AXIOM
ALTERNATIVE INVESTMENTS

Axiom European Financial Debt Fund Limited

(Registered number 61003)

Half-Yearly Report and Unaudited Condensed Financial Statements
for the six months ended 30 June 2020

CONTENTS

HIGHLIGHTS

	30 June 2020 (unaudited)	30 June 2019 (unaudited)	31 December 2019 (audited)
Net assets	£81,366,000	£87,702,000	£91,284,000
Net asset value ("NAV") per Ordinary Share	88.58p	95.48p	99.38p
Share price	88.00p	92.75p	94.00p
Discount to NAV	0.65%	2.86%	5.41%
(Loss)/profit for the period	£(7,162,000)	£7,545,000	£13,882,000
Dividend per share declared in respect of the period	3.00p	3.00p	6.00p
Total return per Ordinary Share *(based on NAV)*[1]	-7.85%	+9.33%	+16.98%
Total return per Ordinary Share *(based on share price)*[1]	-3.19%	+8.81%	+13.64%
Ordinary Shares in issue	91,852,904	91,852,904	91,852,904

[1] Total return per Ordinary Share has been calculated by comparing the NAV or share price, as applicable, at the start of the period with the NAV or share price, as applicable, plus dividends paid, at the period end.

www.axiom-ai.com/web/en/axiom-european-financial-debt-fund-limited-2/

An authorised closed-ended investment company, incorporated under the Companies (Guernsey) Law, 2008.

REGISTERED IN GUERNSEY No. 61003

OVERVIEW AND INVESTMENT STRATEGY

General information

Axiom European Financial Debt Fund Limited (the "Company") is an authorised closed-ended Guernsey investment company with registered number 61003. Its Ordinary Shares were admitted to the premium listing segment of the FCA's Official List and to trading on the Premium Segment of the Main Market of the London Stock Exchange (the "Premium Segment") on 15 October 2018 ("Admission") (prior to this, the Ordinary Shares traded on the Specialist Fund Segment ("SFS") of the London Stock Exchange).

Investment objective

The investment objective of the Company is to provide Shareholders with an attractive return, while limiting downside risk, through investment in the following financial institution investment instruments:

- Regulatory capital instruments, being financial instruments issued by a European financial institution which constitute regulatory capital for the purposes of Basel I, Basel II or Basel III or Solvency I or Solvency II;
- Other financial institution investment instruments, being financial instruments issued by a European financial institution, including without limitation senior debt, which do not constitute regulatory capital instruments; and
- Derivative instruments, being CDOs, securitisations or derivatives, whether funded or unfunded, linked or referenced to regulatory capital instruments or other financial institution investment instruments.

Investment policy

The Company seeks to invest in a diversified portfolio of financial institution investment instruments. The Company focuses primarily on investing in the secondary market although instruments have been, and may also in the future be, subscribed in the primary market where the Investment Manager, Axiom Alternative Investments SARL ("Axiom"), identifies attractive opportunities.

The Company invests its assets with the aim of spreading investment risk.

For a more detailed description of the investment policy, please see the Company's Prospectus, which is available on the Company's section of the Investment Manager's website (http://axiom-ai.com/web/data/prospectus/ENG/AEFD-prospectus-UK.pdf).

CHAIRMAN'S STATEMENT

I present our report for the half-year to 30 June 2020.

Results

The Company's performance was impacted by the effect of COVID-19 on the financial sector in the six months ended 30 June 2020. Taking into account dividends paid, the Company's total return per share over the six months net of all expenses was -7.85%.

Although in origin a public health crisis, the COVID-19 pandemic has had significant impact on levels of economic and social activity and, perhaps as significantly for the medium and longer term, on the way that businesses and the public conduct their activities. Current necessity has accelerated some changes that would likely have happened anyway – more home working, internet shopping, less travelling with obvious implications for the owners and financiers of some types of real estate assets – good as well as bad. The regulatory authorities have in general been supportive of the financial sectors in their responses. An early, negative, response was to "encourage" the suspension of equity dividends and in some instances, the revocation of those already declared but, that apart, liquidity and regulation have been accommodative and the perception is that the banks are viewed (rightly) as part of the solution to a problem they did not cause. There have been no similar attacks on coupon payments on the non-equity regulatory capital instruments such as those held by the Company. Although the quality of some assets held on bank balance sheets has not surprisingly declined and will inevitably continue to do so, there have been no crises within the banking sector where liquidity and capitalisation remains robust largely as a result of the changes introduced over the past decade. Markets have therefore generally recovered albeit not to the full extent of their pre-crisis levels.

The Company reported a net loss after tax for the period ended 30 June 2020 of £7.2 million (30 June 2019: profit of £7.5 million), representing a loss per Ordinary Share of 7.80p (30 June 2019: earnings per Ordinary Share of 8.32p).

The Company's NAV at 30 June 2020 was £81.4 million (88.58p per Ordinary Share) (31 December 2019: £91.3 million, 99.38p per Ordinary Share).

Dividends

The Company has declared two dividends each of 1.50p per Ordinary Share in relation to the half-year: one was paid on 29 May and the other, declared after the period end, will be paid on 28 August to Shareholders on the register at 7 August. Together, they total 3.00p per Ordinary Share and the Company is therefore well on track against its target of at least 6.00p for the year. During the period, actual payments of 3.00p were made, being the 29 May dividend and the 1.50p dividend in respect of the year ended 31 December 2019, which was paid on 28 February 2020.

Auditor

It was noted in the 31 December 2019 Annual Report and Financial Statements that, for good corporate governance, the audit would be put out to tender in the first half of 2020. In line with this intention, the Company received proposals from a number of audit firms. In making the decision regarding the appointment of the auditor, the Board was cognisant of a number of aspects including cost and expertise.

After due consideration of the proposals, the Board agreed to appoint Grant Thornton Limited as the Company's auditor with effect from 19 August 2020.

Outlook

In the present situation of global uncertainty, our Investment Manager has positioned the Company's portfolio for defensiveness and liquidity, while continuing to search out new opportunities. The effect of COVID-19 has been profound and its impact on some sectors nothing short of a disaster; for others it has been a bonanza. The full effects will take time to flow through fully and manifest themselves in the balance sheets of banks. It is pleasing to note that the recovery in the economy seems at present to be quicker than might have been feared. We must, however, recognise the possibility that there will be future "waves" of the pandemic and it will be some time before the pandemic can be declared "over". In the meantime, we also should bear in mind that the major themes that concerned markets before the pandemic are still there, even if they are not so prominent in the news as they would otherwise have been: the US-China trade tensions, Brexit, and of course the regulatory change in the financial sectors that the Company was created to exploit.

In this context, more than ever, we look to benefit from the Investment Manager's expertise in recognising and exploiting those opportunities as they arise.

William Scott
Chairman
20 August 2020

INVESTMENT MANAGER'S REPORT

1. Market Commentary

January

Financial bonds showed strong resilience at the start of the year, ending the month up despite the renewed risk aversion. Market concerns about the COVID-19 pandemic and its consequences for global growth had a very limited impact on financial securities, as did the UK's exit from the EU.

Banks that had released their annual results announced rising capital ratios, perhaps in preparation for more difficult 2020 EBA stress tests. Even Deutsche Bank posted results that should have reassured creditors more than shareholders: despite the consecutive decline in its pre-tax earnings, the bank's capital ratio was up 40bps to 13.6%. Capital strengthening, combined with easing regulatory pressure, confirmed the upward trend in payout ratios, as observed at the end of 2019 with the share buybacks of Bawag and UniCredit and the dividend policy announced by Santander.

On the regulatory front, for this Supervisory Review and Evaluation Process ("SREP") cycle, the ECB published key messages on business models, governance, NPLs, operational risk, internal capital and liquidity assessments. The overall SREP requirements for CET1 capital remained at the same level as in 2018, at 10.6%.

The primary market reached record levels. The Erste Bank 3.375% EUR issue was 10 times oversubscribed. We saw a surprising secondary market upward repricing along with the latest issues announced including Credit Suisse 5.1% in USD, Phoenix 5.625% in EUR and Banco BPM 6.125% in EUR. On the insurers' side, Phoenix issued a USD750 million Restricted Tier 1 ("RT1") with a 5.625% coupon in order to finance the acquisition of ReAssure

February

The month of February showed some strong declines driven by concerns about the spread of COVID-19, Bernie Sanders' increased popularity as per the opinion polls and the Brexit negotiations (the UK was warned of a possible no-deal if no agreement was reached before June). The SubFin index ended the month at 160bps widening by almost 50bps in the last week.

The high capitalisation level of the banks was reassuring, as were the stress test scenarios used by the regulatory authorities, which were much more extreme than the impact estimated by the OECD in connection with the COVID-19 epidemic.

HSBC presented its restructuring plan, declaring in particular its intention to address its specific Legacy bonds ahead of the 2021 transition period deadline, which was very positive for bondholders. The bank also announced its intention to call its 5.682% Legacy with a reset at 180bps. Standard Chartered announced the call of an Additional Tier 1 ("AT1") with a backend at 489bps. Barclays, on the other hand, did not call its Legacy bond at Libor at 0.71%.

In the primary market, ING's issue of a USD750 million AT1 bond was postponed following the departure of its Chief Executive Officer, Ralph Hamers, who left to succeed Sergio Ermotti as Chief Executive Officer at UBS.

Finally, the consolidation continued in the financial sector, with Intesa's offer for UBI and Covéa's offer for Partner Re.

March

March saw the rapid spread of COVID-19, which put most European countries into almost complete lockdown. In response to this unprecedented health crisis, all asset classes fell sharply. After its strong widening during the month (peak at 350bps, +100% compared to its level at the end of February), the SubFin index ended the month at 255bps.

However, never before had European banks approached a crisis so well capitalised, and the measures announced by the various regulators (SSM, ECB, PRA, etc.) considerably strengthened the capital available to absorb the economic shock:

- capital related: (i) provisional suspension or modification of several capital buffers (conservation buffer, 2G pillar, 2R pillar, countercyclical buffer and systematic buffer) allowed the decrease of CET1 requirements by circa 4%; (ii) the suspension of dividends and any exceptional distribution until October 2020, as requested by the regulators (ECB and PRA), made it possible to strengthen the CET1 without impacting AT1 coupon payments as specified by the banks and the supervisor (EBA);
- liquidity related: the access conditions to the new TLTRO (medium-term financing with the ECB) were considerably eased on both the collateral and the lending rate (lowered to -0.75%); and
- asset quality related: the rules, in particular on NPL provisions and IFRS 9 (financial instrument accounting rules), have been relaxed. The state guarantees (EUR300 billion for France, EUR350 billion for Germany, EUR300 billion for the UK, etc.) should have supported banks in rolling over loans.

The European Commission explicitly stated that if, despite all these measures, a bank was in difficulty because of the COVID-19 crisis and needed public aid, the guidelines on 'burden sharing' that could penalise subordinated debt holders would not apply.

In spite of market volatility, issuers continued buying back their bonds.

- ING announced on 15 March 2020, the call of its AT1 6% (USD1 billion) and its Legacy Tier 1 ("T1"), at 12%;
- SEB announced on 18 March 2020, the call of its AT1 (EUR1.1 billion);
- Crédit Agricole announced on 2 April 2020, a tender offer on two of its Legacy T1 bonds, their 6.637% and their CMS; and
- Vivat announced on 2 April 2020, a tender offer on a senior bond, their 2.375% with a maturity date in 2024.

Finally, the primary market quickly reopened despite high volatility. Bond market conditions in the banking sector normalised towards the end of the month, as confirmed by the increasing number of issuances. Credit Suisse issued USD3 billion of senior debt maturing in 2031 with a 4.194% coupon. Several UK banks also came to refinance: Lloyds EUR1.5 billion senior 3.5% 2026, HSBC USD2.5 billion senior 4.95% 2030, RBS EUR1 billion senior 2.75% 2025, Barclays EUR2 billion senior 3.75% 2025 and Standard Chartered USD2 billion senior 4.644% 2031.

April

April was another month of exceptional support measures for the banks, helping to fight the impact of the pandemic on the economy. These translated into a strong rally in subordinated debt (+9% for the Solactive Liquid CoCo bonds index).

To defend the positioning of the banks as a solution to the crisis, many regulatory and supervisory 'sweeteners' were offered to banks, all with the same objective of keeping lending activity flowing: temporary suspension of IFRS9 impact on CET1; acceleration of the partial reintegration of software intangibles to CET1; and exemption of central bank balances from the leverage ratio.

Our conviction remains unchanged. The banks have never approached a crisis so well capitalised, as confirmed by S&P in their recent analysis 'How COVID-19 Is Affecting Bank Ratings'. The agency referred to three main reasons for the resilience of bank ratings: the generally strong capital and liquidity position of banks globally, supported by a material strengthening in bank regulations over the past 10 years; the diversification in their loan books, that continue to provide relative revenue stability; and the strong fundamentals, not artificially tweaked by years of accommodative monetary policy and abundant liquidity, the opposite of what happened in the corporate sector which allowed weaker companies to access the market.

The banking results season revealed a strong historic trading performance at Investment Banks level, alongside the general pattern of: (i) higher provisioning; (ii) CET1 levels generally in line with consensus with higher RWAs offset by the 2019 dividends' omission; and (iii) increased headroom to MDA.

Finally, issuers have continued calling their bonds: Principality Building Society, BCP, Julius Baer and Rabobank all announced the calls of their T1s.

May

The month of May was marked by the easing of the lockdown in many European countries, including Italy. The battery of exceptional measures put in place by regulators and governments to reduce the economic shock of the pandemic continued to expand. This resulted in a strong performance of subordinated debt with the SubFin index closing at 180bps vs. 280bps at the end of April 2020.

As the first quarter earning season ended, we could see that European banks were showing deteriorating profitability but resilient levels of capital. Regulators continued to announce measures to support the banking sector, including a planned Recovery Fund for investments in Europe and amendments to the CRR reform concerning distributions (dividends and coupons) to be voted on in June.

The Bank of England and the ECM tried to quantify the risk of losses through desktop stress tests and by taking into account public support plans. They believed that the crisis could seriously deteriorate 2020 profits but that for the majority of European banks capital cushions were sufficient. Liquidity was not a cause for concern in the current environment. Despite strong corporate demand for loans, banks continued to face excess liquidity, to the extent that we saw several banks calling their senior bonds in May 2020. Issuers continued to call their inefficient regulatory instruments: StanChart 5.375% step-up, ABN 2.875% Tier 2 ("T2").

Finally, despite market volatility, the Bank of Ireland successfully issued an AT1 bond. The secondary market remained very active with many senior debt buybacks. It should be noted that the Intesa/UBI merger was still under negotiation. The Monte dei Paschi restructuring plan was validated, which had a very positive impact on the T2 of peripheral countries.

June

The month of June was marked by further easing of lock-down in most European countries. The SubFin index tightened further closing the month at 166bps vs. 180bps at the end of May 2020 and 280bps at the end of April 2020. The CoCo Solaxicc index ended the month at +1.5%.

The measures put in place by the central banks were the drivers of this rebound: the TLTRO3 by the ECB with its generous pricing which could reach -1%, or the increase of the BOE's bond purchase programme by GBP100 billion. Meanwhile discussions on Brexit stalled on disagreements about regulatory equivalence of financial services.

In Italy, NPL disposals continued with EUR8.5 billion sold by Monte Paschi and more disposals were due from UniCredit and Banca Popolare di Sondrio. The merger between Intesa Sanpaolo and UBI was cleared by the regulator, and the insurer Generali acquired 24% in Cattolica. In Spain, Helvetia Assurances acquired 69.4% in the insurer Caser for a price of EUR800 million, two-thirds of which was financed by the issue of a T2 bond. The ECB launched a consultation on consolidation suggesting that regulatory impediments would reduce.

Finally, the primary market was very active on the CoCos side (AT1 and RT1). The main issues to mention were RBS (USD1 billion at 6%), Commerzbank (EUR1.25 billion at 6.135%), ABN Amro (EUR1 billion at 4.375%), Nationwide (GBP750 million at 5.75%) and Legal & General (GBP500 million at 5.625%). Issuers continued to call their ineffective regulatory securities. RBS confirmed the call of its USD2 billion 7.5% AT1 and UniCredit exercised the call on its Euro Legacy 9 3/8%.

2. Investment Objective and Strategy

The Company is a closed-ended fund investing in liabilities issued by European financial institutions, predominantly legacy T1s, T2s, and AT1s across five sub-strategies:

- Liquid Relative Value: instruments issued by large and strong quality institutions, with significant liquidity. These can be purchased on either primary or secondary markets.
- Less Liquid Relative Value: instruments issued by large and strong quality institutions, with limited liquidity due to past tenders or complex features (secondary market).
- Restructuring: instruments issued by institutions in preparation or implementation of a restructuring process (secondary market).
- Special Situations: instruments issued by entities in run-off, under a merger process or split between several entities (secondary market).
- Midcap Origination: instruments issued by small institutions or small subsidiaries of larger institutions (primary market).

3. Company Activity

January

To monetise the strong momentum on the primary market, the Company took part in three new issues in Spain and Italy, two AT1s and one T2, within Liquid Relative Value, while at the same time added on a position in a Greek T2.

In Restructuring, the Company brought its position on Hamburg Commercial Bank to the tender. It also initiated new positions in a small building society and a specialist lender in the UK.

In Midcap Origination, the Company sold its position in the Spanish insurer Caser following the announcement of its acquisition by Helvetia and bought Saxo Bank T2 ahead of the call of its AT1 coming on 26 February 2020 (bought at the inception of the Company at 94.00).

The Company kept a moderate gearing at 107%, with 6% cash.

February

Prior to the week of 24 February 2020, the Company had reduced its exposure in Liquid Relative Value (Santander and Fineco Bank AT1, ASR RT1) and in Restructuring (IPF and Deutsche Bank).

Since the start of the correction on 24 February 2020, the Company realised gains on DB and Intesa hedges.

The Company marginally redeployed on seniors (Intrum), T2s (ICG) and, following the correction, which showed no signs of abating, selectively within the Restructuring bucket on UniCredit and Deutsche Bank. Finally, in anticipation of Central Bank reaction, the Company added to its positions in Fixed Perpetuals issued by UK banks. The Company was well positioned ahead of rate cuts with 19% T1 instruments with Long Calls, hence significant duration.

As the correction continued, the NAV decreased 4.16% on 9 March 2020 on the back of the unprecedented moves across the sector (the iBoxx CoCo Liquid Developed Market AT1 decreased 3.68%).

The Company remained liquid with more than 5% cash and 14% Liquid Relative Value instruments. The Company's holding in AT1 was limited to 35%, of which 17% were liquid instruments. Amongst these AT1s, the Company held issuers that were expected to remain resilient in the context of the COVID-19 crisis, such as Saxo Bank and Fineco Bank, or benefit from the support measures announced by the BOE, such as Virgin Money, OSB and Shawbrook. The Company also held a significant pocket of liquidity in the form of Senior bonds, Fixed-to-Fixed, as well as other Legacy T1 instruments with no extension risk, amounting to 18% and short bond positions as credit hedges amounting to 3%.

March

In the context of record drops in valuations across T2 and AT1 instruments, our legacy strategies saw similar moves but on a smaller scale. This resilience, in relative terms, was supported by the specific, sometimes esoteric, language built into legacy bonds. These features resulted in a more defensive credit profile at the instrument level through shorter credit duration, a limited extension risk and restrictive rule-based coupon paying mechanisms.

The largest position in the portfolio (Lloyds 13%) lost circa 4.5%, at the low end of the monthly valuations observed in sub financials, while still offering more than 600bps for two-year risk on a cumulative coupon.

As the sell-off started at the end of February 2020, the Company reduced some discounted bonds and redeployed partly on liquid AT1s, short dated 'callables' and high-coupon legacy bonds. The Company held the SEB 5.25% at the time of their calls (bought at 91 the very morning of the announcement).

As the volatility took hold, the Company focused on sourcing high coupon bonds that had fallen around par (Lloyds 12% before its tender), or below par for the Fixed-to-Fixed bonds (BNP 6.5% and Lloyds 6.85%).

At the time of the tender announced by Crédit Agricole, the Company also held 10% of similar CMS/disco bonds.

The Company closed the month with 6% cash, alongside a 16% allocation to highly liquid instruments.

April

As market valuations stabilised, the Company proceeded to some defensive adjustments to the portfolio. The Company captured the new issue premia on two insurance T2s in Liquid Relative Value, while it reduced its UK exposure in Less Liquid Relative Value. The Company held some small positions in the two illiquid Principality Building Society and BCP bonds that got called.

In the Restructuring bucket, the Company added on a defensive T2 issued by a Spanish Caja and invested back into a short dated senior bond issued by a consumer lender at a significant discount. In Special Situations, the Company added on Fortis Cashes whose disqualification post 2021 had been confirmed by the issuer's disclosure.

Finally, in Midcap Origination, the Company took part in a new T2 issued by the asset manager Jupiter, as part of an acquisition it committed to in February 2020.

The Company remained lightly levered with its investments representing 104% of NAV, and with 7% of cash ready to deploy on further opportunities.

May

In the favourable environment, the Company took part in the new issue of the Bank of Ireland AT1, as well as the two new issues of insurance T2s by Direct Line and Phoenix, all in the Liquid Relative Value bucket. The Company also bought a Virgin Money AT1 at an attractive entry level of 76.50% of nominal value.

In Less Liquid Relative Value, the Company realised some gains on Ecclesiastical and NatWest preference shares, as well as on some HSBC Long Calls.

In the Restructuring and Midcap Origination buckets, the Company held small positions in BCP legacy instruments and Principality Building Society PIBS that got called at par. They were purchased respectively in 2018 at 54 and during March 2020 between 91 and 96.

The Company closed the month slightly levered with its investments representing 103% of NAV and 8% of cash.

June

In this conducive market, the Company limited its appetite on new issues to a Commerzbank AT1. It financed this in the Liquid Relative Value bucket by realising its gains on the UK insurance T2s issued in April 2020.

The Company benefitted from the call of Banco BPM 9%, one of its top ten positions, within Less Liquid Relative Value. It reinvested some of the proceeds into UK bank prefs, which together with legacy PIBS represent slightly more than 10% of the portfolio. In Legacy CMS, it switched out of BACA and Aegon into an illiquid French mutual instrument whose language signalled a potential call by 2021.

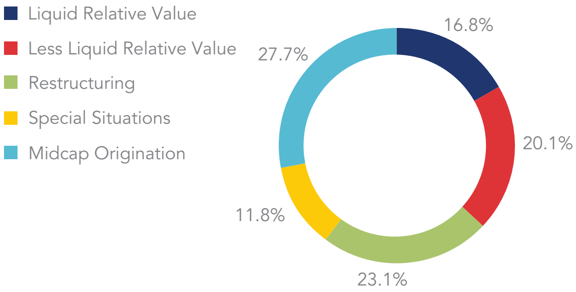
In Restructuring, the Company realised some gains on International Personal Finance and increased its holdings in a Deutsche Bank AT1, following their investor update about loan exposures, and an IKB T2, which was lagging the rebound. In Special Situations, it added on a UBI AT1 as Intesa's bid started its last phase.

Finally, in Midcap Origination the Company increased its holdings in a Saxobank AT1 and Jupiter T2 at levels that remained, in our view, defensive.

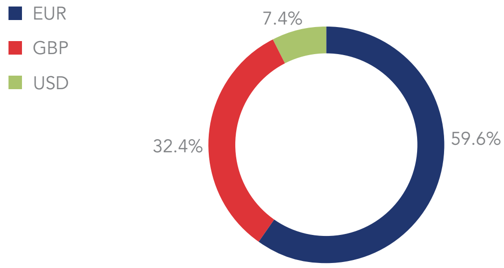
The Company continued to operate with a moderate cash gearing of 108%, which included 7% in cash.

4. Portfolio (as at 30 June 2020)

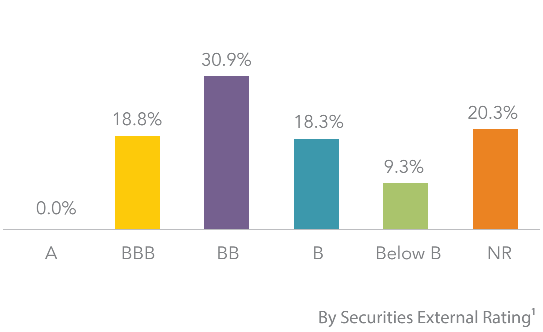
Strategy Allocation (as a % of total net assets)[1]

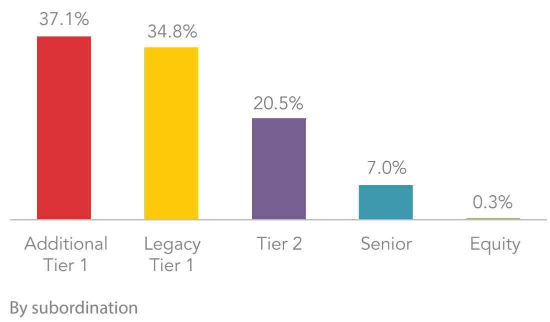


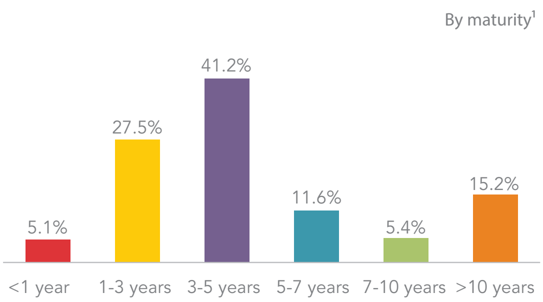
Denomination (as a % of total net assets)[1]

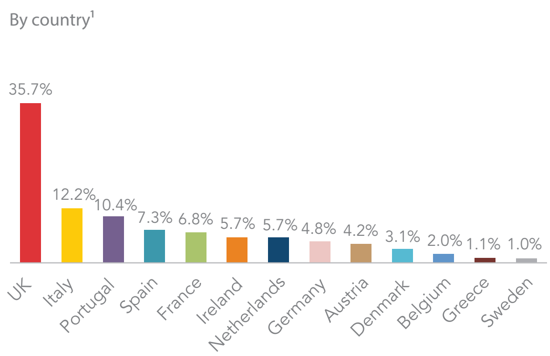


Portfolio Breakdown (as a % of total net assets)









[1]*Splits adjusted for single assets.*

5. Company metrics (as at 30 June 2020)

Share price and NAV information	
Share price (mid) (GB pence)	88.00
NAV per share (daily) (GB pence)	88.58
Dividends paid over last 12 months (GB pence)	6.00
Shares in issue	91,852,904
Market capitalisation (GBP mn)	80.831
Total net assets (GBP mn)	81.366
Premium/(Discount)	(0.65)%

Portfolio information	30 June 2020	31 December 2019	30 June 2019
Modified duration	4.20	4.53	3.42
Sensitivity to credit	6.00	5.51	4.48
Positions	89	93	85
Average price	98.84	105.63	101.45
Running yield	6.50%	5.36%	5.70%
Yield to perpetuity[1]	7.69%	6.51%	6.82%
Yield to call[2]	10.81%	6.26%	6.89%
Gross assets	120.0%	117.0%	115.5%
Net gearing = (Gross assets – Collateral)/Net assets	108.0%	112.4%	107.2%
Investments/Net assets	101.0%	105.8%	96.0%
Cash	7.0%	6.7%	11.3%
Collateral	12.0%	4.6%	8.3%
Net Repo/Net assets	-2.1%	4.9%	13.5%
CDS/Net assets	56.2%	64.6%	79.0%

Net Return[3]

Total Performance

1 month	3 months	6 months	1 year	3 years[4]	Since launch[4]
4.27%	13.69%	-7.85%	-0.94%	2.53%	3.32%

Monthly Performance

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
2015											0.19%	-1.48%	-1.29%
2016	-4.02%	-4.59%	3.57%	1.16%	2.62%	-1.97%	2.83%	1.69%	-0.21%	2.06%	-1.60%	1.91%	3.10%
2017	2.67%	0.93%	1.12%	2.01%	1.72%	-1.41%	1.86%	0.58%	1.76%	2.72%	1.31%	0.23%	16.14%
2018	3.12%	-0.70%	-1.95%	1.14%	-5.84%	-0.72%	1.60%	-1.26%	2.43%	-1.54%	-2.68%	-1.44%	-8.00%
2019	3.36%	2.30%	0.29%	2.53%	-1.59%	2.29%	0.30%	0.75%	0.97%	2.22%	1.77%	1.12%	16.98%
2020	1.99%	-0.87%	-19.95%	5.24%	3.68%	4.27%							-7.85%

[1] *The yield to perpetuity is the yield of the portfolio with the hypothesis that securities are not reimbursed and kept to perpetuity.*
[2] *The yield to call is the yield of the portfolio at the anticipated reimbursement date of the bonds.*
[3] *Net return has been calculated by comparing the NAV at the start of the period with the NAV, plus dividends paid, at the period end. Past performance does not guarantee future results.*
[4] *Annualised performance.*

6. Outlook

As the COVID-affected countries come out of lockdown and try to restart their economies and bring them back to a normal level, the authorities continue to deploy the measures deemed necessary. The EU just struck a historic agreement around a EUR750 billion European Recovery Fund and the ECB recently suggested that the authorities must stand ready to implement further measures.

As for the banks, they continue to be part of the solution and the authorities expect them to continue playing their role in lending to the economy. For this, the banks are offered the funding they can wish for at a negative cost from the ECB through the TLTROs, and are granted a significant relief in their capital requirements through the CRR Quick Fix and in their RWAs through the state guarantees. As a result, the quarter 2 earnings season reveals record levels of liquidity, exacerbated by strong deposit inflows, and increasing capital ratios on lower requirements. Revenues remained resilient and profitability is maintained with some remarkable performance from universal banks that benefit from the strong rebound of their Investment Bank. However, the asset quality has started to migrate. In the context of historic levels of provisioning, the new IFRS9 category of stage 2 loans saw a very strong increase, in particular UK banks. The focus is on loans under moratoria and how defaults will materialise when – and if – these are lifted. Managements are clear that more provisions will have to be taken in the second half of the year.

In this context, we can only express reservations on the near-term outlook for the banking sector and its capacity to restart paying out capital to equity investors. However, non-equity capital instruments continue to offer a vast array of opportunities. The mechanism dictating their distribution continue to be defined by automatic – albeit complex – formulaic rules and the banks will continue to manage their capital path in a disciplined and conservative manner, avoiding at all costs the stigma of having to raise capital at challenging equity discounts, even if this goes against the will of the states and monetary authorities.

We take note of the historically tight valuations on a highly uncertain backdrop, and keep our portfolio liquid and defensive. Still we continue to search for value in the banking and insurance sectors across the different categories of instruments: discounted bonds, fixed-to-fixed, long calls, and other make-whole structures. The end of the Basel III grandfathering period in December 2021 is getting closer and, over the next six months, we will watch for the EBA guidance on legacy instruments as the next catalyst to our bond selection.

Gildas Surry
Axiom Alternative Investments SARL
20 August 2020

PRINCIPAL RISKS

Risk is inherent in the Company's activities, but it is managed through an ongoing process of identifying and assessing risks and ensuring that appropriate controls are in place. The key risks faced by the Company, are set out below:

- macroeconomic risk;
- investment risk;
- counterparty risk;
- credit risk;
- share price risk;
- regulatory risk; and
- reputational risk.

Further details of each of these risks and how they are mitigated are discussed in the Principal Risks section of the Strategic Report within the Company's Annual Report for the year ended 31 December 2019. The Board believes that these risks are applicable to the six month period ended 30 June 2020 and the remaining six months of the current financial year.

The COVID-19 outbreak was a new emerging risk to the global economy when the 31 December 2019 Strategic Report was considered. The outbreak is impacting virtually all businesses and the Board expects that it will continue to impact economies over the coming months. The Investment Manager and Administrator invoked their business continuity plans to help ensure the safety and well-being of their staff thereby retaining the ability to maintain business operations successfully. The Investment Manager continues to monitor the effect on issuers of investment instruments to ensure that the Company is as well-placed as it can be to maintain its objective and to exploit the opportunities that the evolving situation will continue to present. As a result, the operations of the Company are and will be kept under constant review to ensure the Company's liquid resources will be sufficient to cover any working capital requirements.

On behalf of the Board.

William Scott
Chairman
20 August 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the unaudited half-yearly report and condensed financial statements, which have not been audited or reviewed by an independent auditor, and are required to:

- prepare the unaudited half-yearly financial statements in accordance with Disclosure and Transparency Rules ("DTR") 4.2.4R and International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union;
- include a fair review of the information required by DTR 4.2.7R, being important events that have occurred during the period and their impact on the unaudited half-yearly report and condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- include a fair review of information required by DTR 4.2.8R, being related party transactions that have taken place during the period which have had a material effect on the financial position or performance of the Company.

The Directors confirm that the unaudited half-yearly report and condensed financial statements comply with the above requirements.

On behalf of the Board.

William Scott
Chairman
20 August 2020

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2020

	Note	Period from 1 January 2020 to 30 June 2020 (unaudited) £'000	Period from 1 January 2019 to 30 June 2019 (unaudited) £'000
Income			
Capital instrument income		2,520	2,188
Credit default swap income		343	312
Bank interest receivable		13	43
Total income		**2,876**	**2,543**
Investment gains and losses on investments held at fair value through profit or loss			
Realised (losses)/gains on disposal of capital instruments and other investments	*13*	(775)	269
Movement in unrealised (losses)/gains on capital instruments and other investments	*13*	(3,968)	3,897
Realised (losses)/gains on derivative financial instruments	*16*	(655)	387
Movement in unrealised (losses)/gains on derivative financial instruments	*16*	(3,064)	1,367
Total investment gains and losses		**(8,462)**	**5,920**
Expenses			
Investment management fee	*8a*	(377)	(398)
Administration fee	*8b*	(65)	(63)
Directors' fees	*8f*	(47)	(47)
Other expenses	*10*	(126)	(126)
Interest payable and similar charges	*9*	(75)	(21)
Total expenses		**(690)**	**(655)**
(Loss)/profit from operating activities before gains and losses on foreign currency transactions		**(6,276)**	**7,808**
Loss on foreign currency		(886)	(263)
(Loss)/profit for the period attributable to the Owners of the Company		**(7,162)**	**7,545**
(Loss)/earnings per Ordinary Share – basic and diluted	*12*	**(7.80)p**	**8.32p**

All of the items in the above statement are derived from continuing operations.
The accompanying notes on pages 19 to 44 form an integral part of these unaudited condensed half-yearly financial statements.
These financial statements are unaudited and are not the Company's statutory financial statements.

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020

	Note	Period from 1 January 2020 to 30 June 2020 (unaudited) £'000	Period from 1 January 2019 to 30 June 2019 (unaudited) £'000
Distributable reserves and total:			
At 1 January 2020		91,284	76,976
(Loss)/profit for the period		(7,162)	7,545
Contributions by and distributions to Owners			
Ordinary Shares issued	*19*	–	5,941
Share issue costs		–	(100)
Dividends paid	*6*	(2,756)	(2,660)
At 30 June 2020		**81,366**	**87,702**

The accompanying notes on pages 19 to 44 form an integral part of these unaudited condensed half-yearly financial statements. These financial statements are unaudited and are not the Company's statutory financial statements.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Note	As at 30 June 2020 (unaudited) £'000	As at 31 December 2019 (audited) £'000
Assets			
Investments in capital instruments at fair value through profit or loss	*13, 17*	75,869	85,924
Other investments at fair value through profit or loss	*13, 17*	4,999	7,764
Collateral accounts for derivative financial instruments at fair value through profit or loss	*14, 16*	9,552	4,999
Derivative financial assets at fair value through profit or loss	*16*	2,212	3,909
Other receivables and prepayments	*15*	1,507	1,625
Cash and cash equivalents		8,407	6,102
Total assets		**102,546**	**110,323**
Current liabilities			
Derivative financial liabilities at fair value through profit or loss	*16*	(16,289)	(16,434)
Short position(s) covered by sale and repurchase agreements	*13*	(1,399)	(1,336)
Collateral accounts for derivative financial instruments at fair value through profit or loss	*14, 16*	–	(803)
Other payables and accruals	*18*	(873)	(466)
Bank overdrafts		(2,619)	–
Total liabilities		**(21,180)**	**(19,039)**
Net assets		**81,366**	**91,284**
Share capital and reserves			
Share capital	*19*	–	–
Distributable reserves		81,366	91,284
Total equity holders' funds		**81,366**	**91,284**
Net asset value per Ordinary Share: ***basic and diluted***	*20*	**88.58p**	**99.38p**

These unaudited condensed half-yearly financial statements were approved by the Board of Directors on 20 August 2020 and were signed on its behalf by:

William Scott
Chairman
20 August 2020

John Renouf
Director
20 August 2020

The accompanying notes on pages 19 to 44 form an integral part of these unaudited condensed half-yearly financial statements. These financial statements are unaudited and are not the Company's statutory financial statements.

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020

	Note	Period from 1 January 2020 to 30 June 2020 (unaudited) £'000	Period from 1 January 2019 to 30 June 2019 (unaudited) £'000
Cash flows from operating activities			
Net (loss)/profit before taxation		(7,162)	7,545
Adjustments for:			
Foreign exchange movements		886	263
Total investment losses/(gains) at fair value through profit or loss		8,462	(5,920)
Cash flows relating to financial instruments:			
Payment (to)/from collateral accounts for derivative financial instruments	*14*	(5,357)	1,631
Purchase of investments at fair value through profit or loss		(26,431)	(28,957)
Sale of investments at fair value through profit or loss		33,529	35,298
Premiums received from selling credit default swap agreements	*16*	3,871	617
Premiums paid on buying credit default swap agreements	*16*	(3,715)	(1,853)
Purchase of foreign currency derivatives	*16*	(109,100)	(94,747)
Close-out of foreign currency derivatives	*16*	108,614	95,679
Purchase of bond futures	*16*	(1,320)	(2,176)
Sale of bond futures	*16*	1,314	1,400
Proceeds from sale and repurchase agreements	*16*	26,056	45,365
Payments to open reverse sale and repurchase agreements	*16*	(4,763)	–
Payments for closure of sale and repurchase agreements	*16*	(27,600)	(50,131)
Proceeds from closure of reverse sale and repurchase agreements	*16*	4,782	1,576
Opening of short positions		2,752	760
Closure of short positions		(2,315)	(1,622)
Net cash inflow from operating activities before working capital changes		2,503	4,728
Decrease in other receivables and prepayments		724	162
Increase/(decrease) in other payables and accruals		101	(320)
Net cash inflow from operating activities		**3,328**	**4,570**
Cash flows from financing activities			
Proceeds from issue of Ordinary Shares	*21*	–	5,941
Share issue costs paid	*21*	–	(164)
Dividends paid	*6*	(2,756)	(2,660)
Net cash (outflow)/inflow from financing activities		**(2,756)**	**3,117**
Increase in cash and cash equivalents*		**572**	**7,687**
Cash and cash equivalents brought forward		6,102	2,446
Effect of foreign exchange on cash and cash equivalents		(886)	(263)
Cash and cash equivalents carried forward*		**5,788**	**9,870**

* Cash and cash equivalents at the start of the period and at the period end includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2020 *(continued)*

	Period from 1 January 2020 to 30 June 2020 (unaudited) £'000	Period from 1 January 2019 to 30 June 2019 (unaudited) £'000
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	(797)	(172)
Cash received during the period for interest	4,215	2,752
Cash received during the period for dividends	135	71

The accompanying notes on pages 19 to 44 form an integral part of these unaudited condensed half-yearly financial statements. These financial statements are unaudited and are not the Company's statutory financial statements.

NOTES TO THE UNAUDITED CONDENSED HALF-YEARLY FINANCIAL STATEMENTS

for the six months ended 30 June 2020

1. General information

The Company was incorporated as an authorised closed-ended investment Company, under the Law on 7 October 2015 with registered number 61003. Its Ordinary Shares were admitted to trading on the Premium Segment of the main market of the London Stock Exchange and to the premium listing segment of the FCA's Official List on 15 October 2018 (prior to this, the Ordinary Shares traded on the SFS of the London Stock Exchange).

Investment objective

The investment objective of the Company is to provide Shareholders with an attractive return, while limiting downside risk, through investment in the following financial institution investment instruments:

- Regulatory Capital Instruments, being financial instruments issued by a European financial institution which constitute regulatory capital for the purposes of Basel I, Basel II or Basel III or Solvency I or Solvency II;
- Other financial institution investment instruments, being financial instruments issued by a European financial institution, including without limitation senior debt, which do not constitute Regulatory Capital Instruments; and
- Derivative Instruments, being CDOs, securitisations or derivatives, whether funded or unfunded, linked or referenced to Regulatory Capital Instruments or Other financial institution investment instruments.

Investment policy

The Company seeks to invest in a diversified portfolio of financial institution investment instruments. The Company focuses primarily on investing in the secondary market although instruments may also be subscribed in the primary market where the Investment Manager, Axiom, identifies attractive opportunities.

The Company invests its assets with the aim of spreading investment risk.

2. Statement of compliance

a) Basis of preparation

These unaudited condensed half-yearly financial statements present the results of the Company for the six months ended 30 June 2020. These unaudited condensed half-yearly financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the FCA and International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

The unaudited condensed half-yearly financial statements for the period ended 30 June 2020 have not been audited or reviewed by the Company's auditors and do not constitute statutory financial statements. They have been prepared on the same basis as the Company's annual financial statements.

These unaudited condensed half-yearly financial statements were authorised for issuance by the Board of Directors on 20 August 2020.

b) Going concern

After making reasonable enquiries, and assessing all data relating to the Company's liquidity, including its cash resources, income stream and Level 1 investments, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. Therefore, the unaudited condensed half-yearly financial statements have been prepared on a going concern basis.

c) Basis of measurement

These unaudited condensed half-yearly financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value through profit or loss.

2. Statement of compliance *(continued)*

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

Judgements made by management in the application of IFRS that have a significant effect on the unaudited condensed half-yearly financial statements and estimates with a significant risk of material adjustment are discussed in note 4.

3. Significant accounting policies

a) Income and expenses

Bank interest, bond income and credit default swap income is recognised on a time-proportionate basis.

Dividend income is recognised when the right to receive payment is established. Capital instrument income comprises bond interest and dividend income.

All expenses are recognised on an accruals basis. All of the Company's expenses (with the exception of share issue costs, which are charged directly to the distributable reserve) are charged through the Statement of Comprehensive Income in the period in which they are incurred.

b) Foreign currency

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

The exchange rates used by the Company as at 30 June 2020 were £1/€1.1040, £1/US$1.2401, £1/DKK8.2266, £1/CA$1.6835 and £1/SGD1.7282 (31 December 2019: £1/€1.1825, £1/US$1.3257, £1/DKK8.8323, £1/CA$1.7226 and £1/SGD1.7841).

c) Taxation

Investment income is recorded gross of applicable taxes and any tax expenses are recognised through the Statement of Comprehensive Income as incurred.

d) Financial assets and liabilities

The financial assets and liabilities of the Company are investments in capital instruments at fair value through profit or loss, other investments at fair value through profit or loss, collateral accounts for derivative financial instruments, cash and cash equivalents, other receivables, derivative financial instruments and other payables.

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities as discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3. Significant accounting policies *(continued)*

d) Financial assets and liabilities *(continued)*

Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal interest ("SPPI") on the principal outstanding amount; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company includes in this category:

- *Instruments held for trading*. This category includes equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative financial assets at fair value through profit or loss.
- *Debt instruments*. These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

Financial liabilities

A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading.

The Company includes in this category, derivative contracts in a liability position and equity and debt instruments sold short since they are classified as held for trading.

Derivative financial instruments, including credit default swap agreements, foreign currency forward contracts, bond future contracts and sale and repurchase agreements are recognised initially, and are subsequently measured at, fair value. Sale and repurchase agreements are recognised at fair value through profit or loss as they are generally not held to maturity and so are held for trading. Derivative financial instruments are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are offset only if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

These financial instruments are classified at fair value through profit or loss upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with investment strategies and risk management of the Company.

Recognition

The Company recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

3. Significant accounting policies *(continued)*

d) Financial assets and liabilities *(continued)*

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- Either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in the Statement of Comprehensive Income.

Subsequent measurement

After initial measurement, the Company measures financial assets which are classified at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at fair value through profit or loss. Interest and dividend earned or paid on these instruments are recorded separately in interest income or expense and dividend income or expense.

Net gain or loss on financial assets and financial liabilities at fair value through profit or loss

The Company records its transactions in investments and the related revenue and expenses on a trade date basis. Unrealised gains and losses comprise changes in the fair value of financial instruments at the period end. These gains and losses represent the difference between an instrument's initial carrying amount and disposal amount, or cash payment on, or receipts from derivative contracts.

Offsetting of financial instruments

Financial assets and financial liabilities are reported net by counterparty in the Statement of Financial Position, provided that the legal right of offset exists, and is not offset by collateral pledged to or received from counterparties.

e) Collateral accounts for derivative financial instruments at fair value through profit or loss

Collateral accounts for derivative financial instruments at fair value through profit or loss comprises cash balances held at the Company's depositary and the Company's clearing brokers and cash collateral pledged to counterparties related to derivative contracts. Cash that is related to securities sold, not yet purchased, is restricted until the securities are purchased. Financial instruments held within the margin account consist of cash received from brokers to collateralise the Company's derivative contracts and amounts transferred from the Company's bank account.

f) Receivables and prepayments

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company includes in this category other short-term receivables.

g) Cash and cash equivalents

Cash in hand and in banks and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

3. Significant accounting policies *(continued)*

h) Payables and accruals

Trade and other payables are carried at payment or settlement amounts. When payables are received in currencies other than the reporting currency, they are carried forward, translated at the rate prevailing at the period end date.

i) Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares are recognised as a deduction from equity.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are classified as Treasury Shares are presented as a deduction from equity. When Treasury Shares are sold or subsequently reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit is transferred to/from retained earnings.

Funds received from the issue of Ordinary Shares are allocated to share capital, to the extent that they relate to the nominal value of the Ordinary Shares, with any excess being allocated to distributable reserves.

j) Distributable reserves

All income and expenses, foreign exchange gains and losses and realised investment gains and losses of the Company are allocated to the distributable reserve.

k) NAV per share and earnings per share

The NAV per share disclosed on the face of the Statement of Financial Position is calculated by dividing the net assets by the number of Ordinary Shares in issue at the period end.

Earnings per share is calculated by dividing the earnings for the period by the weighted average number of Ordinary Shares in issue during the period.

l) Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. The Company adopted the following new and amended relevant IFRS in the period:

IFRS 7	Financial Instruments: Disclosures – *amendments regarding pre-placement issues in the context of IBOR reform*
IFRS 9	Financial Instruments – *amendments regarding pre-placement issues in the context of IBOR reform*
IAS 1	Presentation of Financial Statements – *amendments regarding the definition of material*
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors – *amendments regarding the definition of material*

The adoption of the above standards did not have an impact on the financial position or performance of the Company.

3. Significant accounting policies *(continued)*

m) Accounting standards issued but not yet effective

The International Accounting Standards Board ("IASB") has issued/revised a number of relevant standards with an effective date after the date of these financial statements. Any standards that are not deemed relevant to the operations of the Company have been excluded. The Directors have chosen not to early adopt these standards and interpretations and they expect that they would not have a material impact on the Company's financial statements in the period of initial application.

		Effective date
IFRS 9	Financial Instruments – *amendments resulting from Annual Improvements to IFRS Standards 2018-2020*	1 January 2022
IAS 1	Presentation of Financial Statements – *amendments regarding the classification of liabilities*	1 January 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets – *amendments regarding the costs to include when assessing whether a contract is onerous*	1 January 2022

4. Use of judgements and estimates

The preparation of the Company's unaudited condensed half-yearly financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the unaudited condensed half-yearly financial statements and disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgement which had a significant effect on the amounts recognised in the unaudited condensed half-yearly financial statements:

i) Determination of functional currency

The performance of the Company is measured and reported to investors in Sterling. Although the majority of the Company's underlying assets are held in currencies other than Sterling, because the Company's capital is raised in Sterling, expenses are paid in Sterling and the Company hedges substantially all of its foreign currency risk back to Sterling the Directors consider Sterling to be the Company's functional currency.

The Directors do not consider there to be any other judgements which have had a significant impact on the unaudited condensed half-yearly financial statements.

Estimates and assumptions

The Company based its assumptions and estimates on parameters available when the unaudited condensed half-yearly financial statements were approved. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

4. Use of judgements and estimates *(continued)*

i) Valuation of financial assets and liabilities

The Company uses the expertise of the Investment Manager to assess the prices of investments at the valuation date. The majority of the prices can be independently verified with reference to external data sources, however a minority of investments cannot be verified by reference to an external source and the Investment Manager secures an independent valuation with reference to the latest prices traded within the market place. These independent valuations take the form of quotes from brokers.

For further information on the assumptions and inputs used to fair value the financial instruments, please see note 17.

5. Segmental reporting

In accordance with IFRS 8, *Operating Segments*, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board in order to assess each segment's performance.

Management information for the Company as a whole is provided internally for decision making purposes. The Company does compartmentalise different investments in order to monitor compliance with investment restrictions, however the performance of these allocations does not drive the investment decision process. The Directors' decisions are based on a single integrated investment strategy and the Company's performance is evaluated on an overall basis. Therefore, the Directors are of the opinion that the Company is engaged in a single economic segment of business for all decision making purposes. The financial results of this segment are equivalent to the results of the Company as a whole.

6. Dividends

As set out in the Prospectus, the Company intends to distribute all of its income from investments, net of expenses, by way of dividends on a quarterly basis. The Company may retain income for distribution in a subsequent quarter to that which it arises in order to smooth dividend amounts or for the purposes of efficient cash management.

The Company declared the following dividends during the period ended 30 June 2020:

	Total dividend declared in respect of earnings in the period		Amount per Ordinary Share	
	Period from 1 January 2020 to 30 June 2020 (unaudited) £'000	**Period from 1 January 2019 to 30 June 2019 (unaudited) £'000**	**Period from 1 January 2020 to 30 June 2020 (unaudited) pence**	**Period from 1 January 2019 to 30 June 2019 (unaudited) pence**
Dividends declared and paid in the period	2,756	2,660	3.00	3.00
Less, dividend declared in respect of the prior period that was paid in the period	(1,378)	(1,282)	(1.50)	(1.50)
Add, dividend declared out of the profits for the period but paid after the period end:	1,378	1,378	1.50	1.50
Dividends declared in respect of the period	2,756	2,756	3.00	3.00

In accordance with IFRS, dividends are only provided for when they become a contractual liability of the Company. Therefore, during the period a total of £2,756,000 (30 June 2019: £2,660,000) was recognised in respect of dividends, none of which was outstanding at the reporting date. The second dividend of £1,378,000 in respect of the earnings during the period had not been provided for at 30 June 2020 as, in accordance with IFRS, it was not a liability of the Company at that date.

NOTES TO THE UNAUDITED CONDENSED HALF-YEARLY FINANCIAL STATEMENTS

for the six months ended 30 June 2020 *(continued)*

7. Related parties

Details of the relationships between the Company and its related parties, being the Investment Manager and the Directors are disclosed in notes 8a and 8f.

Details of the relationships between the Company and its other advisers and service providers (the Administrator, the Broker, the Registrar and the Depositary) are also disclosed in note 8.

As at 30 June 2020, the Company had holdings in the following investments which were managed by the Investment Manager:

	30 June 2020			31 December 2019		
	Holding	**Cost £'000**	**Value £'000**	**Holding**	**Cost £'000**	**Value £'000**
Axiom Global CoCo UCIT ETF USD-hedged	35	2,984	3,016	35	2,984	2,898
Axiom Global CoCo UCIT ETF GBP-hedged	20	2,000	1,983	20	2,000	2,092
Axiom Contingent Capital – Class E	–	–	–	2,450	2,462	2,774

During the period, the Company sold 2,450 units in Axiom Contingent Capital – Class E for £2,150,000, realising a loss of £312,000.

During the period ended 30 June 2019, the Company:

- sold 669 units in Axiom Contingent Capital – Class E for £700,000, realising a gain of £28,000;
- purchased 70 units in UC AXI Global CoCo Bonds UCITS ETF for £6,040,000; and
- purchased 5 units in Axiom Global CoCo UCIT ETF for £394,000.

The Directors are not aware of any ultimate controlling party.

8. Key contracts

a) Investment Manager

The Company has entered into an Investment Management Agreement with Axiom under which the Company receives investment advice and management services.

Management fee

Under the terms of the Investment Management Agreement, a management fee is paid to the Investment Manager quarterly in arrears. The quarterly fee is calculated by reference to the following sliding scale:

i. where NAV is less than or equal to £250 million, 1% per annum of NAV;

ii. where NAV is greater than £250 million but less than or equal to £500 million, 1% per annum of NAV on the first £250 million and 0.8% per annum of NAV on the balance; and

iii. where NAV is greater than £500 million, 0.8% per annum of NAV, in each case, plus applicable VAT.

In respect of the management fee calculation above, any related party holdings are deducted from the NAV.

If in any quarter (other than the final quarter) of any accounting period the aggregate expenses of the Company (excluding management fees, performance fees, interest charged on sale and repurchase agreements, bank charges and withholding tax) during such quarter exceed an amount equal to one-quarter of 1.5% of the average NAV of the Company during such quarter (such amount being a "Quarterly Expenses Excess"), then the management fee payable in respect of that quarter shall be reduced by the amount of the Quarterly Expenses Excess, provided that the management fee shall not be reduced to an amount that is less than zero and no sum will be payable by the Investment Manager to the Company in respect of the Quarterly Expenses Excess.

8. Key contracts *(continued)*

a) Investment Manager *(continued)*

Management fee (continued)

If in the final quarter of any accounting period the aggregate expenses of the Company during such accounting period exceed an amount equal to 1.5% of the average NAV of the Company during such accounting period (such amount being an "Annual Expenses Excess"), then the management fee payable in respect of that quarter shall be reduced by the amount of the Annual Expenses Excess. If such reduction would not fully eliminate the Annual Expenses Excess (the amount of any such shortfall being a "Management Fee Deduction Shortfall"), the Investment Manager shall pay to the Company an amount equal to the Management Fee Deduction Shortfall (a "Management Fee Deduction Shortfall Payment") as soon as is reasonably practicable.

During the period, a total of £377,000 (30 June 2019: £398,000) was incurred in respect of Investment Management fees, of which £377,000 (31 December 2019: £189,000) was payable at the reporting date.

Under the terms of the Investment Management Agreement, if at any time there has been any deduction from the management fee as a result of the Quarterly Expenses Excess or Annual Expenses Excess (a "Management Fee Deduction"), and during any subsequent quarter:

i. all or part of the Management Fee Deduction can be paid; and/or

ii. all or part of the Management Fee Deduction Shortfall Payment can be repaid,

by the Company to the Investment Manager without:

iii. in any quarter (other than the final quarter) of any accounting period the aggregate expenses of the Company during such quarter exceeding an amount equal to one-quarter of 1.5% of the average NAV of the Company during such quarter; or

iv. in the final quarter of any accounting period the aggregate expenses of the Company during such accounting period exceeding an amount equal to 1.5% of the average NAV of the Company during such accounting period, then such payment and/or repayment shall be made by the Company to the Investment Manager as soon as is reasonably practicable.

During the period, £16,000 of the Expenses Excess was paid to the Investment Manager (30 June 2019: £13,000 Expenses Excess was paid to the Investment Manager). At 30 June 2020, the Quarterly Expenses Excess and Annual Expenses Excess which would be payable to the Investment Manager in future periods was £709,000 (31 December 2019: £725,000) (see note 25).

Performance fee

The Investment Manager is entitled to receive from the Company a performance fee subject to certain performance benchmarks.

The fee is payable as a share of the Total Shareholder Return ("TSR") where TSR for this purpose is defined as:

i. the NAV (on a per share basis) at the end of the relevant accounting period; plus

ii. the total of all dividends and other distributions made to Shareholders since 5 November 2015 (being the date of the Company's original admission to the SFS) divided by the number of shares in issue during the period from 5 November 2015 to the end of the relevant accounting period.

The performance fee, if any, is equal to 15% of the TSR in excess of a weighted average hurdle equal to a 7% per annum return. The performance fee is subject to a high water mark. The fee, if any, is payable annually and calculated on the basis of audited annual accounts.

50% of the performance fee will be settled in cash. The balance will be satisfied in shares, subject to certain exceptions where settlement in shares would be prohibited by law or would result in the Investment Manager or any person acting in concert with it incurring an obligation to make an offer under Rule 9 of the City Code, in which case the balance will be settled in cash.

8. Key contracts *(continued)*

a) Investment Manager *(continued)*

Performance fee (continued)

Assuming no such requirement, the balance of the performance fee will be settled either by the allotment to the Investment Manager of such number of new shares credited as fully paid as is equal to 50% of the performance fee (net of VAT) divided by the most recent practicable NAV per share (rounded down to the nearest whole share) or by the acquisition of shares in the market, as required under the terms of the Investment Management Agreement. All shares allotted to (or acquired for) the Investment Manager in part satisfaction of the performance fee will be subject to a lock-up until the date that is 12 months from the end of the accounting period to which the award of such shares related.

During the period, no performance fee was payable by the Company (30 June 2019: £nil). As at 30 June 2020, £68,000 was due to the Investment Manager in settlement of 50% of the 2019 performance fee. This amount will be used to purchase shares in the Company. The other 50% was settled in cash in the period.

b) Administrator and Company Secretary

Elysium Fund Management Limited has been appointed by the Company to provide day to day administration services to the Company, to calculate the NAV per share as at the end of each calendar month and to provide company secretarial functions required under the Law.

Under the terms of the Administration Agreement, the Administrator is entitled to receive a fee of £110,000 per annum, which is subject to an annual adjustment upwards to reflect any percentage change in the retail prices index over the preceding year. In addition, the Company pays the Administrator a fee for any work undertaken in connection with the daily NAV, subject to a maximum aggregate amount of £10,000 per annum.

During the period, a total of £65,000 (30 June 2019: £63,000) was incurred in respect of Administration fees and £32,000 (31 December 2019: £32,000) was payable to the Administrator at the reporting date.

c) Broker

Winterflood Securities Limited ("Winterflood") has been appointed to act as Corporate Broker ("Broker") for the Company, for which the Company pays Winterflood an annual retainer fee of £35,000 per annum.

For the period ended 30 June 2020, the Company incurred Broker fees of £18,000 (30 June 2019: £18,000) of which £6,000 was payable at the period end date (31 December 2019: £6,000).

d) Registrar

Link Market Services (Guernsey) Limited is Registrar of the Company. Under the terms of the Registrar Agreement, the Registrar is entitled to receive from the Company certain annual maintenance and activity fees, subject to a minimum fee of £5,500 per annum.

During the period, a total of £10,000 (30 June 2019: £10,000) was incurred in respect of Registrar fees, of which £3,000 was payable at 30 June 2020 (31 December 2019: £1,000).

e) Depositary

CACEIS Bank France has been appointed by the Company to provide depositary, settlement and other associated services to the Company.

Under the terms of the Depositary Agreement, the Depositary is entitled to receive from the Company:

i. an annual depositary fee of 0.03% of NAV, subject to a minimum annual fee of €25,000;

ii. a safekeeping fee calculated using a basis point fee charge based on the country of settlement and the value of the assets; and

iii. an administration fee on each transaction, together with various other payment/wire charges on outgoing payments.

8. Key contracts *(continued)*

e) Depositary *(continued)*

During the period, a total of £21,000 (30 June 2019: £18,000) was incurred in respect of depositary fees, and £6,000 (31 December 2019: £13,000) was payable to the Depositary at the reporting date.

CACEIS Bank Luxembourg is entitled to receive a monthly valuation agent fee from the Company in respect of the provision of certain accounting services which will, subject to a minimum monthly fee of €2,500, be calculated by reference to the following tiered sliding scale:

i. where NAV is less than or equal to €50 million, 0.05% per annum of NAV;

ii. where NAV is greater than €50 million but less than or equal to €100 million, 0.04% per annum of NAV; and

iii. where NAV is greater than €100 million, 0.03% per annum of NAV, in each case, plus applicable VAT.

During the period, a total of £20,000 (30 June 2019: £21,000) was incurred in respect of fees paid to CACEIS Bank Luxembourg, of which £10,000 was payable at 30 June 2020 (31 December 2019: £14,000).

f) Directors' remuneration

William Scott (Chairman) is paid £35,000 per annum, John Renouf (Chairman of the Audit Committee) is paid £32,500 per annum, and Max Hilton is paid £27,500 per annum.

The Directors are also entitled to reimbursement of all reasonable travelling and other expenses properly incurred in the performance of their duties.

During the period, a total of £47,000 (30 June 2019: £47,000) was incurred in respect of Directors' fees, of which £8,000 (31 December 2019: £nil) was payable at the reporting date. No bonus or pension contributions were paid or payable on behalf of the Directors.

9. Interest payable and similar charges

	Period from 1 January 2020 to 30 June 2020 (unaudited) £'000	Period from 1 January 2019 to 30 June 2019 (unaudited) £'000
Interest payable on sale and repurchase agreements	52	5
Bank interest	23	15
Commission	–	1
	75	**21**

10. Other expenses

	Period from 1 January 2020 to 30 June 2020 (unaudited) £'000	Period from 1 January 2019 to 30 June 2019 (unaudited) £'000
Depositary fees *(note 8e)*	21	18
Audit fees	21	18
Valuation agent fees *(note 8e)*	20	21
PR expenses	20	21
Broker fees *(note 8c)*	18	18
Registrar fees *(note 8d)*	10	10
Other expenses	16	20
	126	**126**

11. Taxation

The Company is exempt from taxation in Guernsey, and it is the intention to conduct the affairs of the Company to ensure that it continues to qualify for exempt company status for the purposes of Guernsey taxation. The Company pays a fixed fee of £1,200 per annum to maintain exempt company status.

12. Loss per Ordinary Share

The loss per Ordinary Share of 7.80p (30 June 2019: earnings of 8.32p) is based on a loss attributable to owners of the Company of £7,162,000 (30 June 2019: profit of £7,545,000) and on a weighted average number of 91,852,904 (30 June 2019: 90,650,529) Ordinary Shares in issue since 1 January 2020. There is no difference between the basic and diluted loss per share.

13. Investments at fair value through profit or loss

Movements in gains/(losses) in the period

	30 June 2020 (unaudited)			30 June 2019 (unaudited)		
	Unrealised £'000	Realised £'000	Total £'000	Unrealised £'000	Realised £'000	Total £'000
Investments in capital instruments	(3,691)	(811)	(4,502)	3,151	267	3,418
Other investments	(303)	(312)	(615)	743	31	774
Short position(s) covered by reverse sale and repurchase agreements	26	348	374	3	(29)	(26)
	(3,968)	**(775)**	**(4,743)**	**3,897**	**269**	**4,166**

Closing valuations

	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
Investments in capital instruments	75,869	85,924
Other investments	4,999	7,764
Short position covered by reverse sale and repurchase agreements	(1,399)	(1,336)
Investments at fair value through profit or loss	**79,469**	**92,352**

13. Investments at fair value through profit or loss *(continued)*

Investments in capital instruments at fair value through profit or loss comprise mainly of investments in bonds, and also preference shares, structured notes and other securities that have a similar income profile to that of bonds. The other investments at fair value through profit or loss consist of investments in open ended funds managed by the Investment Manager (see note 7) to obtain diversified exposure on bank equities.

As at 30 June 2020, the Company had fifteen (31 December 2019: ten) open sale and repurchase agreements, including one (31 December 2019: one) reverse sale and repurchase agreement (see note 16). The reverse sale and repurchase agreement is open ended and was used to cover the sale of a capital instrument (the short position noted above).

The fair value of the capital instruments subject to sale and repurchase agreements (excluding the short position) at 30 June 2020 was £24,250,000 (31 December 2019: £19,596,000). The fair value net of the short position was £22,851,000 (31 December 2019: £18,260,000).

14. Collateral accounts for derivative financial instruments at fair value through profit or loss

	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
JP Morgan	6,753	3,660
CACEIS Bank France	1,286	–
Goldman Sachs International	887	754
Credit Suisse	626	585
	9,552	4,999
CACEIS Bank France – *negative balance*	–	(803)
Net balance on collateral accounts held by brokers	**9,552**	**4,196**

With respect to derivatives, the Company pledges cash and/or other liquid securities ("Collateral") to third parties as initial margin and as variation margin. Collateral may be transferred either to the third party or to an unaffiliated custodian for the benefit of the third party. In the case where Collateral is transferred to the third party, the third party pursuant to these derivative arrangements will be permitted to use, reuse, lend, borrow, hypothecate or re-hypothecate such Collateral. The third parties will have no obligation to retain an equivalent amount of similar property in their possession and control, until such time as the Company's obligations to the third party are satisfied. The Company has no right to this Collateral but has the right to receive fungible, equivalent Collateral upon the Company's satisfaction of the Company's obligation in respect of the derivatives.

15. Other receivables and prepayments

	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
Accrued capital instrument income receivable	864	1,591
Due from sale of capital instrument	610	–
Prepayments	19	15
Interest due on credit default swaps	13	15
Interest due on collateral held by brokers	1	4
	1,507	**1,625**

16. Derivative financial instruments

Credit default swap agreements

A credit default swap agreement represents an agreement that one party, the protection buyer, pays a fixed fee, the premium, in return for a payment by the other party, the protection seller, contingent upon a specified credit event relating to an underlying reference asset. If a specified credit event occurs, there is an exchange of cash flows and/or securities designed so the net payment to the protection buyer reflects the loss incurred by holders of the referenced obligation in the event of its default. The International Swaps and Derivatives Association ("ISDA") establishes the nature of the credit event and such events include bankruptcy and failure to meet payment obligations when due.

	Period from 1 January 2020 to 30 June 2020 (unaudited) £'000	Period from 1 January 2019 to 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Opening balance	1,016	(2,419)	(2,419)
Premiums received from selling credit default swap agreements	(3,871)	(617)	(1,658)
Premiums paid on buying credit default swap agreements	4,021	1,853	2,982
Movement in unrealised (losses)/gains in the period	(861)	1,879	1,972
Realised (losses)/gains in the period	(28)	323	139
Outstanding assets due on credit default swaps	**277**	**1,019**	**1,016**
Credit default swap assets at fair value through profit or loss	639	1,413	1,398
Credit default swap liabilities at fair value through profit or loss	(362)	(394)	(382)
Outstanding assets due on credit default swaps	**277**	**1,019**	**1,016**

Interest paid or received on the credit default swap agreements has been accounted for in the Unaudited Condensed Statement of Comprehensive Income as it has been incurred or received. At the period end, £13,000 (31 December 2019: £15,000) of interest on credit default swap agreements was due to the Company.

Collateral totalling £8,266,000 (31 December 2019: £4,999,000) was held in respect of the credit default swap agreements.

Foreign currency forwards

Foreign currency forward contracts are used for trading purposes and are used to hedge the Company's exposure to changes in foreign currency exchange rates on its foreign portfolio holdings. A foreign currency forward contract is a commitment to purchase or sell a foreign currency on a future date and at a negotiated forward exchange rate.

	Period from 1 January 2020 to 30 June 2020 (unaudited) £'000	Period from 1 January 2019 to 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Opening balance	1,219	(1,329)	(1,329)
Purchase of foreign currency derivatives	109,100	94,747	324,487
Closing-out of foreign currency derivatives	(108,614)	(95,679)	(325,345)
Movement in unrealised (losses)/gains in the period	(1,951)	(540)	2,548
Realised (losses)/gains in the period	(486)	932	858
Net (liabilities)/assets on foreign currency forwards	**(732)**	**(1,869)**	**1,219**
Foreign currency forward assets at fair value through profit or loss	126	1,860	1,219
Foreign currency forward liabilities at fair value through profit or loss	(858)	(3,729)	–
Net (liabilities)/assets on foreign currency forwards	**(732)**	**(1,869)**	**1,219**

16. Derivative financial instruments *(continued)*

Bond futures

A bond future contract involves a commitment by the Company to purchase or sell bond futures for a predetermined price, with payment and delivery of the bond future at a predetermined future date.

	Period from 1 January 2020 to 30 June 2020 (unaudited) £'000	Period from 1 January 2019 to 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Opening balance	–	(7)	(7)
Purchase of bond futures	1,320	2,176	2,336
Sale of bond futures	(1,314)	(1,400)	(1,384)
Movement in unrealised gains/(losses) in the period	–	(123)	88
Realised losses in the period	(6)	(647)	(1,033)
Balance payable on bond futures	**–**	**(1)**	**–**
Bond future assets at fair value through profit or loss	–	5	–
Bond future liabilities at fair value through profit or loss	–	(6)	–
Balance payable on bond futures	**–**	**(1)**	**–**

Sale and repurchase agreements

Under the terms of a sale and repurchase agreement one party in the agreement acts as a borrower of cash, using a security held as collateral, and the other party in the agreement acts as a lender of cash. Almost any security may be employed in the sale and repurchase agreement. Interest is paid by the borrower for the benefit of having funds to use until a specified date on which the effective loan needs to be repaid.

	Period from 1 January 2020 to 30 June 2020 (unaudited) £'000	Period from 1 January 2019 to 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Opening balance	(14,760)	(14,955)	(14,955)
Opening of sale and repurchase agreements	(26,056)	(45,365)	(63,360)
Opening of reverse sale and repurchase agreements	4,763	–	2,678
Closing-out of sale and repurchase agreements	27,600	50,131	64,283
Closing-out of reverse sale and repurchase agreements	(4,782)	(1,576)	(3,694)
Movement in unrealised (losses)/gains in the period	(252)	151	691
Realised losses in the period	(135)	(221)	(403)
Total liabilities on sale and repurchase agreements	**(13,622)**	**(11,835)**	**(14,760)**
Sale and repurchase assets at fair value through profit or loss	1,447	787	1,292
Sale and repurchase liabilities at fair value through profit or loss	(15,069)	(12,622)	(16,052)
Total liabilities on sale and repurchase agreements	**(13,622)**	**(11,835)**	**(14,760)**

Interest paid on sale and repurchase agreements has been accounted for in the Unaudited Condensed Statement of Comprehensive Income as it has been incurred. At 30 June 2020 £nil (31 December 2019: £nil) interest on sale and repurchase agreements was payable by the Company.

16. Derivative financial instruments *(continued)*

Offsetting of derivative financial instruments

The Company presents the fair value of its derivative assets and liabilities on a gross basis, no such assets or liabilities have been offset in the Unaudited Condensed Statement of Financial Position. Certain derivative financial instruments are subject to enforceable master netting arrangements, such as ISDA master netting agreements, or similar agreements that cover similar financial instruments.

The similar agreements include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral. The similar financial instruments and transactions include derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, securities borrowing, and securities lending agreements.

The Company's agreements allow for offsetting following an event of default, but not in the ordinary course of business, and the Company does not intend to settle these transactions on a net basis or settle the assets and liabilities on a simultaneous basis.

The table below sets out the carrying amounts of recognised capital instruments and short position(s) which could be offset under the applicable derivative agreements (as described above):

	Gross carrying amount before offsetting £'000	Amounts offset in accordance with offsetting criteria £'000	Net amount presented in Unaudited Condensed Statement of Financial Position £'000	Effect of remaining rights of offset that do not meet the criteria for offsetting in the Unaudited Condensed Statement of Financial Position – Cash held as collateral £'000	Net exposure £'000
30 June 2020 (unaudited)					
Financial assets					
Derivatives	2,212	–	2,212	(1,399)	813
Collateral accounts for derivative financial instruments *(note 14)*	9,552	–	9,552	(1,220)	8,332
Total assets	**11,764**	**–**	**11,764**	**(2,619)**	**9,145**
Financial liabilities					
Derivatives	(16,289)	–	(16,289)	16,289	–
Collateral accounts for derivative financial instruments *(note 14)*	–	–	–	–	–
Total liabilities	**(16,289)**	**–**	**(16,289)**	**16,289**	**–**
31 December 2019 (audited)					
Financial assets					
Derivatives	3,909	–	3,909	(1,292)	2,617
Collateral accounts for derivative financial instruments *(note 14)*	4,999	–	4,999	(352)	4,647
Total assets	**8,908**	**–**	**8,908**	**(1,644)**	**7,264**
Financial liabilities					
Derivatives	(16,434)	–	(16,434)	16,404	(30)
Collateral accounts for derivative financial instruments *(note 14)*	(803)	–	(803)	–	(803)
Total liabilities	**(17,237)**	**–**	**(17,237)**	**16,404**	**(833)**

17. Fair value of financial instruments at fair value through profit or loss

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

At the period end, the financial assets and liabilities designated at fair value through profit or loss were as follows:

30 June 2020 (unaudited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed capital instruments at fair value through profit or loss	75,728	141	–	75,869
Other investments at fair value through profit or loss *(note 7)*	4,999	–	–	4,999
Credit default swap assets	–	639	–	639
Credit default swap liabilities	–	(362)	–	(362)
Derivative financial assets	–	1,573	–	1,573
Derivative financial liabilities	–	(15,927)	–	(15,927)
Short position covered by sale and repurchase agreements	–	(1,399)	–	(1,399)
	80,727	**(15,335)**	**–**	**65,392**

31 December 2019 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed capital instruments at fair value through profit or loss	83,460	2,464	–	85,294
Other investments at fair value through profit or loss *(note 7)*	2,092	5,672	–	7,764
Credit default swap assets	–	1,398	–	1,398
Credit default swap liabilities	–	(382)	–	(382)
Other derivative financial assets	–	2,511	–	2,511
Other derivative financial liabilities	–	(16,052)	–	(16,052)
Short positions covered by sale and repurchase agreements	–	(1,336)	–	(1,336)
	85,552	**(5,725)**	**–**	**79,827**

Level 1 financial instruments include listed capital instruments at fair value through profit or loss, unlisted open ended funds and bond future contracts which have been valued at fair value by reference to quoted prices in active markets. No unobservable inputs were included in determining the fair value of these investments and, as such, alternative carrying values for ranges of unobservable inputs have not been provided.

Level 2 financial instruments include broker quoted bonds, credit default swap agreements, foreign currency forward contracts and sale and repurchase agreements. Each of these financial investments are valued by the Investment Manager using market observable inputs. The fair value of the other investments are based on the market price of the underlying securities.

The model used by the Company to fair value credit default swap agreements prices a credit default swap as a function of its schedule, deal spread, notional value, credit default swap curve and yield curve. The key assumptions employed in the model include: constant recovery as a fraction of par, piecewise constant risk neutral hazard rates and default events being statistically independent of changes in the default-free yield curve.

The fair values of the derivative financial instruments are based on the forward foreign exchange rate curve.

The sale and repurchase agreements have been valued by reference to the notional amount, expiration dates and rates prevailing at the valuation date.

17. Fair value of financial instruments at fair value through profit or loss *(continued)*

Transfers between levels

Transfers between levels during the period are determined and deemed to have occurred at each financial reporting date. There were no investments classified as Level 3 during the period, and no transfers between levels in the period. See notes 13, 14 and 16 for movements in instruments held at fair value through profit or loss.

18. Other payables and accruals

	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
Investment management fee *(note 8a)*	377	189
Due on purchase of credit default swap agreement	304	–
Performance fee *(note 8a)*	68	136
Administration fee *(note 8b)*	32	32
Audit fees	21	30
Other accruals	19	31
Share issue costs	14	14
Valuation agent fees *(note 8e)*	10	14
Directors' remuneration *(note 8f)*	8	–
Depositary fees *(note 8e)*	6	13
Broker fee *(note 8c)*	6	6
Accrued interest payable on capital instrument short position	5	–
Registrar fee *(note 8d)*	3	1
	873	**466**

19. Share capital

	30 June 2020 (unaudited)		31 December 2019 (audited)	
	Number	£'000	Number	£'000
Authorised:				
Ordinary shares of no par value	Unlimited	–	Unlimited	–
Allotted, called up and fully paid:				
Ordinary Shares of no par value	91,852,904	–	91,852,904	–

Issued share capital	Number of shares	Price per share	Gross proceeds £'000
Shares in issue as at 31 December 2018	85,452,024		
Shares issued on 4 February 2019	6,400,880	92.81p	5,941
Shares in issue as at 30 June 2019, 31 December 2019, 30 June 2020 and 20 August 2020	91,852,904		

The Ordinary Shares carry the right to receive all dividends declared by the Company. Shareholders are entitled to all dividends paid by the Company and, on a winding up, provided the Company has satisfied all of its liabilities, the Shareholders are entitled to all of the surplus assets of the Company. Shareholders will be entitled to attend and vote at all general meetings of the Company and, on a poll, will be entitled to one vote for each Ordinary Share held.

20. Net asset value per Ordinary Share

The net asset value per Ordinary Share is based on the net assets attributable to owners of the Company of £81,366,000 (31 December 2019: £91,284,000), and on 91,852,904 (31 December 2019: 91,852,904) Ordinary Shares in issue at the period end.

21. Changes in liabilities arising from financing activities

During the period ended 30 June 2019, the Company raised £5,941,000 through the placing of 6,400,880 new Ordinary Shares of no par value. Share issue costs of £100,000 were incurred in relation to the placing, and at the period end £14,000 (31 December 2019: £14,000) of these costs were outstanding, resulting in cash flows in relation to share issue costs in the period of £nil (30 June 2019: £164,000).

22. Financial instruments and risk management

The Company invests its assets with the aim of spreading investment risk.

Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring. The Company is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk from the financial instruments it holds. Risk management procedures are in place to minimise the Company's exposure to these financial risks, in order to create and protect Shareholder value.

Risk management structure

The Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management approach within the Company.

The Company has no employees and is reliant on the performance of third party service providers. Failure by the Investment Manager, Administrator, Depositary, Registrar or any other third party service provider to perform in accordance with the terms of its appointment could have a significant detrimental impact on the operation of the Company

The market in which the Company participates is competitive and rapidly changing.

Risk concentration

Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open position in several currencies that tend to move together.

Within the aim of maintaining a diversified investment portfolio, and thus mitigating concentration risks, the Company has established the following investment restriction in respect of the general deployment of assets:

Concentration

No more than 15% of NAV, calculated at the time of investments, will be exposed to any one financial counterparty. This limit will increase to 20% where, in the Investment Manager's opinion (having informed the Board in writing of such increase) the relevant financial institution investment instrument is expected to amortise such that, within 12 months of the date of the investment, the expected exposure (net of any hedging costs and expenses) will be equal to or less than 15% of NAV, calculated at the time of the investment.

22. Financial instruments and risk management *(continued)*

Market risk

i. Price risk

Price risk exposure arises from the uncertainty about future prices of financial instruments held. It represents the potential loss that the Company may suffer through holding positions in the face of price movements. The investments in capital instruments, unlisted open ended funds and bond futures at fair value through profit or loss (see notes 13, 16 and 17) are exposed to price risk and it is not the intention to mitigate the price risk.

At 30 June 2020, if the valuation of these investments at fair value through profit or loss had moved by 5% with all other variables remaining constant, the change in net assets would amount to approximately +/- £3,973,000 (31 December 2019: £4,618,000). The fair value of financial instruments exposed to price risk at 30 June 2020 was £79,468,000 (31 December 2019: £92,352,000).

ii. Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company invests in securities and other investments that are denominated in currencies other than Sterling. Accordingly, the value of the Company's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Company will necessarily be subject to foreign exchange risks.

In order to limit the exposure to foreign currency risk, the Company entered into hedging contracts during the period. At the period end, the Company held the following foreign currency forward contracts:

30 June 2020 **Maturity date**	**Amount** **to be sold**	**Amount** **to be purchased**
31 July 2020	€37,000,000	£32,702,000
31 July 2020	US$16,000,000	£13,028,000
31 July 2020	€2,000,000	£1,788,000

31 December 2019 **Maturity date**	**Amount** **to be sold**	**Amount** **to be purchased**
16 January 2020	€40,470,000	£35,146,000
16 January 2020	US$11,175,000	£8,686,000
16 January 2020	€8,000,000	£6,859,000
16 January 2020	DKK7,297,000	£845,000
16 January 2020	US$1,012,000	£771,000

22. Financial instruments and risk management *(continued)*

Market risk (continued)

ii. Foreign currency risk (continued)

As at the period end a proportion of the net financial assets of the Company were denominated in currencies other than Sterling, as follows:

30 June 2020 (unaudited)	Investments at fair value through profit or loss £'000	Receivables £'000	Cash and cash equivalents £'000	Exposure £'000	Foreign currency forward contracts £'000	Net exposure £'000
Euro	40,379	605	(2,619)	38,365	(35,349)	3,016
US Dollar	8,157	462	4,806	13,425	(12,902)	523
Danish Krone	–	–	–	–	–	–
Canadian Dollar	–	–	–	–	–	–
	48,536	**1,067**	**2,187**	**51,790**	**(48,251)**	**3,539**
31 December 2019 (audited)						
Euro	41,044	1,024	1,156	43,224	(41,060)	2,164
US Dollar	8,746	34	1,118	9,898	(9,200)	698
Danish Krone	–	–	832	832	(827)	5
Canadian Dollar	–	–	–	–	–	–
Singaporean Dollar	–	–	–	–	–	–
	49,790	**1,058**	**3,106**	**53,954**	**(51,087)**	**2,867**

Other future foreign exchange hedging contracts may be employed, such as currency swap agreements, futures contracts and options. There can be no certainty as to the efficacy of any hedging transactions.

At 30 June 2020, if the exchange rates had strengthened/weakened by 5% against Sterling with all other variables remaining constant, net assets at 30 June 2020 would have decreased/increased by £177,000 (31 December 2019: £143,000).

iii. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial instruments and cash flow. A large number of the capital instruments bear interest at a fixed rate, but capital instruments to the value of £53,753,000 (31 December 2019: £61,945,000), cash and cash equivalents, net of overdrafts, of £5,788,000 (31 December 2019: £6,102,000), collateral account balances of £9,552,000 (31 December 2019: £4,196,000) and short positions of £1,399,000 (31 December 2019: £1,336,000) were the only interest bearing financial instruments subject to variable interest rates at 30 June 2020. Therefore, if interest rates had increased/decreased by 50 basis points, with all other variables remaining constant, the change in the value of interest cash flows of these assets in the period would have been £384,000 (31 December 2019: +/-£352,000).

22. Financial instruments and risk management *(continued)*

Market risk (continued)

iii. Interest rate risk (continued)

30 June 2020 (unaudited)	Fixed interest £'000	Variable interest £'000	Non-interest bearing £'000	Total £'000
Financial assets				
Investments at fair value through profit or loss	15,045	53,753	12,070	80,868
Cash and cash equivalents	–	8,407	–	8,407
Collateral accounts for derivative financial instruments at fair value through profit or loss	–	9,552	–	9,552
Derivative financial assets at fair value through profit or loss	2,086	–	126	2,212
Other receivables	–	–	1,506	1,506
Total financial assets	**17,131**	**71,712**	**13,702**	**102,545**
Financial liabilities				
Bank overdrafts	–	(2,619)	–	(2,619)
Derivative financial liabilities at fair value through profit or loss	(15,431)	–	(858)	(16,289)
Short positions covered by sale and repurchase agreements	–	(1,399)	–	(1,399)
Other payables and accruals	–	–	(873)	(873)
Total financial liabilities	**(15,431)**	**(4,018)**	**(1,731)**	**(21,180)**
Total interest sensitivity gap	**1,700**	**67,694**	**11,971**	**81,365**

31 December 2019 (audited)	Fixed interest £'000	Variable interest £'000	Non-interest bearing £'000	Total £'000
Financial assets				
Investments at fair value through profit or loss	13,822	61,945	17,920	93,687
Cash and cash equivalents	–	6,102	–	6,102
Collateral accounts for derivative financial instruments at fair value through profit or loss	–	4,999	–	4,999
Derivative financial assets at fair value through profit or loss	2,690	–	1,219	3,909
Other receivables	–	–	1,621	1,621
Total financial assets	**16,512**	**73,046**	**20,760**	**110,318**
Financial liabilities				
Collateral accounts for derivative financial instruments at fair value through profit or loss	–	(803)	–	(803)
Derivative financial liabilities at fair value through profit or loss	(16,434)	–	–	(16,434)
Short positions covered by sale and repurchase agreements	–	(1,336)	–	(1,336)
Other payables and accruals	–	–	(466)	(466)
Total financial liabilities	**(16,434)**	**(2,139)**	**(466)**	**(19,039)**
Total interest sensitivity gap	**78**	**70,907**	**20,294**	**91,279**

22. Financial instruments and risk management *(continued)*

Market risk (continued)

iii. Interest rate risk (continued)

It is estimated that the fair value of the fixed interest and non-interest bearing capital instruments of £27,115,000 (31 December 2019: £31,742,000) at 30 June 2020 would increase/decrease by +/-£569,000 (0.70%) (31 December 2019: +/-£721,000 (0.77%)) if interest rates were to change by 50 basis points.

The Investment Manager manages the Company's exposure to interest rate risk, paying heed to prevailing interest rates and economic conditions, market expectations and its own views as to likely movements in interest rates.

Although it has not done so to date, the Company may implement hedging and derivative strategies designed to protect investment performance against material movements in interest rates. Such strategies may include (but are not limited to) interest rate swaps and will only be entered into when they are available in a timely manner and on terms acceptable to the Company. The Company may also bear risks that could otherwise be hedged where it is considered appropriate. There can be no certainty as to the efficacy of any hedging transactions.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company.

At 30 June 2020, credit risk arose principally from investment in capital instruments of £75,869,000 (31 December 2019: £85,924,000), cash and cash equivalents of £8,407,000 (31 December 2019: £6,102,000), balances held as collateral for derivative financial instruments at fair value through profit or loss of £9,552,000 (31 December 2019: £4,999,000) and investments in sale and repurchase assets of £1,447,000 (31 December 2019: £1,292,000). The Company seeks to trade only with reputable counterparties that the Investment Manager believes to be creditworthy.

The Investment Manager manages the Company's credit risk by investing in a diverse portfolio of capital instruments, in line with the Prospectus. At 30 June 2020, the capital instrument rating profile of the portfolio was as follows:

	30 June 2020 Percentage	31 December 2019 Percentage
A	–	–
BBB	18.78	19.22
BB	30.91	38.33
B	18.29	9.15
Below B	9.34	8.21
No rating	20.28	25.09
	100.00	**100.00**

The investments without a credit rating correspond to issuers that are not rated by an external rating agency. Although no external rating is available, the Investment Manager considers and internally rates the credit risk of these investments, along with all other investments. The internal risk score is based on the Investment Manager's fundamental view (stress test, macro outlook, solvency, liquidity risk, business mix, and other relevant factors) and is determined by the Investment Manager's risk committee. The risk grades are mapped to an external Baseline Credit Assessment, and any discrepancy of more than two notches is monitored closely.

The cash pending investment may be held without limit with a financial institution with a credit rating of A-1 (Standard & Poor's) or P-1 (Moody's) to protect against counterparty failure.

The Company may implement hedging and derivative strategies designed to protect against credit risk. Such strategies may include (but are not limited to) credit default swaps and will only be entered into when they are available in a timely manner and on terms acceptable to the Company. The Company may also bear risks that could otherwise be hedged where it is considered appropriate. There can be no certainty to the efficacy of hedging transactions.

22. Financial instruments and risk management *(continued)*

Credit risk (continued)

Due to the Company's investment in credit default swap agreements the Company is exposed to additional credit risk as a result of possible counterparty failure. The Company has entered into ISDA contracts with Credit Suisse, JP Morgan and Goldman Sachs, all rated A+. At 30 June 2020, the overall net exposure to these counterparties was 10.94% of NAV (31 December 2019: 7.01%). The collateral held at each counterparty is disclosed in note 14.

Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The principal liquidity risk is contained in unmatched liabilities. The liquidity risk at 30 June 2020 was very low since the ratio of cash and cash equivalents (net of overdrafts) to unmatched liabilities was 7:1 (31 December 2019: 13:1).

In addition, the Company diversifies the liquidity risk through investment in capital instruments with a variety of maturity dates, as follows:

	30 June 2020 Percentage	31 December 2019 Percentage
Less than 1 year	5.07	4.91
1 to 3 years	27.53	36.37
3 to 5 years	41.25	27.85
5 to 7 years	11.63	7.80
7 to 10 years	5.37	6.47
More than 10 years	15.21	16.60
	100.00	**100.00**

As at 30 June 2020, the Company's liquidity profile was such that 61.1% of investments were realisable within one day (31 December 2019: 66.5%), 36.0% was realisable between two days and one week (31 December 2019: 33.5%) and 2.9% was realisable between eight days and one month (31 December 2019: 0.0%).

As at 30 June 2020, the Company's liabilities fell due as follows:

	30 June 2020 Percentage	31 December 2019 Percentage
0 to 3 months	82.73	54.99
3 to 6 months	–	–
6 to 12 months	–	–
1 to 3 years	15.18	15.73
3 to 5 years	2.09	29.28
	100.00	**100.00**

23. Capital management policy and procedures

The Company's capital management objectives are:

- to ensure that it will be able to meet its liabilities as they fall due; and
- to maximise its total return primarily through the capital appreciation of its investments.

Pursuant to the Company's Articles of Incorporation, the Company may borrow money in any manner. However, the Board has determined that the Company should borrow no more than 20% of direct investments.

23. Capital management policy and procedures *(continued)*

The Company uses sale and repurchase agreements to increase the gearing of the Company. As at 30 June 2020 the Company had fifteen (31 December 2019: ten) open sale and repurchase agreements, one (31 December 2019: one) being a reverse sale and repurchase agreement, committing the Company to make a total repayment of £15,069,000 post the period end (31 December 2019: £16,052,000). As a result of the reverse sale and repurchase agreement the Company was due to receive £1,447,000 after the period end (31 December 2019: £1,292,000).

The raising of capital through the ongoing placing programme forms part of the capital management policy. See note 19 for details of the Ordinary Shares issued since incorporation.

As disclosed in the Unaudited Condensed Statement of Financial Position, at 30 June 2020, the total equity holders' funds were £81,366,000 (31 December 2019: £91,284,000).

24. Capital commitments

The Company holds a number of derivative financial instruments which, by their very nature, give rise to capital commitments post 30 June 2020. These are as follows:

- At the period end, the Company had sold twelve credit default swap agreements for a total of £633,000, each receiving quarterly interest (31 December 2019: fourteen agreements for £931,000). The exposure of the Company in relation to these agreements at the period end date was £150,000 (31 December 2019: £1,096,000). Collateral of £8,266,000 for these agreements was held at 30 June 2020 (31 December 2019: £4,999,000).
- At the period end the Company had committed to three (31 December 2019: five) foreign currency forward contracts dated 31 July 2020 (see note 22), giving rise to a total loss of £732,000 (31 December 2019: gain of £1,219,000).
- At the period end, the Company held fourteen (31 December 2019: nine) open sale and repurchase agreements (this excludes the one (31 December 2019: one) open reverse sale and repurchase agreement) committing the Company to make a total repayment of £15,107,000 (31 December 2019: £16,405,000).

25. Contingent assets and contingent liabilities

In line with the terms of the Investment Management Agreement, as detailed in note 8a, should the Company's NAV reach a level at which the TER reduced to less than 1.5% of the average NAV in a future accounting period then the Quarterly Expenses Excess and Annual Expenses Excess totalling £709,000 at 30 June 2020 (31 December 2019: £725,000) would become payable to the Investment Manager, to the extent that the total expenses including any repayment did not exceed 1.5% of the average NAV for that period.

Although £33,000 (30 June 2019: £13,000) of the Expenses Excess was paid in the period, this related solely to the first quarter of 2020 and the Expenses Excess increased by £17,000 in the second quarter. For a significant amount of the £709,000 (31 December 2019: £725,000) Expenses Excess to become payable within the foreseeable future, the Company's NAV would need to increase considerably from the 30 June 2020 NAV. The Directors consider that it is possible, but not probable, that an increase in the NAV leading to a significant payment of the Expenses Excess will be achieved in the foreseeable future. Accordingly, the possible payment to the Investment Manager has been treated as a contingent liability in the unaudited condensed half-yearly financial statements.

There were no other contingent assets or contingent liabilities in existence at the year end.

26. Events after the financial reporting date

On 22 July 2020, the Company declared a dividend of 1.50p per Ordinary Share for the period from 1 April 2020 to 30 June 2020, out of the profits for the period ended 30 June 2020, which (in accordance with IFRS) was not provided for at 30 June 2020 (see note 6). This dividend will be paid on 28 August 2020.

It was noted in the 31 December 2019 Annual Report and Financial Statements that, for good corporate governance, the audit would be put out to tender in the first half of 2020. In line with this intention, the Company received proposals from a number of audit firms. In making the decision regarding the appointment of the auditor, the Board was cognisant of a number of aspects including cost and expertise.

After due consideration of the proposals, the Board agreed to appoint Grant Thornton Limited as the Company's auditor with effect from 19 August 2020.

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William Scott *(non-executive Chairman)*
John Renouf *(non-executive Director)*
Max Hilton *(non-executive Director)*

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