

SLF Realisation Fund Limited
(formerly known as KKV Secured Loan Fund Limited)

**Half-Yearly Report and Unaudited Condensed Consolidated
Financial Statements for the six months ended 31 December 2021**

SLF Realisation Fund Limited
Half-Yearly Report and Unaudited Condensed Consolidated Financial Statements
for the six months ended 31 December 2021

GROUP METRICS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

As at 31 December 2021, the investment objective of SLF Realisation Fund Limited (the “Company” and together with its subsidiaries, the “Group”) is to realise all remaining assets in the portfolio of the Ordinary Share class and the 2016 C Share class in a prudent manner consistent with the principles of good investment management and to return cash to shareholders in an orderly manner.

(3.97)% per Ordinary Share ¹ (0.25)% per 2016 C Share ¹	19.15p per Ordinary Share 31.56p per 2016 C Share	(37.49)% Ordinary Share ¹ (33.62)% 2016 C Share ¹
NAV total return per share for the six months ended 31 December 2021	NAV per Share as at 31 December 2021	Share price discount to NAV as at 31 December 2021
£42.61 million for the Ordinary Share class £29.10 million for the 2016 C Share class	£21.36 million for the Ordinary Share class £38.90 million for the 2016 C Share class	£3.56 million for the Ordinary Share class £13.89 million for the 2016 C Share class
Market capitalisation as at 31 December 2021	Return of capital to shareholders during the period ended 31 December 2021	Return of capital to shareholders after the reporting period ended 31 December 2021

The NAV total return for the six months ended 30 December 2020 was 9.2% for Ordinary Shares and 3.4% for 2016 C Shares. The comparatives for the other group metrics detailed above are disclosed on page 3.

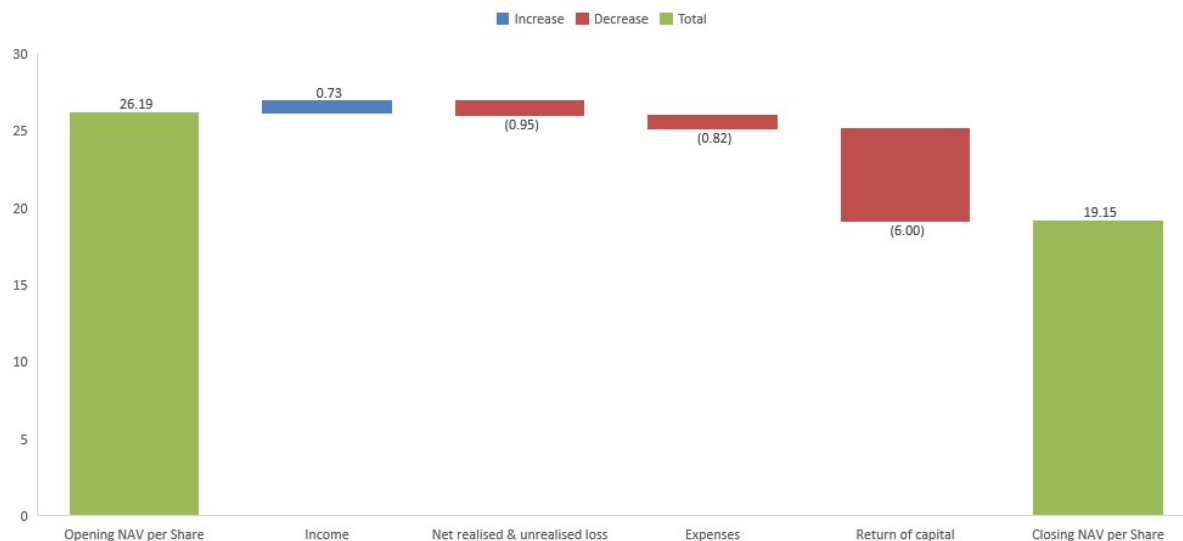
¹ These are Alternative Performance Measures, refer to pages 39 and 40 for details.

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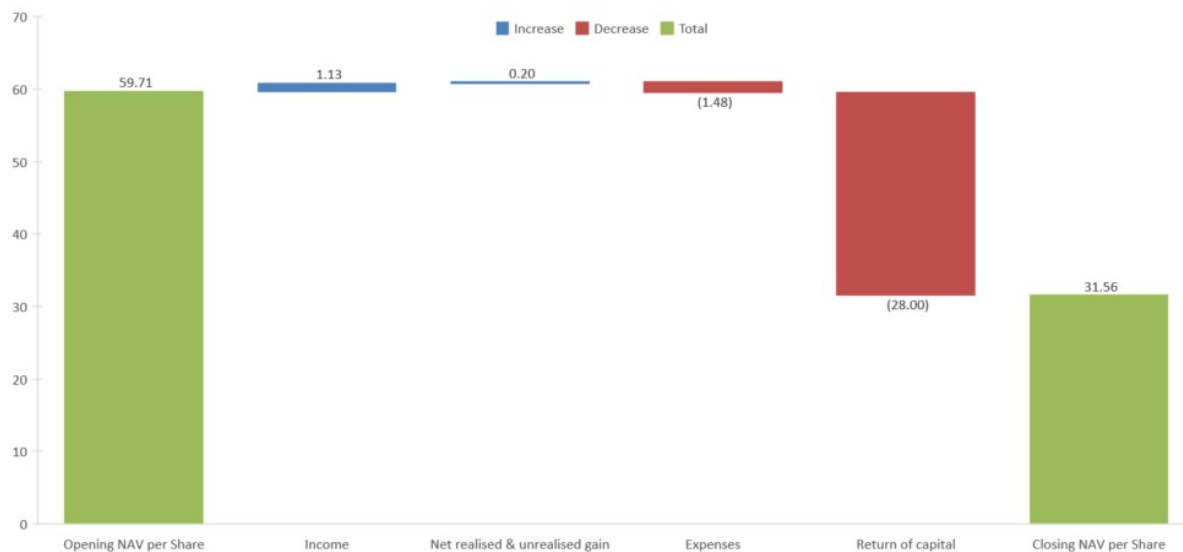
GROUP METRICS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

The key drivers of the change in net asset value (“NAV”) per share between 1 July 2021 and 31 December 2021 are highlighted in the graphs below:

Ordinary Share



2016 C Share



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FINANCIAL METRICS AND PERFORMANCE SUMMARY

Financial Metrics

NAV Total Return¹

The NAV total return details the change in NAV from the start of the relevant period and assumes that dividends paid to shareholders are reinvested at NAV. The NAV total return achieved by the Group is detailed in the table below:

Relevant Period	Ordinary Shares	2016 C Shares
Six months to 31 December 2021	(3.97)%	(0.25)%
Year to 31 December 2021	(9.79)%	10.03%
3 year ²	(54.05)%	(11.74)%
Since inception	(27.19)%	(8.31)%

The NAV total return since inception is illustrated in the graph below:



Return of Capital

The investment objective of the Ordinary Shares and the 2016 C Shares is to realise all remaining assets in a prudent manner consistent with the principles of good investment management and to return cash to shareholders in an orderly manner. For the six month period ended 31 December 2021, the Company has made a return of capital on two separate occasions, as detailed below, returning a total of £21,358,540 to Ordinary shareholders and £38,898,782 to 2016 C shareholders.

Record date	Ordinary Shares		2016 C Shares	
	Amount per Share	Amount returned to shareholders	Amount per Share	Amount returned to shareholders
20 July 2021	3p	£10,679,270	7p	£9,724,695
2 September 2021	3p	£10,679,270	21p	£29,174,087

Please refer to note 15 for full details of the Company's return of capital.

Post period-end, the Company made one further return of capital to Ordinary shareholders and 2016 C shareholders. Refer to note 18 for further details.

¹ Refer to pages 39 to 40 for the calculation of these alternative performance measures.

² NAV total return over a 3 year period from 1 January 2019 to 31 December 2021.

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FINANCIAL METRICS AND PERFORMANCE SUMMARY (CONTINUED)

Financial Metrics (Continued)

Dividend History

With the Company in managed wind down, the Board does not intend to declare any further dividends. No dividends were paid during the six months ended 31 December 2021 or the six months ended 31 December 2020.

Acquisition of Own Ordinary Shares

The Group did not repurchase any Ordinary Shares or 2016 C Shares during the six months ended 31 December 2021 or the year ended 30 June 2021.

On 1 September 2021, the 1,731,838 Ordinary Shares held in treasury were cancelled. As at 31 December 2021, there were no Ordinary Shares and no 2016 C Shares held in treasury. As at 30 June 2021, there were 1,731,838 Ordinary Shares and no 2016 C Shares held in treasury.

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FINANCIAL METRICS AND PERFORMANCE SUMMARY (CONTINUED)

Performance Summary

Sterling in millions, except per share data (disclosed in pence) and number of shares in issue	31 December 2021 (Unaudited)	30 June 2021 (Audited)	31 December 2020 (Unaudited)
Number of shares in issue			
- Ordinary Shares	355,975,669	355,975,669 ¹	355,975,669 ¹
- 2016 C Shares	138,924,222	138,924,222	138,924,222
NAV			
- Ordinary Shares	£68.15	£93.24	£140.69
- 2016 C Shares	£43.84	£82.95	£97.93
NAV per share			
- Ordinary Shares	19.15p	26.19p	39.52p
- 2016 C Shares	31.56p	59.71p	70.49p
Share price²			
- Ordinary Shares	11.97p	17.50p	17.60p
- 2016 C Shares	20.95p	35.00p	35.60p
Share price discount			
- Ordinary Shares	(37.49)%	(33.18)%	(55.47)%
- 2016 C Shares	(33.62)%	(41.38)%	(49.50)%
Market capitalisation²			
- Ordinary Shares	£42.61	£62.30	£62.65
- 2016 C Shares	£29.10	£48.62	£49.46
(Loss)/earnings per share			
- Ordinary Shares	(1.03)p	0.51p	3.34p
- 2016 C Shares	(0.21)p	9.54p	2.32p
Return of Capital			
- Ordinary Shares	£21.36	£37.38	-
- 2016 C Shares	£38.90	£25.01	-
Return of Capital per share			
- Ordinary Shares	6p	10.5p	-
- 2016 C Shares	28p	18p	-
Comprehensive (loss)/income before dividends	(£3.94)	£15.06	£15.10
Investments including residual value of finance lease investments and PPE	£88.40	£150.93	£218.76
Cash and cash equivalents	£26.11	£25.35	£17.99
Weighted average remaining term³			
- Ordinary Shares – performing	63.4 months	58.1 months	69.9 months
- 2016 C Shares - performing	54.9 months	61.0 months	52.8 months

¹ The number of Ordinary Shares in issue is presented after deducting 1,731,838 treasury shares.

² Source: Bloomberg

³ Of the invested portfolio. Calculated using performing assets only. These are Alternative Performance Measures, refer to pages 39 and 40 for details.

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COMPANY OVERVIEW

Company	<p>SLF Realisation Fund Limited (formerly KKV Secured Loan Fund Limited) Incorporated in Guernsey on 28 May 2014. Change of name effective 1 December 2021 Registered Guernsey Closed-ended Collective Investment Scheme. Admitted to the Premium Segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange on 14 July 2014 for Ordinary Shares, 9 November 2015 for the first issuance of C Shares (which were converted into Ordinary Shares on the 25 October 2016) and 12 December 2016 for the second issuance of C Shares (the "2016 C Shares"). Registration number 58519.</p>
Portfolio Manager¹	<p>KKV Investment Management Limited Incorporated in England and Wales on 20 February 2020. A subsidiary of Kvika Securities Limited, the UK operation of Kvika Banki hf, a Nordic bank listed on the NASDAQ Iceland main market. Registration number 12475228</p> <p>(the "Portfolio Manager")</p>
Alternative Investment Fund Manager	<p>Sanne Fund Management (Guernsey) Limited (formerly International Fund Management Limited) Regulated by the Guernsey Financial Services Commission under the Protection of Investors (Bailiwick of Guernsey) Law 1989, as amended. Incorporated in Guernsey with registration number 17484.</p> <p>(the "AIFM")</p>

Details of other service providers are provided on page 43.

¹ On 20 August 2021, the Company reached agreement with the Portfolio Manager to terminate the Investment Management Agreement between the Company, the Portfolio Manager and the AIFM with effect from midnight on 31 December 2021. Sanne Fund Management (Guernsey) Limited continues to act as the Company's AIFM and has, with effect from 1 January 2022, delegated responsibility for the management of the portfolio to the Company.

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CHAIRMAN'S STATEMENT

Introduction

I am pleased to provide shareholders with my interim Chairman's Statement, covering the period from 1 July 2021 to 31 December 2021. During the reporting period, the Company has continued with further significant transformation. However, I am pleased to report that the realisation program for both the Ordinary Share class and the 2016 C Share class has made satisfactory progress, with returns of capital having been made during the period of 6p per Ordinary Share and 28p per 2016 C Share. In addition, post the period end, we have returned a further 1p per share to Ordinary shareholders and 10p per share to 2016 C shareholders.

In total, as at the date hereof, £62.3 million or 17.5p per share has been returned to Ordinary shareholders and £77.8 million or 56.0p per share has been returned to 2016 C shareholders since the realisation program began.

Performance

The NAV total return per Ordinary Share was (3.97)% and the NAV total return per 2016 C Share was (0.25)% for the six month period ended 31 December 2021. Other key metrics were:

- For the reporting period, the Company has reported a combined net loss of £3.9 million.
- The Ordinary Share NAV at 31 December 2021 was £68.2 million (19.15p per Ordinary Share) compared to £93.2 million (26.19p per Ordinary Share) as at 30 June 2021.
- The C Share NAV at 31 December 2021 was £43.8 million (31.56p per 2016 C Share) compared to £83.0 million (59.71p per 2016 C Share) as at 30 June 2021.

Share Price

As at 31 December 2021, the Ordinary Share Class traded at a discount to NAV of 37.49% and the 2016 C Share Class traded at a discount of 33.62%.

Shareholder Engagement

The Board have engaged with shareholders over the reporting period, taking feedback and responding to their recommendations where appropriate. Brett Miller has led this activity and will continue to do so as we continue to wind down the Company.

Key Developments

- Cash of 3p per Ordinary Share and 7p per C Share was returned to shareholders in July 2021.
- In August 2021, a loan held by the 2016 C Shares (referred to as Borrower 41 in this Half-Yearly Report) was refinanced for £16.8 million and a loan in the Ordinary Share portfolio (referred to as Borrower 16 in this Half-Yearly Report) was disposed of for US\$1 million (£0.7 million). As at 30 June 2021, the loans had a fair value of £17.0 million and £0.7 million respectively. In addition, a package of loans secured against shipping vessels was refinanced generating proceeds of US\$16.6 million (£12.0 million) for the Ordinary Shares and US\$18.4 million (£13.3 million) for the 2016 C Shares (referred to as Borrowers 8, 47, 48 and 51 in this Half-Yearly Report). As at 30 June 2021, the loans had a fair value of £11.6 million for Ordinary Shares and £13.5 million for 2016 C Shares.
- In August 2021, a further return of capital was announced of 3p per Ordinary Share and 21p per 2016 C Share.
- Also in August 2021, the Company reached agreement with the Portfolio Manager to terminate the Investment Management Agreement (the "IMA") with effect from 31 December 2021.
- In October 2021, two loans within the 2016 C Share Class portfolio, that provided regulatory capital for a US insurance business, were disposed of for consideration of US\$4.0 million (£2.9 million) (referred to as Borrowers 42 and 58 in this Half-Yearly Report). As at 30 June 2021, the loans had a fair value of £2.7 million.
- Also in October 2021, a loan within the Ordinary Share Class portfolio that financed domestic heating systems and associated maintenance contracts was settled. The loan was purchased for consideration of £3.8 million (referred to as Borrower 10 in this Half-Yearly Report). As at 30 June 2021, the loan had a fair value of £3.6 million.

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CHAIRMAN'S STATEMENT (CONTINUED)

Key Developments (Continued)

- At the Company's AGM held on 29 November 2021, shareholders approved all the resolutions, including a resolution to adopt an incentive plan. Further details are set out in Note 4.
- On 1 December 2021, the Company changed its name to SLF Realisation Fund Limited.

Management Arrangements

On 20 August 2021, the Company announced that it had reached agreement with the Portfolio Manager for termination of the IMA between the Company, the AIFM and the Portfolio Manager with effect from 31 December 2021. The IMA was duly terminated on 31 December 2021.

Sanne Fund Management (Guernsey) Limited (formerly International Fund Management Limited) continues to act as the Company's AIFM and has, with effect from 1 January 2022, delegated responsibility for the management of the portfolio to the Company.

In order to assist the Board with the management of the portfolio, the Company has, with effect from 1 January 2022, entered into consultancy agreements to secure the services of the four investment professionals with the greatest knowledge of the Company's assets (the "Consultants"). In addition, an employee providing operational support has transferred from the Portfolio Manager to the Company by virtue of the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"). Brett Miller continues to oversee the Company's realisation program and continues to be directly involved in the managed wind down of the Company's portfolio.

The appointment of the Consultants and the transfer of the operational employee provides continuity and ensures the Company has the necessary resource and expertise for the realisation of the balance of the portfolio. The Board may engage specialist consultants where it considers that such appointments will assist in maximising returns for, and/or expediting capital returns to, shareholders.

Dawn Kendall has also TUPE transferred from the Portfolio Manager to the Company as an employee. She has been on leave of absence since May 2021. As announced on 24 January 2022, the Board has reached a mutual agreement with Dawn Kendall to end her employment on 21 April 2022. Until then, Dawn will remain on garden leave. The Board wishes to thank Dawn for her past efforts and wish her well for her future endeavours.

Outlook

The Board expects the wind-down plan will likely take approximately two years to exit the majority of the portfolio. Our goal is to achieve a balance between maximising value received for assets and making timely returns of capital.

Whilst the realisation program has got off to a good start, we are cognisant of the greater risk that remains in the balance of the portfolio, as whatever remains in the portfolio has not yet achieved a satisfactory exit. The Board continues to work on achieving positive outcomes, but the majority of remaining assets are more difficult assets to deal with.

The task ahead remains great and as always, we shall keep investors informed of any developments as they occur.

We thank investors for their continued support.

Brendan Hawthorne
Chairman
30 March 2022

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INVESTMENT REPORT

Overview

As is typical in a runoff credit scenario, most of the facilities have now been closed where a not overly complex solution was possible. The continued outlook for 2022 is therefore more involvement with facilities to find refinance opportunities or working with other creditors to restructure borrowing companies for sale or refinance.

The Company has worked closely with borrowers, whilst also optimising the return of capital to shareholders in as expeditious a manner as possible. This resulted in £60.3 million being returned to shareholders during the half-year. All distributions were paid as capital returns, as opposed to dividends, which were suspended in March 2020. No foreign exchange (“FX”) hedging has been undertaken during the reporting period with non-GBP balances converted into GBP at the soonest opportunity.

The FX exposures in the portfolio as at 31 December 2021 were:

FX Exposures (millions)	Fair value	
	Original Currency	GBP
Ordinary Share		
GBP	34.1	34.1
EUR	25.6	21.4
USD	3.3	2.5
2016 C Share		
GBP	19.1	19.1
EUR	5.6	4.7
USD	9.0	6.6

Market backdrop

The pandemic continued longer than expected with several periods of slow-down when stay-at-home was mandatory. However, continued support from developed market governments via business grants, furlough schemes and a determination to provide unprecedented liquidity to capital markets has provided some optimism.

For the Anaerobic Digestion (“AD”) assets there was limited good news, though for the few assets that don’t have fixed price offtakes the increased energy values were positive. Only Borrowers 1 & 2 benefit from this, however, neither have shown stable gas output levels as yet. For those AD plants using waste materials, some have been able to secure new supply chains, though overall the impact of reduced hospitality waste remained an issue.

Looking forward, the largest risks for the portfolio appear to stem from governments recouping lost tax revenues and rising inflation.

The Ordinary Share Class and 2016 C Share Class Portfolios

As the portfolio is in wind down, all borrowers are asked to repay debt were possible and the Company seeks to refinance such debt or facilitate sale of other investments. The Company returns capital to shareholders via capital repayments.

Dividends

No dividends were distributed during the reporting period. However, it should be noted that the Company was able to commence capital distributions to shareholders as loans were refinanced or matured. In the half-year, £21.4 million was returned to Ordinary shareholders and £38.9 million returned to 2016 C Class shareholders.

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INVESTMENT REPORT (CONTINUED)

Ordinary Share Class

Borrower	FV at 31 Dec 21 £m	FV at 30 Jun 21 £m	Change in FV £m	Amortisation & Redemptions Jul-Dec 21 £m	Asset Type	Asset Class	Currency	Grade
Borrower 1	7.7	7.9	(0.2)	-	Finance Lease	Anaerobic Digestion	GBP	10 : Loss
Borrower 2	9.5	9.7	(0.2)	-	Finance Lease	Anaerobic Digestion	GBP	10 : Loss
Borrower 4	3.4	3.7	(0.3)	-	Finance Lease	Anaerobic Digestion	GBP	10 : Loss
Borrower 5	0.1	0.6	(0.5)	-	Term Loan	Manufacturing	USD	10 : Loss
Borrower 6	17.5	19.8	(2.3)	(1.5)	Term Loan	Manufacturing	EUR	8 : Extremely high risk
Borrower 8	Closed	11.6	n/a	(12.3)	Term Loan Hire	Shipping Wholesale	USD	10 : Loss
Borrower 10	Closed	3.6	n/a	(3.8)	Purchase	Portfolios	GBP	10 : Loss
Borrower 11	3.9	4.1	(0.2)	(0.1)	Finance Lease	Anaerobic Digestion	EUR	7 : High risk
Borrower 16	Closed	0.7	n/a	(0.7)	Term Loan	IT & Telecom	USD	10 : Loss
Borrower 18	Closed	-	n/a	-	Finance Lease	Anaerobic Digestion	GBP	10 : Loss
Borrower 19	0.6	1.4	(0.8)	-	Finance Lease	Manufacturing	GBP	10 : Loss
Borrower 20	1.8	1.7	0.1	-	Revolving Loan	Wholesale Portfolios	GBP	10 : Loss
Borrower 21	1.7	2.1	(0.4)	-	Term Loan	Medical	USD	9 : Doubtful
Borrower 22	2.0	2.4	(0.4)	(0.4)	Finance Lease	Anaerobic Digestion	GBP	5 : Acceptable risk
Borrower 23	1.1	1.1	-	(0.0)	Finance Lease	Anaerobic Digestion	GBP	10 : Loss
Borrower 24	1.8	2.0	(0.2)	0.1	Finance Lease	Anaerobic Digestion	GBP	5 : Acceptable risk
Borrower 26	1.1	1.2	(0.1)	(0.0)	Finance Lease	Wind Turbines	GBP	7 : High risk
Borrower 28	0.1	0.1	-	-	Hire	Infrastructure	GBP	10 : Loss
Borrower 61	4.0	3.7	0.3	-	Deferred Payment	Equipment	GBP	8 : Extremely high risk
Total	56.3	77.4		(18.7)				

Property, Plant and Equipment Investments

Borrower*	FV at 31 Dec 21 £m	FV at 30 Jun 21 £m	Change in FV £m	Amortisation & Redemptions Jul-Dec 21 £m	Investment Type	Asset Class	Currency
Borrower 35	Closed	0.3	n/a	(0.3)	Operating Lease	Infrastructure	GBP
Borrower 36	Closed	0.9	n/a	(1.0)	Operating Lease	Marine Equipment (ex. Vessels)	GBP
Borrower 37	1.0	0.9	0.1	-	Operating Lease	Equipment for construction	GBP
Total	1.0	2.1		(1.3)			

* Used Borrower terminology to be consistent throughout report, however these are PPE assets.

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INVESTMENT REPORT (CONTINUED)

Equity Holdings and other Investments

Borrower*	FV at 31 Dec 21 £m	FV at 30 Jun 21 £m	Change in FV £m	Amortisation & Redemptions Jul-Dec 21 £m	Investment Type	Asset Class	Currency
Borrower 38	-	-	-	-	Equity	Medical	USD
Borrower 39	0.7	0.9	(0.2)	(0.2)	Equity	Helicopters	USD
Borrower 62	-	-	-	-	Equity	Technology	GBP
Total	0.7	0.9		(0.2)			

* Used Borrower terminology to be consistent throughout report; however, these are lease participation and equity investments.

Credit Assumptions - AD Assets

The Board instructed KPMG to provide a fair value valuation of seven remaining AD assets as at 30 June 2021. The December 2021 value adjusts this by removing the final 6 months of cash flow or where noted updated transaction expectations.

KPMG provided a range of valuations using discount rates that they observed on other transactions, including propriety KPMG data. For AD plants this ranged from 7.0%-10%. We have evenly distributed the probability of achieving the valuations provided to create a weighted average valuation.

It is noted that the Company has not factored in any of the upside potential referenced in KPMG's reports. The primary reason being previous strategies articulated by management of the AD plants in question, have either failed to materialise or not consistently yielded the assumed upsides.

For AD assets that are not currently under a formal sales process, an assumption of 1 year to complete a sale has been used. This may or may not prove correct as each asset has its own unique characteristics. The future income stream for each plant is predominantly derived from fixed government energy subsidies based on production volume. While spot energy prices have risen significantly, several plants have pre-agreed energy supply contracts fixing the unit prices for the project lifespan. Most assets have also not operated at full capacity as described further below.

Position	FV Discount Rate	Risk Grade	Security Type
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Borrower 1	7.5-9.0%	10	AD Asset
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- Secured against a 5MW AD plant located in Hartlepool.
- The facility is in default (risk grade 10).
- The plant is operational, and no remediation work required so not deemed project finance risk.
- In June 2021 KPMG's weighted average valuation was £8.6m.
- Consistent supply of feedstock remains an issue with efforts underway to allow additional products.
- Legal work is underway to remedy historic land title defects.

Borrower 2	7-8.5%	10	AD Asset
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- Secured against a 5MW AD plant located in Middlesbrough.
- No operational and remediation work required so not deemed project finance risk.
- In June 2021 KPMG's weighted average valuation was £10.5m
- Consistent supply of feedstock remains an issue. If Borrower 1 is able to add additional products, this will free supply it would otherwise consume.
- Plant suffered a material period of low output in late 2021 due to technical problems with feedstock mix.

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INVESTMENT REPORT (CONTINUED)

Position	FV Discount Rate	Risk Grade	Security Type
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Borrower 4	7.5-9.0%	10	AD Asset
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- Secured against a 5MW AD plant located in Aberdeenshire.
- The plant is currently closed.
- Significant remediation work is required to enable the plant to generate energy at the stated operational capacity.
- The facility is in default (risk grade 10).
- The Company has agreed Head of Terms with a potential buyer, who is conducting pre acquisition due diligence. The transaction is currently scheduled to complete in Q2 2022.

Borrower 11	9.0-9.5%	7	AD Asset
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- Secured against a 1MW AD plant based in the Republic of Ireland.
- Non-performing asset, largely resulting from feedstock shortages linked to Covid-19 limiting the plant's ability to meet their targeted output capacity.
- The sponsor is seeking refinance solutions, which may result in a near-term exit.

Borrower 22	8.0-9.0%	5	AD Asset
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- Secured against 0.5MW farm scale AD plant in Northern Ireland.
- Performing AD asset with over 12 months of stable energy output.
- In the first half of the financial year, the plant was acquired by new owners.
- The new owners are currently seeking to refinance most of the Company's position, leaving a residual amortising junior debt.

Borrower 23	8.5%-9.5%	10	AD Asset
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- Secured against 0.5MW farm scale AD plant in Northern Ireland.
- The facility is in default (risk grade 10).
- In June 2021 KPMG's weighted average valuation was £2.5m, of which we own a 50% share.
- An exit is uncertain at this point.

Borrower 24	8.0-9.0%	5	AD Asset
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- Secured against a 0.5MW AD plant in Northern Ireland.
- Whilst the plant has recovered from a plant fire, it does not have a track record of stable energy generation, which may deter buyers.
- In June 2021, KPMG's weighted average valuation was £3.76m of which we own a 50% share.
- An exit is uncertain at this point.

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INVESTMENT REPORT (CONTINUED)

Position	FV Discount Rate	Risk Grade	Security Type
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Borrower 61	20%	10	AD Asset
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- This exposure is the deferred consideration from closing out an AD asset in the Republic of Ireland.
- The facility is high risk reflecting the potential repossession of specific assets held via an SPV.
- A discounted settlement was received, but rejected and an improvement sought but not achieved. Without this, it appears likely that either the sponsor or the Company will need to sell the assets to repay the facility.

Non-AD Assets

Position	FV Discount Rate	Risk Grade	Security Type
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Borrower 5	20%	10	High Risk
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- Former Solar Manufacturer. Potential recoveries from Chinese guarantor, equipment or tariff proceeds.
- Claim vs tariffs – It appears certain that no recovery will occur from this.
- Claim vs guarantor – The guarantor is distressed having missed payments due to both bank and bond lenders. It is currently disposing assets with expected credit losses.
- An appeal case was required to further pursue the guarantor, however, the guarantor won. A new court process is required.
- Highly uncertain cash flows with limited value assigned.

Borrower 6	12%	8	Fixed Asset
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- Security includes glass manufacturing equipment based in France.
- In Q4 2021, the management team informed the Company that due to transformational project issues and raw material price inflation the company was forecasting a cash flow squeeze throughout FY 2022 and into FY 2023. The company's key creditors, which includes the Company, agreed to support the company by restructuring their respective positions. The Company agreed to restructure the repayment profile and extend the maturity of the facility from mid-2023 to mid-2024. The company is considering refinancing the Company's position, but it's too early in the process to be able to provide any level of certainty.

Borrower 19	20%	10	Fixed Asset
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- Secured against paper manufacturing machinery located in Aberdeen and Kent.
- The offer from the company to acquire the equipment fell through.
- The Company is exploring alternative recovery strategies.

Borrower 20	20%	10	Realisable
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- Secured against a wholesale portfolio of working capital SME loans.
- Company granted extension to pay from September 2021 until 31 December 2021 to source new funding. This date passed, however the Company is still pursuing refinancing opportunities.
- Appears possible that may enter run off and require collections over coming years if refinance fails to progress.

SLF Realisation Fund Limited
Half-Yearly Report and Unaudited Condensed Consolidated Financial Statements
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INVESTMENT REPORT (CONTINUED)

Position	FV Discount Rate	Risk Grade	Security Type
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Borrower 21 &38	20%	9	High Risk
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- Non-specialist hospital equipment, with uncertain value.
- Management have executed a \$60m Sale and Leaseback in Q3 2021, which brought some relief from the liquidity problems the hospital faced. However subsequent Delta and Omicron variants massively disrupted forecasts.
- No debt payments being made.
- We assume cash flows restart following a grace period or the facility defaults.

Borrower 26	12%	7	Fixed Asset
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- Two wind energy assets.
- Paying mostly to schedule but has not been able to get insurance on one of the two assets.
- Cash flows assumed from the initial schedule.

Borrower 28	20%	10	High Risk
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- Yellow metal earth moving vehicles located in Sierra Leone.
- Borrower entered administration in 2019 and the Company took control over the assets that it had security over.
- Due to the location of the assets, recovering and relocating would incur cost and given the unknown condition of the equipment, there would likely be further costs to refurbish.
- A potential buyer remains engaged, settlement in Q2 2022 is targeted.

Borrower 37	20%	10	High Risk
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- This operating lease was established following the rescue of yellow metal earth moving vehicles from an administration.
- The contract has been contingently agreed to turn into a deferred payment schedule over the near-term.
- The condition and value of the assets is uncertain.
- A revised offer of \$700,000 was made, with a view to final payment by Q3 2022.

Borrower 39	10%	10	Realisable
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- Portfolio of ageing helicopter assets.
- SQN Capital Management LLC have agreed sale of helicopter assets with a deferred payment schedule to a known counterparty.
- The revised schedule has been met with all payments made to-date.

Borrower 62	20%	10	High Risk
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- Equity position from sale of hotel technology provider facilities.
- No recent cash flow or balance sheet has been provided, therefore unable to assume any cash flows.

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INVESTMENT REPORT (CONTINUED)

Closed Transactions

Facility	Fair Value June 2021	Description
Borrower 8	£11.6m	Borrower refinanced for £12.0m. Marine vessels were badly hit pre and early in Covid-19 cycle but saw significant improvement into 2021.
Borrower 10	£3.6m	Refinance agreed for £3.8m. Facility financed domestic heating systems and the maintenance contracts.
Borrower 16	£0.7m	Refinance agreed for £0.7m. Brazilian telecom assets were held in a complex ownership structure, intertwined with another business. Our assets appeared to produce minimal cash flows due to ground rents payable to a sister company. No interest paid since 2015.
Borrower 18	£nil	Zero received from administration of plant that started in 2019. Farm scale AD plant based in NE England.

Facility	Net Realisable Value June 2021	Description
Borrower 35	£0.3	Sale of assets for £0.3m plus refurbishment costs was achieved. Underlying assets broadly rusting proof of concept containers converted into micro hotel rooms. Very poor-quality accommodation with high operational costs. Liability to cover refurbishment, storage and disposal costs extinguished.
Borrower 36	£0.9m	ROV assets sold for £1m. Very limited utilisation of assets attached to third-party vessel, lease only paid on utilisation.

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INVESTMENT REPORT (CONTINUED)

2016 C Share Class

Borrower	FV at 31 Dec 21 £m	FV at 30 Jun 21 £m	Change in FV £m	Amortisation & Redemptions Jul-Dec 21 £m	Asset Type	Asset Class	Currency	Grade
Borrower 41	Closed	17.0	n/a	(16.7)	Term Loan	Waste Processing	GBP	4 : Average
Borrower 42	Closed	2.0	n/a	(2.2)	Term Loan	Insurance	USD	10 : Loss
Borrower 43	6.6	7.0	(0.4)	(1.4)	Term Loan	Wholesale	USD	10 : Loss
Borrower 44	3.6	4.2	(0.6)	-	Revolving Loan	Wholesale	GBP	10 : Loss
Borrower 45	0.4	0.5	(0.1)	-	Finance Lease	Manufacturing	EUR	10 : Loss
Borrower 46	3.6	3.9	(0.3)	-	Term Loan	Aviation	EUR	10 : Loss
Borrower 47	Closed	4.7	n/a	(4.8)	Term Loan	Shipping	USD	10 : Loss
Borrower 48	Closed	4.7	n/a	(4.7)	Term Loan	Shipping Infrastructure	USD	10 : Loss
Borrower 49	4.8	4.9	(0.1)	(0.2)	Term Loan	Equipment	GBP	6 : Borderline risk
Borrower 50	4.1	4.5	(0.4)	(0.1)	Finance Lease	Waste Processing	GBP	5 : Acceptable risk
Borrower 51	Closed	4.1	n/a	(4.1)	Term Loan	Shipping	USD	10 : Loss
Borrower 52	3.4	3.8	(0.4)	(0.3)	Finance Lease	Waste Processing	GBP	5 : Acceptable risk
Borrower 53	3.0	3.4	(0.4)	(0.4)	Term Loan	Construction	GBP	5 : Acceptable risk
Borrower 54	Closed	2.4	n/a	(2.2)	Receivables Purchase	Infrastructure Equipment	GBP	8 : Extremely high risk
Borrower 55	Closed	1.2	n/a	(1.2)	Term Loan	Material Handling	USD	5 : Acceptable
Borrower 57	0.7	1.2	(0.5)	(0.3)	Term Loan	Aviation	EUR	5 : Acceptable risk
Borrower 58	Closed	0.7	n/a	(0.7)	Term Loan	Insurance	USD	10 : Loss
Borrower 59	0.2	0.4	(0.2)	(0.1)	Finance Lease	Marine	GBP	6 : Borderline risk
Total	30.4	70.6		(39.4)				

Position	FV Discount Rate	Risk Grade	Security Type
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Borrower 43	20%	10	High Risk
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- Portfolio of Mexican leases.
- The Agent, SQN Capital Management LLC, has also recently been slow in passing cash due from the trust to the Company taking up to 8 weeks to pass payments through.
- Payments are currently up to date.
- Discussions to resolve the structure are underway.

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INVESTMENT REPORT (CONTINUED)

Borrower 44	20%	10	Realisable
<ul style="list-style-type: none"> ▪ Secured against a wholesale portfolio of working capital SME loans. ▪ Company granted extension to pay from September 2021 until 31 December 2021 to source new funding. This passed, however, the Company is still pursuing refinancing opportunities. ▪ Appears possible that may enter run off and require collections over coming years if refinance fails to progress. 			
Borrower 45	20%	10	High Risk
<ul style="list-style-type: none"> ▪ Secured against car engine manufacturing equipment. Currently in liquidation. ▪ There is a threat that the equipment under the security package could be damaged by disgruntled union employees in France. ▪ Uncertain outcome. 			
Borrower 46	10%	10	Realisable
<ul style="list-style-type: none"> ▪ Exposure secured against a modern AW169 Helicopter via a German mortgage. ▪ Valuation of helicopter is taken from third party valuation report. ▪ We are working with the owner to secure a long-term lease contract for the helicopter. ▪ A 1-year timeline has been assumed to sell the helicopter, which is aligns with advice. 			
Borrower 49	8.23%	6	Fixed Asset
<ul style="list-style-type: none"> ▪ Refinanced post balance sheet February 2022. ▪ Secured against a mushroom composting plant in Northern Ireland. 			
Borrower 50	9.5%	5	Fixed Asset
<ul style="list-style-type: none"> ▪ Secured against a fridge recycling plant located in Gateshead. ▪ Performing asset. No arrears. 			
Borrower 52	9.96%	5	Fixed Asset
<ul style="list-style-type: none"> ▪ Secured against a waste recycling plant. ▪ Performing asset with good cash flow visibility, underpinned by contracts with local authorities and businesses in the West Midlands. ▪ Performing asset. No arrears. 			
Borrower 53	8.29%	5	Realisable
<ul style="list-style-type: none"> ▪ Secured against seven junior participations in public-private partnership (“PPP”) contracts. ▪ Performing asset with good cash flow visibility, underpinned by PPP contracts in Northern Ireland. 			
Borrower 57	8.75%	5	Realisable
<ul style="list-style-type: none"> ▪ Helicopter deposit financing, with residual value outstanding. ▪ Company missed final bullet payment due in June 2021, now amortising monthly by June 2022. All payments have been made to date. 			
Borrower 59	10.21%	6	Realisable
<ul style="list-style-type: none"> ▪ Marine Equipment. Performing asset. ▪ No indication from the business that they intend to refinance. Therefore, assumed facility will mature as scheduled. 			

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INVESTMENT REPORT (CONTINUED)

Facilities Closed

Facility	Fair Value June 2021	Description
Borrower 41	£17.0m	Borrower refinanced in full for £16.8m including a prepayment fee. Monthly amortization paid until close. Facility recycled garden and food waste into compost in Northern Ireland.
Borrower 42 & 58	£2.7m	Position sold for £2.9m to a third party. Transaction funded the start-up costs and regulatory capital for a US insurance business.
Borrower 47, 48 & 51	£13.5	Borrower refinanced for £13.3m. Marine vessels were badly hit pre and early in the Covid-19 cycle but saw significant improvement into 2021.

Ukraine Conflict

Russia invaded Ukraine in February 2022 and is a new emerging uncertainty in regard to the global economy. The invasion itself and resulting international sanctions on Russia have already caused substantial economic disruption and is expected to have a severe impact on the global economy. The conflict has spurred further rises in already elevated, oil, gas and food prices that will continue to drive inflation. The full effects will take time to flow through fully and manifest themselves in the balance sheets of companies and impact ability to repay loans. In this context, we can only express reservations on the near-term impact on credit risk and the impairment of securities, which may be more volatile as a result of the Russian invasion.

Outlook

At the time of writing, the economic effects of the pandemic seem likely to continue for well into 2022 and we will therefore keep the facilities under regular review. Inflationary pressures are also a concern especially rising input costs.

Brett Miller
 Director
 30 March 2022

SLF Realisation Fund Limited
Half-Yearly Report and Unaudited Condensed Consolidated Financial Statements
for the six months ended 31 December 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The principal risks and uncertainties of the Group remain unchanged from those disclosed in the Annual Report and audited consolidated financial statements for the year ended 30 June 2021. The Board's view is that these risks and uncertainties remain unchanged as at 31 December 2021.

We confirm to the best of our knowledge that:

- the unaudited condensed consolidated financial statements within the Half-Yearly Report have been prepared in accordance with International Accounting Standard 34 – “Interim Financial Reporting” (“IAS 34”) as adopted by the European Union (“EU”) and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as at 31 December 2021, as required by the Financial Conduct Authority’s (“FCA”) Disclosure Guidance and Transparency Rule (“DTR”) 4.2.4R; and
- the Chairman’s Statement, the Investment Report and the notes to the unaudited condensed consolidated financial statements include a fair view of the information required by:
 - a) DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of unaudited condensed consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b) DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

Signed on behalf of the Board of Directors on 30 March 2022 by:

Brendan Hawthorne
Chairman

David Copperwaite
Director

SLF Realisation Fund Limited
Half-Yearly Report and Unaudited Condensed Consolidated Financial Statements
for the six months ended 31 December 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2021

	Notes	Six months ended 31 December 2021 (Unaudited) £	Six months ended 31 December 2020 (Unaudited) £
Income			
Finance income		4,029,119	10,069,721
Interest on cash and cash equivalents		-	(1,669)
Other income		96,855	413,011
Total income		4,125,974	10,481,063
Net movement on investments ¹	9,10	(3,094,999)	(10,802,747)
Foreign exchange loss on other monetary items		(15,611)	(947,866)
Net realised and unrealised loss		(3,110,610)	(11,750,613)
Expenses			
Investment management fees	4	(1,736,233)	(989,693)
Directors' fees	4	(562,500)	(195,092)
Other operating expenses	5	(2,762,980)	(1,374,559)
Depreciation	9	-	(52,774)
Impairment release/(charge)	9	102,996	(1,710)
Expected credit loss provision		-	18,987,050
Total operating expenses		(4,958,717)	16,373,222
(Loss)/profit before tax		(3,943,353)	15,103,672
Taxation		-	-
(Loss)/profit after tax		(3,943,353)	15,103,672
Total comprehensive (loss)/income for the period analysed as follows:			
Attributable to Ordinary shareholders		(3,650,480)	11,877,602
Attributable to 2016 C shareholders		(292,873)	3,226,070
Total		(3,943,353)	15,103,672
Basic and diluted (loss)/earnings per Ordinary Share	6	(1.03)p	3.34p
Basic and diluted (loss)/earnings per 2016 C Share	6	(0.21)p	2.32p

The periods ended 31 December 2021 and 31 December 2020 have been presented on a basis other than a going concern. No operations were acquired or discontinued during the period.

The Group has no items of other comprehensive (loss)/income and therefore the (loss)/income for the period is also the total comprehensive (loss)/income.

¹The total movement of "net unrealised gain or (loss) on revaluation of investments", "net unrealised foreign exchange gain or (loss) on investments", "net realised gain or (loss) on investments" and "net realised foreign exchange gain or (loss) on investments" has been presented as "Net movement on investments". Refer to notes 9 and 10 for further details.

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

SLF Realisation Fund Limited
Half-Yearly Report and Unaudited Condensed Consolidated Financial Statements
for the six months ended 31 December 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31 December 2021 (Unaudited) £	30 June 2021 (Audited) £
Current assets			
Residual value of finance lease investments	10	106,834	101,859
Property, plant and equipment	9	955,842	2,068,609
Investments designated at fair value through profit or loss	10	87,332,881	148,763,747
Cash and cash equivalents		26,112,420	25,350,943
Other receivables and prepayments	11	70,047	414,448
		<u>114,578,024</u>	<u>176,699,606</u>
Total assets		<u>114,578,024</u>	<u>176,699,606</u>
Current liabilities			
Other payables and accrued expenses	12	(2,587,285)	(508,192)
		<u>(2,587,285)</u>	<u>(508,192)</u>
Net assets		<u>111,990,739</u>	<u>176,191,414</u>
Equity			
Share capital	14	366,014,817	426,272,139
Retained deficit		(254,024,078)	(250,080,725)
		<u>111,990,739</u>	<u>176,191,414</u>
NAV per Share			
- Ordinary Shares	7	19.15p	26.19p
- 2016 C Shares	7	31.56p	59.71p

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2022, and signed on its behalf by:

Brendan Hawthorne
Chairman

David Copperwaite
Director

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2021

	Note	Share Capital (Unaudited) £	Retained Reserves (Unaudited) £	Total (Unaudited) £
As at 1 July 2021		426,272,139	(250,080,725)	176,191,414
Total comprehensive loss for the period		-	(3,943,353)	(3,943,353)
Transactions with shareholders				
Capital distributions	15	(60,257,322)	-	(60,257,322)
Total transactions with shareholders		(60,257,322)	-	(60,257,322)
As at 31 December 2021		366,014,817	(254,024,078)	111,990,739

For the six months ended 31 December 2020

		Share Capital (Unaudited) £	Retained Reserves (Unaudited) £	Total (Unaudited) £
As at 1 July 2020		488,655,945	(265,137,115)	223,518,830
Total comprehensive income for the period		-	15,103,672	15,103,672
As at 31 December 2020		488,655,945	(250,033,443)	238,622,502

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2021

	Notes	Six months ended 31 December 2021 (Unaudited) £	Six months ended 31 December 2020 (Unaudited) £
Cash flow from operating activities:			
Total comprehensive (loss)/income for the period		(3,943,353)	15,103,672
Adjustments for:			
Finance income		(4,029,119)	(10,069,721)
Net movement on investments ¹		5,423,687	10,802,747
Depreciation		-	52,774
Impairment (release)/charge	9	(102,996)	1,710
Foreign exchange loss on other monetary items		15,611	947,866
Increase in investment receivables		-	(14,162)
Decrease/(increase) in other receivables and prepayments		344,401	(576,714)
Increase in investment payables		-	16,029
Increase/(decrease) in other payables and accrued expenses		2,079,093	(17,711)
Acquisition of investments		-	(3,028,499)
Amortisation of investment principal		-	11,995,506
Disposal of PPE	9	1,320,696	-
Sale of investments designated at fair value through profit or loss	10	58,225,959	186,060
Expected credit loss provision		-	(18,987,050)
Collective interest income received		1,700,431	3,524,949
Net cash inflow from operating activities		61,034,410	9,937,456
Cash flow from financing activities			
Capital distributions	15	(60,257,322)	-
Net cash used in financing activities		(60,257,322)	-
Net increase in cash and cash equivalents		777,088	9,937,456
Cash and cash equivalents at start of the period		25,350,943	8,997,906
Effect of exchange rate changes on cash and cash equivalents		(15,611)	(947,866)
Cash and cash equivalents at end of the period		26,112,420	17,987,496

¹The total movement of “net unrealised (gain)/loss on revaluation of investments”, “net unrealised foreign exchange (gain)/loss”, “net realised foreign exchange loss on investments” and “net realised loss/(gain) on investments” has been presented as “Net movement on investments”.

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

SLF Realisation Fund Limited
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

The Company was incorporated on 28 May 2014 and registered in Guernsey as a Closed-ended Collective Investment Scheme. The Company's registered office is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA. The Company's Ordinary Shares were admitted to the FCA's Official List and to trading on the Main Market of the London Stock Exchange on 14 July 2014.

The 2016 C Shares are listed separately on the Main Market of the London Stock Exchange and were admitted on 12 December 2016. The investments held by the 2016 C Shares are accounted for and managed as a separate pool of assets in accordance with the Company's investment policy. Expenses are split between Ordinary Shares and 2016 C Shares in proportion to their respective NAV.

During the period ended 31 December 2021, as part of the managed wind down, the Company made a return of capital on two separate occasions, returning a total of £21,358,540 to Ordinary shareholders and £38,898,782 to 2016 C shareholders. Refer to note 15 for full details of the Company's return of capital.

During the period, nil Ordinary Shares and nil 2016 C Shares (30 June 2021: nil Ordinary Shares and nil 2016 C Shares) were repurchased. In total, nil (30 June 2021: 1,731,838) Ordinary Shares and nil (30 June 2021: nil) 2016 C Shares are held in treasury. On 1 September 2021, the 1,731,838 Ordinary Shares held in treasury were cancelled.

On 1 December 2021, the name of the Company was changed from KKV Secured Loan Fund Limited to SLF Realisation Fund Limited.

The Company's subsidiaries, SLF (Guernsey) Limited, SLF (Amber) Limited, SLF (Bronze) Limited, SLF (Cobalt) Limited and SLF (Diamond) Limited (the "Subsidiaries") are wholly owned subsidiaries incorporated in Guernsey and established for the primary purpose of acting as investment holding companies. The Subsidiaries' registered office is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA.

The names of the Subsidiaries were changed on 2 December 2021 and were previously called KKV (Guernsey) Limited, KKV (Amber) Limited, KKV (Bronze) Limited, KKV (Cobalt) Limited and KKV (Diamond) Limited.

2. Accounting Policies

The preparation of the unaudited condensed consolidated financial statements in accordance with IAS 34 requires the application of certain critical accounting estimates and also requires the Directors to exercise judgement in applying its accounting policies.

The Group has applied the same accounting policies as in its Annual Report and audited consolidated financial statements for the year ended 30 June 2021.

SLF Realisation Fund Limited
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.1 Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the EU. They do not include all the disclosures that would otherwise be required in a complete set of consolidated financial statements and should be read in conjunction with the Annual Report and audited consolidated financial statements for the year ended 30 June 2021, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU. These financial statements have been prepared using the same accounting policies applied for the year ended 30 June 2021 Annual Report, except for new amendments adopted by the Group as set out below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments to the above standards are effective for period beginning on or after 1 January 2021 and provide temporary reliefs, which address the financial reporting effects when an interbank offered rate is replaced with an alternative nearly risk-free interest rate. As the Company does not hold any instruments that reference interbank offered rates, these amendments had no impact on the Company’s condensed consolidated financial statements.

There are no other standards, amendments to standards and interpretations that are effective or early adopted, that will affect the condensed consolidated financial statements.

Going Concern

As the Company is in managed wind down, these condensed consolidated financial statements have therefore been prepared on a basis other than going concern.

The Board are not aware of any additional impact on the consolidated financial statements in regard to the Company being in managed wind down. These condensed consolidated financial statements do not include provisions for the wind down of the Company that have not been contractually committed. The Board expects the wind down of the Company to be over a two year period.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

There have been no material revisions to the estimates and judgements reported in the Annual Report and audited consolidated financial statements for the year ended 30 June 2021.

4. Changes to Material Agreements and Related Party Transactions

Detailed below are details of any changes to material agreements and significant updates to the related party disclosure in the Annual Report and audited consolidated financial statements for the year ended 30 June 2021.

Amendment and Termination of Investment Management Agreement

On 20 August 2021, the Board announced that it had reached an agreement with the Portfolio Manager to amend the Investment Management Agreement (the “IMA”) between the Company, the Portfolio Manager and the AIFM and for the IMA to terminate with effect from midnight on 31 December 2021.

SLF Realisation Fund Limited
Half-Yearly Report and Unaudited Condensed Consolidated Financial Statements
for the six months ended 31 December 2021

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Changes to Material Agreements and Related Party Transactions (Continued)

Amendment and Termination of Investment Management Agreement (Continued)

The key terms of the amended IMA are set out below:

- Management fees payable by the Company to the Portfolio Manager of: (i) £230,000 for the month of July 2021; and (ii) £218,500 per month from 1 August 2021 to 31 December 2021;
- A payment of £100,000 in total payable by the Company to the Portfolio Manager conditional on the publication of the Company's Annual Report and audited consolidated financial statements for the year ended 30 June 2021 and the continued provision of certain employees' services to the Company to 31 December 2021;
- The clawback arrangement being cancelled with effect from 1 July 2021. The amount outstanding of £313,733 was cancelled on 1 July 2021 (refer to note 11); and
- The IMA will terminate with effect from midnight on 31 December 2021. No party has the right to terminate the IMA prior to this date without cause. No fees shall be payable by either party on termination other than those referred to above. In particular, the Company will not be required to make any payment to the Portfolio Manager for the termination of the IMA within the first 36 months of the Portfolio Manager's appointment (where the IMA currently states that the Company would be required to reimburse KKV for certain costs that the Company would otherwise have incurred in connection with the transfer of the management contract to the Portfolio Manager in June 2020).

During the period ended 31 December 2021, a compensation payment of £100,000 was paid to the Portfolio Manager because the conditions detailed above were met.

The Portfolio Manager fee was payable monthly in arrears and allocated between the Ordinary and 2016 C share classes based on the previous quarters NAV.

During the six month period ended 31 December 2021, fees due to the Portfolio Manager amounted to £1,422,500, net of clawback of £313,733 which was cancelled during the period (six month period ended 31 December 2020: £989,693). At 31 December 2021, £318,500 of the management fees was payable to the Portfolio Manager (31 December 2020: £179,709).

The Portfolio Manager did not receive any other fees during the six month period ended 31 December 2021.

Incentive plan

Shareholders at the AGM held on 29 November 2021 approved an incentive plan (the "Incentive Plan").

The structure of the Incentive Plan is for a bonus pool to be created for the Board (excluding David Copperwaite as the Independent Director), employees and consultants of the Company (both present and future) comprising cash equivalent to 1.4% of the aggregate funds distributed to shareholders since 1 July 2021 for a period up to 31 December 2023, following which the amount shall fall to 1.0% of aggregate funds distributed to shareholders for the period from 1 January 2024 to 30 June 2024 and will thereafter reduce by a further 0.2% every 3 months (the "Bonus Pool"). The precise allocation of the Bonus Pool will be at the discretion of the Board, subject to the approval of the independent Director. The Board will not distribute more than 50% of the Bonus Pool until the net assets of the Company fall below £20 million and no part of the Bonus Pool will be paid out until a minimum of £80 million has been returned to shareholders cumulatively since 1 July 2021. The Bonus Pool has been capped at £2.3 million.

For the period ended 31 December 2021, an incentive fee accrual of £1,832,292 (30 June 2021: £nil) has been recognised.

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4. Changes to Material Agreements and Related Party Transactions (Continued)

Transactions with the Directors

Directors' remuneration

During the six month period ended 31 December 2021, total Directors' remuneration, including extra services was £562,500 and included consultancy fees of £150,000 paid to Brett Miller and a £280,000 bonus payment due to the Directors (see below) (31 December 2020: £195,092). Directors' fees accrued but unpaid as at 31 December 2021 were £140,000 (31 December 2020: £nil), which relates to the second half of the bonus payment.

Effective 1 December 2021, David Copperwaite's annual fee increased by £30,000 per annum, as he was appointed as the Independent Director and will not be eligible to benefit from the Incentive Plan.

Bonus payments

At the AGM held on 29 November 2021, shareholders approved a one-off cash bonus of £280,000 to the Directors, payable in such proportions as the Directors determine to recognise their achievements to 30 June 2021, in achieving the aims of the Company's investment objective of a managed wind down.

The Board voluntarily agreed to split the bonus into two parts, with the first half to be paid immediately and to defer the other half until the earlier of 1 January 2023 or the date at which a further £30 million has been returned to shareholders.

During the period, a £140,000 bonus was paid to the Directors, with an accrual payable of £140,000 as at 31 December 2021.

Share Interest

The table below details the Ordinary Shares and 2016 C Shares held by the Directors in the Company:

Director	31 December 2021		30 June 2021	
	Number of Ordinary Shares (Unaudited)	Number of 2016 C Shares (Unaudited)	Number of Ordinary Shares (Audited)	Number of 2016 C Shares (Audited)
Brett Miller	-	-	-	-
David Copperwaite	410,000	-	410,000	-
Brendan Hawthorne	-	-	-	-

The table below details the Ordinary Shares and 2016 C Shares held by a Director on the Board of the Portfolio Manager in the Company:

	31 December 2021		30 June 2021	
	Number of Ordinary Shares (Unaudited)	Number of 2016 C Shares (Unaudited)	Number of Ordinary Shares (Audited)	Number of 2016 C Shares (Audited)
Dawn Kendall	-	22,959	-	22,959

Entities related to the Portfolio Manager

SQN Asset Finance (Ireland) DAC ("SQN Ireland")

Certain investments in the loans category as disclosed in note 10.1 have been invested through SQN Ireland. SQN Ireland purchased investments by issuing bonds to the Group.

The Portfolio Manager acted as investment manager to SQN Ireland for the period, until the termination of the IMA on 31 December 2021.

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5. Other Operating Expenses

	Six months ended 31 December 2021 (Unaudited) £	Six months ended 31 December 2020 (Unaudited) £
Administration and secretarial fees	208,194	289,247
Audit fees	94,500	125,000
Non audit related services fee	-	18,000
Brokerage fees	84,203	24,417
Public relation fees	-	38,335
Registrar fees	36,725	24,336
Professional fees	84,920	105,915
Legal fees	267,967	295,999
Transaction fees	47,894	49,905
Other expenses	56,285	52,816
Investment valuation fees	50,000	350,589
Incentive plan (refer to note 4)	1,832,292	-
Total	2,762,980	1,374,559

Audit fees of £94,500, includes £47,000 of overrun fees on the audit of the Group's financial statements for the year ended 30 June 2021 (31 December 2020: audit fee of £125,000 included £95,000 of overrun fees for the year ended 30 June 2020). Non-audit related services for the six months ended 31 December 2020 related to the review of the Half-Yearly Report and unaudited condensed consolidated financial statements.

Legal fees include £140,042 (31 December 2020: £70,854) which relate to the Suniva investment.

Investment valuation fees relate to the expenses associated with the engagement of independent third parties to assist the Board with the review and/or security valuation of certain investments held by the Group.

6. Basic and Diluted (Loss)/Earnings per Share

31 December 2021 (Unaudited)	Ordinary Shares	2016 C Shares
Total comprehensive loss for the period	£(3,650,480)	£(292,873)
Weighted average number of shares in issue during the period	355,975,669	138,924,222
Basic and diluted loss per share	(1.03)p	(0.21)p
31 December 2020 (Unaudited)	Ordinary Shares	2016 C Share
Total comprehensive income for the period	£11,877,602	£3,226,070
Weighted average number of shares in issue during the period	355,975,669	138,924,222
Basic and diluted earnings per share	3.34p	2.32p

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7. NAV per Share

31 December 2021 (Unaudited)	Ordinary Shares	2016 C Shares
NAV	£68,151,726	£43,839,013
Number of shares in issue at period end	355,975,669	138,924,222
NAV per share	19.15p	31.56p
30 June 2021 (Audited)	Ordinary Shares	2016 C Shares
NAV	£93,238,382	£82,953,032
Number of shares in issue at year end	355,975,669	138,924,222
NAV per share	26.19p	59.71p

The number of Ordinary Shares in issue is presented after deducting nil (30 June 2021: 1,731,838) treasury shares. On 1 September 2021, the 1,731,838 Ordinary Shares held in treasury were cancelled.

8. Segmental Reporting

There are two reportable segments as at 31 December 2021: Ordinary Shares and 2016 C Shares. Each Share Class has its own portfolio, is listed separately on the Main Market of the London Stock Exchange and the Directors review internal management reports for each segment separately on a quarterly basis.

The Directors view the operations of the two reportable segments as one operating segment, being investment business and both segments have the same investment objectives. All significant operating decisions are based upon analysis of the Group's investments as one segment. The financial results from this segment are equivalent to the financial results of the Group as a whole.

The Directors do not view the classification of investments held in the Group's portfolio (as detailed on the consolidated statement of financial position) to be reportable segments. Additional information is included in notes 9 and 10, to assist users with their understanding of these consolidated financial statements.

The tables below provide a breakdown of the condensed Consolidated Statement of Comprehensive Income between the reportable segments:

31 December 2021 (Unaudited)	Ordinary Shares	2016 C Shares	Total
	£	£	£
Total income	2,644,606	1,481,368	4,125,974
Net realised and unrealised (loss)/gain	(3,391,158)	280,548	(3,110,610)
Total operating expenses	(2,903,928)	(2,054,789)	(4,958,717)
Total comprehensive loss for the period	(3,650,480)	(292,873)	(3,943,353)

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8. Segmental Reporting (Continued)

31 December 2020 (Unaudited)	Ordinary Shares	2016 C Shares	Total
	£	£	£
Total income	6,594,532	3,886,531	10,481,063
Net realised and unrealised loss	(8,435,501)	(3,315,112)	(11,750,613)
Total operating expenses (excluding ECL)	(1,684,570)	(929,258)	(2,613,828)
ECL	15,403,141	3,583,909	18,987,050
Total comprehensive income for the period	11,877,602	3,226,070	15,103,672

The tables below provide a breakdown of the condensed Consolidated Statement of Financial Position between the reportable segments:

31 December 2021 (Unaudited)	Ordinary Share	2016 C Share	Total
	£	£	£
Current assets	69,660,528	44,917,496	114,578,024
Total assets	69,660,528	44,917,496	114,578,024
Current liabilities	(1,508,802)	(1,078,483)	(2,587,285)
Net assets	68,151,726	43,839,013	111,990,739
Equity	68,151,726	43,839,013	111,990,739
30 June 2021 (Audited)	Ordinary Share	2016 C Share	Total
	£	£	£
Current assets	93,593,249	83,106,357	176,699,606
Total assets	93,593,249	83,106,357	176,699,606
Current liabilities	(354,867)	(153,325)	(508,192)
Net assets	93,238,382	82,953,032	176,191,414
Equity	93,238,382	82,953,032	176,191,414

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9. Property, Plant and Equipment

Property, Plant and Equipment comprises plant and machinery originally subject to a hire purchase investment, which was re-leased to an alternative third party under an operating lease. The asset has a remaining useful life of 1.5 years (30 June 2021: 2 years).

The carrying amount is detailed in the table below:

	31 December 2021	30 June 2021
	(Unaudited)	(Audited)
	£	£
Cost		
Opening balance	15,775,272	15,775,272
Disposals during the period/year	(12,006,445)	-
Closing balance	3,768,827	15,775,272
Accumulated depreciation and impairment		
Opening balance	(13,706,663)	(14,807,763)
Disposals during the period/year	10,790,682	-
Impairment reversal during the period/year	102,996	1,101,100
Closing balance	(2,812,985)	(13,706,663)
Net realisable value	955,842	2,068,609

Two investments were sold during the period, £1,320,696 was received in cash, which resulted in a realised gain on disposal of £104,933.

10. Financial Instruments

10.1 Fair Value Investments

The Company is in managed wind down and its business model is realising assets, in a manner consistent with the principles of good investment management with a view to returning cash to its shareholders in an orderly manner.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that reflect unadjusted price quotes in active markets for identical assets or liabilities that the Group has the ability to access at the measurement date;

Level 2: Inputs that reflect price quotes of similar assets and liabilities in active markets, and price quotes of identical assets and liabilities in markets that are considered to be less than active as well as inputs other than price quotes that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable for the asset or liability and reflect the Portfolio Manager's own assumptions based upon experience of similar assets and/or on third party appraised values. This category includes instruments that are valued based on price quotes for which the inputs are unobservable or price quotes for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Financial Instruments (Continued)

10.1 Fair Value Investments (Continued)

For financial assets not carried at amortised cost, the Portfolio Manager determines fair value using valuation techniques approved by the Directors.

An assessment is made at each reporting date for any events or changes in circumstances that caused a transfer. Transfers between levels are deemed to have occurred at the end of the reporting date. There were no transfers of investments between the Levels during the period.

The following table details the Group's fair value hierarchy.

31 December 2021 (Unaudited)	Level 1	Level 2	Level 3	Total
	£	£	£	£
Financial assets				
Investments designated at FVTPL				
- Lease participation	-	-	689,192	689,192
- Loans and other investments	-	-	59,086,166	59,086,166
- Finance lease and hire-purchase investments	-	-	27,557,523	27,557,523
Finance lease residual value	-	-	106,834	106,834
Total financial assets	-	-	87,439,715	87,439,715

30 June 2021 (Audited)	Level 1	Level 2	Level 3	Total
	£	£	£	£
Financial assets				
Investments designated at FVTPL				
- Lease participation	-	-	860,833	860,833
- Loans and other investments	-	-	111,759,233	111,759,233
- Finance lease and hire-purchase investments	-	-	36,143,681	36,143,681
Finance lease residual value	-	-	101,859	101,859
Total financial assets	-	-	148,865,606	148,865,606

Level 3 reconciliation

The following table summarises the changes in the fair value of the Group's Level 3 investments designated at fair value through profit or loss:

	31 December 2021	30 June 2021
	(Unaudited)	(Audited)
	£	£
Opening balance	148,865,606	127,557
Transfer in arising from reclassification on 1 January 2021	-	217,727,709
Fair value adjustment as at 1 January 2021 due to reclassification	-	2,987,406
Purchases during the period/year	-	6,468,934
Sales during the period/year	(58,225,959)	(65,266,348)
Unrealised gain on revaluation	23,987,445	42,546,361
Unrealised foreign exchange gain/(loss) on revaluation	1,520,312	(597,325)
Realised loss on investments	(26,785,520)	(52,916,609)
Realised foreign exchange loss on investments	(1,922,169)	(2,212,079)
Closing balance	87,439,715	148,865,606

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Financial Instruments (Continued)

10.1 Fair Value Investments (Continued)

Investments designated at FVTPL

Loans and Other Investments

The Group holds construction finance investments, which comprise initial drawings or advances made under loan agreements, finance leases or hire-purchase agreements during a period of procurement or construction of underlying assets (the "Construction Period"). During the Construction Period, interest or similar service payments on the advances may be paid or (more usually) rolled-up and capitalised on expiry of the Construction Period, typically when the assets have been commissioned and (if applicable) commercial operations have commenced. Following the expiry of the Construction Period, construction finance investments are converted into either loans, finance leases or hire purchase and reclassified in the consolidated financial statements to the loans, finance lease and hire purchase investment categories.

The amortisation period (in the case of a loan) or lease/hire term (in the case of a finance lease or hire-purchase) commences at the end of the Construction Period and the service payments or lease/hire payments rentals are calculated by reference to the total advances during the Construction Period plus interest accrued (if not paid). In the case of a finance lease, the advances (and accrued interest) are repayable in full if a default or insolvency event occurs or if the Construction Period has not ended by a specified longstop date.

The Group has provided debtor-in-possession financing for a US solar manufacturing company, in order to protect the Group's interest in the equipment that secures its loan. US\$2.18 million remained outstanding as at 31 December 2021 (equivalent to £1.61 million). This amount has been reclassified in these consolidated financial statements to the loan investment category from other receivables and a fair value of £nil has been applied given the material uncertain timing and quantum of outcomes possible.

Loan investments with a fair value of £35,450,272 (30 June 2021: £81,962,656) have been invested through SQN Ireland.

Finance lease and hire purchase investments

The Group's investments include a portfolio of leases of plant and machinery leased under finance lease agreements that transfer substantially all the risks and rewards incidental to ownership to the lessee and in hire-purchase agreements that include a purchase option exercisable by the lessee upon fulfilment of specified conditions. Under these agreements, the lessee pays periodic rent for the use of the assets for a fixed or minimum initial term of typically 3 to 10 years. At the end of the fixed or minimum term, the lessee can typically elect to:

- return the asset to the Group;
- in the case of hire-purchase, exercise an option to purchase the assets, typically at a 'bargain' price;
- extend the lease for a further minimum term or from year to year on payment of a pre-agreed rent (which is typically substantially lower than the rent paid during the initial term); or
- arrange a sale of the asset to a third party and (typically) receive all or the majority of the proceeds of sale. Legal title to the leased assets remains with the Group at all times prior to such sale.

Finance lease Residual Value

Assets leased to third parties under finance leases had an unguaranteed residual value at the end of the period of £106,834 (30 June 2021: £101,859).

During the period, no residual investment were sold (30 June 2021: two residual investments were sold for £36,610).

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Financial Instruments (Continued)

10.2 Valuation Process

The following table provides information about fair value measurements and key unobservable inputs with respect to each category of financial assets designated at fair value through profit or loss:

31 December 2021 (Unaudited)

Description	Fair Value £	Valuation Techniques	Key Unobservable Inputs
Lease participation	689,192	Discounted cash flow	Expected cash flows and discount rate
Loans	47,943,783	Discounted cash flow	Expected cash flows, time to sale and discount rate
Construction finance	11,142,383	Discounted cash flow	Expected cash flows, time to sale and discount rate
Finance lease	24,109,025	Discounted cash flow	Expected cash flows, time to sale and discount rate
Hire purchase	3,448,498	Discounted cash flow	Expected cash flows, time to sale and discount rate
Finance lease residual value	106,834	Discounted cash flow	Future cash flows resulted from leases modifications and discount rate
Equity holdings	-	Discounted cash flow	Discount rate and EBITDA growth rate

30 June 2021 (Audited)

Description	Fair Value £	Valuation Techniques	Unobservable Inputs
Lease participation	860,833	Discounted cash flow	Expected cash flows and discount rate
Loans	97,379,790	Discounted cash flow	Expected cash flows and discount rate
Construction finance	14,379,443	Discounted cash flow	Expected cash flows and discount rate
Finance lease	28,369,614	Discounted cash flow	Expected cash flows and discount rate
Hire purchase	7,774,067	Discounted cash flow	Expected cash flows and discount rate
Finance lease residual value	101,859	Discounted cash flow	Future cash flows resulted from leases modifications and discount rate
Equity holdings	-	Discounted cash flow	Discount rate and EBITDA growth rate

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Financial Instruments (Continued)

10.2 Valuation Process (Continued)

Sensitivity Analysis

The table below provides the valuation basis of financial assets designated at fair value through profit or loss, being the summation of contractual future cash flows, offer/settlement agreement and expert valuations:

	31 December 2021 (Unaudited) £	30 June 2021 (Audited) £
Contractual future cash flows	51,268,137	78,231,803
Offer/settlement agreement	751,491	32,137,002
Expert valuations	35,420,087	38,394,942
Total	87,439,715	148,763,747

The tables below detail sensitivity analysis on the key unobservable inputs considering the discount rate and the expected cash flows from the facility including any appropriate adjustment in timing to realise these cash flows with respect to the fair value measurement of financial assets designated at fair value through profit or loss.

Discount rate

Current discount rates have been reviewed and compared with the rates charged at issue on the transactions. After removing non-standard positions from the analysis, it was ascertained that +0.5%/- 0.5% is a suitable sensitivity range for the discount rates. Refer below for discount rate sensitivity analysis:

	31 December 2021		30 June 2021	
	(Unaudited) £	(Unaudited) £	(Audited) £	(Audited) £
	Increase of 0.5%	Decrease of 0.5%	Increase of 0.5%	Decrease of 0.5%
Contractual future cash flows	(256,993)	346,593	(253,034)	332,084
Offer/settlement agreement	-	9,841	(13,689)	22,938
Expert valuations	(119,053)	156,343	(140,408)	189,182
Total	(376,046)	512,777	(407,131)	544,204

Expected cash flow adjustment

For the purposes of determining the sensitivity, expected cash flow transactions have been reviewed over the prior 12 months, against actual cash flow transactions and it has been identified that cash flows achieved were in line with cash flows expected within an approximate 10% threshold. From this analysis the Board believes that a +10%/-10% represents the majority of changes in cash flows experienced. Refer below for discount rate sensitivity analysis:

	31 December 2021		30 June 2021	
	(Unaudited) £	(Unaudited) £	(Audited) £	(Audited) £
	Increase of 10%	Decrease of 10%	Increase of 10%	Decrease of 10%
Contractual future cash flows	662,978	(5,126,814)	698,122	(6,127,567)
Offer/settlement agreement	n/a	n/a	n/a	n/a
Expert valuations	3,141,735	(3,542,009)	3,474,370	(3,839,494)
Total	3,804,713	(8,668,823)	4,172,492	(9,967,061)

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10. Financial Instruments (Continued)

10.2 Valuation Process (Continued)

Sensitivity Analysis (Continued)

Timings to realise expected cash flows

Historic transactions have been analysed and it has been identified that settlements are often delayed by 3-9 months. On this basis, the below sensitivity details the impact on bringing forward settlements by 6 months and extending by 6 months.

	31 December 2021		30 June 2021	
	(Unaudited) £	(Unaudited) £	(Audited) £	(Audited) £
	Increase of 182 days	Decrease of 182 days	Increase of 182 days	Decrease of 182 days
Contractual future cash flows	(280,507)	277,816	(314,036)	313,938
Offer/settlement agreement	n/a	n/a	n/a	n/a
Expert valuations	(1,403,212)	1,482,063	(1,552,835)	1,643,579
Total	(1,683,719)	1,759,879	(1,866,871)	1,957,517

No sensitivity analysis is provided on the finance lease residual value and equity holdings as these amounts are not material.

11. Receivables

Interest Receivables

As at 31 December 2021 and 30 June 2021, interest receivables have been accounted for in the fair value of investments designated at fair value through profit or loss.

The Group has financial risk management policies in place to monitor that all receivables are received within the credit time frame. The Directors considers that the carrying amount of all receivables approximates to their fair value.

Other Receivables and Prepayments

	31 December 2021 (Unaudited) £	30 June 2021 (Audited) £
Prepaid transaction fees	70,047	100,715
Portfolio Manager fees claw back	-	313,733
	70,047	414,448

During the period, the Portfolio Manager fee clawback in the sum of £313,733 was cancelled. Refer to note 4 for further information.

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12. Other Payables and Accrued Expenses

	31 December 2021	30 June 2021
	(Unaudited)	(Audited)
	£	£
Investment management fees	318,500	198,494
Administration and secretarial fees	30,085	30,085
Audit fees	47,500	47,500
Brokerage fees	8,068	8,068
Other payables	210,840	224,045
Director fees (bonus accrual, refer to note 4)	140,000	-
Incentive plan (refer to note 4)	1,832,292	-
	2,587,285	508,192

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of all payables approximates to their fair value.

13. Commitments and Contingent Liabilities

The Group had not committed to invest any further amounts as at 31 December 2021 and 30 June 2021.

As at 31 December 2021, the Group had a contingent liability in regard to the incentive plan in the sum of £1,832,292 (30 June 2021: £nil). Refer to note 4 for further details.

14. Share Capital

The authorised share capital of the Company is represented by an unlimited number of shares of no par value which may be designated as Ordinary Shares, C Shares or otherwise as the Directors may from time to time determine. All shares hold equal rights with no restrictions and no shares carry special rights with regard to the control of the Company. There are no special rights attached to the shares in the event that the Company is wound up. In accordance with the Company's articles, the Company holds separate share class meetings, for both the Ordinary Shares and the 2016 C Shares, at which shareholders vote on resolutions specific to each share class.

The 2016 C Share investments are accounted for and managed as a separate pool of assets in accordance with the Company's investment policy. Shared expenses, which relate to both classes, are split between Ordinary Shares and 2016 C Shares based on their respective NAV.

The Company's share capital is denominated in Sterling.

	Number of Shares	Stated Capital	Number of Shares	Stated Capital
	31 December 2021	31 December 2021	30 June 2021	30 June 2021
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		£		£
Ordinary Shares	355,975,669	293,415,887	355,975,669	314,774,427
2016 C Shares	138,924,222	72,598,930	138,924,222	111,497,712
Total	494,899,891	366,014,817	494,899,891	426,272,139

On 1 September 2021, the 1,731,838 Ordinary Shares held in treasury were cancelled. As at 31 December 2021, there were no Ordinary Shares or 2016 C Shares held in treasury. The number of shares in issue for the year ended 30 June 2021 did not include the 1,731,838 Ordinary Shares held in treasury.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Share Capital (Continued)

Share Buybacks

On 29 November 2021 the Directors were granted authority to repurchase 53,360,753 Ordinary Shares and 20,824,741 2016 C Shares (being equal to 14.99% of the number of Ordinary Shares and 2016 C Shares in issue) for cancellation. This authority will expire at the next AGM. The Directors intend to seek annual renewal of this authority from shareholders. Pursuant to this authority, and subject to Companies Law and the discretion of the Directors, the Company may purchase Ordinary Shares and 2016 C Shares in the market if they believe it to be in shareholders' interests.

The Group did not repurchase any Ordinary Shares or 2016 C Shares during the period ended 31 December 2021 or the year ended 30 June 2021.

Issued Share Movements

	31 December 2021		30 June 2021	
	Number (Unaudited)	Stated Capital (Unaudited) £	Number (Audited)	Stated Capital (Audited) £
Balance at the start of the period	494,899,891	426,272,139	494,899,891	488,655,945
Redemption of B and D shares – capital return (refer to note 15)	-	(60,257,322)	-	(62,383,806)
Balance at the end of the period	494,899,891	366,014,817	494,899,891	426,272,139

15. Return of Capital

As part of the managed wind down of the Company, during the period the Board returned cash to shareholders using a B Share Mechanism and a D Share Mechanism.

The B Share Mechanism involves the issue of new redeemable shares of no par value ("B Shares"), paid up out of the Company's assets, to existing Ordinary Shareholders pro rata to their holdings of Ordinary Shares at the time of such issue. The D Share Mechanism involves the issue of new redeemable shares of no par value ("D Shares"), paid up out of the Company's assets, to existing 2016 C Shareholders pro rata to their holdings of 2016 C Shares at the time of such issue. The B Shares and D Shares shall be non-transferable and shall be redeemable for cash subsequent to issue at the option of the Board on such terms, as the Board shall determine.

During the period ended 31 December 2021, the Company made a return of capital on two separate occasions, as detailed below, returning a total of £21,358,540 to Ordinary shareholders and £38,898,782 to 2016 C shareholders).

Record date	Number of B Shares issued and cancelled (Unaudited)	Amount per Share (Unaudited)	Amount returned to Ordinary shareholders (Unaudited)	Number of D Shares issued and cancelled (Unaudited)	Amount per Share (Unaudited)	Amount returned to 2016 C shareholders (Unaudited)
20 July 2021	355,975,669	3p	£10,679,270	138,924,222	7p	£9,724,695
2 September 2021	355,975,669	3p	£10,679,270	138,924,222	21p	£29,174,087
			<u>£21,358,540</u>			<u>£38,898,782</u>

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Return of Capital (Continued)

During the year ended 30 June 2021, the Company made a return of capital on two separate occasions, as detailed below, returning a total of £37,377,446 to Ordinary shareholders and £25,006,360 to 2016 C shareholders).

Record date	Number of B Shares issued and cancelled (Audited)	Amount per Share (Audited)	Amount returned to Ordinary shareholders (Audited)	Number of D Shares issued and cancelled (Audited)	Amount per Share (Audited)	Amount returned to 2016 C shareholders (Audited)
8 March 2021	355,975,669	5p	£17,798,784	138,924,222	12p	£16,670,907
22 April 2021	355,975,669	5.5p	£19,578,662	138,924,222	6p	£8,335,453
			<u>£37,377,446</u>			<u>£25,006,360</u>

16. Dividends

No dividends were declared by the Company to its shareholders during the periods ended 31 December 2021 or 31 December 2020. With the Company in managed wind down, the Board does not intend to declare any further dividends.

17. Derivative Financial Assets / (Liabilities)

As at 31 December 2021 and 30 June 2021, the Group did not have any open forward foreign exchange contracts.

18. Events after the Reporting Period

Management Arrangements

The IMA between the Company, the Portfolio Manager and the IFM was terminated with effect from midnight on 31 December 2021. Sanne Fund Management (Guernsey) Limited continues to act as the Company's AIFM and has, with effect from 1 January 2022, delegated responsibility for the management of the portfolio to the Company.

In order to assist the Board with the management of the portfolio, the Company has, with effect from 1 January 2022, entered into consultancy agreements to secure the services of the Consultants. In addition, an employee providing operational support and Dawn Kendall transferred from the Portfolio Manager to the Company by virtue of the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"). Brett Miller continues to oversee the Company's realisation program and will continue to be directly involved in the managed wind down of the Company's portfolio.

The appointment of the Consultants and the transfer of the operational employee will provide continuity and ensures the Company has the necessary resource and expertise for the realisation of the balance of the portfolio. The Board may engage specialist consultants where it is considers that such appointments will assist in maximising returns for, and/or expediting capital returns to, shareholders.

It was announced on 24 January 2022, that Dawn Kendall will end her employment on 21 April 2022, until which time she will remain on garden leave.

Return of Capital

On 24 February 2022, the Company announced the fifth return of capital which was paid to shareholders on 18 March 2022. This return of capital was effected by way of an issue and immediate redemption and cancellation of 355,975,669 B Shares and 138,924,222 D Shares on 10 March 2022.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Events after the Reporting Period (Continued)

Return of Capital (Continued)

The table below summaries the amounts returned to shareholders:

Record date	Ordinary Shares		2016 C Shares	
	Amount per Share	Amount returned to shareholders	Amount per Share	Amount returned to shareholders
9 March 2022	1p	£3,559,757	10p	£13,892,422

19. Ultimate Controlling Party

In the opinion of the Directors, there is no single ultimate controlling party.

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Alternative Performance Measures

1. Share Price Discount

The share price discount to NAV has been calculated as the percentage difference between the NAV per share and the closing share price of the Ordinary Shares and 2016 C Shares on the same date (source: Bloomberg).

Reason for use

To provide transparency in the difference between the NAV and the Ordinary Share and 2016 C Share price and to help investors identify and monitor the performance of the Group.

	Ordinary Shares		2016 C Shares	
	31 December 2021	30 June 2021	31 December 2021	30 June 2021
NAV per share (A)	£0.1915	£0.2619	£0.3156	£0.5971
Closing share price per Bloomberg (B)	£0.1197	£0.1750	£0.2095	£0.3500
Discount to NAV per share ((B-A)/A)	(37.49)%	(33.18)%	(33.62)%	(41.38)%

2. NAV Total Return

The NAV total return measures how the NAV per Ordinary Share and 2016 C Share has performed over a period of time, taking into account both capital distributions and dividends paid to shareholders. The Company quotes NAV total return as a percentage change from a certain point in time, such as the initial issuance of Ordinary Shares and 2016 C Shares or the beginning of the period, to the latest reporting date, being 31 December 2021 in this instance. It assumes that capital and dividends paid to shareholders are reinvested back into the Company.

Total return since inception is for the period 31 July 2014 to 31 December 2021 for Ordinary Shares and 31 December 2016 to 31 December 2021 for 2016 C Shares.

Reason for use

To provide transparency in the Company's performance and to help investors identify and monitor the compounded total returns of the Company.

Annualised return

The 3 year annualised return is calculated as the geometric average amount of monthly total returns over the past 3 years.

Reason for use

To provide transparency of the Company's performance and to help investors identify and monitor their total return over a 3 year period if the annual return was compounded.

Ordinary Shares	Period to 31 December 2021	Year to 31 December 2021	3 year	Since Inception
Opening NAV per share (A)	£0.2619	£0.3952	£0.9731	£1.0000
Closing NAV per share (B)	£0.1915	£0.1915	£0.1915	£0.1915
Dividends paid (C)	£0.0000	£0.0000	£0.0906	£0.3716
Capital distributions (D)	£0.0600	£0.1650	£0.1650	£0.1650
NAV total return per share (E=(B-A+C+D)/A)	(3.97)%	(9.79)%	(54.05)%	(27.19)%

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Alternative Performance Measures (Continued)

2. NAV Total Return (Continued)

2016 C Shares	Period to 31 December 2021	Year to 31 December 2021	3 year	Since Inception
Opening NAV per share (A)	£0.5971	£0.7049	£0.9814	£1.0000
Closing NAV per share (B)	£0.3156	£0.3156	£0.3156	£0.3156
Dividends paid (C)	£0.0000	£0.0000	£0.0906	£0.1413
Capital distributions (D)	£0.2800	£0.4600	£0.4600	£0.4600
NAV total return per share (E=(B-A+C+D)/A)	<u>(0.25)%</u>	<u>10.03%</u>	<u>(11.74)%</u>	<u>(8.31)%</u>

3. Weighted Average Remaining Term

The weighted average remaining term (“WART”) is the money weighted average amount of time until the maturity of the Group’s investments. The higher the WART, the longer it takes for all of the investments in a portfolio to be realised.

WART has been calculated using performing assets only.

Reason for use

To provide transparency of the Group’s performance and to help investors identify whether the WART matches their investing time frame.

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COMPANY INFORMATION

Non-Executive, Independent Directors

David Copperwaite (Chairman of the Remuneration and Nomination Committee and Independent Director)	Brendan Hawthorne (Chairman of the Board and Chairman of the Audit and Risk Committee)
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Non-Independent Director

Brett Miller
(Chairman of the Management Engagement Committee)

Registered Office

BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA

Portfolio Manager to 31 December 2021

KKV Investment Management Limited, 25 Upper Brook Street, Mayfair, London, W1K 7QD

Alternative Fund Investment Manager (AIFM)

Sanne Fund Management (Guernsey) Limited (formerly International Fund Management Limited), Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA

Financial Adviser and Broker

Winterflood Securities Limited, The Atrium Building, Cannon Bridge House, 25 Dowgate, Hill, London, EC4R 2GA

Auditor

Deloitte LLP, Regency Court, Glatigny Esplanade, St Peter Port, Guernsey, GY1 3HW

Registrar

Link Market Services (Guernsey) Limited, Mont Crevelt House, Bulwer Avenue, St Sampsons, Guernsey, GY2 4LH

Principal Bankers

BNP Paribas Securities Services S.C.A., BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA

Designated Administrator, Custodian and Secretary

BNP Paribas Securities Services S.C.A., Guernsey Branch, BNP Paribas House, St Julian's Avenue, St. Peter Port, Guernsey, GY1 1WA

Receiving Agent

Link Asset Services Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Legal Advisers to the Group (English Law)

CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF

Legal Advisers to the Group (Guernsey Law)

Mourant, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey, GY1 4HP

Website www.slfrealisationfund.co.uk

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LIST OF ACRONYMS

Terms	Definition
AD	Anaerobic Digestion
AGM	Annual General Meeting
AIFM	Alternative Fund Investment Manager
CLO	Collateralised Loan Obligation
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortisation
EGM	Extraordinary General Meeting
ECL	Expected Credit Loss
FCA	Financial Conduct Authority
FVTPL	Fair value through profit or loss
FX	Foreign Exchange
IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
KKVIM	KKV Investment Management Limited
NAV	Net Asset Value
NCV	Net Carrying Value
RNS	Regulatory News Service
SME	Small & Medium Enterprise
SPV	Special Purpose Vehicle