HADRIAN'S WALL SECURED INVESTMENTS LIMITED

INTERIM REPORT AND CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

HADRIAN'S WALL SECURED INVESTMENTS LIMITED

CONTENTS

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
HIGHLIGHTS
For the six month period ended 31 December 2018

- At 31 December 2018, the Company had closed transactions with an aggregate value of £132.5 million, of which £126.4 million had been drawn, net of principal repayments.

- Annualised portfolio gross yield including upfront fees, before expenses and exclusive of commitment fees, on invested assets of 9.4% for the six month period ended 31 December 2018 (31 December 2017: 9.4%).

- On 21 December 2018, 20,142,510 new Ordinary Shares were allotted pursuant to the C Share conversion, which were admitted to the premium listing segment of the Official List of the UK Listing Authority and commenced to trading on the London Stock Exchange's main market for listed securities.

- Total dividends of 3.0 pence per Ordinary Share were declared and paid to Shareholders in the six month period ended 31 December 2018 (31 December 2017: 3.0 pence per Ordinary Share), and a further 1.5 pence per Ordinary Share was declared in February 2019.

Financial Highlights	**31 December 2018**	**30 June 2018**
Total consolidated net asset value ("NAV")	£141,356,217	£142,354,375
Consolidated NAV per Ordinary Share	97.4p	98.2p
Consolidated NAV per 2018 C Share*	-	97.7p
Ordinary Share price at period/year end	95.8p	102.0p
2018 C Share price at year end*	-	102.0p
Share price (discount)/premium to NAV per Ordinary Share	(1.7)%	3.9%
Share price premium to NAV per 2018 C Share*	-	4.4%

	1 July 2018 to 31 December 2018	**1 July 2017 to 31 December 2017**
Dividend paid per Ordinary Share during the period	3.0p	3.0p
Total shareholder deficit** per Ordinary Share for the period	(3.2)%	(1.9)%
Total shareholder deficit** per 2017 C Share for the period	-	(4.9)%
Total NAV return*** per Ordinary Share for the period	2.2%	4.1%
Total NAV deficit*** per 2017 C Share for the period	-	(0.6)%

*The 2018 C Shares were converted into 20,142,510 new Ordinary Shares and admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities on 21 December 2018.
**Calculated based on the Ordinary Share price (31 December 2017: 2017 C Share also) movement for the period, including dividends.
***Calculated based on the NAV per Ordinary Share (31 December 2017: 2017 C Share also) movement for the period, including dividends.

Principal Activity
Hadrian's Wall Secured Investments Limited ("the Company") was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 on 27 April 2016. The Company's registration number is 61955 and it is regulated by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme under The Registered Collective Investment Scheme Rules 2015. The Company is listed and traded on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List of the UK Listing Authority on 20 June 2016.

The Company provides loans to under-served segments of the UK Small and Medium sized Enterprises ("SME") market. In line with the expansion of the Company, typical individual loan size has increased up to £11 million. The Company invests in these loans through its UK incorporated Subsidiaries, HWSIL Note Co Limited, HWSIL Finance Co Limited and HWSIL Asset Co Limited (the "Subsidiaries", together the "Group" or the "Fund"). On 2 October 2018, a new wholly owned UK subsidiary of the Company called HWSIL W1 Limited ("W1") was established. W1 was established as the workout vehicle for borrowers of the Company's other subsidiaries. For the period from 2 October 2018 to 31 December 2018, no operational activity went through W1 and at 31 December 2018, W1 remained a dormant entity.

Investment Objective and Policy
The Company's investment objective is to provide Shareholders with regular, sustainable dividends and to generate capital appreciation through exposure, directly or indirectly, to primarily secured loans originated across a variety of channels, assets and industry segments.

The Company's investment policy is to invest in Loans, which are predominantly secured upon a variety of asset types. The types of Loans that the Company targets include the following:

- *Equipment finance:* The Company may finance equipment, including vehicles, aircraft, marine vessels, agricultural equipment and industrial and manufacturing machinery. Such Loans may be structured as equipment leases, as hire purchase contracts or as other types of Loans and will typically be secured against the equipment. Borrowers may be businesses, governmental or local governmental institutions, non-profit bodies or other entities (e.g., an equipment lessor) established for the purpose of the transaction in question.
- *Property development:* Such Loans will typically be for small scale residential and commercial property development and secured against the development property.
- *General commercial Loans to businesses:* This type of lending may be secured against a range of business assets, including, but not limited to, real estate, plant and machinery, inventory, trade receivables and intellectual property rights.

In addition, any Loans made by the Company may also be secured by personal, group company or other third party guarantees. The Company treats Loans where there is both recourse to unencumbered assets and a negative pledge in relation to those assets as being secured. The Company may make Loans which are secured on other assets that the Investment Adviser considers appropriate.

The Company may, from time to time, make unsecured Loans, subject to the limits set out on page 49 of the Company's Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2018 ("Annual Financial Statements").

While the Company's investments will generally be direct Loans, where it is appropriate to do so, investments may also be documented in other forms (for example, bonds, participation agreements, Loan participations, syndicated Loans and hybrid instruments) which provide investment characteristics that are comparable to the types of Loans described above. Such alternatively documented investments will be subject to the same criteria and limits as are applicable to direct Loans. In addition, the Company may make other types of investment (for example, in equity or profit-linked instruments) subject to the limits set out on page 49 of the Annual Financial Statements.

Loans in which the Company invests may pay cash interest or may be structured so that interest payments accrue until the final payment date, which is typical for property development Loans.

The Company will typically source Loans through Originators and does not intend to originate Loans itself. However, the Company reserves the right to invest in Loans that are not sourced through Originators, for example in the event that it is approached by a potential borrower or other party in relation to a transaction.

Investment Objective and Policy, continued
The Company currently anticipates that all Originators will be based in the UK. Where the Company is party to equipment lease transactions, the equipment lessor may not be in the UK and the leased assets (for example, aircraft or marine vessels) may be used outside of the UK. Other assets against which the Company makes Loans are anticipated to be in the UK (but without imposing any restriction on the Company). Loans will generally be denominated in Sterling, although the Company reserves the right to make Loans denominated in other currencies, subject to the limits set out on page 49 of the Annual Financial Statements.

Dividend Policy
The Company intends to distribute at least 85% of its distributable income earned in each financial year by way of dividends.

Following the investment of the Initial Placing and Offer for Subscription, the Company now targets an annualised dividend yield for Ordinary Shares of at least 6% of the Issue Price. Dividends are declared at each quarterly board meeting during the year in respect of the preceding quarter.

During the six month period ended 31 December 2018, the Company declared and paid dividends of 3 pence per Ordinary Share totalling £3,750,839 (31 December 2017: £2,400,741). For further information refer to note 4 in this Interim Report and Condensed Unaudited Consolidated Financial Statements (the "Interim Financial Statements").

Introduction
On behalf of the Board, it is my pleasure to present to you the Interim Report and Condensed Unaudited Consolidated Financial Statements of the Company for the period from 1 July 2018 to 31 December 2018.

Portfolio
The Board of Directors is pleased with the progress made by the Investment Adviser and, as of 31 December 2018, the Company had closed transactions with an aggregate value of £132.5 million. Loans may either be fully drawn at closing, when the legal agreements are signed, or partially drawn with a fixed or variable drawdown schedule. As of 31 December 2018, the drawn amount on the closed transactions was an aggregate value of £126.4 million.

The loan portfolio has a remaining average life of 3.1 years and an average gross yield, calculated on an effective interest rate basis including upfront fees, to the Company of 9.4% (30 June 2018: 9.2%) before expenses. The gross yields on loans range from 7.5% to 11% per annum, reflecting the Company's desire to make loans with a consistent risk profile.

The current loan portfolio is diversified across industries, collateral type and region within the UK. During the period, one investment of the Company entered administration, as described further in the Investment Adviser's report. The Investment Adviser has worked closely with the administrator and the Company's legal advisers to restructure the investment in the best interests of shareholders. The Company has allocated general loss reserves according to IFRS 9, however, a case specific loss reserve has not been established as the Investment Adviser considered that a case specific reserve is not required at this time. The Board and the Investment Adviser continue to closely monitor the investment.

The investment opportunities available to the Company continue to remain strong and it remains the Company's objective to continue to grow its investment portfolio and broaden its shareholder base.

Net Asset Value ("NAV") and Share Price Performance
At 31 December 2018, the NAV of the Company's Ordinary Shares was 97.4 pence per Ordinary Share. The NAV reflects the initial net proceeds of the relevant fund offering plus interest earned on loans and cash investments, plus fees received and earned less expenses and dividends. During the six month period ended 31 December 2018, the NAV total return, including dividends, on the Ordinary Shares was 2.2% (31 December 2017: 4.1%).

The Company adopted IFRS 9, Financial Instruments, with effect from 1 July 2018. IFRS 9 requires, among other things, the establishment of general loss reserves based on modelling of the expected credit loss of the portfolio. As of 31 December 2018, the Company had £1.1 million of IFRS 9 expected credit loss reserves.

During the period from 1 July 2018 to 31 December 2018, the price of the Company's Ordinary Shares decreased by 6.1%, from 102.0 pence to 95.8 pence.

The C Shares that the Company issued on 13 March 2018 were converted into new Ordinary Shares on 21 December 2018 in accordance with the terms of the C Share prospectus. The exchange ratio was 1.0034 Ordinary Share for each C Share.

Dividends
The Company has a target dividend on its Ordinary Shares of 6% of the Issue Price per share per annum paid quarterly. The Company first paid its target dividend of 1.5 pence per Ordinary Share in respect of the second quarter of 2017. It has declared and paid its target dividend of 1.5 pence per Ordinary Share in each successive quarter and the Company also declared a dividend of 1.5 pence per Ordinary Share in respect of the quarter ended 31 December 2018 which was paid on 7 March 2019. For the period ended 31 December 2018, no dividends have been declared with respect to the C Shares.

Governance and Management
Governance and oversight are core responsibilities of the Board which monitors and reviews regulatory changes and best practice in this area. The Board seeks to adopt or implement relevant changes in a manner appropriate to the size and risk profile of the Company's activities.

Outlook

The Board believes that the Company’s loan portfolio is well structured and secured and that the Company is well positioned to continue to identify additional investment opportunities that meet its investment objectives.

The UK SME sector has historically been resilient in the face of economic uncertainty, although a slowing economy and Brexit will present challenges in the coming year. The macro economic environment reflects considerable economic uncertainty. The ultimate impact of Brexit on the economy remains to be seen, but headwinds are clear in many sectors, including property development and auto manufacturing. Different sectors have varying exposure to Brexit and the EU, including the agricultural and financial sectors. The Company believes that the overall economic fallout should be contained, as Brexit may benefit some enterprises as they fill in gaps which were previously filled by other EU businesses. However, the Company’s approach remains cautious as it seeks to identify attractive investment opportunities to provide shareholders an attractive risk and return profile.

I would like to close by thanking shareholders, board colleagues and advisers for your commitment and support.

David Warr
Chairman
Date: 22 March 2019

Hadrian's Wall Capital Limited (the "Investment Adviser") has two principal concerns on the macroeconomic front, the uncertainties created by Brexit and the continued high levels of liquidity in the market.

Economic stability is of paramount importance for companies as they consider major business decisions such as hiring, investment spending, or capital expenditures. Uncertainty has increased in the market, in considerable part driven by the difficulties around Brexit. Different industries are affected in varying ways, however, there is an overall lowering of expectations and confidence in the economy. The Bank of England has downgraded its economic forecast to a growth rate of 1.2% in the UK for 2019, under a scenario that did not include no deal. The political situation remains uncertain and the possibility of a no deal Brexit, whether in March or later, remains quite high. It is impossible to predict with any confidence the outcome of Brexit and how different sectors and companies may be affected. The consequences across the economy could be quite severe in a no deal scenario. Whether the result is a deal, no deal or a delay, the Brexit situation is creating economic headwinds. The impact is likely to be felt throughout the economy and the impact on individual companies, including the Company's investments, is unknown. The Investment Adviser continues to seek high quality opportunities, while remaining vigilant and focusing on our core expertise.

Interest rates have remained at low post financial crisis levels and weak economic prospects continue to help keep interest rates near these historic lows. In this low rate environment, lenders are seeking to deploy funds and generate a return, leading many to compete aggressively. The allocation of bank capital is driven to a considerable degree by the regulatory capital requirements for different types of lending. Thus, banks compete aggressively on price in those asset classes with relatively lower capital costs, such as residential mortgage lending. Meanwhile, many non-bank lenders have attracted large amounts of capital and, in an economic environment characterised by weaker aggregate demand, are competing aggressively on price and terms. This high liquidity, combined with investors' continued search for yield, are reminiscent of pre-financial crisis market conditions.

The Investment Adviser's approach in these markets is to remain focused on the security and collateral support underlying the Company's investments. The focus on identifying new investment opportunities continues to be on mid-sized, bespoke transactions. In this sector, there are relatively fewer competitors, as the more aggressive lenders, notably the large volume, small loan size algorithmic lenders and the large direct lending businesses of private equity firms and insurance companies find it quite challenging to deploy large amounts of capital in the sectors targeted by the Company.

The Investment Adviser believes that its investment approach and process will continue to provide robust opportunities of a size and scale consistent with the Company's investment horizon and objectives.

The Company completed a £25 million liquidity facility during the period. The liquidity facility is intended to allow the Company to mitigate the effect of uninvested cash balances. The Company intends to fund investments with the liquidity facility and then raise additional equity capital to repay the liquidity facility. In this way, cash drag can be reduced and higher returns for shareholders generated.

During the period, one of the Company's investments entered administration. The borrower was a leading wood pellet manufacturing business and the Company was the first ranking secured creditor, with security over the assets including its manufacturing facilities and equipment. The Company worked closely with the administrator and other parties with the result that the assets of the borrower were acquired out of administration by two new companies (the "Newcos"), one acquiring the English plant and associated operations and one acquiring the Scottish plant and associated operations, with the acquisitions financed by the Company. The operations of each new company are under new management and are in the process of implementing their business plans. The Investment Adviser is actively monitoring the progress of each company and, at present, expects that the Company will ultimately realise the full amount of its initial investment.

IFRS 9 requires, among other things, reserving for expected credit losses on the balance sheet of lenders and has been adopted by the Company in the year beginning 1 July 2018. The credit policy of the Investment Adviser is based on establishing an expected loss for each transaction based on its probability of default and loss given default, which leads to a credit grading for each investment. This framework is applied in a rigorous and consistent manner, including specified criteria for changing the credit grade during the life of the investment.

The Investment Adviser continues its focus on investing the Company's capital. The investments closed during this period are expected to provide stable and consistent interest income to meet the primary stated objective of the Company. In making investments, the Investment Adviser seeks to construct a portfolio that is well diversified across many attributes, including by borrower industry, collateral type, security structure, and amortisation profile. The Investment Adviser provides a summary of selected investments on their website to provide additional information to Shareholders and others. The Company remains vigilant and assesses potential investments considering the possible impact of Brexit and other macroeconomic factors.

There continue to be significant opportunities for the Company to invest. In particular, the Investment Adviser is focused on expanding the breadth of business it conducts with a number of key clients and introducers.

Investment Review

The investment portfolio as at 31 December 2018 exhibited the following characteristics:

Largest Loan	£10,500,000
Portfolio Remaining Weighted Average Life ("WAL")	3.1 years
Portfolio Weighted Average LTV ("LTV")*	74.8%
Investment Yield Range	7.50-11.00%
Weighted Average Yield on Invested Assets**	9.4%

**Average LTV calculated based on valuations at the point of initial investment.*
***inclusive of upfront fees.*

The largest investments have the following characteristics:

Borrower Industry	Loan Amount £	% of Net Asset Value	Initial WAL	Initial LTV
Property Trading	10,500,000	7.4%	3.0 years	52.0%
Manufacturing	8,367,682	5.9%	6.0 years	59.0%
Engineering	8,000,000	5.7%	4.7 years	46.0%
Auto Leasing	6,500,000	4.6%	5.0 years	93.0%
Retail	5,396,364	3.8%	4.0 years	71.0%
Manufacturing	5,300,961	3.8%	6.7 years	75.0%
Utilities	4,015,000	2.8%	2.5 years	60.0%
Construction	3,958,500	2.8%	5.0 years	94.0%

The total loan portfolio is diversified by borrower industry as illustrated below:

Standard Industrial Classification (SIC) codes	% of loan portfolio
Manufacturing	25.4%
Professional, scientific and technical	16.1%
Admin and Support	13.4%
Construction	8.9%
Property Trading	7.9%
Retail trade, except of motor vehicles	5.9%
Other	22.4%
	100.0%

Hadrian's Wall Capital Limited
Date: 22 March 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has established an Audit and Risk Committee, the Chairman of which is John Falla. This Committee is responsible for reviewing the Company's overall risks and monitoring the risk control activity designed to mitigate these risks. In addition, the Board have appointed International Fund Management Limited (the "Investment Manager") as the Alternative Investment Fund Manager ("AIFM") to the Company. The Investment Manager is also responsible for providing risk management services compliant with those defined in the Alternative Investment Fund Managers Directive ("AIFMD") and as deemed appropriate by the Board. The Company's principal risks include Investment, Credit, Liquidity, Market and Operational risk. These risks, and the way in which they are managed, are described in more detail under the heading 'Principal Risks and Uncertainties' within the Directors' Report of the Company's last Annual Financial Statements for the year ended 30 June 2018. The Company's principal risks and uncertainties have not changed materially since the date of that report, with the exception of an increase in macroeconomic market risk due to the uncertainty created by Brexit as referred to in the Chairman's Statement and the Investment Adviser's Report. The Board, with aid from its advisers, reviews and monitors market conditions on an ongoing basis. The Group is also invested in a wide range of loan types across industry sectors and therefore benefits from the diversification of the portfolio to help mitigate this risk.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

- These Condensed Unaudited Interim Consolidated Financial Statements (the "Interim Financial Statements") have been prepared in accordance with IAS 34 'Interim Financial Reporting'; as required by Disclosure Guidance & Transparency Rule ("DTR") 4.2.4R of the UK's Financial Conduct Agency ("FCA"); and

- The Chairman's Statement and Investment Adviser's report, together with the Interim Financial Statements, meet the requirements of an interim management report, and include a fair review of the information required by:

  - DTR 4.2.7R of the DTR of the UK's FCA, being an indication of important events that have occurred during the period ended 31 December 2018 and their impact on the Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  - DTR 4.2.8R of the DTR of the UK's FCA, being related party transactions that have taken place during the period ended 31 December 2018 and have materially affected the financial position or performance of the Company during that period.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board by:

John Falla
Director
Date: 22 March 2019

INDEPENDENT REVIEW REPORT TO HADRIAN'S WALL SECURED INVESTMENTS LIMITED

We have been engaged by Hadrian's Wall Secured Investments Limited (the "Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2018 which comprises Condensed Unaudited Consolidated Interim Statement Of Comprehensive Income, Condensed Unaudited Consolidated Interim Statement Of Changes In Equity, Condensed Unaudited Consolidated Interim Statement Of Financial Position, Condensed Unaudited Consolidated Interim Statement Of Cash Flows and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Recognised Auditor
Guernsey, Channel Islands
22 March 2019

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
CONDENSED UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six month period ended 31 December 2018

	Notes	1 July 2018 to 31 December 2018 (unaudited) £	1 July 2017 to 31 December 2017 (unaudited) £
Income			
Interest income from loans advanced		4,731,228	3,802,305
Other income from loans advanced		-	32,203
Income from cash and cash equivalents		78,685	47,894
Financial assets at fair value through profit or loss obtained	7	425,013	-
Total income		**5,234,926**	**3,882,402**
Expenses			
Expected credit loss on financial assets	6	(787,080)	-
Investment Advisory fee	8	(713,832)	(568,243)
Investment Management fee	8	(71,384)	(61,880)
Administration fees	8	(98,253)	(78,991)
Directors' fees	8	(67,500)	(69,000)
Audit fees		(17,685)	(33,206)
Legal and professional fees		(130,199)	(41,159)
Credit facility finance costs	14	(137,575)	-
Broker fees		(26,389)	(25,206)
Listing, regulatory and statutory fees		(26,036)	(12,531)
Registrar fees		(9,879)	(15,868)
Other expenses		(55,164)	(51,222)
Total operating expenses		**(2,140,976)**	**(957,306)**
Profit for the financial period before tax		**3,093,950**	**2,925,096**
Taxation		(909)	(900)
Profit for the financial period after tax		**3,093,041**	**2,924,196**
Total comprehensive income for the period		**3,093,041**	**2,924,196**
Basic and diluted earnings per Ordinary Share	9	2.13p	3.95p
Basic and diluted deficit per 2017 C Share	9	-	(0.53)p
Weighted average number of Ordinary Shares outstanding	9	145,170,463	80,024,706
Weighted average number of 2017 C Shares outstanding	9	-	45,224,862

The Company has no components of "Other Comprehensive Income".

All items in the above statement derive from continuing operations.

All income is attributable to the Ordinary Shares of the Company (31 December 2017: Ordinary and C Shares). Income generated from C Shares during the period was attributable to Ordinary Shares at the period end, this C Share income forms part of the Conversation Ratio as detailed further in Note 10.

The accompanying notes on pages 15 to 27 form an integral part of the Interim Financial Statements.

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
CONDENSED UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the six month period ended 31 December 2018

	Notes	Share capital £	Accumulated deficit £	Total equity £
For the six month period ended 31 December 2018 (unaudited)				
At 1 July 2018		**142,417,355**	**(62,980)**	**142,354,375**
Adjustment from the adoption of IFRS 9 – expected credit loss on financial assets	6	-	(340,360)	(340,360)
Adjusted balance at 1 July 2018		**142,417,355**	**(403,340)**	**142,014,015**
Total comprehensive income:				
Profit for the financial period		-	3,093,041	3,093,041
Total comprehensive income for the period		**-**	**3,093,041**	**3,093,041**
Transactions with Shareholders:				
Dividends paid	4	-	(3,750,839)	(3,750,839)
Total transactions with Shareholders		**-**	**(3,750,839)**	**(3,750,839)**
At 31 December 2018		**142,417,355**	**(1,061,138)**	**141,356,217**

	Notes	Share Capital £	Accumulated deficit £	Total Equity £
For the six month period ended 31 December 2017 (unaudited)				
At 1 July 2017		**122,744,577**	**(265,826)**	**122,478,751**
Total comprehensive income:				
Profit for the financial period		-	2,924,196	2,924,196
Total comprehensive income for the period		**-**	**2,924,196**	**2,924,196**
Transactions with Shareholders:				
Dividends paid	4	-	(2,400,741)	(2,400,741)
Total transactions with Shareholders		**-**	**(2,400,741)**	**(2,400,741)**
At 31 December 2017		**122,744,577**	**257,629**	**123,002,206**

The accompanying notes on pages 15 to 27 form an integral part of the Interim Financial Statements.

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
CONDENSED UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	31 December 2018 (unaudited) £	30 June 2018 (audited) £
Non-current assets			
Loans advanced at amortised cost, net of expected credit loss provision	6	112,871,556	87,686,734
Financial assets held at fair value through profit or loss	7	425,013	-
		113,296,569	87,686,734
Current assets			
Loans advanced at amortised cost, net of expected credit loss provision	6	9,685,756	3,848,054
Trade and other receivables		1,138,115	100,339
Cash and cash equivalents		17,872,541	50,987,285
Total current assets		28,696,412	54,935,678
Total assets		**141,992,981**	**142,622,412**
Current liabilities			
Trade and other payables		(636,764)	(268,037)
Total liabilities		**(636,764)**	**(268,037)**
Net assets		**141,356,217**	**142,354,375**
Equity			
Share capital	10	142,417,355	142,417,355
Accumulated deficit		(1,061,138)	(62,980)
Total equity		**141,356,217**	**142,354,375**
Net asset value per Ordinary Share	11	**97.37p**	**98.17p**
Net asset value per 2018 C Share	11	**-**	**97.70p**
Number of Ordinary Shares	10	**145,170,463**	**125,027,953**
Number of 2018 C Shares	10	-	**20,074,263**

The Interim Financial Statements on pages 11 to 27 were approved by the Board of Directors and authorised for issue on 22 March 2019. They were signed on its behalf by:-

John Falla
Director

The accompanying notes on pages 15 to 27 form an integral part of the Interim Financial Statements.

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
CONDENSED UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the six month period ended 31 December 2018

	Notes	1 July 2018 to 31 December 2018 (unaudited) £	1 July 2017 to 31 December 2017 (unaudited) £
Cash flows used in operating activities			
Profit for the financial period		3,093,041	2,924,196
Adjustment for:			
Increase in trade and other receivables		(915,941)	(6,547)
Increase in trade and other payables		368,727	51,526
Effective interest rate adjustment	6	108,080	81,730
Financial assets at fair value through profit or loss obtained	7	(425,013)	-
Credit facility finance costs	14	137,575	-
Expected credit loss on financial assets	6	787,080	-
		3,153,549	3,050,905
Loan advances in the period	6	(34,949,711)	(20,049,894)
Loan principal repayments in the period	6	2,691,667	5,368,027
Net cash used in operating activities		**(29,104,495)**	**(11,630,962)**
Cash flows used in financing activities			
Dividends paid	4	(3,750,839)	(2,400,741)
Credit facility finance costs	14	(259,410)	-
Net cash used in financing activities		**(4,010,249)**	**(2,400,741)**
Net decrease in cash and cash equivalents		**(33,114,744)**	**(14,031,703)**
Cash and cash equivalents at beginning of period		**50,987,285**	**64,912,369**
Cash and cash equivalents at end of period		**17,872,541**	**50,880,666**

The accompanying notes on pages 15 to 27 form an integral part of the Interim Financial Statements.

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six month period ended 31 December 2018

1. GENERAL INFORMATION

Hadrian's Wall Secured Investments Limited (the "Company") was incorporated as a company with limited liability in Guernsey on 27 April 2016 and is a registered closed-ended investment scheme domiciled in Guernsey. The Ordinary Shares are traded on the Main Market of the London Stock Exchange.

The Company's investment objective is to provide Shareholders with regular, sustainable dividends and to generate capital appreciation through exposure, directly or indirectly, to primarily secured loans originated across a variety of channels, assets and industry segments. Following the investment of the IPO, the Company targets an annualised dividend yield of at least 6% of the Issue Price, which is expected to grow over time.

The Company provides loans to under-served segments of the UK Small and Medium sized Enterprises ("SME") market. In line with the expansion of the Company, typical individual loan size has increased up to £11 million. The Company lends, directly, or indirectly to operating businesses to fund capital assets and for general corporate purposes. Loans are secured by a range of collateral, including transportation equipment, production equipment, property, inventory and financial assets.

The Company provides loan investments through two UK subsidiaries, HWSIL Note Co Limited ("Note Co") and HWSIL Finance Co Limited ("Finance Co"). The third UK subsidiary, HWSIL Asset Co Limited ("Asset Co") invests in leases that finance equipment and certain other types of assets. On 2 October 2018, a new wholly owned UK subsidiary of the Company called HWSIL W1 Limited ("W1") was established. W1 was established as the workout vehicle for borrowers of the Company's other subsidiaries. Note Co, Finance Co, Asset Co and W1 are subsidiaries of the Company (together the "Subsidiaries"). These Condensed Consolidated Interim Financial Statements are for the six month period ended 31 December 2018 (the "Interim Financial Statements"). The Interim Financial Statements comprise the results of the Company and its Subsidiaries (the "Group").

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance
These Interim Financial Statements have been prepared in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting', as endorsed by the European Union ("IAS 34"), the Listing Rules of the London Stock Exchange ("LSE") and applicable legal and regulatory requirements. They do not include all the information and disclosures required in Annual Financial Statements and should be read in conjunction with the Company's last Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2018.

The accounting policies applied in these Interim Financial Statements, with the exception of IFRS 9 and Investments in associates as detailed further below, are consistent with those applied in the last Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2018, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as endorsed by the European Union. Having reassessed the principal risks, the Company's financial position as at 31 December 2018 and the factors that may impact its performance in the forthcoming year, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing these Interim Financial Statements.

These Interim Financial Statements were authorised for issue by the Company's Board of Directors on 22 March 2019.

Significant judgements and estimates
With the exception of those required following the adoption of IFRS 9 and the additional IFRS 10 judgement as detailed further below, there have been no other changes to the significant accounting judgements, estimates and assumptions from those applied in the Company's Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2018.

As referred to in the Investment Adviser's Report and also detailed further in Note 6, the Group has obtained a 45% stake in the ordinary share capital of two new companies (the "Newcos"). The Investment Adviser, likewise, also obtained a 45% stake in the ordinary share capital of the Newcos. The Board has, however, determined that the Group does not have all the elements of control as prescribed by IFRS 10 over the Newcos and, therefore, is not required to consolidate the Newcos into these Interim Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

b) New Accounting Standards adopted in the reporting period

- IFRS 9, "Financial Instruments" (effective for periods commencing on or after 1 January 2018);

In addition, the IASB completed its Annual Improvements 2014-2016 Cycle project in December 2016. This project has amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2018.

c) Changes in accounting policies

IFRS 9 "Financial Instruments"
IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. As such the Group has adopted IFRS 9 for the first time in this set of Interim Financial Statements.

Key requirements of IFRS 9
Classification and measurement of financial assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristic of those financial assets.

There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income and (iii) fair value through profit and loss. Equity investments under IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

IFRS 9 also introduces a new expected credit loss impairment model, as opposed to the incurred credit loss model implemented under IAS 39. This requires entities to account for expected credit losses at initial recognition and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

Finally, under IFRS 9 greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Impact of IFRS 9 – Classification and measurement
Loan investments are held solely for the collection of contractual cash flows, being interest, fees and payments of principal. As such these assets continue to be held at amortised cost upon the application of IFRS 9.

Other receivables and payables are held solely for the collections and payments of contractual cash flows, being payments of principal and interest where applicable. As such these assets and liabilities continue to be held at amortised cost under IFRS 9.

Impact of IFRS 9 - Impairment
Loan investments are assessed for credit risk on initial recognition. Credit risk is categorised into Stage 1, Stage 2 and Stage 3 with Stage 1 being to recognise 12 month Expected Credit Losses ("ECL"), Stage 2 being to recognise Lifetime ECL not credit impaired, and Stage 3 being to recognise Lifetime ECL credit impaired. Provision for ECL will be made at initial recognition calculated using the credit risk, the probability of default, the probability of loss, the Loan to Value ("LTV"), historical position and, on occasion, subsequent events, and the subjective judgement of the Board.

In respect of the Group's trade and other receivables, the Directors have applied the simplified approach to recognise lifetime expected credit losses.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

c) Changes in accounting policies, continued

Impact of IFRS 9 – Impairment, continued

The Investment Adviser has a credit policy to identify the risk of default and loss at the point of investment. The risk of each loan investment is modelled and mapped to a nominal rating equivalent based on published rating agency guidelines which has an expected loss equivalent. The models applied generally include a combination of a corporate probability of default model, a loss given default analysis and/or a simulation model, depending on the specifics of the individual transaction. Each transaction is assigned a one year expected loss value at inception. This amount is the expected credit loss reported for IFRS 9 purposes at the inception of loan.

Loans that are downgraded to Stage 2 or Stage 3 would then be assigned a lifetime expected credit loss. With respect to such loans, the Company will estimate the timing and amount of future payments and discount those amounts to the present value at the initial effective interest rate of the loan. The difference between that amount and the carrying value of the loan at amortised cost is the lifetime expected credit loss. Such amount would be modified in accordance with the ongoing monitoring of that loan.

Impact of IFRS 9 – Hedge Accounting

The Company has not used any hedge accounting during the period ended 31 December 2018, although exposure is monitored on a regular basis and the Board reviews this approach quarterly, as such IFRS 9 has had no impact.

Overall impact of IFRS 9

IFRS 9 became effective for the Company's financial year beginning 1 July 2018. When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. If IFRS 9 had been effective as of 30 June 2018 however, the Company would have recognised a total expected loss on its loan portfolio as of the same date of £340,360, all of which represents the 12-month expected credit loss prescribed by the Standard. This difference arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment at 30 June 2018 is recognised in retained earnings on 1 July 2018 and is shown in the Condensed Unaudited Consolidated Interim Statement of Changes in Equity on page 12.

Had prior year balances been restated, loans advanced at amortised cost at 30 June 2018, can be reconciled as follows:

	30 June 2018 **£**
Loans advanced at amortised as at 30 June 2018 under IAS 39	91,534,788
Amounts restated through retained earnings on adoption of IFRS 9	(340,360)
Restated loans advanced as at 30 June 2018 under IFRS 9	**91,194,428**

In addition, during the six-month period to 31 December 2018, the Company recognised a total expected loss on its loan portfolio of £787,080 in the Condensed Unaudited Consolidated Interim Statement of Comprehensive Income. At 31 December 2018, the Company had a total expected credit impairment provision of £1,127,440.

Investments in associates

Investments in an associate company is recognised initially in the Statement of Financial Position at the transaction price and subsequently adjusted to reflect the Group's share of total comprehensive income and equity of the associate, less any impairment using the equity method. At 31 December 2018, the Group's investment in associates is valued at £nil (see note 7 for further details).

3. SEGMENTAL REPORTING

The Board has considered the requirements of IFRS 8, "Operating Segments". The Company has entered into Investment Management and Investment Advisory Agreements with the Investment Manager and Investment Adviser respectively, under which the Board has appointed the Investment Manager to manage the assets of the Company and who has then delegated that responsibility to the Investment Adviser per the Investment Advisory Agreement, subject to their review and control and ultimately the overall supervision of the Board. Subject to its terms and conditions, the Investment Advisory Agreement requires the Investment Adviser to manage the Group's portfolio in accordance with the Company's investment guidelines in effect from time to time. However, the Board retains full responsibility to ensure that the Investment Adviser adheres to its mandate. Moreover, the Board is fully responsible for the appointment and/or removal of the Investment Adviser. Accordingly, the Board is deemed to be the "Chief Operating Decision Maker" of the Company.

In the Board's opinion, the Group is engaged in a single segment of business, being investment in primarily secured loans originated across a variety of channels, assets and industry segments.

The Group receives no revenues from external customers, nor holds directly any non-current assets, in any geographical area other than Guernsey and the UK.

4. DIVIDENDS

During the period to 31 December 2018, the Directors declared the following interim dividends to holders of Ordinary Shares:

Period to	Payment date	Dividend per share £	Net dividend payable £	Record date	Ex-dividend date
30 June 2018	24 August 2018	1.5 pence	1,875,419	3 August 2018	2 August 2018
30 September 2018	19 November 2018	1.5 pence	1,875,420	2 November 2018	1 November 2018
		3.0 pence	3,750,839		

During the period to 31 December 2017, the Directors declared the following interim dividends to holders of Ordinary Shares:

Period to	Payment date	Dividend per share £	Net dividend payable £	Record date	Ex-dividend date
30 June 2017	25 August 2017	1.5 pence	1,200,371	4 August 2017	3 August 2017
30 September 2017	24 November 2017	1.5 pence	1,200,370	3 November 2017	2 November 2017
		3.0 pence	2,400,741		

Under Guernsey law, the Company can pay dividends provided it satisfies the solvency test prescribed by the Companies (Guernsey) Law, 2008. The solvency test considers whether the Company is able to pay its debts when they fall due, and whether the value of the Company's assets is greater than its liabilities. The Company satisfied the solvency test in respect of the dividends declared in the period.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the Company's last Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2018.

6. LOANS ADVANCED AT AMORTISED COST

	1 July 2018 to 31 December 2018 (unaudited) £	1 July 2017 to 30 June 2018 (audited) £
Loans held at amortised cost		
Opening loan balance	91,982,745	58,001,548
Loans advanced	34,949,711	39,989,206
Principal repayments	(2,691,667)	(6,008,009)
Closing loan balance	**124,240,789**	**91,982,745**
Effective interest rate adjustment	(556,037)	(447,957)
Closing loan balance at amortised cost	**123,684,752**	**91,534,788**
Expected credit loss provision ("ECL")	(1,127,440)	-
Closing loan balance at amortised cost, net of ECL	**122,557,312**	**91,534,788**

At 31 December 2018, £9,685,756 (30 June 2018: £3,848,054) of the closing loans balance at amortised cost, net of the expected credit loss provision, is due for repayment within one year.

The Group's loans are expected to be held to maturity and solely for the collection of contractual cash flows, being interest, fees and payments of principal. As such, they are therefore valued at amortised cost using the Effective Interest Rate method. The carrying values of such instruments include assumptions that are based on market conditions at each statement of financial position date. Such assumptions include application of default rate and identification of an appropriate effective interest rate taking into account the credit standing of each borrower. The Effective Interest Rate method also takes into account all contractual terms (including any arrangement and exit fees) that are an integral part of the loan agreement. As the fees are taken into account when determining the initial carrying value, their recognition in profit or loss in the Statement of Comprehensive Income is effectively spread over the life of the loan.

At the period end, the Directors consider that the carrying value of the loans recorded at amortised cost in the Interim Financial Statements, approximates to their fair value. No element of the loans advanced to date is past due or impaired as defined by IFRS 9.

The loans advanced are assessed by the Investment Adviser for indication of increases in credit risk since initial recognition during the financial period, at the statement of financial position date and up to the date of approving these Interim Financial Statements. The main factors considered for evidence of credit risk increases include significant difficulty of the borrower to service the loan, breach of contract such as default in interest or principal repayments, probability that a borrower will enter bankruptcy or financial re-organisation and devaluation of collateral.

As referred to in the Investment Adviser's Report, during the six month period ended 31 December 2018, the Group had a loan and hire purchase agreement in place with Arensis Energy Ltd, Entrade Energy Ltd and Arensis Energy One Ltd (each a "Borrower" and together the "Entrade Group"), for a principal amount of £12.7 million. As the Company announced and detailed on 19 December 2018 and 24 December 2018, the Entrade Group entered administration proceedings on 15 October 2018. The assets of the Entrade Group were then acquired out of administration by two new companies (the "Newcos") on 21 December 2018. The Newcos acquired the plant and associated operations of the Entrade Group, which was financed by the Group. As part of this financing and restructure, the Group agreed to new loan facilities for an aggregate amount of £8.7 million and a new finance lease for a capital amount of £4.8 million with the Newcos. In addition, non-voting preference shares for an aggregate nominal value of £1.6 million and a 45% stake in the ordinary share capital of each of the Newcos were issued to the Group (see note 7 for further details).

6. LOANS ADVANCED AT AMORTISED COST, continued

During the six month period to 31 December 2018, the Group recognised an expected credit loss on its loan portfolio of £787,080 in the Condensed Unaudited Consolidated Interim Statement of Comprehensive Income. On 1 July 2018, the Group also recognised a total expected credit loss on its loan portfolio at 30 June 2018 of £340,360 through the Condensed Unaudited Consolidated Interim Statement of Changes in Equity. At 31 December 2018, the Group had a total expected credit loss provision of £1,127,440 on the Statement of Financial Position.

At 31 December 2018, there were no significant aged outstanding receivables from the relevant borrowers.

Sale and leaseback transactions

The Group entered into sale and leaseback transactions during the period which have been recognised as a financial assets equal to the transfer proceeds. The classification and measurement of the financial assets are accounted for in accordance with IFRS 9 and treated as Loans advanced at amortised cost. At 31 December 2018, the outstanding balance of the financial assets at amortised cost in relation to sale and leaseback transactions amounted to £14,680,419 (30 June 2018: £3,382,050), with £1,949,085 (30 June 2018: £887,037) receivable within one year.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	1 July 2018 to 31 December 2018 (unaudited) £	1 July 2017 to 30 June 2018 (audited) £
Cost of financial assets at fair value through profit or loss at the start of the period	-	-
Financial assets at fair value through profit or loss obtained during the period	425,013	-
Financial assets at fair value through profit or loss at the end of the period	**425,013**	**-**

As referred to in the Investment Adviser's Report and Note 6, during the six month period to 31 December 2018, one of the Group's investments entered into administration. As part of the restructuring of this investment, the Group received non-voting preference shares and a 45% stake in the ordinary share capital of each of the Newcos. At 31 December 2018, the ordinary shares are valued at £nil. The preference shares were obtained in connection with a lease termination at a nominal value of £1,609,661. These preference shares are classified as financial assets at fair value through profit or loss and have a stated dividend of 20% of their nominal value. These financial assets are not traded in active markets and therefore the Group is unable to base the fair value of its financial assets on quoted market prices or broker price quotations. The Group therefore determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. At 31 December 2018, the valuation technique applied is based on discounted cash flow ("DCF") analysis of the Newcos. The discount rate applied in the DCF analysis is 30%, this discount rate has been used to account for the uncertainty associated with cash flows generated from the Newcos, the relatively long time span to 2036 for which the analysis has been produced and additionally, the business closure costs, which were factored into the discount rate. At 31 December 2018, the Directors have assessed the fair value of these preference shares to be £425,013.

IFRS 13 requires that a fair value hierarchy be established that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are set as follows:

– Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, continued

– Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

– Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be that market data that is readily available, regularly distributed or updated, reliable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Group's financial assets (by class, excluding financial assets held at amortised cost, cash and cash equivalents, trade and other receivables and trade and other payables) measured at fair value:

	31 December 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Assets:				
Financial assets at fair value through profit or loss	-	-	425,013	425,013
Total	**-**	**-**	**425,013**	**425,013**

There have been no transfers between levels of the fair value hierarchy during the period. Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

The Group's financial assets at fair value through profit or loss, which are fair valued at each reporting date, have been classified within Level 3 as they are not traded and contain unobservable inputs. The valuation technique applied is based on DCF analysis of the underlying investee companies. The following table shows the Directors' best estimate of the sensitivity of the Group's Level 3 investments to changes in the principal unobservable inputs, with all other variables held constant.

Unobservable input	**Possible reasonable change in input**	**31 December 2018 (unaudited) effect on net assets and profit or loss £**
Discount rate	+5%	(189,539)
	-5%	354,669
Revenue rate	+5%	859,512
	-5%	(421,218)

8. RELATED PARTY TRANSACTIONS AND MATERIAL AGREEMENTS

Investment Adviser fees
Hadrian's Wall Capital Limited (the "Investment Adviser") is entitled to an Investment Advisory fee in accordance with the Investment Advisory Agreement between the Company and the Investment Adviser dated 31 May 2016.

For the services performed under the Investment Advisory Agreement, the Company shall pay to the Investment Adviser a fee which shall be calculated and accrued at a rate equivalent to:

- until such time as 90% of the Net Initial Proceeds (as defined in the Prospectus) have been invested in accordance with the Investment Policy, a sum equal to 1.00% per annum of the value of the Company's Invested Assets; and
- following 90% of the Net Initial Proceeds having been invested in accordance with the Investment Policy, a sum equal to 1.00% per annum of the Net Asset Value.

The Investment Advisory Agreement may be terminated on twelve months' notice in writing, such notice not to be served until the third anniversary of the Commencement Date (31 May 2016) such that the notice may not expire before the fourth anniversary of the Commencement Date.

Certain financing arrangements of the Group require site audits to be conducted, and various reconciliation and verification procedures to be performed. A number of borrowers under these arrangements pay affiliates of the Investment Adviser to provide such services with a typical average cost of about 60 basis points.

Investment Management fees
International Fund Management Limited (the "Investment Manager") is entitled to an Investment Management fee in accordance with the Investment Management Agreement between the Company and the Investment Manager dated 31 May 2016.

For the services performed under the Investment Management Agreement, the Company shall pay to the Investment Manager a management fee which shall be calculated and accrued at a rate equivalent to:

- 0.10% of NAV per annum up to a total NAV of £150 million;
- Reducing to 0.08% of NAV per annum for that part of the NAV (if any) between £150-250 million
- reducing further to 0.06% per annum of NAV for that part of the NAV (if any) in excess of £250 million; and
- subject, in each case, to an annualised minimum of £85,000 applied on a quarterly basis. The minimum investment management fee will be subject to an annual review on 1 May of each year. At such annual review, as a minimum, the annualised minimum will be varied by the Guernsey Retail Price Index. The investment management fees are payable quarterly in arrears.

The Investment Management Agreement was for an initial term of 18 months and thereafter will be terminable by either party on not less than six months' notice.

Administration fees
Up to 31 July 2017, Praxis Fund Services Limited (the "Administrator") was entitled to an Administration fee in accordance with the Agreement made between the Company and the Administrator dated 31 May 2016. This Administration Agreement dated 31 May 2016 was terminated and replaced with a new administration agreement between the Company and the Administrator dated 20 October 2017 (the "Administration Agreement").

With effect from 1 August 2017, in respect of the services provided under the Administration Agreement, the Company pays the Administrator a fee as stated below:

- 0.075% per annum of NAV up to a total NAV of £150 million,
- reducing to 0.06% per annum of NAV for that part of the NAV (if any) between £150-250 million,
- reducing further to 0.05% per annum of NAV for that part of the NAV (if any) in excess of £250 million.
- subject to a minimum annual fee of £75,000 plus disbursements and a fee for company secretarial services based on time-costs.

Under the Administration Agreement, the Administrator also provides administration services to HWSIL Finance Co Limited and HWSIL Asset Co Limited.

8. RELATED PARTY TRANSACTIONS AND MATERIAL AGREEMENTS, continued

Administration fees, continued

The Administration Agreement may be terminated by the Company or the Administrator on not less than 3 months' notice in writing. The agreement may also be terminated by immediate notice in writing in circumstances including, inter alia, material and continuing breach of the agreement, insolvency of any party or a party is in non-compliance with any applicable laws or regulations.

Subsidiary Administration fees for Note Co

CSC Corporate Services (UK) Limited ("CSC") is entitled to service fees in accordance with a Corporate Services Agreement dated 12 March 2018 between Note Co and CSC (the "Note Co Corporate Services Agreement").

In respect of the services provided under the Note Co Corporate Services Agreement, the Group pays the CSC a fee of £9,000 per annum for corporate governance, financial services, trustee services and agency services.

Directors' fees

David Warr is entitled to a fee in remuneration for his services as a non-executive Director and Chairman of the Company at a rate payable of £40,000 per annum.

John Falla is entitled to a fee in remuneration for his services as a non-executive Director and Chairman of the Audit and Risk Committee of the Company at a rate payable of £35,000 per annum.

The remaining Directors are entitled to a fee in remuneration for their services as Directors at a rate of £30,000 each per annum.

The Directors are regarded as related parties. Transactions with the Directors during the period are described below.

Directors and their families held the following interests in the Ordinary Shares of the Company at 31 December 2018 and 30 June 2018:

	31 December 2018 (unaudited)		30 June 2018 (audited)	
Name	**No. of Ordinary Shares**	**Percentage***	**No. of Ordinary Shares**	**Percentage***
David Warr	156,973	0.11%	156,973	0.11%
John Falla	17,463	0.01%	17,463	0.01%
Paul Craig	7,463	0.01%	7,463	0.01%
Nigel Ward	7,463	0.01%	7,463	0.01%

*Under the Articles, at any general meeting of the Company each Ordinary Share (Ordinary Share) shall have one vote, therefore, the percentage shown is based on the total number of Ordinary Shares in issue.

Paul Craig is also a Portfolio Manager at Quilter Investors which, as at 13 March 2019 (being the latest shareholder analysis prior to the date of this report), was the registered holder of approximately 25.00% of the Shares in issue as at that date.

During the financial period the Directors received the following amounts as dividends from Ordinary Shares:

Name	1 July 2018 to 31 December 2018 (unaudited) £	1 July 2017 to 31 December 2018 (unaudited) £
David Warr	4,709	1,500
John Falla	524	300
Paul Craig	224	-
Nigel Ward	224	-

8. RELATED PARTY TRANSACTIONS AND MATERIAL AGREEMENTS, continued

The amounts charged for the above-mentioned fees during the six month period ended 31 December 2018 and outstanding at 31 December 2018 are as follows:

Name	Charge for 1 July 2018 to 31 December 2018 (unaudited) £	Amounts outstanding at 31 December 2018 (unaudited) £	Charge for 1 July 2017 to 31 December 2017 (unaudited) £	Amounts outstanding at 31 December 2017 (unaudited) £
Investment advisory fee	713,832	120,665	568,243	-
Investment management fee	71,384	12,067	61,880	-
Administration fees	98,253	11,300	78,991	-
Corporate Service fees	9,074	2,500	14,494	20,201
Directors' fees	67,500	-	69,000	-

9. BASIC AND DILUTED EARNINGS/(DEFICIT) PER ORDINARY SHARE AND C SHARE

Basic and diluted earnings/(deficit) per Share are calculated by dividing the profit/(loss) for the period by the weighted average number of Shares outstanding during the period.

	1 July 2018 to 31 December 2018 (unaudited)	1 July 2017 to 31 December 2017 (unaudited)
Profit for the financial period	£3,093,041	£3,164,758
Weighted average number of Ordinary Shares outstanding	145,170,463	80,024,706
Basic and diluted earnings per Ordinary Share	**2.13p**	**3.95p**

	1 July 2018 to 31 December 2018 (unaudited)	1 July 2017 to 31 December 2017 (unaudited)
Loss for the financial period	-	£(240,562)
Weighted average number of 2018 C Shares outstanding	-	45,224,862
Basic and diluted deficit per 2018 C Share	**-**	**(0.53)p**

The weighted average number of Ordinary Shares for the period ended 31 December 2018 (31 December 2017: C Shares in issue also) is based on the number of Ordinary Shares and C Shares in issue during the period, as detailed in note 10. There are no instruments in issue that could potentially dilute earnings or deficit per Ordinary Share and C Shares in future periods.

On 19 December 2019, as detailed further in Note 10, the 2018 C Shares were converted into Ordinary Shares in accordance with the Conversation Ratio. The Conversation Ratio takes into account any profits or losses generated by the C Shares in the period prior to conversion and subsequently apportions the appropriate number of new Ordinary Shares. As a result, the new Ordinary Shares are deemed to have been in issue since the start of the financial period and the weighted average number of Ordinary Shares for the period to 31 December 2018, as shown above, is equal to the number of Ordinary Shares in issue at 31 December 2018, as shown in Note 10.

10. SHARE CAPITAL

Authorised Capital

The Company has the power to issue an unlimited number of shares of no par value which may be issued as Ordinary Shares, B Shares or C Shares, in each case of such classes, and denominated in such currencies, as shall be determined at the discretion of the Board. The Company has Ordinary Shares denominated in Pound Sterling in issue at the date of this report.

Issued and fully paid Capital	**31 December 2018 (unaudited)**		
	Ordinary Shares Number	**2018 C Shares Number**	**Total Shares Number**
Share Capital at the beginning of the period/year	125,027,953	20,074,263	145,102,216
Conversion of C Shares during the period/year	20,142,510	(20,074,263)	68,247
Total Share Capital at the end of the period/year	**145,170,463**	**-**	**145,170,463**

Issued and fully paid Capital	**30 June 2018 (audited)**			
	Ordinary Shares Number	**2018 C Shares Number**	**2017 C Shares Number**	**Total Shares Number**
Share Capital at the beginning of the period/year	80,024,706	-	45,224,862	124,249,568
Conversion of C Shares during the period/year	45,003,247	-	(45,224,862)	(221,615)
Shares issued and fully paid	-	20,074,263	-	20,074,263
Total Share Capital at the end of the period/year	**125,027,953**	**20,074,263**	**-**	**145,102,216**

Issued and fully paid Capital	**31 December 2018 (unaudited)**		
	Ordinary Shares £	**C Shares £**	**Total £**
Share Capital at the beginning of the period/year	122,744,577	19,672,778	142,417,355
Conversion of C Shares during the period/year	19,672,778	(19,672,778)	-
Total Share Capital at the end of the period/year	**142,417,355**	**-**	**142,417,355**

Issued and fully paid Capital	**30 June 2018 (audited)**			
	Ordinary Shares £	**2018 C Shares £**	**2017 C Shares £**	**Total £**
Share Capital at the beginning of the period/year	78,424,212	-	44,320,365	122,744,577
Conversion of C Shares during the period/year	44,320,365	-	(44,320,365)	-
Shares issued and fully paid	-	20,074,263	-	20,074,263
Share issue costs	-	(401,485)	-	(401,485)
Total Share Capital at the end of the period/year	**122,744,577**	**19,672,778**	**-**	**142,417,355**

On 19 December 2018, the Company announced the results of the C Shares conversion to Ordinary Shares. The Conversion Ratio, as calculated in accordance with the terms set out in the Company's prospectus dated 2 May 2017, was 1.0034 Ordinary Shares for each C Share held on the record date of 17 December 2018.

In total 20,142,510 new Ordinary Shares were allotted pursuant to the 2018 C Share conversion. Accordingly, applications were made for 20,142,510 Ordinary Shares to be admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities ("Admission"). Admission occurred at 8.00 a.m. on 21 December 2018.

10. SHARE CAPITAL, continued

The Ordinary Shares arising on Conversion rank pari passu with, and have the same rights as, the Ordinary Shares of the Company already in issue, including the right to receive dividends declared subsequent to Admission. With effect from 21 December 2018, the total number of Ordinary Shares in issue were 145,170,463 and the total number of voting rights in the Company were 145,170,463.

Ordinary Shares

The authorised share capital of the Company is represented by an unlimited number of ordinary shares of nil par value and have the following rights:

(a) Dividends:

Shareholders are entitled to receive, and participate in, any dividends or other distributions resolved to be distributed in respect of any accounting period or other period, provided that no calls or other sums due by them to the Company are outstanding.

(b) Winding Up:

On a winding up, the shareholders shall be entitled to the surplus assets remaining after payment of all the creditors of the Company.

(c) Voting:

Subject to any rights or restrictions attached to any shares, at a general meeting of the Company, on a show of hands, every holder of voting shares present in person or by proxy and entitled to vote shall have one vote, and on a poll every holder of voting shares present in person or by proxy shall have one vote for each share held by him, but this entitlement shall be subject to the conditions with respect to any special voting powers or restrictions for the time being attached to any shares which may be subject to special conditions. Refer to the Memorandum and Articles of Incorporation for further details.

Details of the C Shares rights, which were held during the period and converted on 21 December 2018, please refer to Note 12 in the Company's last Annual Financial Statements for the year ended 30 June 2018.

11. NET ASSET VALUE PER ORDINARY SHARE AND C SHARE

The net asset value per Ordinary Share of 97.37p (30 June 2018: 98.17p) is based on the net assets at the period end of £141,356,217 (30 June 2018: £122,742,810) and on 145,170,463 Ordinary Shares (30 June 2018: 125,027,953 Ordinary Shares), being the number of Ordinary Shares in issue at the period end.

There were no C Shares in issue at 31 December 2018. At 30 June 2018, the net asset value per 2018 C Share of 97.70p is based on the net assets at the year end of £19,611,565 and on 20,074,263 2018 C Shares, being the number of 2018 C Shares in issue at the year end.

12. RECONCILIATION OF FINANCIAL STATEMENTS NAV PER ORDINARY SHARE AND PUBLISHED NAV PER ORDINARY SHARE

31 December 2018 (unaudited)	**Net asset value attributable to Ordinary Shares £**	**NAV per Ordinary Share Pence**
Published net asset value	141,931,562	97.77p
Effective Interest Rate adjustments	(575,345)	(0.40)p
Financial Statements net asset value	**141,356,217**	**97.37p**

30 June 2018 (audited)	**Net asset value attributable to Ordinary Shares £**	**NAV per Ordinary Share Pence**
Published net asset value	123,170,053	98.51p
Effective Interest Rate adjustments	(427,243)	(0.34)p
Financial Statements net asset value	**122,742,810**	**98.17p**

12. RECONCILIATION OF FINANCIAL STATEMENTS NAV PER ORDINARY SHARE AND PUBLISHED NAV PER ORDINARY SHARE, continued

The difference between the Published net asset value per Ordinary Share of 97.77p (30 June 2018: 98.51p) and the Interim Financial Statements net asset value per Ordinary Share of 97.37p at 31 December 2018 (30 June 2018: 98.17p), was due to the application of the Effective Interest Rate method with regards to £0.6 million (30 June 2018: £0.5 million) of upfront fees which were received by the Group.

At 30 June 2018 there was no difference between the Financial Statements NAV per 2018 C Share and the Published NAV per 2018 C Share.

13. COMMITMENTS AND CONTINGENCIES

At 31 December 2018, the Group had undrawn loan commitment amounts of £6.1 million (30 June 2018: £24.2 million).

At 31 December 2018, the Group had no contingent liabilities (30 June 2018: none).

14. REVOLVING CREDIT FACILITY

On 13 November 2018, the Company entered into a £25 million revolving loan facility agreement with Shawbrook Bank Limited ("the Facility"). The Facility is for a one-year period to 13 November 2019.

The Company intends to use the Facility to minimise unused cash balances in order to improve returns to shareholders. The Company does not intend to use permanent leverage but will use the Facility as and when necessary in order to best manage the Company's ongoing liquidity requirements. At 31 December 2018, the facility had not been drawn upon. Interest on the facility is charged at Libor plus 4.5% per annum on the amount drawn and a non utilisation fee of 0.10% of the amount undrawn. Credit facility finance costs (including arrangement and legal fees) of £259,410 were payable on the credit facility, of which £137,575 were expensed in the Condensed Unaudited Consolidated Interim Statement of Comprehensive Income for the six month period ended 31 December 2018.

15. POST PERIOD END EVENTS

On 1 February 2018, the Directors declared an interim dividend in relation to the three months ended 31 December 2018 of 1.5 pence per Ordinary Share which was paid on 7 March 2019, at a total cost of £2,177,557, to Shareholders on the register at 15 February 2019. The ex-dividend date was 14 February 2019. In accordance with IAS 10, this dividend has not been included within these Interim Financial Statements.

There were no other significant post period end events that require disclosure in the Interim Financial Statements.

HADRIAN'S WALL SECURED INVESTMENTS LIMITED
MANAGEMENT AND ADMINISTRATION

Directors
Mr David Warr (Independent non-executive Chairman)
Mr Paul Craig (Independent non-executive Director)
Mr John Falla (Independent non-executive Director)
Mr Nigel Ward (Independent non-executive Director)

Registered Office and Directors' Address
Sarnia House
Le Truchot
St Peter Port
Guernsey, GY1 1GR

Administrator and Secretary
Praxis Fund Services Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey, GY1 1GR

Investment Manager
International Fund Management Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey, GY1 1GR

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

Investment Adviser
Hadrian's Wall Capital Limited
48 Gresham Street
London, E1W 1YW

Legal Advisers in Guernsey Law
Carey Olsen (Guernsey) LLP
Carey House
Les Banques
St Peter Port
Guernsey, GY1 4BZ

Legal Advisers in English Law
Bryan Cave Leighton Paisner LLP
Adelaide House
London Bridge
London, EC4R 9HA

Independent Auditor
Deloitte LLP
Regency Court
Glategny Esplanade
St Peter Port
Guernsey, GY1 3HW

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

Subsidiary Administrator for Note Co
CSC Corporate Services (UK) Limited
Level 37, 25 Canada Square
Canary Wharf
London, E14 5LQ