on fair value assets	-
Closing fair value at 30 June 2021	6,008
Comprising:	
Valued using an earnings multiple	1,655
Valued using a TNAV multiple	4,353
Closing fair value as at 30 June 2021	6,008

Group	£'000
Opening fair value	5,905
Purchases at cost	29,310
Reclassification from loans at amortised cost	5,476
Disposals	(9,726)
P&L on fair value assets	2,146
Closing fair value at 31 December 2021	33,111
Comprising:	
Valued using an earnings multiple	7,775
Valued using a TNAV multiple	25,336
Closing fair value as at 31 December 2021	33,111

10. FINANCIAL RISK MANAGEMENT

The Group's investing activities undertaken in pursuit of its investment objective involve certain inherent risks. The main financial risks arising from the Group's financial instruments are credit risk, market risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks as summarised below. Credit risk is analysed further in Note 11.

Market risk

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

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) 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 other benchmarks). The Group's borrowings may be subject to a floating rate of interest.

The Group manages 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 has not used any interest rate derivate instruments in the period.

The Group finances its operations through its share capital and reserves, including realised gains on investments as well as the Group's debt facilities. As at 30 June 2022 the Group had £237.1 million drawn down under these facilities (30 June 2021: £265.5 million, 31 December 2021: £270.0 million).

Exposure of the Group's financial assets and liabilities to floating interest rates and fixed interest rates as at 30 June 2022 is shown below:

Group Financial instrument	Floating Rate £'000	Fixed Rate £'000	Total £'000
Credit Assets at amortised cost	245,737	277,739	523,476
Credit Assets at fair value	23,385	20,114	43,499
Cash and cash equivalents	11,848	-	11,848
Interest bearing borrowings	(237,111)	-	(237,111)
Net total exposure	43,859	297,853	341,712

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 2021 is shown below:

Group Financial instrument	Floating Rate £'000	Fixed or Administered Rate £'000	Total £'000
Credit Assets at amortised cost	248,202	324,911	573,113
Cash and cash equivalents	28,359	-	28,359
Interest bearing borrowings	(265,467)	-	(265,467)
Net total exposure	11,094	324,911	336,005

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 31 December 2021 is shown below:

Group Financial instrument	Floating Rate £'000	Fixed or Administered Rate £'000	Total £'000
Credit Assets at amortised cost	269,053	296,941	565,994
Cash and cash equivalents	12,948	-	12,948
Interest bearing borrowings	(267,657)	-	(267,657)
Net total exposure	14,344	296,941	311,285

(b) 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 foreign 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 other currencies. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. The Group generally hedges currency exposure between Pounds Sterling and other currencies.

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 does not currently designate any derivatives as hedges for hedge accounting purposes as described under IFRS 9 and records its derivative activities on a fair value basis.

The below table presents the net exposure to Euros and US Dollars at 30 June 2022. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Consolidated Statement of Financial Position.

Currency	Total Assets (£'000)	Total Liabilities (£'000)	Forward Contract (£'000)	Net Exposure after Forward Contract (£'000)
Euros	17,668	(19)	(17,050)	599
US Dollars	22,663	(39)	(21,766)	858
Total exposure	40,331	(58)	(38,816)	1,457

If the GBP exchange rate simultaneously increased or decreased by 10 per cent against the above currencies, the impact on profit would be an increase or decrease of £146,000. 10 per cent is considered to be a reasonably possible movement in foreign exchange rates. All forward contracts held at 30 June 2022 were carried out with Lumon Pay Limited .

The below table presents the net exposure to Euros and US Dollars at 30 June 2021.

Currency	Total Assets (£'000)	Total Liabilities (£'000)	Forward Contract (£'000)	Net Exposure after Forward Contract (£'000)
Euros	3,718	(7)	(3,515)	196
US Dollars	2,227	(12)	(2,170)	45
Total exposure	5,945	(19)	(5,685)	241

The below table presents the net exposure to Euros at 31 December 2021, there was no US Dollar exposure. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Consolidated Statement of Financial Position.

Currency	Total Assets (£'000)	Total Liabilities (£'000)	Forward Contract (£'000)	Net Exposure after Forward Contract (£'000)
US Dollars	9,149	-	(8,758)	391
Total exposure	9,149	-	(8,758)	391

(c) 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. This risk applies to financial instruments held by the Group, including equity assets, credit assets and derivatives.

Capital Management

The Company's primary objectives in relation to the management of capital are driven by strategic and organisational requirements but are focused around:

- ensuring its ability to continue as a going concern; and

- maximising the long-term capital growth for its shareholders through an appropriate balance of equity capital and gearing.

In the management of capital and in its definition, we include equity (including revenue and capital reserves), debt (including long-term credit facilities, commercial paper backstopped by long-term credit facilities and any hedging assets or liabilities associated with long-term debt items), cash and temporary investments.

The Board manage the capital structure and make adjustments to it considering changes in economic conditions and the risk characteristics of the business. The Company has met the above objectives through diversifying the leverage facilities through the introduction of a new Topco facility during 2020, a new amortising term loan and an increase in an existing facility.

The Group monitors capital using a ratio of net debt to equity. Net debt is calculated by deducting cash and cash equivalents from total interest-bearing borrowings (as shown in the Consolidated Statement of Financial Position). The Group's net debt to equity ratio which is a key performance indicator used for internal management at Group level was 66.9 per cent at 30 June 2022 (30 June 2021: 66.1 per cent , 31 December 2021: 70.9 per cent).

The Group 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 a cap of borrowings as a percentage of the eligible borrowing base, alongside other covenants including but not limited to single investment exposure limits and weighted average coupon and remaining term requirements.

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

11. 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. 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 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 be unable meet 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.

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 hundred percent of its share capital and reserves.

At 30 June 2022 the Company had a committed debt facility totalling £200.0 million with a maturity date of 4 September 2023. This facility includes a term and revolving facility secured on a range of assets. The Company also has a 2-year term facility that is structured as run-off financing in that the debt will paydown over the term of the facility and a £35m amortising term loan with a 49 year term, but where final repayment is expected in 2024 in line with the facility it is secured against.

The repayment terms and the covenants have been stress tested over the term of each of these facilities to ensure compliance.

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

For the Group for the period ended 30 June 2022:

Group	As Presented	Fair Value			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets					
Investments at amortised cost	523,476	-	-	542,913	542,913
Receivables	1,002	-	1,002	-	1,002
Cash and cash equivalents	11,848	11,848	-	-	11,848
Total assets	536,326	11,848	1,002	542,913	555,763
Liabilities					
Management and performance fee payable	(1,900)	-	(1,900)	-	(1,900)
Other payables	(1,559)	-	(1,559)	-	(1,559)
Interest bearing borrowings	(237,111)	-	(237,111)	-	(237,111)
Total liabilities	(240,570)	-	(240,570)	-	(240,570)

For the Group for the period ended 30 June 2021:

Group	As Presented	Fair Value			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets					
Investments at amortised cost	573,113	-	-	586,113	586,113
Receivables	5,320	-	5,320	-	5,320
Cash and cash equivalents	28,359	28,359	-	-	28,359
Total assets	606,792	28,359	5,320	586,113	619,792
Liabilities					
Management fee payable	(1,053)	-	(1,053)	-	(1,053)
Performance fee payable	(1,717)	-	(1,717)	-	(1,717)
Other payables	(953)	-	(953)	-	(953)
Interest bearing borrowings	(265,467)	-	(265,467)	-	(265,467)
Total liabilities	(269,190)	-	(269,190)	-	(269,190)

For the Group for the year ended 31 December 2021:

Group	As Presented	Fair Value			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets					
Investments at amortised cost	565,994	-	-	579,482	579,482
Receivables	6,554	-	6,554	-	6,554
Cash and cash equivalents	10,500	10,500	-	-	10,500
Total assets	583,048	10,500	6,554	579,482	579,536
Liabilities					
Management fee payable	(1,037)	-	(1,037)	-	(1,037)
Performance fee payable	(3,431)	-	(3,431)	-	(3,431)
Other payables	(2,392)	-	(2,392)	-	(2,392)
Deemed Loan	(82,326)	-	(82,326)	-	(82,326)
Interest bearing borrowings	(183,182)	-	(183,182)	-	(183,182)
Total liabilities	(272,368)	-	(272,368)	-	(272,368)

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 9 for details). Further details of the loans at amortised cost held by the Group can be found in Note 8 to the financial statements.

12. RECEIVABLES

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

Group	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Prepayments and other debtors	956	1,285	5,583
Amounts due from platforms	-	3,577	924
Other receivables	46	458	47
Total receivables	1,002	5,320	6,554

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.

Amounts due from platforms relate to cash that has been collected by the platform partners but not yet remitted to the Group, whereby the credit asset at amortised cost has been treated as if this cash had been received.

13. OTHER PAYABLES

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

Group	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Accruals and other payables	3,459	3,723	7,159
Total other payables	3,459	3,723	7,159

14. INTEREST BEARING BORROWINGS

The table below sets out a breakdown of the Group's interest-bearing borrowings.

Group	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Current Liabilities			
Credit facility	62,716	29,883	49,435
Interest and commitment fees payable	233	245	195
Prepaid interest and commitment fees	(348)	(1,528)	(291)
Total current liabilities	62,601	28,600	49,339
Non-Current Liabilities			
Credit facility	175,893	238,385	220,545
Interest and commitment fees payable	-	-	-
Prepaid interest and commitment fees	(1,383)	(1,518)	(2,227)
Total non-current liabilities	174,510	236,867	218,318
Total interest-bearing borrowings	237,111	265,467	267,657

At 30 June 2022 the Company's main debt facility was a £200 million facility, being a £170 million term loan (30 June 2021: £170 million, 31 December 2021: £170 million) and £30 million revolving credit facility. (30 June 2021: £80 million, 31 December 2021: £80 million). At 31 December 2021 and 30 June 2022 the term loan was fully drawn with £nil drawn on the revolving element. Interest is charged at SONIA plus a margin with the facility maturing in September 2023. The debt facility is secured against the Company's loan portfolios and other assets, in addition to the net exposures the Company holds where the Company is the junior lender to an SPV.

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 Company level debt facility but obtaining 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. Interest is charged at SONIA plus a margin. The facility was 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. During 2020 the 1-year extension was exercised and an additional mortgage portfolio was transferred into the pool. The facility is being extended in September 2022. The carrying value of the portfolio of loans, which this facility is secured against, at 30 June 2022 was £66.1 million (30 June 2021: £85.0 million, 31 December 2021: £76.5 million).

In December 2020, the Group entered into a £35 million debt facility secured against a structured SME facility, the carrying value of this structured SME facility at 30 June 2022 was £31.8 million (30 June 2021: £46.1m, 31 December 2021: £39.5 million). The debt facility charges SONIA plus a margin and is an amortising term loan with the full £35 million drawn on day one. The facility has a 49-year term but final repayment is expected in 2024.

As at the 30 June 2022 the below related debt costs had been incurred by the Group.

Group	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Interest and commitment fees payable	5,581	5,687	11,022
Other finance charges	788	957	1,837
Total finance costs	6,369	6,644	12,859

As at the 30 June 2022 the below changes occurred for the Group:

Group	Total £'000
At 1 January 2022	267,657
Drawdown of interest bearing borrowings	-
Repayments of interest-bearing borrowing	(31,372)
Finance costs	6,369
Interest paid on financing activities	(5,543)
At 30 June 2022	237,111

As at the 30 June 2021 the below changes occurred for the Group:

Group	Total £'000
At 1 January 2021	273,539
Drawdown of interest bearing borrowings	-
Repayments of interest-bearing borrowing	(9,092)
Finance costs	6,644
Interest paid on financing activities	(5,624)
At 30 June 2021	265,467

As at the 31 December 2021 the below changes occurred for the Group:

Group	Total £'000
At 1 January 2021	273,539
Drawdown of interest bearing borrowings	27,000
Repayments of interest-bearing borrowing	(34,375)
Finance costs	12,859
Interest paid on financing activities	(11,366)
At 31 December 2021	267,657

The below table analyses the Group's financial liabilities into relevant maturity groupings as well as expected future interest and commitment fee costs based on the remaining period at the Consolidated Statement of Financial Position date to the final scheduled maturity date.

30 June 2022 Group Financial instrument	< 1 year £'000	1 – 5 years £'000	More than 5 years £'000	Total £'000
Credit facility	59,129	179,589	-	238,718
Interest and commitment fees payable	(189)	(1,418)	-	(1,607)
Total exposure	58,940	178,171	-	237,111

The below table analyses the Group's financial liabilities into relevant maturity groupings as well as expected future interest and commitment fee costs based on the remaining period at the Consolidated Statement of Financial Position date to the final scheduled maturity date.

30 June 2021 Group Financial instrument	< 1 year £'000	1 – 5 years £'000	Total £'000
Credit facility	29,883	238,385	268,268
Interest and commitment fees payable	8,361	12,871	21,232
Total exposure	38,244	251,256	289,500

The below table analyses the Group's financial liabilities into relevant maturity groupings as well as expected future interest and commitment fee costs based on the remaining period at the Consolidated Statement of Financial Position date to the final scheduled maturity date.

31 December 2021 Group Financial instrument	< 1 year £'000	1 – 5 years £'000	More than 5 years £'000	Total £'000
Credit facility	49,435	185,545	35,000	269,980
Interest and commitment fees payable	(96)	(2,944)	717	(2,323)
Total exposure	49,339	182,601	35,717	267,657

15. ORDINARY SHARE CAPITAL

The table below details the issued share capital of the Company as at the date of the Financial Statements.

	30 June 2022	30 June 2021	31 December 2021
No. Issued, allotted and fully paid ordinary shares of £0.01 each	34,736,934	35,259,741	35,259,741
Cost £'000	347	352	352

The table below shows the movement in shares during the period to 30 June 2022:

	Shares in issue at the beginning of the period	Buyback of Ordinary Shares	Shares in issue at the end of the period
Ordinary Shares	35,259,741	(522,807)	34,736,934
Treasury Shares	4,190,178	522,807	4,712,985

The table below shows the movement in shares during the period to 30 June 2021:

	Shares in issue at the beginning of the period	Buyback of Ordinary Shares	Shares in issue at the end of the period
Ordinary Shares	35,259,741	-	35,259,741
Treasury Shares	4,190,178	-	4,190,178

The table below shows the movement in shares during the year to 31 December 2021:

	Shares in issue at the beginning of the period	Buyback of Ordinary Shares	Shares in issue at the end of the period
Ordinary Shares	35,259,741	-	35,259,741
Treasury Shares	4,190,178	-	4,190,178

16. 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, previously held in the share premium account, has been transferred to the special distributable reserve as disclosed in the Statement of Financial Position.

During the period the Company repurchased an additional 522,807 shares (30 June 2021: nil , 31 December 2021: 4,190,178) using the special distributable reserve for an amount of £4.8m (30 June 2021:£23.98 million, 31 December 2021: £34.82 million).

17. INVESTMENTS IN SUBSIDIARIES

On 20 June 2019 the Group incorporated Sting Funding Limited ("Sting"), a limited Company incorporated under the law of England and Wales. The company is registered at 1 Bartholomew Lane, London, United Kingdom, EC2N 2AX. The Group is considered to control Sting through holding 100 per cent of the issued shares. As a result, the financial statements are prepared on a consolidated basis. Sting became active on 28 August 2019 when it drew down on a debt facility backed by commercial and second charge residential mortgages.

The Company also consolidates a structured entity, Bud Funding Limited ("Bud"), a limited company incorporated under the law of England and Wales. The company is registered at 1 Bartholomew Lane, London, United Kingdom, EC2N 2AX. The Company is considered to control Bud through its exposure to the variable returns of the vehicle through holding of a junior note issued by it and by way of control exerted through its involvement in the initial creation of Bud and in the absence of another entity now having control. Bud was incorporated on 2 November 2020 and the junior note was funded on 2 December 2020, at which point the control began.

The assets of the subsidiaries are credit assets that are included as part of the impairment policies of the group and no impairment triggers have been identified for the subsidiaries.

18. NET ASSET VALUE PER ORDINARY SHARE

	30 June 2022	30 June 2021	31 December 2021
Net asset value per ordinary share pence	1,019.7p	1,017.0p	1,019.1p
Net assets attributable £'000	354,218	358,595	359,342

The net asset value per ordinary share as at 30 June 2022 is based on net assets at the period-end of £354.2 million and on 34,736,934 ordinary shares in issue at the period-end.

The net asset value per ordinary share at 30 June 2021 is based on net assets of £358.6 million and on 35,259,741 ordinary shares in issue.

The net asset value per ordinary share as at 31 December 2021 is based on net assets at the year-end of £359.3 million and on 35,259,741 ordinary shares in issue at the year-end.

19. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2022, 30 June 2021 and 31 December 2021 there were no contingent liabilities or capital commitments for the Group.

20. RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH THE INVESTMENT MANAGER

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

During 2022, in line with the Board's remuneration policy, and Directors' entitlement to additional fees in respect of any additional services performed by them, the Remuneration Committee reviewed a proposal for additional fees to be payable to Directors in respect of the Combination with Pollen Street Capital Holdings Limited, which required Directors to dedicate additional time to review associated documents and to attend additional meetings. Following such discussion, and upon the advice of the Remuneration Committee, the Board agreed an additional payment to the Chairman of £50,000 and to the other Directors of £40,000. Such fees were set with regard to other comparable investment companies who have undertaken equivalent activities.

The following fee structure for Directors is in effect:

- Chairman - £60,000 per annum
- Senior Independent Director - £50,000 per annum
- Non-Executive Director - £45,000 per annum
- Chair of Audit Committee – Additional supplement of £5,000 per annum
- Chair of Risk Committee – Additional supplement of £5,000 per annum
- Chair of Remuneration Committee - Additional supplement of £5,000 per annum

As at 30 June 2022, Joanne Lake held 2,713 Ordinary Shares in the Company, no other Directors held an interest in the Company shares at this date.

There were no other transactions during the period with the Directors of the Company. At 30 June 2022, there was £nil (30 June 2021: £nil, 31 December 2021: £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 4 to the financial statements.

Management and performance fees incurred during the period to 30 June 2022 were £4.37 million (30 June 2021: £5.46 million, 31 December 2021: £9.72 million) of which £1.9 million (30 June 2021: £2.77 million, 31 December 2021: £4.47 million) was payable to the Investment Manager as at the 30 June 2022.

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

Oplo Group Limited ("Oplo", formerly 1st Stop Group) is an English based consumer lender, owned by a fund that is managed by an affiliate of the Investment Manager. During the period, the structured facility to Oplo was repaid. The Group also had a forward flow relationship in place with Oplo and these loans have an outstanding balance as at 30 June 2022 of £9.5 million (June 2021: £40.3 million, 31 December 2021: £47.6 million).

The Company also carried out FX hedging with Lumon Pay Limited ("LPL") in relation to some Euro and US dollar development finance that it had entered during the period. Lumon is owned by a fund that is managed by an affiliate of the Investment Manager. The exposures at each reporting date are disclosed in Note 10.

21. ULTIMATE CONTROLLING PARTY

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

22. SUBSEQUENT EVENTS

On 6 September 2022 a dividend of 20.0 pence per ordinary share was approved for payment on 30 September 2022.

23. APPROVAL OF THE 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 12 September 2022.

4 Shareholders' Information

Directors, Portfolio Manager and Advisers

Directors
Robert Sharpe
Jim Coyle
Richard Rowney
Joanne Lake
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 Advisers and Brokers
Barclays Bank plc
1 Churchill Place
Canary Wharf
London E14 5H
England

Liberum Capital Limited
Level 12, Ropemaker Street
25 Ropemaker Place
London EC2Y 9LY
England

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS
England

Custodian
Sparkasse Bank Malta PLC
Ix-Xatt ta' Qui-si-Sana
101 Townsquare
Sliema SLM3112
Malta

Website
http://www.honeycombplc.com/

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

Depositary
Indos Financial Limited
c/o JTC, 18th Floor, the Scalpel
52 Lime Street, London EC3M 7AF
England

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

Company Secretary
Link Company Matters Limited
Central Square
10th Floor, 29 Wellington Street
Leeds LS1 4DL
England

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

Share Identifiers
ISIN: GB00BYZV3G25
Sedol: BYZV3G2
Ticker: HONY

Website

The Company's website can be found at www.honeycombplc.com. The site provides visitors with Company information and literature downloads.

The Company's profile is also available on third-party sites such as www.trustnet.com and www.morningstar.co.uk.

Annual and half-yearly reports

Copies of the annual and half–yearly reports may be obtained from the Company Secretary by calling emailing hitcosec@linkgroup.com or by visiting www.honeycombplc.com.

Share prices and Net Asset Value information

The Company's ordinary shares of 1p each are quoted on the London Stock Exchange:

- SEDOL number: BYZV3G2
- ISIN number: GB00BYZV3G25
- EPIC code: HONY

The codes above may be required to access trading information relating to the Company on the internet.

Electronic communications with the Company

The Group's consolidated annual report & audited financial statements, half-yearly reports and other formal communications are available on the Company's website. To reduce costs the Company's half-yearly financial statements are not posted to shareholders but are instead made available on the Company's website.

Whistleblowing

As the Company has no employees, the Company does not have a whistleblowing policy. The Audit Committee reviews the whistleblowing procedures of the Investment Manager and Administrator to ensure that the concerns of their staff may be raised in a confidential manner.

Warning to shareholders – share fraud scams

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way, you will probably lose your money.

How to avoid share fraud

- Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares
- Do not get into a conversation, note the name of the person and firm contacting you and then end the call
- Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details
- Use the firm's contact details listed on the Register if you want to call it back
- Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at www.fca.org.uk/scams
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice before you hand over any money
- Remember: if it sounds too good to be true, it probably is!

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000.

Report a scam

If you are approached by fraudsters, please tell the FCA using the share fraud reporting form at fca.org.uk /scams, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters, you should contact Action Fraud on 0300 123 2040.

5
Definitions and Reconciliation to Alternative Performance Measures

Credit Assets	Credit Assets are loans made to 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 Group's assets less the total value of its liabilities. For valuation purposes, it is common to express the NAV on a per share basis.
Ongoing Charges	Ongoing charges is calculated as a percentage of annualised ongoing charge over average reported NAV. 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 NAV per share, the Company's shares are said to be trading at a premium. The premium is shown as a percentage of the NAV.
Discount	If the share price of the Company is lower than the NAV per share, the Company's shares are said to be trading at a discount. The discount is shown as a percentage of the NAV.
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.
Alternative Investment Fund ("AIF")	An AIF, 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.
Structured Loan	Credit Asset whereby the Group typically has senior secured loans to speciality finance companies, whereby the security on our investment comprises the assets originated by the speciality finance company and the company provides the 'first loss' in the form of 'real capital' whilst the Company provides the senior capital. Corporate guarantees also typically taken
Direct Portfolio	Portfolios of loans owned directly by the Group, typically secured on property
AIFM	An Alternative Investment Fund Manager, as defined in the AIFM Directive. Pollen Street Capital Limited undertakes this role on behalf of the Company.
Servicers	Comprehensive loan servicing to support the full loan lifecycle, from origination, through account servicing to arrears management.

RECONCILIATION TO ALTERNATIVE PERFORMANCE MEASURES

Premium / (Discount) to NAV per share

	30 June 2022	30 June 2021	31 December 2021
NAV per share (Cum income)	1,019.7p	1,017.0p	1,019.1p
Share Price at Close	890.0p	970.0p	945.0p
Premium / (Discount)	(12.7)%	(4.6)%	(7.3)%

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.

Annual NAV per Share Return

	30 June 2022	30 June 2021	31 December 2021
NAV per share (Cum income) at period end	1,019.7p	1,017.0p	1,019.1p
NAV per share (Cum income) at period start	1,019.1p	1,013.1p	1,013.1p
Dividends per share paid in the period	40.0p	40.0p	80.0p
Annual Nav per Share Return	8.0%	8.7%	8.5%

The annual 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 period and subtracting the NAV per share (Cum income) at period started, divided by the NAV per share (Cum income) at period start. In the case of a half-year, this return is pro-rated based on day count to generate an annualised return.

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

	30 June 2022	30 June 2021	31 December 2021
NAV per share (Cum income)	1,019.7p	1,017.0p	1,019.1p
Opening NAV per share (Cum income) at inception	982.0p	982.0p	982.0p
Dividends per share paid since inception	492.9p	412.9p	452.9p
ITD NAV per Share Return	54.0%	45.6%	49.9%

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 2022	30 June 2021	31 December 2021
	£'000	£'000	£'000
Net Asset Value	354,218	358,595	359,342
Interest Bearing Borrowings	237,111	265,467	267,657
Debt to Equity ratio	66.9%	74.0%	74.5%
Cash and cash equivalents	11,848	28,359	12,948
Net Debt to Equity Ratio	63.6%	66.1%	70.9%

Debt to equity ratio is calculated as the Group's interest-bearing debt divided by the net asset value expressed as a percentage. Net Debt to equity ratio is calculated as the Group's interest-bearing debt less cash and cash equivalents, divided by the net asset value expressed as a percentage.

Dividend Return

	30 June 2022	30 June 2021	31 December 2021
Dividend declared (pence per share)	40.0	40.0	80.0
IPO issue price (pence per share)	1,000.0	1,000.0	1,000.0
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. In the case of a half-year, this return is pro-rated based on day count to generate an annualised return.

Ongoing Charges

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Auditors' remuneration	128	143	319
Administrator's fees	89	89	179
Directors' fees	160	110	227
Management Fee	2,922	3,172	6,349
Other costs	670	447	1,417
Average NAV	359,906	359,720	360,793
Ongoing Charges	2.2%	2.2%	2.3%

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. Average NAV is calculated as the average of the previous 12 months published monthly NAV's. 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 period as being the best estimate of future costs. The AIC excludes performance fees from the Ongoing Charges calculation.

NAV Return Bridge

	2022 £'000
Monthly Average Credit Assets	572,858
Monthly Average NAV plus Leverage	606,686
Monthly Average NAV	359.906

Monthly Average Credit Assets is the mean of the aggregate of the credit assets at amortised cost, credit assets held at fair value through profit or loss and derivative assets held at fair value through profit or loss for each month end from 31 December 2021 to 30 June 2022, inclusive.

Monthly Average NAV plus Leverage is the mean of the net assets of the Group, plus interest bearing borrowings, for each month end 31 December 2021 to 30 June 2022, inclusive.

Monthly Average NAV is the mean of the net assets of the Group for month end from 31 December 2021 to 30 June 2022 inclusive.

	H1 2022	
Investment Yield	9.0%	Investment yield is calculated as Interest Income on credit assets at amortised cost, plus Income/(loss) on credit assets at fair value through profit and loss, less third party servicing, divided by Monthly Average Credit Assets
Impairments and write-offs	0.0%	Impairments and write-offs is calculated as credit impairment losses over Monthly Average Credit Assets
Credit asset return	9.0%	Credit asset return is a sub-total of the above
Equity and working capital	(0.5%)	The impact of equity and working capital is calculated as the Statement of Comprehensive Income amounts above plus Income / (Loss) on equity assets at fair value through profit and loss divided by Monthly Average NAV plus Leverage, less the impact of items already disclosed above
Effect of leverage and Investment Manager fees	(0.2%)	Effect of leverage is calculated as the above Statement of Comprehensive Income amounts above plus finance costs divided by Monthly Average NAV, less the impact of items already disclosed above. Investment Manager fees calculated as Management fee and Performance fee divided by Monthly Average NAV
Fund Opex	(0.6%)	Calculated as Fund expenses, divided by Monthly Average NAV
Effect of Buybacks	0.3%	Calculated as the difference between the cost of the bought shares and their value at NAV per share, divided by NAV
NAV return	8.0%	Annual NAV per Share Return