Greenwich Loan Income Fund Limited

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INTERIM REPORT AND UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

Directors:	Patrick Anthony Seymour Firth (Non-Executive Chairman) Geoffrey Richard Miller (Executive Director) Frederick Peter Forni (Non-Executive Director) James Henry Carthew (Non-Executive Director) The address of the Directors is the registered office.	
Registered office:	P.O. Box 296 Sarnia House Le Truchot St Peter Port Guernsey, GY1 4NA Channel Islands	
Investment Manager:	T2 Advisers, LLC 8 Sound Shore Drive, Suite 255 Greenwich Connecticut, 06830 United States of America	
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Nominated adviser:	Grant Thornton Corporate Finance 30 Finsbury Square London, EC2P 2YU United Kingdom *(until 12 March 2012)*	Investec Bank plc 2 Gresham Street London, EC2V 7QP United Kingdom *(from 12 March 2012)*
CISX Sponsor:	Mourant Ozannes Securities Limited P.O. Box 186 1 Le Marchant Street St Peter Port Guernsey, GY1 4HP Channel Islands	
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OFFICERS AND PROFESSIONAL ADVISERS CONTINUED

Legal Advisers:

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Registrar:

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INVESTMENT OBJECTIVE

The Company's objective is to produce a stable and predictable dividend yield, with long term preservation of net asset value, and the investment policy is to invest primarily in senior secured loans.

INVESTMENT POLICY

General

Greenwich Loan Income Fund Limited (the "Company") has appointed T2 Advisers, LLC to act as the discretionary investment manager of the assets of the Company. Subject to the overall supervision of the Board and to the investment objectives, policies and restrictions of the Company, T2 Advisers: determines the composition of the portfolio, the nature and timing of changes thereto, and the manner of implementing such changes; identifies, evaluates and negotiates the structure of investments; arranges financing for the Company, subject to Board approval; and closes, monitors and services the investments.

The investment policies of the Company and its subsidiary T2 CLO (the "Group") are described herein. At the current time, a substantial majority of the consolidated portfolio of the Company is invested in the T2 CLO. While there are investment limitations that the T2 CLO has to maintain as required under its financing indenture (which is described in further detail below), the Company has no such limitations other than at the time of purchase an investment is limited to 15% of the Company's consolidated gross assets. However, if the Company makes a large investment, in such circumstances it has the sole discretion to syndicate or sell a portion of its initial investment.

The Group invests primarily in syndicated corporate loans issued primarily by companies traditionally defined as "middle market", with experienced management, a significant financial or strategic sponsor, a strong competitive position and positive cash flow. The Company began with a particular focus on technology related companies and continues to utilise the technology-based expertise of its principals. The investments are senior debt and have either a first or second lien collateral position in the issuer's assets. Investments made by the T2 CLO must also meet certain tests as required in the financing indenture which include but are not limited to debt ratings levels, currency denomination, issuer's location and investment concentration limits. The T2 CLO must also maintain portfolio limitations which include but are not limited to weighted average maturity, minimum credit spread and maximum risk profile.

Investment Policy

The Company seeks to achieve its investment objective through a policy of investing principally in syndicated corporate loans issued primarily by companies with experienced management, a significant financial or strategic sponsor, a strong competitive position and positive cash flow. The main focus of these investments is US middle-market companies.

Investment will be either direct or indirect. Indirect investment will be effected by investment in collateralised loan obligations ("CLOs"). The Company may invest 100 per cent. of its assets in CLOs and will not seek to limit its exposure to any one issuer of CLOs.

Whilst there are no limits to the portfolio make up in terms of industry sector, market capitalisation, credit rating or proportion in listed or unlisted securities, it is intended that the portfolio, when viewed on the basis of the underlying businesses to which the investments provide exposure, is spread across a broad range of industries and businesses.

Subject to prior approval by the Company's Board, where it is deemed appropriate and beneficial to do so, the Company may also invest in equity, debt instruments (other than loans and CLOs) and other investment funds. Investment in equity and debt instruments (other than loans and CLOs) are subject to a maximum of 20 per cent. of gross assets at the time of investment and any investment in the equity or debt instrument (other than loans or CLOs) of a single issuer will be subject to a maximum of 15 per cent. of gross assets at the time of investment. Investment in closed-ended investment funds shall be subject to a maximum of 10 per cent. of gross assets at the time of investment.

The Company's maximum exposure to US issuers is 100 per cent. of gross assets. Investments outside of the US are limited to a maximum 50 per cent. of gross assets at the time of investment.

The maximum allowable gearing is 500 per cent. of the net asset value of the Company and its subsidiaries on a consolidated basis. Where investment is made into CLOs that are not considered subsidiaries of the Company, the borrowings of such CLOs will not be accounted for in the Company's consolidated Statement of Financial Position and such gearing shall not be taken into account in calculating the maximum allowable gearing of the Company. To manage the risk of such additional gearing the Company may only invest a maximum of 50 per cent. of the Company's consolidated net asset value at the time of investment in CLOs that are not considered subsidiaries of the Company for accounting purposes.

It is expected that the portfolio will be at least 90 per cent. invested in most market conditions, although the Company may maintain larger cash weightings from time to time, to protect capital returns or pending identification of appropriate investment opportunities.

The Company may enter into derivative transactions for the purpose of efficient portfolio management hedging (for example, interest rate, currency, or market exposure).

Any material change to the investment policy would require Shareholder approval in accordance with the AIM Rules. In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the remedial actions to be taken by the Company's Board and the Investment Manager by an announcement issued through a Regulatory Information Service.

CHAIRMAN'S STATEMENT

I am pleased to report the results of Greenwich Loan Income Fund Limited ("GLIF" or the "Company") for the six-month period ended 30 June 2012.

During the period the Company delivered a stable performance, which has helped underpin a strong performance in the Company's share price. The Board continues to explore ways to deliver further value to shareholders, whilst the underlying assets continue to generate strong revenues, underpinning the Company's dividend. With the availability of credit likely to remain a challenge globally for some years to come, GLIF is well placed to take advantage of this favourable macro economic backdrop for its strategy of investment in a broad portfolio of loans, both directly and indirectly.

With the share price discount to the Company's Net Asset Value ("NAV") falling from 11.5% at the beginning of the year to 0.3% by the end of June, the total shareholder return in the first half of 2012 was 17.1%. In NAV terms the performance was less dramatic, with the NAV virtually unchanged at 47.9p versus 48.3p at the beginning of the year, the total return on the NAV for the first half was 3.9%.

The more stable NAV is indicative of the Company's delivery of its objective, to produce a stable and predictable dividend yield, with long term preservation of Net Asset Value.

The Company will continue to seek opportunities to augment this return through value-accretive transactions, as it remains important in turbulent times to seek to diversify the asset base of the loan portfolio. Active discussions are ongoing regarding this process.

However the core of the portfolio remains T2 CLO I Ltd ("the CLO") and the performance remains strong. The income generated from the portfolio over the past six months has been US$6.8m, equivalent to an annualised 23% return on the original US$59.8m invested in the CLO. In addition, the capital value of the monies invested in the CLO has remained robust. The market value of the loans plus cash within the CLO, less the par value of the US$248.9m of debt, was US$50.3m at 30 June 2012, and its face value US$62.4m. In addition there were two equity holdings independently valued at a total of US$3.4m.

The second half of 2012 will be the first period in which the full benefit of the reduction in management fees is felt, and this is anticipated to increase our net revenue once again.

Financials

As of 30 June 2012, GLIF had invested assets with a fair value of £190.1m, and cash of £17.4m (including £11.1m within the CLO structure). Against this the CLO had debt with a fair value of £137.8m. The CLO portfolio is comprised of variable rate investments and, on a weighted average basis, carried a spread of 533 basis points over LIBOR.

For the six-month period ended 30 June 2012, GLIF received interest income, dividends and other income totaling £7.4m, compared to £6.0m for the comparable period in 2011 and £12.2m for the year ended 31 December 2011. Operating expenses fell from £4.4m for the comparable period in 2011 to £3.1m in the first six months of 2012. Finance costs also fell, from £1.3m in the six months to June 2011 to £1.2m in the six months to June 2012.

The overall movement in the value of financial assets and liabilities and in foreign exchange for the Group was a £5.3m reduction for the six month period ended June 2012, compared to a fall of £1.2m in the same period in 2011. The Company's published NAV includes the £3.0m by which the Company's total income exceeded operating expenses and finance costs, and has been further boosted as it does not include the £2.5m fall in value, at Group level, due to the increase in the fair value of the CLO loan notes, therefore it was broadly comparable to its level at 31 December 2011.

Despite a flat NAV over the period, the accrual of remuneration payable to the Executive Director, increased from £336,292 to £563,636 as this is calculated on total shareholder return, rather than NAV performance. It is calculated as 10% of the total shareholder return in excess of a 12% compound return from the inception of the agreement. The amount paid out is capped at 0.3% of NAV, and thus the move to the new NAV basis will reduce the amount actually paid under the service contract.

The other value that we have calculated in order to provide further clarity as to the dynamics within the value of the Company is the value based upon CLO assets as calculated for interest diversion purposes, other assets at market value, and liabilities at par was 52.9p per share as at 30 June 2012, compared to 56.8p at year-end.

Market Commentary

Within the context of a strengthening middle-market corporate loan market throughout 2012, we saw a slight pullback during the second quarter. During the past month, this market has tightened more considerably. On the demand side, we attribute this strength to moderate inflows into loan mutual funds and ETFs, as well as to strong recent CLO issuance. At the same time, the decline of loans held in inventory at broker-dealers has reduced the supply of readily available loans in the market. Strength in the primary market has resulted in an increased number of opportunistic refinancings and dividend recapitalizations, as well as lower-yielding and more leveraged new issuances. The secondary market, which has also strengthened since 2011, has seen a relatively high number of trades executed above par. Although the middle-market corporate loan market has recently strengthened, we believe that this market has and continues to represent an attractive area for investment.

The CLO BB market demonstrated some volatility throughout the first half of 2012 but ended the period on a slightly stronger note, with junior-most debt tranches trading at discount margins of 1,050 – 1,200 (Source: Citibank structured credit trading desk run dated 27 June 2012). During the first half of 2012, CLO equity also demonstrated strong performance, trading at estimated yields of 17.0% - 20.0% and generating strong cash-on-cash returns, averaging over 30.0% (Source: RBS June 2012 CLO Report dated 8 June 2012). During the past month, a strengthening CLO market has resulted in yields tightening in both the CLO BB and equity markets.

As our portfolio is primarily dollar-denominated, currency movements had a small negative impact on the reported results for the six-month period of just over 1%. On 31 December 2011, the US dollar stood at US$1.55 to the pound but by 30 June 2012 the US dollar had weakened to US$1.57 to the pound. However, it remains the Board's view that at current US$/£ exchange rate levels the risk and reward balance associated with hedging our position is unattractive for the Company.

Outlook

The first half of the year has been a positive one for GLIF and for its asset class. The environment remains conducive to the Company's strategy and the Board of GLIF believes that the Company is well placed to benefit. We will continue to seek value accretion for shareholders and to make progress towards the goal of GLIF becoming accepted by a wider range of investors as an investment vehicle to provide a good level of income and an assured level of capital.

Patrick Firth
Non-Executive Chairman

12 September 2012

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	Unaudited Period to 30 June 2012 GBP	Unaudited Period to 30 June 2011 GBP	Audited Year to 31 December 2011 GBP
Revenue	2			
– Interest income on fair value through profit or loss assets		**6,214,178**	5,300,357	10,934,279
Dividends received		**1,209,338**	564,857	484,706
		7,423,516	5,865,214	11,418,985
Investment Income				
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss				
– Realised	6	**(1,546,239)**	(237,602)	57,392
– Net movement in unrealised	6	**(3,572,140)**	(4,626,535)	(1,109,389)
		(5,118,379)	(4,864,137)	(1,051,997)
Net gain on financial assets and liabilities at amortised cost				
– Realised	6	**–**	1,489,252	1,489,252
– Net movement in unrealised foreign currency loss	6	**–**	(116,499)	(116,499)
		–	1,372,753	1,372,753
Other income		**5,294**	168,340	800,930
(Loss)/gain on foreign currency transactions	2	**(66,160)**	82,050	(198,610)
Total income		**2,244,271**	2,624,220	12,342,061
Expenses				
Management fees	4	**1,583,840**	2,045,198	4,002,524
Administration and secretarial fees	4	**70,923**	92,753	181,655
Custodian fees	4	**7,500**	11,079	18,600
Legal and professional fees		**155,142**	261,440	273,156
Directors' remuneration	4	**45,000**	44,532	85,659
Directors' and officers' insurance		**30,985**	30,544	62,482
Audit fees		**22,377**	28,307	47,000
Executive Director's remuneration	4	**523,436**	39,465	444,295
Other expenses	4	**680,693**	1,840,743	1,638,409
Operating expenses before finance costs		**3,119,896**	4,394,061	6,753,780
Net (deficit)/profit from operations before finance costs		**(875,625)**	(1,769,841)	5,588,281
– Finance costs	2	**(1,238,342)**	(1,302,939)	(2,363,289)
(Deficit)/profit for the period/year after finance costs		**(2,113,967)**	(3,072,780)	3,224,992
Other comprehensive income				
Foreign exchange on consolidation		**(126,364)**	2,172,500	681,013
Total comprehensive (deficit)/income for the period/year		**(2,240,331)**	(900,280)	3,906,005
Basic (deficit)/earnings per Ordinary Share (p)	5	**(2.14)p**	(3.18)p	3.30p
Diluted (deficit)/earnings per Ordinary Share (p)	5	**(2.14)p**	(3.18)p	3.30p

All of the (deficit)/profit for the current and prior period/year are attributable to the equity holders of the parent.

The accompanying notes on pages 15 to 38 form an integral part of these financial statements.

UNAUDITED COMPANY STATEMENT OF COMPREHENSIVE INCOME

	NOTES	Unaudited Period to 30 June 2012 GBP	Unaudited Period to 30 June 2011 GBP	Audited Year to 31 December 2011 GBP
Revenue	2			
– Interest income on fair value through profit or loss assets		**2,150,698**	6,509,682	7,408,074
Dividends received		**4,088,658**	7,098,909	8,606,597
		6,239,356	10,608,590	16,014,671
Investment Income				
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss				
– Realised	6	**–**	209,765	279,411
– Net movement in unrealised	6&7	**(26,208,003)**	(8,504,224)	(6,262,373)
		(26,208,003)	(8,294,459)	(5,982,962)
Net gain/(loss) on financial assets and liabilities at amortised cost				
– Realised	6	**–**	1,489,252	1,489,252
– Net movement in unrealised foreign currency loss	6	**–**	(116,499)	(116,499)
		–	1,372,753	1,372,753
Other income		**3,019**	76,741	78,283
(Loss)/gain on foreign currency transactions	2	**(38,197)**	(33,784)	67,361
Total (deficit)/income		**(20,003,825)**	3,729,841	11,550,106
Expenses				
Management fees	4	**1,583,840**	2,045,198	4,002,524
Administration and secretarial fees	4	**54,676**	63,707	127,129
Custodian fees	4	**7,500**	11,079	18,600
Legal and professional fees		**155,143**	261,440	273,156
Directors' remuneration	4	**45,000**	44,532	85,659
Directors' and officers' insurance		**30,985**	30,544	62,482
Audit fees		**22,377**	28,307	47,000
Executive Director's remuneration	4	**523,436**	39,465	444,295
Other expenses	4	**242,141**	498,388	775,794
Operating expenses before finance costs		**2,665,098**	3,022,660	5,836,639
Net (deficit)/profit from operations before finance costs		**(22,668,923)**	707,181	5,713,467
– Finance costs	2	**(242,264)**	(502,508)	(702,508)
(Deficit)/profit for the period/year after finance costs		**(22,911,187)**	204,673	5,010,959
Total comprehensive (deficit)/income for the period/year		**(22,911,187)**	(204,673)	5,010,959
Basic (deficit)/earnings per Ordinary Share (p)	5	**(23.23)p**	0.21p	5.13p
Diluted (deficit)/earnings per Ordinary Share (p)	5	**(23.23)p**	0.21p	5.13p

All of the (deficit)/profit for the current and prior period/year are attributable to the equity holders of the parent.

The accompanying notes on pages 15 to 38 form an integral part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**Unaudited 30 June 2012 GBP**	Unaudited 30 June 2011 GBP	Audited 31 December 2011 GBP
ASSETS				
Non-current assets				
Financial assets at fair value through profit or loss	*6*	**190,064,060**	171,997,903	193,264,197
		190,064,060	171,997,903	193,264,197
Current assets				
Note receivable		**–**	126,397	–
Trade and other receivables	*8*	**646,558**	3,469,054	944,699
Cash and cash equivalents	*9*	**17,368,355**	26,992,252	23,703,514
		18,014,913	30,587,703	24,648,213
Total assets		**208,078,973**	202,585,606	217,912,410
EQUITY				
Capital and reserves attributable to the Group's equity holders				
Share premium	*11*	**19,289,035**	19,289,035	19,289,035
Distributable reserve		**34,802,740**	34,802,740	34,802,740
Foreign exchange reserve		**(1,037,272)**	580,579	(910,908)
Retained earnings		**14,864,090**	14,921,530	19,246,630
Total equity		**67,918,593**	69,593,884	72,427,497
LIABILITIES				
Non-current liabilities				
Loan notes at fair value through profit or loss	*10*	**137,774,505**	132,390,947	135,309,055
Current liabilities				
Trade and other payables	*10*	**2,385,875**	600,775	10,175,858
Total liabilities		**140,160,380**	132,991,722	145,484,913
Total equity and liabilities		**208,078,973**	202,585,606	217,912,410
Net Asset Value per Ordinary Share (p)	*12*	**68.86p**	70.56p	73.43p

The accompanying notes on pages 15 to 38 form an integral part of these financial statements.

UNAUDITED COMPANY STATEMENT OF FINANCIAL POSITION

	NOTES	Unaudited 30 June 2012 GBP	Unaudited 30 June 2011 GBP	Audited 31 December 2011 GBP
ASSETS				
Non-current assets				
Financial assets at fair value through profit or loss	*6*	**7,512,673**	3,915,806	9,209,927
Investment in subsidiaries	*7*	**37,377,853**	59,857,982	61,888,602
		44,890,526	63,773,788	71,098,529
Current assets				
Note receivable	*8*	**–**	126,397	–
Trade and other receivables	*8*	**22,590**	2,566,634	67,876
Cash and cash equivalents	*9*	**3,109,242**	3,295,022	1,755,529
		3,131,832	5,988,053	1,823,405
Total assets		**48,022,358**	69,761,841	72,921,934
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share premium	*11*	**19,289,035**	19,289,035	19,289,035
Distributable reserve		**34,802,740**	34,802,740	34,802,740
Retained earnings		**(6,844,038)**	15,502,108	18,335,722
Total equity		**47,247,737**	69,593,883	72,427,497
LIABILITIES				
Current liabilities				
Trade and other payables	*10*	**774,621**	167,958	494,437
Total liabilities		**774,621**	167,958	494,437
Total equity and liabilities		**48,022,358**	69,761,841	72,921,934
Net Asset Value per Ordinary Share (p)		**47.90p**	70.56p	73.43p

The accompanying notes on pages 15 to 38 form an integral part of these financial statements.

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital GBP	Share Premium GBP	Distributable Reserve GBP	Foreign Exchange Reserve GBP	Retained Earnings**** GBP	**Total Equity GBP**
Balance at 31 December 2010	–	16,087,290	34,802,740	(1,591,921)	19,853,646	**69,151,755**
Net proceeds from Ordinary Shares issued	–	3,201,745	–	–	–	**3,201,745**
Dividends paid***	–	–	–	–	(1,859,336)	**(1,859,336)**
Transactions with owners	–	3,201,745	–	–	(1,859,336)	**1,342,409**
Loss for the period	–	–	–	–	(3,072,780)	**(3,072,780)**
Other comprehensive income:						
Foreign exchange on consolidation	–	–	–	2,172,500	–	**2,172,500**
Total comprehensive income/(deficit) for the period	–	–	–	2,172,500	(3,072,780)	**(900,280)**
Balance at 30 June 2011	–	19,289,035	34,802,740	580,579	14,921,530	**69,593,884**
Dividends paid**	–	–	–	–	(1,972,672)	**(1,972,672)**
Transactions with owners	–	–	–	–	(1,972,672)	**(1,972,672)**
Profit for the period	–	–	–	–	6,297,772	**6,297,772**
Other comprehensive income:						
Foreign exchange on consolidation	–	–	–	(1,491,487)	–	**(1,491,487)**
Total comprehensive (deficit)/income for the period	–	–	–	(1,491,487)	6,297,772	**4,806,285**
Balance at 31 December 2011	–	19,289,035	34,802,740	(910,908)	19,246,630	**72,427,497**
Dividends paid*	–	–	–	–	(2,268,573)	**(2,268,573)**
Transactions with owners	–	–	–	–	(2,268,573)	**(2,268,573)**
Deficit for the period	–	–	–	–	(2,113,967)	**(2,113,967)**
Other comprehensive income:						
Foreign exchange on consolidation	–	–	–	(126,364)	–	**(126,364)**
Total comprehensive income/(deficit) for the period	–	–	–	(126,364)	(2,113,967)	**(2,240,331)**
Balance at 30 June 2012	–	19,289,035	34,802,740	(1,037,272)	14,864,090	**67,918,593**

*During the period ended 30 June 2012 the Company made two dividend payments.
**During the year ended 31 December 2011 the Company made four dividend payments.
***During the period ended 30 June 2011 the Company made two dividend payments.
****Distributable reserves.

The accompanying notes on pages 15 to 38 form an integral part of these financial statements.

UNAUDITED COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital GBP	Share Premium GBP	Distributable Reserve GBP	Retained Earnings**** GBP	**Total Equity GBP**
Balance at 31 December 2010	–	16,087,290	34,802,740	17,156,771	**68,046,801**
Net proceeds from Ordinary Shares issued	–	3,201,745	–	–	**3,201,745**
Dividends paid***	–	–	–	(1,859,336)	**(1,859,336)**
Transactions with owners	–	3,201,745	–	(1,859,336)	**1,342,409**
Profit for the period	–	–	–	204,673	**204,673**
Total comprehensive income for the period	–	–	–	204,673	**204,673**
Balance at 30 June 2011	–	19,289,035	34,802,740	15,502,108	**69,593,883**
Dividends paid**	–	–	–	(1,972,672)	**(1,972,672)**
Transactions with owners	–	–	–	(1,972,672)	**(1,972,672)**
Profit for the period	–	–	–	4,806,286	**4,806,286**
Total comprehensive income for the period	–	–	–	4,806,286	**4,806,286**
Balance at 31 December 2011	–	19,289,035	34,802,740	18,335,722	**72,427,497**
Dividends paid*	–	–	–	(2,268,573)	**(2,268,573)**
Transactions with owners	–	–	–	(2,268,573)	**(2,268,573)**
Deficit for the period	–	–	–	(22,911,187)	**(22,911,187)**
Total comprehensive deficit for the period	–	–	–	(22,911,187)	**(22,911,187)**
Balance at 30 June 2012	–	19,289,035	34,802,740	(6,844,038)	**47,247,737**

*During the period ended 30 June 2012 the Company made two dividend payments.
**During the year ended 31 December 2011 the Company made four dividend payments.
***During the period ended 30 June 2011 the Company made two dividend payments.
****Distributable reserves.

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	**Unaudited Period to 30 June 2012 GBP**	Unaudited Period to 30 June 2011 GBP	Audited Year to 31 December 2011 GBP
Cash flows from/(used in) operating activities				
Cash generated from/(used in) operations	*13*	**3,522,658**	(298,772)	3,165,618
Purchase of investments		**(61,818,531)**	(79,107,802)	(128,186,141)
Sales of investments		**13,344,495**	21,503,713	14,809,435
Principal received	*6*	**41,011,156**	47,912,999	100,396,647
Net cash outflow from operating activities		**(3,940,222)**	(9,989,862)	(9,814,441)
Cash flows from/(used in) financing activities				
Bank loan received		**–**	12,000,000	12,000,000
Bank loan repaid		**–**	(12,000,000)	(12,000,000)
Dividends paid		**(2,268,573)**	(1,859,336)	(3,832,008)
Net cash outflow from financing activities		**(2,268,573)**	(1,859,336)	(3,832,008)
Net decrease in cash and cash equivalents		**(6,208,795)**	(11,849,198)	(13,646,449)
Cash and cash equivalents at beginning of period/year		**23,703,514**	36,668,950	36,668,950
Effect of foreign exchange rate changes during the period/year		**(126,364)**	2,172,500	681,013
Cash and cash equivalents at end of period/year	*9*	**17,368,355**	26,992,252	23,703,514

The accompanying notes on pages 15 to 38 form an integral part of these financial statements.

UNAUDITED COMPANY STATEMENTS OF CASH FLOWS

	NOTES	Unaudited Period to 30 June 2012 GBP	Unaudited Period to 30 June 2011 GBP	Audited Year to 31 December 2011 GBP
Cash flows from/(used in) operating activities				
Cash generated from operations	*13*	**3,622,286**	6,436,596	8,838,021
Purchase of investments		**–**	(9,578,229)	(13,358,301)
Sales of investments		**–**	492,170	2,047,999
Principal received	*6*	**–**	1,582,845	1,838,842
Net cash inflow/(outflow) from operating activities		**3,622,286**	(1,066,618)	(633,439)
Cash flows from/(used in) financing activities				
Bank loan received		**–**	12,000,000	12,000,000
Bank loan repaid		**–**	(12,000,000)	(12,000,000)
Dividends paid		**(2,268,573)**	(1,859,336)	(3,832,008)
Net cash outflow from financing activities		**(2,268,573)**	(1,859,336)	(3,832,008)
Net increase/(decrease) in cash and cash equivalents		**1,353,713**	(2,925,954)	(4,465,447)
Cash and cash equivalents at beginning of period/year		**1,755,529**	6,220,976	6,220,976
Effect of foreign exchange rate changes during the period/year		**–**	–	–
Cash and cash equivalents at end of period/year	*9*	**3,109,242**	3,295,022	1,755,529

The accompanying notes on pages 15 to 38 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2012

1. GENERAL INFORMATION

Greenwich Loan Income Fund Limited (the "Company") was incorporated and domiciled in Guernsey, Channel Islands, as a company limited by shares and with limited liability on 9 June 2005 in accordance with The Companies (Guernsey) Law, 1994 (since superseded by The Companies (Guernsey) Law, 2008). The address of the registered office is P.O. Box 296, Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA. The Company is a Guernsey Authorised Closed-ended Investment Scheme and is subject to the Authorised Closed-ended Investment Scheme Rules 2008. The Company was admitted to the AIM market of the London Stock Exchange on 5 August 2005.

The Company is an investment company, and its investment policies and strategies are managed by an outside investment manager, T2 Advisers, LLC ("T2 Advisers" or the "Investment Manager"), a registered investment adviser in the United States, under the terms of an investment manager agreement. T2 Advisers is also the collateral manager for T2 CLO.

On 26 October 2009, the Company received approval from shareholders and the Guernsey authorities to change its name from T2 Income Fund Limited to Greenwich Loan Income Fund Limited.

A Cayman Islands registered company, T2 CLO, was created on 11 October 2006. The Company owns the residual economic interest of T2 and therefore the operating results of T2 CLO are consolidated in these financial statements. On 31 January 2011, the Company acquired a wholly owned subsidiary, Asset Management Investment Company plc and the operating results are consolidated in these financial statements. Subsequent to this transaction Asset Management Investment Company plc changed its name to Asset Management Investment Company Limited ("AMIC"). As a result of this acquisition 11,333,610 new Ordinary Shares in the Company were issued. These additional new Ordinary Shares were admitted to the AIM market of the London Stock Exchange on 1 February 2011.

On 1 February 2011, the Company's 11,333,610 new Ordinary Shares and the 87,300,000 existing Ordinary Shares were admitted to trading on the Official List of the Channel Island Stock Exchange ("CISX").

The Group is comprised of the Company, T2 CLO and AMIC.

Investing Policy

The full investment policy is disclosed on pages 3 and 4.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The interim financial information as at and for the six month periods ended 30 June 2012 and 30 June 2011 is unaudited and does not constitute statutory accounts for the purposes of the Companies (Guernsey) Law, 2008. The figures for the year ended 31 December 2011 have been extracted from the statutory annual financial statements. The auditors' report on those annual financial statements was unmodified. The Group has chosen to prepare full Consolidated and Company interim financial statements (the "financial statements"). The accounting policies adopted are consistent with those of the annual Consolidated and Company financial statements for the year ended 31 December 2011, as described in those financial statements.

The Consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and all applicable requirements of Guernsey Company Law. The financial statements have been prepared under the historical cost convention, apart from the inclusion of non-current asset investments, foreign currency derivatives and non-current liabilities at fair value through profit or loss. The principal accounting policies of the Group and Company have remained unchanged from the previous year and are set out below. Comparative information in the primary statements is given for the period ended 30 June 2011 and year ended 31 December 2011. The Board does not consider it necessary to provide full comparative information for the period ended 30 June 2011 in the notes to these financial statements.

(b) Basis of consolidation

The financial statements comprise the financial statements of Greenwich Loan Income Fund Limited and its subsidiaries, T2 CLO and AMIC. Subsidiaries are all entities for which the Company has exercises control or owns greater than 50 per cent of the residual economic interest. Through the ownership of the income notes of the T2 CLO the Company has ownership of the residual economic interest of T2 CLO. The Company obtains and exercises control of the AMIC subsidiary through ownership of 100% of AMIC's equity shares. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period/year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated in full on consolidation.

The Company carries its investment in AMIC at fair value through profit or loss, based upon the fair value of the assets and liabilities held by the AMIC.

Until 31 December 2011, the Company carried its investment in the T2 CLO at fair value through profit or loss, based upon the fair value of the assets and liabilities held by the T2 CLO, which the Directors considered to be indicative of fair value for financial reporting purposes. However, the disparity between the Company's NAV per Ordinary Share, as determined under IFRS, and share price was acknowledged by the Directors and in their opinion reflected significant dislocations in the global credit markets, practical limitations on the Company's ability to realise the discount reflected in the fair value of the CLO loan notes and disparity between the valuations of portfolio investments and the likely sales price of such investments.

As disclosed in the last annual financial statements, with effect from 1 January 2012, the Board decided that the T2 CLO equity would be accounted for in the Statement of Financial Position of the Company as a discrete investment and it is held at its discrete fair value, rather than as previously at its consolidated value based on the fair value of the aggregated underlying assets and liabilities. The Board believes this provides investors with a better guide to the fair value of the assets held, were they not to be held to maturity.

2. ACCOUNTING POLICIES CONTINUED

(c) Business combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

(d) Foreign currency translation

(i) Functional and presentation currency

The financial statements of the Company and the Group are presented in the currency of the primary economic environment in which the Company and the Group operates (its functional currency). The Directors have considered the primary economic currency of the Company and considered the currency in which the original finance was raised, distributions made, and ultimately what currency would be returned if the Company was wound up. The Directors have also considered the currency to which the underlying investments are exposed. On balance, the Directors believe Sterling best represents the functional currency of the Company and the AMIC subsidiary, with US Dollars the functional currency of the T2 CLO subsidiary. Therefore the books and records are maintained in Sterling and US Dollars respectively and for the purpose of the financial statements the results and financial position of the Group are presented in Sterling, which is the presentation currency of the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency 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 Consolidated Income Statement.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Translation differences on non-monetary items are reported as part of the fair value gain or loss reported in the Consolidated Income Statement.

(iii) Subsidiary companies

The results and financial position of the subsidiary entity that has a functional currency different to the presentation currency is translated into the presentation currency as follows:

1. assets and liabilities of the Consolidated Statement of Financial Position presented are translated at the closing rate at the date of the period/year end;
2. income and expenses for the Consolidated Income Statement are translated at average exchange rates for the period/year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
3. all resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

(e) Revenue recognition

Revenue is recognised as follows:

– Other income - relates to interest income received and bargain purchase gains on the acquisition of AMIC. Interest income is recognised on a time-proportionate basis using the effective interest method and includes interest income from cash and cash equivalents. Bargain purchase gains represent the excess of the fair values of the assets received and liabilities assumed over the consideration paid in acquiring a subsidiary.

– Dividend income - dividend income is recognised when the right to receive payment is established.
  Interest income on fair value through profit or loss assets - interest income on fair value through profit or loss assets is recognised on a time-proportionate basis using the effective interest method.

(f) Expenditure

All expenses are accounted for on an accruals basis. The management fees, administration fees, finance costs and all other expenses (excluding set up expenses which were offset against share premium) are charged through the Unaudited Consolidated Statement of Comprehensive Income Statement.

(g) Taxation

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed annual fee of £600 is payable to the States of Guernsey in respect of this exemption.

(h) Share issue expenses

Share issue expenses of an equity transaction are accounted for as a deduction from equity (net of any income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

2. ACCOUNTING POLICIES CONTINUED

(i) Dividends

Dividend distributions to the Group's shareholders are recognised in the Group's financial statements in the period in which the dividends are declared.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, bank overdrafts and other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Trade and other receivables

Receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or origination. They are subsequently measured at amortised cost using the effective interest rate method less impairment.

(l) Trade and other payables

Payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest rate method.

(m) Investments and loan notes

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

Purchases and sales of all investments are recognised on trade date - the date on which the Group acquires or disposes of the economic benefits of the asset. All investments are initially recognised at fair value, and transaction costs for all financial assets and financial liabilities carried at fair value through profit or loss are expensed as incurred. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

The CLO loan notes were designated at fair value through profit or loss because the purpose of issuing the CLO loan notes was to be able to make investments in syndicated loans which were based upon the same or similar variable interest rates, and the fair value designation avoided an accounting mismatch between the sources of financing for the purchase of investments and the investments themselves. The Company has designated CLO loan notes and receivables at fair value through profit or loss since they are managed and their performance are evaluated on a fair value basis, and information about the Group is provided internally on that basis to the entity's key management personnel including the entity's Board of Directors. The Directors recognise that the magnitude of fair value movement of the CLO loan notes has been substantially greater than the movement of the investments, due to variations in the different markets in which these instruments are traded.

Unquoted equity security investments and unquoted CLO equity securities, at fair value through profit or loss, are valued in accordance with the International Private Equity and Venture Capital valuation guidelines or any other valuation model and techniques which can provide a reasonable estimate of fair value of the investment involved.

The fair value of financial instruments traded in active markets is based on quoted market prices at the year end date. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Valuation techniques used include the use of comparable recent arm's length transactions.

For broadly syndicated loans the Company receives market quotes from agent banks on a quarterly basis. In addition, because of the generally limited trading activity in the syndicated loan market in those instances where there has been a significant change in the credit profile of a portfolio company, the Investment Manager prepares an analysis of the portfolio company's recent and projected financial performance as well as other relevant business developments. In those instances where the Investment Manager believes additional analysis is necessary, for example due to a significant change in the market quote without related transaction volume, an outside valuation firm will provide a valuation estimate based upon their proprietary methodologies and techniques. Factors considered in these independent valuation analyses include discounted cash flows, comparable company and comparable transaction analysis, and credit spread analysis based upon the independent valuation firms' view of the implied credit rating of the investment and the corresponding required spread in the marketplace. The Board considers all the information presented to it, including indicative bids, internal analysis, and independent valuations, in order to reach, in good faith, their fair value determination.

For bi-lateral loans, an independent third party performs portfolio company evaluations. As at 30 June 2012, the Group held 1 bi-lateral loan (31 December 2011: 1).

The fair value of the CLO loan notes is determined primarily by reference to a market value report provided by the independent broker-dealer which makes the market in the CLO notes. Due to the very limited trading activity in this security, and the significant dislocations which have occurred in the credit markets generally and in the CLO markets in particular, the Directors consider the market value report to be the best indicator of fair value for the notes. The market value report reflects the proprietary analysis of the broker-dealer, specifically considering the cash flows projections of the T2 CLO subsidiary, the credit quality of the investments included in the CLO, and the credit spread required by the marketplace for CLO notes with these particular characteristics. The Directors also consider any trading activity in the CLO notes, if any, as well as other indicators of value based upon discussions between the Investment Manager and the few holders of the notes. The Directors believe that the market value report is the best reflection of fair value of the notes, consistent with the requirements of IFRS, and is consistent with the other factors which have been taken into consideration.

Gains and losses arising from changes in the fair value of the financial assets and liabilities at fair value through profit or loss are included in the Consolidated Income Statement in the period in which they arise.

2. ACCOUNTING POLICIES CONTINUED

(m) Investments and loan notes continued

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

Income from financial instruments at fair value through profit or loss relates to financial assets and liabilities designated at fair value through profit or loss, and includes all realised and unrealised fair value changes, interest (using the effective interest rate method), dividends, finance costs and foreign exchange differences.

Total finance costs for the period were GBP1,238,342 (30 June 2011: GBP1,302,939 & 31 December 2011: GBP2,363,289). These finance costs are for interest due to the loan note holders, loan facility fees and loan interest paid. The fair value of long-term notes outstanding at 30 June 2012 were GBP137,774,505 (30 June 2011: GBP132,390,947 & 31 December 2011: GBP135,309,055).

(ii) Derivative Financial Instruments

Derivatives are categorised as financial assets or liabilities held for trading and valued at fair value through profit or loss. There were 2 derivatives held by the Group as at 30 June 2012 (30 June 2011: 1 & 31 December 2011: 2).

(iii) Subsidiaries

Investments in the subsidiaries are initially recorded at cost. The Company has designated its investments in subsidiaries as fair value through profit or loss since they are managed and their performance is evaluated on a fair value basis, and information about the Group is provided internally on that basis to the entity's key management personnel including the entity's Board of Directors. The Company carries its investments in the T2 CLO and AMIC subsidiaries at fair value through profit or loss. This is based upon the fair value of the assets and liabilities held by T2 CLO and AMIC, which the Directors consider to be indicative of fair value for financial reporting purposes. Through its ownership of the residual economic interest of T2 CLO the Directors account for T2 CLO as a wholly owned subsidiary and the operating results are consolidated in these financial statements. The Company owns all of the equity shares of AMIC, and it is therefore a wholly owned subsidiary with its operating results being consolidated in these financial statements.

With effect from 1 January 2012, the Board accounts for the T2 CLO subsidiary in the Company Statement of Financial Position as a discrete investment and it will be held at its fair value rather than at its consolidated value based on the fair value of the underlying assets and liabilities, in order to provide investors with a better guide to the value of the assets held, were they not to be held to maturity. The Board and the Company's auditors have agreed that the best approach to assess the fair value of the T2 CLO equity is to take the market value of the assets within the CLO, less the par value of the debt.

(n) Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The Group also makes assumptions on the classification of financial assets.

Investments and loan notes designated as financial assets and liabilities at fair value

The Group invests in broadly syndicated loans that have limited trading activity. The CLO loan notes in issue also trade infrequently. The fair value of such instruments is determined by using valuation techniques. Details of the assumptions used are given in the notes regarding financial assets and liabilities.

Unlisted Debt Securities and Unlisted Equity Securities

The Group can invest in financial instruments which are not quoted in active markets and may receive such financial instruments as distributions on certain investments. Fair values are determined by using valuation techniques. Where valuation techniques, such as the Market Capitalisation Approach, are used to determine fair values they are carried out by an independent valuation firm specifically engaged by the Group to carry out the valuations. Changes in assumptions could affect the reported fair value of financial instruments. See Note 6 for carrying amount at the year end.

Unlisted Debt Securities and Unlisted Equity Securities

Because the Group's portfolio investments are generally not traded in active markets, fair value determinations are based upon additional information, including internal analysis and projections as well as independent valuation work performed by outside firms, beyond the indicative quotes which are generally also available for portfolio investments. These other analyses rely upon observable data including comparable transactions, interest rates and credit spreads.

The Group's liabilities likewise are not traded in active markets, and the independent analysis which provides the basis for the fair value determination is based, in part, upon observable market data including interest rates and credit spreads. The fair value change in the Group's liabilities may differ substantially from the change in the investment portfolio, even though both are related to interest rates generally, because the assumptions relative to the value of CLO liabilities specifically include the assumptions about credit quality of the individual component companies of the CLO investment portfolio, the anticipated cash flow from those investments, and the resulting possibility of covenant defaults which could dramatically effect the sustainability of the CLO structure and therefore the fair value of the loan notes.

2. ACCOUNTING POLICIES CONTINUED

(o) New accounting policies effective and adopted

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Group's financial position or performance, as it is expected that the Fund will continue to classify its financial assets and financial liabilities as being at fair value through profit or loss.

- IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not expected to have any impact on the Group's financial position or performance.

- IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard is not expected to have any impact on the Group's financial position or performance.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group is yet to assess IFRS13's full impact but will adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Group.

None of these will have a material effect on the financial statements of the Company, with the exception of IFRS 9 "Financial Instruments – Classification and Measurement" which is not expected to effect the financial position of the Group but may require additional disclosure in future financial statements.

(p) Share based payments

Share options are valued in accordance with IFRS 2 "Share Based Payments". In accordance with IFRS 2, share options issued are measured using the fair value of the options at the grant date or an estimate of the fair value of the services received. See note 11 for details. No additional share options were issued during the period.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group is exposed to a variety of financial risks: market risk (including price risk, fair value interest rate risk, cash flow interest rate risk and currency risk), credit risk and liquidity risk. The risk management policies employed by the Group to manage these risks are discussed below. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks. The Directors are of the opinion that the ultimate risk exposure of the Company is the same as that of the Group and as such the Note 3 risk disclosures are only provided at the Group level.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Categories of financial instruments

	CARRYING VALUE AT 30 JUNE 2012			
	Designated Fair Value through Profit or Loss GBP	**Loans and receivables measured at amortised cost GBP**	**Financial Liabilities measured at amortised cost GBP**	**Other GBP**
Financial assets				
Financial assets at fair value through profit or loss	**190,064,060**	**–**	**–**	**–**
Trade and other receivables	**–**	**646,558**	**–**	**–**
Cash and cash equivalents	**–**	**–**	**–**	**17,368,355**
Total assets	**190,064,060**	**646,558**	**–**	**17,368,355**
Financial liabilities				
Loan notes at fair value through profit or loss	**137,774,505**	**–**	**–**	**–**
Trade and other payables	**–**	**–**	**2,385,875**	**–**
Total Liabilities	**137,774,505**	**–**	**2,385,875**	**–**

	CARRYING VALUE AT 31 DECEMBER 2011			
	Designated Fair Value through Profit or Loss GBP	Loans and receivables measured at amortised cost GBP	Financial Liabilities measured at amortised cost GBP	Other GBP
Financial assets				
Financial assets at fair value through profit or loss	193,264,197	–	–	–
Trade and other receivables	–	944,699	–	–
Cash and cash equivalents	–	–	–	23,703,514
Total assets	193,264,197	944,699	–	23,703,514
Financial liabilities				
Loan notes at fair value through profit or loss	135,309,055	–	–	–
Trade and other payables	–	–	10,175,858	–
Total Liabilities	135,309,055	–	10,175,858	–

3. FINANCIAL RISK MANAGEMENT CONTINUED

Categories of financial instruments continued

	CARRYING VALUE AT 30 JUNE 2011			
	Designated Fair Value through Profit or Loss GBP	Financial Assets measured at amortised cost GBP	Financial Liabilities measured at amortised cost GBP	Other GBP
Financial assets				
Financial assets at fair value through profit or loss	171,997,903	–	–	–
Note receivable	–	126,397	–	–
Trade and other receivables	–	3,469,054	–	–
Cash and cash equivalents	–	–	–	26,992,252
Total assets	171,997,903	3,595,451	–	26,992,252
Financial liabilities				
Loan notes at fair value through profit or loss	132,390,947	–	–	–
Trade and other payables	–	–	600,775	–
Total Liabilities	132,390,947	–	600,775	–

Capital Risk Management

The Group's capital is represented by the net assets attributable to shareholders and the objective when managing capital is to enable the Group to continue as a going concern in order to provide a consistent appropriate risk-adjusted return to shareholders, and to maintain a strong capital base to support the continued development of its investment activities. The Group manages its capital to ensure that its objective is met. It does this by investing available cash whilst maintaining sufficient liquidity to meet on-going expenses and dividend payments. The Group considers its capital to include share capital, distributable reserves, foreign exchange reserves and retained earnings. The Group is not subject to regulatory or industry specific limitations on its capital, other than the legal requirements for Guernsey incorporated entities. The Group considers the amount and composition of its capital in proportion to risk. Adjustments to the capital structure will be taken in response to economic conditions, the cost of debt, the ability to raise share capital, and other opportunities and factors which the Board may consider. At 30 June 2012, the Group had total equity of GBP67,918,593 (30 June 2011: GBP69,593,884 & 31 December 2011: GBP72,427,497).

The Group monitors the ratio of debt to other capital which, based upon shareholder approval, is limited to 5 to 1. Since the debt of the Group is currently contained within its CLO subsidiary, its debt is collateralized by investments held in the CLO portfolio. The portfolio is subject to various financial and other covenant tests which may result in required paydowns of its debt from time to time; in the absence of such required paydowns, the debt matures in 2019.

The Group has sought to achieve an attractive risk adjusted return by investing in debt securities, consisting primarily of senior debt across multiple industries. The Group intends to invest primarily in companies with attractive fundamental characteristics including experienced management, a significant financial or strategic sponsor or partner, a strong competitive position and positive cash flow.

The Investment Manager ensures that not more than 15% of the Group's gross assets are invested in any one investment. Consistent with shareholder approval obtained in December 2006, the Group may apply leverage up to 500%, or five times, the net asset value of the Group. Leverage is the ability to incur indebtedness for the purpose of making investments. The Group has incurred net indebtedness (approximately US$248.9 million; GBP154.1 million at cost, US$216.4 million; GBP137.8 million at fair value as at the period end) through its CLO subsidiary in the form of long-term notes.

Concentration Risk

While the Investment Manager will attempt to spread the Group's assets among a number of investments in accordance with the investment policies adopted by the Group, at times the Group may hold a relatively small number of investments each representing a relatively large portion of the Group's net assets and/or hold a number of investments denominated in non-base currencies each representing a relatively large portion of the Group's net assets. Losses incurred in such investments could have a materially adverse effect on the Group's overall financial condition. Whilst the Group's portfolio is diversified in terms of the companies in which it invests, the investment portfolio of the Group may be subject to more rapid change in value than would be the case if the Group were required to maintain a wide diversification among types of securities, countries and industry groups. Please refer to the Portfolio of the Group that follows the Notes to the financial statements.

(a) Market risk

The Group's exposure to market risk is comprised mainly of movements in the Group's investments. The investment portfolio is managed within parameters disclosed in the Company's offering memorandum. All investments present a risk of loss of capital.

At 30 June 2012, the Group's market risk is affected by three main components: changes in actual market prices, interest rates and foreign currency movements. Interest rates and foreign currency movements are covered at (b) and (c) below.

3. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

The following details the Group's sensitivity to a 5% increase and decrease in the market prices, with 5% being the sensitivity rate used when reporting price risk to key management and represents management's assessment of the possible change in market price.

If market prices had increased by 5% with all other variables held constant, this would have increased net assets attributable to holders of equity shares by approximately GBP2,614,478 (30 June 2011: GBP1,980,348 & 31 December 2011: GBP2,897,757), due to the increase in the fair value of financial assets at fair value through profit or loss by GBP9,503,203 (30 June 2011: GBP8,599,895 & 31 December 2011: GBP9,663,210) offset by the increase in the fair value of the financial liabilities at fair value through profit or loss by GBP6,888,725 (30 June 2011: GBP6,619,547 & 31 December 2011: GBP6,765,453). Conversely, if market prices had decreased by 5%, this would have decreased net assets attributable to holders of equity shares by approximately GBP2,614,478 (30 June 2011: GBP1,980,348 & 31 December 2011: GBP2,897,757), due to the decrease in the fair value of financial assets at fair value through profit or loss by GBP9,503,203 (30 June 2011: GBP8,599,895 & 31 December 2011: GBP9,663,210) offset by the decrease in the fair value of the financial liabilities at fair value through profit or loss by GBP6,888,725 (30 June 2011: GBP6,619,547 & 31 December 2011: GBP6,765,453).

(b) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group has exposure to interest rate risk because it has borrowed to fund investments. The exposure arises on the difference between the rate of interest the Group is required to pay on borrowed funds and the rate of interest which it receives on the debt securities in which it invests. Interest rate risk is comprised of two elements: spread risk and rate risk.

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group's cash balances, debt instruments and loan notes are open to interest rate risk.

The Group may, but is not required to, hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts. The Group did not enter into any such transactions during the current period or prior year.

The table below summarises the Group's exposure to interest rate risk.

At 30 June 2012	Floating rate Financial Instruments GBP	Fixed rate Financial Instruments GBP	Non-interest Bearing Financial Instruments GBP	Total GBP
Assets				
Financial assets at fair value through profit or loss	**181,314,560**	**–**	**8,749,500**	**190,064,060**
Trade and other receivables	**–**	**–**	**646,558**	**646,558**
Cash and cash equivalents	**17,368,355**	**–**	**–**	**17,368,355**
Total assets	**198,682,915**	**–**	**9,396,058**	**208,078,973**
Liabilities				
Loan notes	**137,774,505**	**–**	**–**	**137,774,505**
Trade and other payables	**–**	**–**	**2,385,875**	**2,385,875**
Total liabilities	**137,774,505**	**–**	**2,385,875**	**140,160,380**
Total interest sensitivity gap	**60,908,410**	**–**	**7,010,183**	**67,918,593**

(b) Interest rate risk continued

At 31 December 2011	Floating rate Financial Instruments GBP	Fixed rate Financial Instruments GBP	Non-interest Bearing Financial Instruments GBP	Total GBP
Assets				
Financial assets at fair value through profit or loss	180,452,763	–	12,811,434	193,264,197
Trade and other receivables	–	–	944,699	944,699
Cash and cash equivalents	23,703,514	–	–	23,703,514
Total assets	204,156,277	–	13,756,133	217,912,410
Liabilities				
Loan notes	135,309,055	–	–	135,309,055
Trade and other payables	–	–	10,175,858	10,175,858
Total liabilities	135,309,055	–	10,175,858	145,484,913
Total interest sensitivity gap	68,847,222	–	3,580,275	72,427,497

At 30 June 2011	Floating rate Financial Assets GBP	Fixed rate Financial Assets GBP	Non-interest Bearing Financial Assets GBP	Total GBP
Assets				
Financial assets at fair value through profit or loss	165,626,950	–	6,370,953	171,997,903
Note receivable	–	–	126,397	126,397
Trade and other receivables	–	–	3,469,054	3,469,054
Cash and cash equivalents	26,992,252	–	–	26,992,252
Total assets	192,619,202	–	9,966,404	202,585,606
Liabilities				
Loan notes	132,390,947	–	–	132,390,947
Trade and other payables	–	–	600,775	600,775
Total liabilities	132,390,947	–	600,775	132,991,722
Total interest sensitivity gap	60,228,255	–	9,365,629	69,593,884

The sensitivity analyses below have been determined based on the Group's exposure to interest rates for interest bearing assets and liabilities (included in the interest rate exposure table above) at the period end date and the stipulated change taking place at the beginning of the financial period and held constant through the reporting period in the case of instruments that have floating rates.

A 200 basis point increase or decrease is used when reporting interest spread risk internally on financial assets at fair value through profit or loss and represents management's assessment of the possible change in interest spreads, and 25 basis points is used when reporting interest rate risk for all interest bearing assets and liabilities.

At 30 June 2012, should the interest spread have lowered by 200 basis points with all other variables remaining constant, the decrease in profit and equity attributable to holders of equity for the year would amount to approximately GBP3,906,912 (30 June 2011: GBP3,475,645 & 31 December 2011: GBP3,897,904). If the interest spread had risen by 200 basis points, the increase in profit and equity attributable to holders of equity would amount to approximately GBP3,906,912 (30 June 2011: GBP3,475,645 & 31 December 2011: GBP3,897,904).

3. FINANCIAL RISK MANAGEMENT CONTINUED

(b) Interest rate risk continued

At 30 June 2012, should interest rates have lowered by 25 basis points with all other variables remaining constant, the increase in profit and equity attributable to holders of equity for the year would amount to approximately GBP146,489 (30 June 2011: GBP116,641 & 31 December 2011: GBP161,201). If the interest rate had risen by 25 basis points, the decrease in profit and equity attributable to holders of equity would amount to approximately GBP146,489 (30 June 2011: GBP116,641 & 31 December 2011: GBP161,201).

The Group's exposure to interest rate risk is limited to its financial assets at fair value through profit or loss, loan notes held at financial assets at fair value through profit or loss and its cash and cash equivalents. These are all floating rate financial assets.

(c) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group may make investments in currencies other than Sterling. To the extent that it does, the Group will be exposed to a potentially adverse currency risk. Changes in the rate of exchange may affect the value of the Group's investments, and the level of income that it receives from those investments.

Foreign currency denominated financial assets and liabilities, translated into GBP at the closing rate, are as follows:

30 June 2012	USD	GBP	EUR	Total
Assets				
Financial assets at fair value through profit or loss account	**189,017,345**	**1,046,715**	**–**	**190,064,060**
Cash and cash equivalents	**17,119,134**	**249,221**	**–**	**17,368,355**
Trade and other receivables	**624,572**	**20,615**	**1,371**	**646,558**
Total assets	**206,761,051**	**1,316,551**	**1,371**	**208,078,973**
Liabilities				
Loan notes at fair value through profit or loss	**137,774,505**	**–**	**–**	**137,774,505**
Trade and other payables	**1,699,407**	**686,468**	**–**	**2,385,875**
	139,473,912	**686,468**	**–**	**140,160,380**
Total currency sensitivity gap	**67,287,139**	**630,083**	**1,371**	**67,918,593**

31 December 2011	USD	GBP	EUR	Total
Assets				
Financial assets at fair value through profit or loss account	188,264,197	–	5,000,000	193,264,197
Cash and cash equivalents	23,352,023	351,491	–	23,703,514
Trade and other receivables	528,513	20,812	395,374	944,699
Total assets	212,144,733	372,303	5,395,374	217,912,410
Liabilities				
Loan notes at fair value through profit or loss	135,309,055	–	–	135,309,055
Trade and other payables	9,719,579	456,279	–	10,175,858
	145,028,634	456,279	–	145,484,913
Total currency sensitivity gap	67,116,099	(83,976)	5,395,374	72,427,497

3. FINANCIAL RISK MANAGEMENT CONTINUED

(c) Currency risk continued

30 June 2011	USD	GBP	Total
Assets			
Financial assets at fair value through profit or loss account	165,508,742	6,489,161	171,997,903
Cash and cash equivalents	24,932,026	2,060,226	26,992,252
Note receivable	–	126,397	126,397
Trade and other receivables	2,527,760	941,294	3,469,054
Total assets	192,968,528	9,617,078	202,585,606
Liabilities			
Loan notes at fair value through profit or loss	132,390,947	–	132,390,947
Trade and other payables	477,464	123,311	600,775
	132,868,411	123,311	132,991,722
Total currency sensitivity gap	60,100,117	9,493,767	69,593,884

The majority of the Group's financial assets and liabilities are also denominated in US Dollars and therefore the Group is exposed to fluctuations in the GBP:US Dollar foreign exchange rate. There is also some exposure to Euro.

The sensitivity analysis below has been determined based on the sensitivity of the Group's outstanding foreign currency denominated financial assets and liabilities to a 5% increase/decrease in the Sterling against US Dollar and Euro, translated at the year end date.

At 30 June 2012, if GBP had weakened or strengthened by 5% against the US Dollar and the Euro, with all other variables held constant, the increase or decrease respectively in profit and equity attributable to holders of equity shares during the period would amount to approximately GBP1,682,213 (period ended 30 June 2011: GBP1,502,503 & year ended 31 December 2011: GBP3,625,574).

In accordance with the Group's policy, the Investment Manager monitors the Group's currency position on a regular basis, and the Board of Directors reviews it on a quarterly basis.

(d) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the year end date. The Group invests primarily in senior debt, senior subordinated debt and junior subordinated debt. The maximum investment size, at the time of the investment, will generally be limited to 15% of the Group's Gross Assets. However, the Group may make larger investments and it may seek to syndicate or sell down a portion of any such investment, after it has been acquired.

The investment portfolio of the Group is subject to a number of diversification requirements including size, industry and ratings to ensure that it is sufficiently diversified.

The maximum credit risk associated with the investment portfolio is represented by the fair value of the investments as shown in Note 6. The loan portfolio of the Group reflects a secured interest in the general corporate assets of the borrowers, and all loans remain unsubordinated.

The following amounts on debt instruments were considered impaired:

	30 June 2012 US$	31 December 2011 US$
Principal (including PIK interest)	**14.1m**	14.1m

As at the period end, there is no accrued interest which is considered uncollectable (31 December 2011: US$nil).

The Group mitigates credit risk by only entering into agreements related to loan instruments in which the collateral and/or operating strength of the investee companies is sufficient to support the loan amounts outstanding. This determination of whether the loan instruments are sufficiently collateralised is made by the Investment Manager at the time of the agreements, and the Investment Manager continues to evaluate the loan instruments in the context of these agreements.

3. FINANCIAL RISK MANAGEMENT CONTINUED

(d) Credit risk continued

The Group continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's management considers the above financial assets as impaired due to its credit quality rating of 5.

The Group has established a credit rating system. The purpose of the rating system is to monitor the credit quality of the Company's broadly syndicated loan portfolio on both an individual and portfolio basis and the future on-going monitoring required.

Portfolio by rating category	**30 June 2012**	31 December 2011
1	**0%**	1%
2	**88%**	85%
3	**11%**	12%
4	**0%**	0%
5	**1%**	2%
Total	**100%**	100%

Credit Ratings Level	Ratings Criteria Methodology (1) (General Parameters)
1	Company is ahead of expectations and/or outperforming financial covenant requirements and this trend is expected to continue.
2	Full repayment of principal and interest is expected.
3	Closer monitoring is required. Full repayment of principal and interest is expected.
4	A reduction of interest income has occurred or is expected to occur. No loss of principal is expected.
5	A loss of some portion of principal is expected. **(2)**

(1) The above methodology outlines the general parameters adopted to determine ratings, and other facts and circumstances may be considered when determining an appropriate Credit Ratings Level.

(2) An estimate of the potential amount of principal loss will be determined on a quarterly basis.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(e) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. As the Group's investments will not generally be in publicly traded securities, they are likely to be subject to legal and other restrictions on resale or otherwise be less liquid than publicly traded securities. The illiquidity of the Group's investments may make it difficult for them to be sold quickly if the need arises. Since the Group intends to invest in debt securities with a term of up to seven years, and hold investments in debt securities until maturity of the debt, the Group does not expect realisation events to occur in the near term.

The Company's investment in its subsidiary, T2 CLO, is also considered to be an illiquid investment.

3. FINANCIAL RISK MANAGEMENT CONTINUED

(e) Liquidity risk continued

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the year end date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows, assuming interest rates in effect at the period end.

	CURRENT		NON-CURRENT		
	Within 6 months GBP	6 to 12 months GBP	1 to 5 years GBP	5 years to maturity* GBP	No stated maturity GBP
At 30 June 2012					
Loan notes	**985,606**	**969,537**	**5,870,786**	**164,391,139**	**–**
Trade and other payables	**2,385,875**	**–**	**–**	**–**	**–**
Total financial liabilities	**3,371,481**	**969,537**	**5,870,786**	**164,391,139**	**–**
At 31 December 2011					
Loan notes	607,435	614,110	4,876,171	163,207,755	–
Trade and other payables	10,175,858	–	–	–	–
Total financial liabilities	10,783,293	614,110	4,876,171	163,207,755	–
At 30 June 2011					
Loan notes	814,881	806,024	6,470,334	159,946,151	–
Trade and other payables	600,775	–	–	–	–
Total financial liabilities	1,415,656	806,024	6,470,334	159,946,151	–

** The contractual maturity of the Group's financial liabilities details in the table above is 15 July 2019.*

Fair value estimation

The fair values of the Group's short-term trade receivables and payables approximate their carrying amounts at the period/year end date.

Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the Consolidated Statement of Financial Position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the Consolidated Statement of Financial Position are grouped into the fair value hierarchy as follows:

At 30 June 2012	*Note*	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Assets					
Broadly syndicated loans	*a*	**–**	**–**	**181,314,560**	**181,314,560**
Equity securities	*b*	**–**	**–**	**3,965,796**	**3,965,796**
CLO equity securities	*b*	**–**	**–**	**4,344,878**	**4,344,878**
Warrant securities	*c*	**–**	**–**	**438,826**	**438,826**
Total		**–**	**–**	**190,064,060**	**190,064,060**
Liabilities					
CLO loan notes	*d*	**–**	**–**	**(137,774,505)**	**(137,774,505)**
Total		**–**	**–**	**(137,774,505)**	**(137,774,505)**
Net Fair Value		**–**	**–**	**52,289,555**	**52,289,555**

3. FINANCIAL RISK MANAGEMENT CONTINUED

Financial instruments measured at fair value continued

At 31 December 2011	Note	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Assets					
Broadly syndicated loans	*a*	–	–	180,452,763	180,452,763
Equity securities	*b*	–	–	8,351,992	8,351,992
CLO equity securities	*b*	–	–	4,070,015	4,070,015
Warrant securities	*c*	–	–	389,427	389,427
Total		–	–	193,264,197	193,264,197
Liabilities					
CLO loan notes	*d*	–	–	(135,309,055)	(135,309,055)
Total		–	–	(135,309,055)	(135,309,055)
Net Fair Value		–	–	57,955,142	57,955,142

At 30 June 2011	Note	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Assets					
Broadly syndicated loans	*a*	–	–	165,626,950	165,626,950
Equity securities	*b*	–	–	6,370,953	6,370,953
Total		–	–	171,997,903	171,997,903
Liabilities					
CLO loan notes	*d*	–	–	(132,390,947)	(132,390,947)
Total		–	–	(132,390,947)	(132,390,947)
Net Fair Value		–	–	39,606,956	39,606,956

Measurement of fair value

The methods and valuation techniques used for the purposes of measuring fair value are unchanged compared to the previous reporting year with the exception of the addition of warrant security valuation.

(a) Broadly syndicated loans

All the broadly syndicated loans are denominated in USD. The loans have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Investment Manager has used valuation techniques to assist the Board in its determining of the fair value.

(b) Equity securities & CLO equity securities

With the exception of a single equity holding which is denominated in GBP, all the equity securities are denominated in USD. The equity securities have significant unobservable inputs, as they trade infrequently or are unlisted. As observable prices are not available for these securities, the Investment Manager has used valuation techniques to assist the Board in its determining of the fair value.

(c) Warrant security

The warrant security is denominated in GBP. The warrant security has unobservable inputs, as it is unlisted. As observable prices are not available for this security, the Investment Manager has used valuation techniques to assist the Board in its determining of the fair value.

(d) CLO loan notes

The CLO loan notes are denominated in US Dollar. The loan notes also have significant unobservable inputs, as they trade infrequently. The fair value of the loan notes is determined primarily by reference to a market value report provided by the independent broker-dealer.

3. FINANCIAL RISK MANAGEMENT CONTINUED

Level 3 fair value measurements

The Group's financial assets and liabilities classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

Period ended 30 June 2012	Broadly Syndicated loans GBP	Equity GBP	CLO Equity GBP	Warrants GBP	CLO Loan Notes GBP	Total GBP
Opening fair value	**180,452,763**	**8,351,992**	**4,070,015**	**389,427**	**(135,309,055)**	**57,955,142**
Purchases/loans advanced	**53,764,300**	**–**	**–**	**–**	**–**	**53,764,300**
Sales	**(10,734,664)**	**(2,565,688)**	**–**	**–**	**–**	**(13,300,352)**
Capital repayments	**(41,011,156)**	**–**	**–**	**–**	**–**	**(41,011,156)**
Gains and losses recognised in profit and loss:						
– realised	**(2,419,909)**	**873,670**	**–**	**–**	**–**	**(1,546,239)**
– unrealised	**1,263,226**	**(2,694,178)**	**274,863**	**49,399**	**(2,465,450)**	**(3,572,140)**
Closing fair value	**181,314,560**	**3,965,796**	**4,344,878**	**438,826**	**(137,774,505)**	**52,289,555**

Year ended 31 December 2011	Broadly Syndicated loans GBP	Equity GBP	CLO Equity GBP	Warrents GBP	CLO Loan Notes GBP	Total GBP
Opening fair value	160,456,433	1,088,906	–	–	(129,207,450)	32,337,889
Purchases/loans advanced	129,912,980	–	3,701,819	–	–	133,614,799
Transfers in*	7,025,939	2,602,748	–	–	–	9,628,687
Consolidation reinstatement**	–	–	–	–	(1,251,654)	(1,251,654)
Restructure	–	(311,960)	–	311,960	–	–
Sales	(14,809,436)	–	–	–	(1,489,252)	(16,298,688)
Capital repayments	(100,396,647)	–	–	–	–	(100,396,647)
Gains and losses recognised in profit and loss:						
– realised	(68,989)	126,381	–	–	1,489,252	1,546,644
– unrealised	(1,667,517)	4,845,917	368,196	77,467	(4,849,951)	(1,225,888)
Closing fair value	180,452,763	8,351,992	4,070,015	389,427	(135,309,055)	57,955,142

Period ended 30 June 2011	Broadly Syndicated loans GBP	Equity GBP	CLO Loan Notes GBP	Total GBP
Opening balance	160,456,433	1,088,906	(129,207,450)	32,337,889
Purchases/loans advanced	70,728,472	–	–	70,728,472
Transfers in*	7,025,939	4,555,136	–	11,581,075
Consolidation reinstatement**	–	–	(1,251,654)	(1,251,654)
Sales	(20,474,393)	(420,798)	(1,489,252)	(22,384,443)
Capital repayments	(47,912,999)	–	–	(47,912,999)
Gains and losses recognised in profit and loss:				
– realised	1,293,987	(1,531,589)	1,489,252	1,251,650
– unrealised	(5,490,489)	2,679,298	(1,931,843)	(4,743,034)
Closing balance	165,626,950	6,370,953	(132,390,947)	39,606,956

* On acquisition of AMIC subsidiary

** Previously this would be eliminated in the consolidated Group financial statements as the Company directly held some of the CLO loan notes issued by T2 CLO. During the year the Company sold these CLO loan notes to a third party.

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

There have been no transfers into or out of level 3 in the reporting periods under review.

4. FUND EXPENSES

Management fee

The Investment Manager, T2 Advisers, LLC, is entitled to receive an annual fee payable quarterly in advance. The management fee is calculated based on the average value of the Company's gross assets at the most recently completed calendar quarter and the projected gross assets as of the end of the current calendar quarter. With effect from 1 July 2010, the management fee payable was reduced by 25 basis points from 2.00% of gross assets to 1.75% of gross assets. With effect from 30 June 2011 to 31 March 2012, the management fee will be fixed at the payment for the previous quarter of £911, 272. Thereafter, from the management fee payable at the end of the first quarter of 2012, the management fee will be calculated on the Company's gross assets, less the fair value of the liabilities within the CLO, to the extent that the CLO remains consolidated by the Company. The new fee will be subject to a minimum fee of £155,000 per quarter. As announced on 18 May 2011, the Board and the Company's then nominated adviser considered the aforementioned amendments to the investment management agreement to be fair and reasonable insofar as the Company's shareholders are concerned.

Total fees charged for the period ended 30 June 2012 amounted to GBP1,583,840 (30 June 2011: GBP2,045,198 & 31 December 2011: GBP4,002,524). The total amount due and payable at the period end amounted to GBP145,693 (30 June 2011: GBP117,082 & 31 December 2011: GBPnil).

Administration and secretarial fees

On 23 July 2010, the administration and secretarial services to the Company were transferred from Butterfield Fulcrum Group (Guernsey) Limited to Praxis Fund Services Limited.

For the period since 24 July 2010, Praxis Fund Services is entitled to an annualised fee for its service, as administrator of 0.1% of the Net Asset Value of the Group, calculated on the last business day of each quarter and payable quarterly in arrears. The fee is subject to a minimum of GBP55,000 per annum. With regard to company secretarial services, the Administrator is compensated on a time cost basis.

Total Administration and secretarial fees charged for the period ended 30 June 2012 amounted to GBP70,923 (30 June 2011: GBP92,753 & 31 December 2011: GBP181,655). The total amount due and payable at the period end amounted to GBP30,230 (30 June 2011: GBP42,271 & 31 December 2011: GBP48,240).

Custodian fees

The Custodian, Butterfield Bank (Guernsey) Limited is entitled to custody fees of 0.02% of the Net Asset Value of the Group subject to a minimum of GBP15,000 per annum. The fee is payable quarterly in arrears.

Total fees charged for the period ended 30 June 2012 amounted to GBP7,500 (30 June 2011 GBP11,079 & 31 December 2011: GBP18,600). The total amount payable at the period end amounted to GBPnil (30 June 2011 & 31 December 2011: GBP3,750 payable).

Other expenses

For the period ended 30 June 2012, other expenses include those of the CLO and AMIC. The table below details other charges during the period/year:

Other expenses:	**Group 30 June 2012 GBP**	Group 31 December 2011 GBP	**Company 30 June 2012 GBP**	Company 31 December 2011 GBP
Directors' expenses	**35,637**	97,031	**35,637**	97,031
Portfolio analysis fees	**6,315**	131,133	**6,315**	131,133
NOMAD fees	**21,288**	20,000	**21,288**	20,000
Listing fees	**3,660**	7,867	**3,660**	7,867
Broker fees	**7,510**	198,331	**7,510**	198,331
CFO fees	**62,502**	125,000	**62,502**	125,000
Marketing expenses	**45,715**	105,032	**45,715**	105,032
AIC fees	**3,667**	4,492	**3,667**	4,492
Registrar fees	**15,690**	28,381	**15,690**	28,381
Other AMIC expenses	**59,168**	145,519	**–**	–
Other T2 CLO expenses	**381,404**	721,250	**–**	–
Sundry	**38,137**	54,373	**40,157**	58,527
	680,693	1,638,409	**242,141**	775,794

4. FUND EXPENSES CONTINUED

Non-executive Directors' fees & Executive Director's salary

As at 30 June 2012, each of the non-executive Directors had entered into an agreement with the Company providing for them to act as a Director of the Company.

As at 30 June 2012, the non-executive Directors' annual fees, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company, were as detailed in the table below:

Non-executive Directors	30 June 2012 GBP	31 December 2011 GBP
Patrick Firth (Chairman)	**40,000***	40,000*
Frederick Forni	**25,000**	25,000
James Carthew	**25,000**	25,000
Geoff Miller (only non-executive until 31 March 2011)**	**N/A**	N/A

*Mr Firth's Director's fee increased from GBP25,000 per annum to GBP40,000 per annum on 28 April 2011 when he was elected as Chairman of the Board. Total Director's fee paid to Mr Firth during the year ended 31 December 2011 was GBP35,137.

**For the period to 31 March 2011, Mr Miller acted as non-executive Chairman of the Board and was entitled to an annual fee of GBP40,000.

Total Directors fees charged to the Group for the period ended 30 June 2012 amounted to GBP45,000 (31 December 2011: GBP85,659). The total amount due and payable at the period end amounted to GBPnil (31 December 2011: GBPnil).

Under an employment contract (the "Employment Contract"), effective from 31 March 2011, Mr Miller became an Executive Director of the Company and is entitled to a fixed salary of GBP150,000 per annum (less applicable tax and social security contributions). Mr Miller's salary cost is included in the Consolidated Income Statement. The total salary cost for the period ended 30 June 2012 relating to Mr Miller amounted to GBP75,000 (31 December 2011: GBP118,394). In addition to the fixed salary referred to above, Mr Miller shall be entitled to a contractual bonus, details of which are available on the Company's website (www.glifund.com). In accordance with the Employment Contract the actual bonus amount paid to Mr Miller for any financial period is capped at a maximum of 0.3 per cent of the Company's Net Asset Value (adjusted pro rata for period less or more than one year) (the "Cap"). Any excess contractual bonus payable above this Cap shall be deferred and added to any contractual bonus payable (if any) in the next financial year. For the period ended 30 June 2012, the total contractual bonus cost relating to Mr Miller amounted to GBP444,365, of which £nil was physically paid during the period (31 December 2011: GBP325,901, of which £217,282 was physically paid and £108,619 deferred to the next financial year). The total amount due and payable at the period end relating to Mr Miller's contractual bonus amounted to GBP552,984 (31 December 2011: GBP108,619).

5. (DEFICIT)/EARNINGS PER ORDINARY SHARE

(Deficit)/earnings per Ordinary Share has been calculated by dividing the (deficit)/profit attributable to Ordinary Shareholders of GBP(2,113,967) (31 December 2011: GBP3,224,992) by the weighted average number of Ordinary Shares outstanding during the period/year of 98,633,610 (31 December 2011: 97,671,029).
Fully diluted (deficit)/earnings per Ordinary Share has been calculated by dividing the (deficit)/profit attributable to Ordinary Share holders of GBP(2,113,967) (31 December 2011: GBP3,224,992), by the weighted average number of Ordinary Shares outstanding during the period/year adjusted for the effects of all dilutive potential Ordinary Shares of 98,633,610 (31 December 2011: 97,671,029).

Basic earnings per Ordinary Share

Date	No. of shares	No. of days	Weighted average no. of shares
1/01/2012 & 30/06/2012	98,633,610	182	98,633,610
01/01/2011	87,300,000	31	7,414,520
31/01/2011	98,633,610	334	90,256,509
31/12/2011		365	97,671,029

Diluted earnings per Ordinary Share

Date	No. of shares	No. of days	Weighted average no. of shares
1/01/2012 & 30/06/2012	98,633,610	182	98,633,610
01/01/2011	87,350,000	31	7,418,767
31/01/2011	98,633,610	334	90,256,509
31/12/2011		365	97,675,276

5. (DEFICIT)/EARNINGS PER ORDINARY SHARE CONTINUED

Basic earnings per Ordinary Share continued

	30 June 2012 No. of shares	31 December 2011 No. of shares
Weighted average number of Ordinary Shares for the purposes of basic earnings per Ordinary Share	**98,633,610**	97,675,276
Effect of dilutive potential ordinary shares:		
Share options	**–**	–
Weighted average number of Ordinary Shares for the purposes of diluted earnings per Ordinary Share	**98,633,610**	97,675,276

6. FINANCIAL ASSETS AND LIABILITIES

	Group 30 June 2012 GBP	Group 31 December 2011 GBP	Company 30 June 2012 GBP	Company 31 December 2011 GBP
Debt securities of listed companies	**25,016,476**	27,134,616	**–**	–
Debt securities of unlisted companies	**156,298,084**	153,318,147	**1,964,979**	3,811,155
Unlisted equity securities	**3,965,796**	8,351,992	**763,990**	939,330
Unlisted CLO equity securities	**4,344,878**	4,070,015	**4,344,878**	4,070,015
Unlisted warrant securities	**438,826**	389,427	**438,826**	389,427
Investment in subsidiary	**–**	–	**37,377,853**	61,888,602
	190,064,060	193,264,197	**44,890,526**	71,098,529
Realised (loss)/gains recognised on financial assets and liabilities (1)				
Realised (loss)/gain on investments at fair value through profit or loss	**(1,546,239)**	57,392	**–**	279,411
Realised gain on financial liabilities at amortised cost	**–**	1,489,252	**–**	1,489,252
	(1,546,239)	1,546,644	**–**	1,768,664
Unrealised (loss)/gains recognised on financial assets and liabilities at fair value through profit or loss (2)				
Unrealised (loss)/gain on financial assets investments at fair value through profit or loss	**(1,106,690)**	3,624,063	**(1,697,254)**	557,558
Unrealised loss on financial liabilities investments at fair value through profit or loss	**(2,465,450)**	(4,733,452)	**–**	–
Unrealised loss on financial liabilities investments at amortised cost	**–**	(116,499)	**–**	(116,499)
	(3,572,140)	(1,225,888)	**(1,697,254)**	441,059

6. FINANCIAL ASSETS AND LIABILITIES CONTINUED

	Group 30 June 2012 GBP	Group 31 December 2011 GBP	Company 30 June 2012 GBP	Company 31 December 2011 GBP
Opening cost of financial assets	**154,646,906**	126,552,111	**12,569,424**	8,332,912
Purchases	**53,764,300**	133,614,799	**–**	5,483,983
Transfers in*	**–**	9,628,687	**–**	311,960
Sales	**(13,300,352)**	(14,809,436)	**–**	(1,838,842)
Realised gain/(loss) on sale of investments	**(1,546,239)**	57,392	**–**	279,411
Capital repayments	**(41,011,156)**	(100,396,647)	**–**	–
Cost of investments at period/year end	**152,553,459**	154,646,906	**12,569,424**	12,569,424
Unrealised gain/(loss) at period/year end	**37,510,601**	38,617,291	**(5,056,751)**	(3,359,497)
Closing value at period/year end	**190,064,060**	193,264,197	**7,512,673**	9,209,927

* On acquisition of AMIC subsidiary

(1) For the period to 30 June 2012, the Group had a realised loss of GBP1,546,239 (year to 31 December 2011: GBP1,546,644 realised gain) which comprised a realised loss on investments of GBP1,546,239 (year to 31 December 2011: realised gain of GBP57,392 realised gain) and a realised gain on the sale of some of the CLO loan notes by the parent company, Greenwich Loan Income Fund Limited, of GBPnil (year to 31 December 2011: realised gain of GBP1,489,252).

(2) For the period to 30 June 2012, the Group had an unrealised loss on financial assets and liabilities of GBP3,572,140 (year to 31 December 2011: GBP1,225,888 realised loss). This is comprised of an unrealised loss on financial assets of GBP1,106,690 (year to 31 December 2011: GBP3,624,063 unrealised gain) and an unrealised loss on liabilities of GBP2,465,450 (year to 31 December 2011: GBP4,849,951 unrealised loss).

7. INVESTMENT IN SUBSIDIARIES

	Company 30 June 2012 GBP	Company 31 December 2011 GBP
Opening cost of investment in Subsidiaries	**42,181,497**	29,928,228
Additions at cost	**–**	12,253,269
Cost of investment in Subsidiaries at period/year end	**42,181,497**	42,181,497
Unrealised (loss)/gain*	**(4,803,644)**	19,707,105
Closing fair value of investment in Subsidiaries	**37,377,853**	61,888,602
Movement in unrealised loss on Subsidiaries	**(24,510,479)**	(6,819,931)
Movement in unrealised loss on financial assets at amortised cost	**–**	(116,499)
Movement in unrealised (loss)/gain on financial assets at fair value through profit or loss	**(1,697,254)**	557,558
Total movement in unrealised (loss)/gain	**(26,208,003)**	(6,378,872)

* See note 2(m)(iii) for details of the change in fair value measurement of the AMIC subsidiary during the period.

On 31 January 2011, the Company acquired a wholly owned subsidiary, AMIC, for a total consideration of GBP12,253,269. At the date of acquisition the fair value of AMIC's net assets was GBP12,969,481, resulting in a bargain gain of GBP716,212. This bargain gain was included in other income in the Consolidated Income Statement for the prior year. Post acquisition net profits of GBP2,880,211 (revenue: GBP5,194,752), relating to AMIC, were included in the Consolidated Income Statement for the year ended 31 December 2011. AMIC's net profits for the full 12 months to 31 December 2011, including both pre acquisition and post acquisition profits, amounted to GBP1,419,249 (revenue: GBP4,462,237).

Had the acquisition happened at the beginning of the prior year, the combined net revenues and net loss of the Company plus that of AMIC for the year ended 31 December 2011 would have been GBP7,405,748 and GBP2,176,387 respectively.

7. INVESTMENT IN SUBSIDIARIES CONTINUED

Company – year ended 31 December 2011

Acquisition of AMIC by asset/liability class:	Net Assets Aquired GBP	Consideration GBP	Bargain Purchase Gain GBP
Investments at fair value through profit or loss	8,475,107	8,007,083	468,024
Cash and cash equivalents	4,421,045	4,176,900	244,145
Trade and other receivable	123,266	116,459	6,807
Trade and other payables	(49,937)	(47,173)	(2,764)
Total	12,969,481	12,253,269	716,212

In consideration for the AMIC acquisition, the Company paid cash of GBP9,051,525 and issued 11,333,610 shares for a total value of GBP3,201,745 or 28.25p per share (please see Note 11).

As disclosed in last year's annual financial statements, under the terms of the acquisition, the basic offer was based on a discounted Formula Asset Value of AMIC. This led to the Company acquiring, on consolidation, total net assets above the consideration amount and resulted in the bargain purchase gain.

Professional fees relating to the acquisition of AMIC in the prior year amounted to GBP235,972. These are included in the Income Statements within legal and professional fees.

8. TRADE AND OTHER RECEIVABLES

	Group 30 June 2012 GBP	Group 31 December 2011 GBP	**Company 30 June 2012 GBP**	Company 31 December 2011 GBP
Accrued bank interest	**4,911**	1,124	**2,635**	–
Dividends receivable	**–**	395,374	**–**	–
Loan interest receivable	**612,142**	434,508	**–**	18,163
Security sales receivable	**9,550**	53,692	**–**	–
Prepaid expenses	**19,955**	60,001	**19,955**	49,713
	646,558	944,699	**22,590**	67,876

(a) The GBPnil (31 December 2010: GBP375,268) note receivable relates to a promissory note that was originally due for payment in 2009 from T2 Advisers, LLC, the Company's Investment Manager. This note, which was subject to certain conditions, was signed on 5 December 2006 and was subject to interest of 8% per annum, compounded annually. On 29 September 2009, it was agreed that payment on the promissory note be deferred (with interest ceasing to accrue from that date) until such time as the reduction in the aggregate fees paid by the Company to the Investment Manager, commencing 1 July 2010, is equal to the amount payable under the note, at which point the note will be cancelled. The note had been fully extinguished as at 31 December 2011.

(b) During the year to 31 December 2009, the Company purchased some of the CLO loan notes from its subsidiary T2 Income Fund CLO I Ltd. At a Company level, the loan notes were designated as receivables held at amortised cost. These loan notes were sold to a third party in an arms length transaction during the prior year ended 31 December 2011 resulting a realised gain of GBP1,489,252.

9. CASH AND CASH EQUIVALENTS

	Group 30 June 2012 GBP	Group 31 December 2011 GBP	**Company 30 June 2012 GBP**	Company 31 December 2011 GBP
Call account	**17,368,355**	23,703,514	**3,109,242**	1,755,529

For the purposes of the Cash Flow Statement, the above items represent the year end cash and cash equivalents balances.

10. TRADE AND OTHER PAYABLES

	Group 30 June 2012 GBP	Group 31 December 2011 GBP	**Company 30 June 2012 GBP**	Company 31 December 2011 GBP
Current liabilities				
Due to Subsidiary	**–**	–	**71,245**	71,996
Administrator's fees	**30,230**	48,240	**25,602**	31,036
Custodian's fees	**–**	3,750	**–**	3,750
Audit fees	**22,877**	55,100	**20,377**	32,200
Directors' fees	**–**	–	**–**	–
Executive Director's remuneration payable	**563,636**	336,292	**563,636**	336,292
Finance cost (1)	**401,361**	394,667	**–**	–
Security purchases payable	**1,114,153**	9,168,385	**–**	–
Other accruals	**253,618**	169,424	**93,761**	19,163
	2,385,875	10,175,858	**774,621**	494,437
Non current liabilities				
CLO loan notes at fair value through profit or loss*	**137,774,505**	135,309,055	**–**	–

* a reconciliation of the movements in CLO loan notes during the year is provided in Note 3.

(1) Interest on the loan notes is calculated on a weighted average interest rate of LIBOR plus 76 basis points.

The loan notes represent the indebtedness of the CLO. The CLO was created and the loan notes were issued as part of the Company's leveraging plan. On 19 July 2007, the loan notes were issued by the CLO in five tranches, Class A through E, and sold to third parties, as well as subordinated income loan notes which were issued to the Company at inception, representing the residual economic interest (i.e. the equity) in the CLO. The loan notes were issued in the total amount of US$309,050,000 with a twelve year term. In 2008, approximately US$380,000 of the Class A loan notes were repaid under the terms of the Indenture. The "Indenture" dated 19 July 2007 is among T2 Income Fund CLO I Ltd as the "Issuer", T2 Income Fund CLO I LLC as the "Co-Issuer" and The Bank of New York Mellon as the "Trustee".

During June 2009, the Company purchased from third parties some of the loan notes of its subsidiary, T2 Income Fund CLO 1 Ltd. Class B loan notes of par value US$1,137,000 and Class D loan notes of par value US$3,000,000 were purchased at a price of 0.435 and 0.1425 respectively. The internally purchased loan notes were eliminated within the comparative year's consolidated financial statements for consolidation purposes. During the prior year ended 31 December 2011, the Company sold its holdings in the Class B loan notes of par value US$1,137,000 and Class D loan notes of par value US$3,000,000 to a third party at a price of 0.825 and 0.780 respectively.

11. SHARE CAPITAL & SHARE PREMIUM

The Company has the power to issue an unlimited number of Ordinary Shares of no par value.

As at 30 June 2012 no share options remained unexercised (31 December 2011: nil). Under IFRS2, the share options granted are measured at fair value at the grant date based on market prices. On exercise of the share options the change in fair value is also recognised and expensed in the Consolidated Income Statement. There was no share option expense for the period ended 30 June 2012 or the year ended 31 December 2011.

On 1 February 2011, following the acquisition of AMIC, the Company issued 11,333,610 new Ordinary Shares at a value of 28.25p, being the mid-market closing share price of a GLIF Ordinary Share on 25 October 2010, the business day prior to the acquisition indicative offer announcement.

Share Capital	**Unaudited 30 June 2012 Shares in issue**	Unaudited 30 June 2011 Shares in issue	Audited 31 December 2011 Shares in issue
Ordinary shares – nil par value			
Balance at start of the period/year	**98,633,610**	87,300,000	87,300,000
Issued during the period/year	**–**	11,333,610	11,333,610
Balance at end of the period/year	**98,633,610**	98,633,610	98,633,610

11. SHARE CAPITAL & SHARE PREMIUM CONTINUED

Share Premium	**Unaudited Period to 30 June 2012 GBP**	Unaudited Period to 30 June 2011 GBP	Audited Year to 31 December 2011 GBP
Balance at start of the period/year	**19,289,035**	16,087,290	16,087,290
Issued during the period/year	**–**	3,201,745	3,201,745
Balance at end of the period/year	**19,289,035**	19,289,035	19,289,035

12. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary Share is calculated by dividing the total net assets attributable to Ordinary Share holders at the period end of GBP67,918,593 (30 June 2011: GBP69,593,884 & 31December 2011: GBP72,427,497) by the Ordinary Shares in issue at the end of the period being 98,633,610 (30 June 2011 & 31 December 2011: 98,633,610).

13. CASH GENERATED FROM OPERATIONS

Group	**Unaudited Period to 30 June 2012 GBP**	Unaudited Period to 30 June 2011 GBP	Audited Year to 31 December 2011 GBP
(Deficit)/profit for the period/year	**(2,113,967)**	(3,072,780)	3,224,992
Adjustments for:			
Net losses on financial assets and liabilities at fair value through profit or loss	**5,118,379**	4,864,137	1,051,997
Net gains on financial assets and liabilities at amortised cost	**–**	(1,372,753)	(1,372,753)
Dividend in specie	**–**	–	–
Changes in working capital:			
Trade and other receivables	**253,998**	(678,005)	(105,946)
Trade and other payables	**264,248**	(39,371)	367,328
Cash inflow from operations	**3,522,658**	(298,772)	3,165,618

Company	**Unaudited Period to 30 June 2012 GBP**	Unaudited Period to 30 June 2011 GBP	Audited Year to 31 December 2011 GBP
Profit for the period/year	**(22,911,187)**	204,673	5,010,959
Adjustments for:			
Net losses on financial assets and liabilities at fair value through profit or loss	**26,208,003**	8,294,459	5,982,962
Net gains on financial assets and liabilities at amortised cost	**–**	(1,372,753)	(1,372,753)
Dividend in specie	**–**	–	(1,489,166)
Changes in working capital:			
Trade and other receivables	**45,286**	(634,121)	435,201
Trade and other payables	**280,184**	(55,661)	270,818
Cash inflow from operations	**3,622,286**	6,436,597	8,838,021

14. CONSOLIDATED SUBSIDIARY UNDERTAKINGS

Through its 100% ownership of the residual economic interest in T2 CLO and the ownership of 100% of the equity shares of AMIC, the Directors consider the following entities as wholly owned subsidiaries of the Company and their results and financial positions are included within the consolidated results of the Group.

	Date of incorporation	Country of incorporation	Nature of holding	Percentage holding
T2 CLO	11 October 2006	Cayman Islands	Income Notes	100%
AMIC	13 April 1994	United Kingdom	Equity Shares	100%

15. SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting used by the Investment Committee of the Investment Manager ("ICIM"). The ICIM is responsible for allocating resources and assessing performance of the portfolio, as well as making strategic investment decisions, subject to the oversight of the Board of Directors. The ICIM is responsible for the entire portfolio, including assets held at the Company level as well as the portfolios of its CLO and AMIC subsidiaries, and considers the business to have a single operating segment. Although T2 CLO and AMIC are legally distinct entities, investment allocation decisions are based upon an integrated investment strategy and performance is evaluated on an overall basis and therefore the Group is considered to be a single operating segment.

The vast majority of the Group's investment income arises from investments in entities incorporated in the US. Approximately 99% of the Group's portfolio is based in the US with the remainder of investments being based in the UK and Luxembourg. The Group has a highly diversified portfolio of investments and no single investment accounts for more than 10% of the Group's income.

The internal reporting provided to the ICIM for the Group's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS.

There were no changes in reportable segments during the current or prior year.

16. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties in addition to the related party transactions disclosed in note 4:

Group & Company	**Unaudited Period to 30 June 2012 GBP**	Unaudited Period to 30 June 2011 GBP	Audited Year to 31 December 2011 GBP
Amounts incurred during the period/year to related parties			
Fees to P Conroy as Chief Financial Officer to the Company	**62,500**	62,500	125,000
Fees to the Investment Manager, T2 Advisers, LLC	**1,583,840**	2,045,198	4,002,524
Reimbursement due to BDC Partners, LLC	**–**	23,048	58,775
Amounts due from related parties at the period/year end			
Fees due to P Conroy as Chief Financial Officer to the Company	**–**	10,417	10,417

*please refer to note 4 for details of the reduction to the management fees payable during the prior year.

During the prior year, the Company acquired two investment holdings, both in Lombardia Capital Partners Inc, from AMIC for aggregated proceeds of GBP1.49 million. On a consolidated basis this transaction had no net impact on the Group's Consolidated Statement of Financial Position.

16. RELATED PARTY TRANSACTIONS CONTINUED

Directors shareholdings in the Company

As at 30 June 2012, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	30 June 2012		31 December 2011	
	No. of Ordinary Shares Held	**% of total issued Ordinary Shares**	No. of Ordinary Shares Held	% of total issued Ordinary Shares
Patrick Firth (Chairman)	**100,000**	**0.10**	100,000	0.10
Geoff Miller	**812,627**	**0.82**	812,627	0.82
Frederick Forni	**–**	**–**	–	–
James Carthew	**175,000**	**0.18**	175,000	0.18

At 30 June 2012, there were no unexercised share options for Ordinary Shares of the Company (31 December 2011: nil Ordinary Shares).

17. COMMITMENTS AND CONTINGENCIES

There were no commitments or contingencies as at 30 June 2012 (31 December 2011: none).

18. POST YEAR END EVENTS

Significant Portfolio Movements

Since the period end the Group has made the following investment purchases, these are detailed below:

Closing Date	Par Amount		Purchase Price US$
10 August 2012	US$3,500,000	Drew Marine	99.00
10 August 2012	US$2,000,000	National Vision	98.50
14 August 2012	US$6,000,000	Presidio	99.50
16 August 2012	US$333,333	National Vision	100.00
16 August 2012	US$333,333	National Vision	100.00
22 August 2012	US$2,000,000	Roundy's	99.00
*	US$2,462,327	Petco	100.25
22 August 2012	US$2,000,000	Rovi	96.50
17 August 2012	US$2,000,000	Alere	100.00
*	US$4,000,000	First Data	98.75
*	US$5,000,000	CYH	100.13

* At the date of release of these financial statements the closing date was not known.

Since the period end the Group made the following sales:

Closing Date	Par Amount		Realised gain/(loss) US$
21 August 2012	US$1,000,000	Goodman	(2,795)
21 August 2012	US$1,000,000	Goodman	(5,142)
28 August 2012	US$1,607,143	Airvana	26,647

There were no other significant post period end events that require disclosure in these financial statements.

PORTFOLIO STATEMENT OF THE GROUP
AS AT 30 JUNE 2012

US$ Loans - debt securities of listed companies (31 December 2011: 37.46%)	Principal Currency	Fair Value US$	Fair Value GBP	% of net assets
Alere US Holdings LLC	4,962,500.0000	4,899,228	3,119,137	4.59%
Dean Foods	5,849,846.1200	5,746,011	3,658,249	5.39%
DG Fastchannel Inc	5,633,877.5600	5,549,369	3,533,055	5.20%
National Cinemedia	1,551,724.1300	1,546,883	984,837	1.45%
Neustar Inc	2,977,500.0000	2,975,654	1,894,476	2.79%
Roundy's Supermarkets Inc	4,987,500.0000	4,991,939	3,178,162	4.68%
Rovi Corp.	3,990,000.0000	3,935,138	2,505,340	3.69%
UniTek Global Services	5,925,000.0000	5,806,500	3,696,759	5.44%
Web.com Group Inc	3,873,333.6700	3,842,657	2,446,461	3.60%
			25,016,476	36.83%
US$ Loans - debt securities of unlisted companies (31 December 2011: 211.69%)				
Airvana Network Solutions Inc	1,607,142.8300	1,558,929	992,505	1.46%
Anchor Glass	3,680,516.1900	3,680,516	2,343,233	3.45%
Aramark Corp LC-1 US Term Loan Non-Extending	1,754,112.8300	1,738,221	1,106,653	1.63%
Aramark Corp LC-2 Term Loan B Extended	3,701,754.6300	3,668,217	2,335,403	3.44%
AVG Holding Cooperatief UA	5,250,000.0000	5,092,500	3,242,185	4.77%
Biomet Inc	4,935,233.1700	4,869,150	3,099,988	4.56%
Blue Coat Systems Inc	4,500,000.0000	4,477,500	2,850,640	4.20%
Blue Coat Systems Inc 2nd Lien	1,785,714.0000	1,785,714	1,136,891	1.67%
BNY ConvergEx Group LLC	1,125,000.0000	1,063,125	676,848	1.00%
CCC Information Services Inc	2,864,142.8600	2,850,710	1,814,930	2.67%
Corel	5,449,560.0800	5,422,312	3,452,163	5.08%
Diversified Machine	2,837,811.1400	2,639,164	1,680,247	2.47%
EIG Investor Corp	6,000,000.0000	5,925,000	3,772,203	5.55%
Embanet - Compass Knowledge Group Inc	3,723,958.1300	3,686,719	2,347,182	3.46%
First Data Corporation B-1	7,871,182.7000	7,571,763	4,820,630	7.10%
Getty Images	4,738,718.7400	4,743,410	3,019,934	4.45%
Global Tel Link Corp	7,236,250.0000	7,230,244	4,603,199	6.78%
Goodman Global Inc	5,598,997.5000	5,589,423	3,558,556	5.24%
Grede	5,000,000.0000	4,962,500	3,159,419	4.65%
HHI Holding LLC	4,443,772.6700	4,443,773	2,829,167	4.17%
Hoffmaster Group Inc - First Lien	4,987,470.5600	4,950,065	3,151,502	4.64%
Hoffmaster Group Inc - Second Lien	2,000,000.0000	1,970,000	1,254,218	1.85%
Immucor Inc	4,466,250.0000	4,482,998	2,854,140	4.20%
InfoNXX - 1st Lien	1,973,948.8100	1,929,535	1,228,455	1.81%
InfoNXX - 2nd Lien	3,000,000.0000	2,775,000	1,766,728	2.60%
Koosharem (Select Remedy) 2nd lien	9,000,000.0000	810,000	515,694	0.76%
Koosharem (Select Remedy) 2nd lien PIK	1,912,638.5500	172,137	109,593	0.16%
Lombardia Capital Partners Inc - Convertible Note	2,104,255.0000	2,104,255	1,339,692	1.97%
Mediacom TL-C	3,876,923.0800	3,715,062	2,365,227	3.48%
Mercury Payment Systems	1,980,000.3100	1,975,050	1,257,433	1.85%
Merrill Corp 2nd Lien	1,068,341.2200	648,131	412,638	0.61%
Mirion Technologies	2,493,750.0000	2,481,281	1,579,730	2.33%
Mold-Masters (2007) Limited	5,126,823.4000	5,088,372	3,239,557	4.77%
NAB Holdings LLC	6,000,000.0000	5,977,500	3,805,628	5.60%
National Healing Corporation	1,990,000.0000	1,980,050	1,260,616	1.86%
National Healing Corporation	3,500,000.0000	3,535,000	2,250,589	3.31%
Nextag Inc	5,114,538.3400	4,926,988	3,136,810	4.62%
Pegasus	7,307,705.2900	7,106,743	4,524,571	6.66%
Petco Animal Supplies	4,949,494.9500	4,904,949	3,122,779	4.60%
Philips Plastics Corporation	2,977,500.0000	2,947,725	1,876,695	2.76%
Physiotherapy Associates Holdings Inc	4,000,000.0000	3,966,680	2,525,422	3.72%
Plato Inc	5,000,000.0000	4,968,750	3,163,398	4.66%
Presidio Inc.	5,326,638.0600	5,339,955	3,399,729	5.01%
Protection One	6,982,500.0000	6,943,258	4,420,487	6.51%
Provo Craft	3,189,775.9900	1,116,422	710,780	1.05%
Sub-total debt securities of unlisted companies carried forward			108,114,087	159.18%

US$ Loans - debt securities of listed companies Continued	Principal Currency	Fair Value US$	Fair Value GBP	% of net assets
Sub-total debt securities of unlisted companies brought forward			108,114,087	159.18%
RBS Holding Company LLC	5,925,000.0000	3,555,000	2,263,322	3.33%
Renaissance Learning Inc	3,000,000.0000	3,015,000	1,919,526	2.83%
Securus Technologies - Tranche 1 Term Loan	1,980,000.0000	1,960,200	1,247,979	1.84%
Securus Technologies Inc 2nd Lien Tranche 1	3,600,000.0000	3,539,988	2,253,765	3.32%
Shearer's Foods	3,910,000.0000	3,655,850	2,327,529	3.43%
Shield Finance Loan	6,000,000.0000	5,902,500	3,757,879	5.53%
Ship Luxco	4,946,969.4000	4,935,839	3,142,445	4.63%
SkillSoft	2,932,570.0400	2,947,233	1,876,382	2.76%
SourceHov LLC	3,960,000.0000	3,707,550	2,360,444	3.48%
Sterling Infosystems Inc	2,750,000.0000	2,736,250	1,742,058	2.56%
Stratus Technologies 2nd Lien	6,553,020.6600	3,604,161	2,294,621	3.38%
Sunquest Holdings (Misys)	3,960,000.0000	3,936,913	2,506,470	3.69%
Syniverse Holdings Inc	4,000,000.0000	3,968,320	2,526,466	3.72%
Teleguam Holdings LLC	1,900,000.0000	1,857,250	1,182,435	1.74%
Teleguam Holdings LLC	2,812,500.0000	2,685,938	1,710,026	2.52%
Topps	8,490,379.9400	8,150,765	5,189,256	7.64%
US FT Holdco Inc	5,970,000.0000	5,945,105	3,785,004	5.57%
US TelePacific Corp	3,955,154.6500	3,638,742	2,316,637	3.41%
Vision Solutions	6,000,000.0000	5,940,000	3,781,753	5.57%
			156,298,084	230.13%
Total Loans			181,314,560	266.96%
CLO Equity (31 December 2011: 5.62%)				
GSC Group CDO VII Ltd	3,790,000.0000	3,032,000	1,930,350	2.84%
Halcoyn Structured Asset Management CLO	4,625,000.0000	3,792,500	2,414,529	3.56%
Total CLO Equity			4,344,878	6.40%
Equity (31 December 2011: 11.53%)				
IFDC Ordinary Shares 2012	5,017.0000	1,046,715	1,046,715	1.54%
Provo Craft Holdings LLC	1,160.3467	35,000	22,283	0.03%
Stratus Technologies Bermuda Holdings Limited	775,631.8730	174,208	110,911	0.16%
Stratus Technologies Bermuda Limited	176,648.8226	1,025,792	653,080	0.96%
UI Acquisition Holding Co	10.6267	3,183,952	2,027,091	2.98%
UI Acquisition Holding Co	0.5542	166,048	105,716	0.16%
Total Equity			3,965,796	5.83%
Warrants (31 December 2011: 0.54%)				
Koosharem – warrant	6,029.0000	–	–	–
Lombardia Capital Partners Inc – warrant to acquire 2.65% of common stock	1.0000	689,264	438,826	0.65%
Total warrants			438,826	0.65%
Total financial assets at fair value through profit or loss			190,064,060	279.84%
Cash balances			17,368,355	25.57%
Other net liabilities			(139,513,822)	(205.41%)
Net Assets Attributable to Equity Holders			67,918,593	100.00%

Greenwich Loan Income Fund Limited

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