Greenwich Loan Income Fund Limited

Greenwich Loan Income Fund Limited
(formerly T2 Income Fund Limited)

CONSOLIDATED AND COMPANY ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

Directors	Geoffrey Richard Miller (Non-Executive Chairman)	(Appointed 18 June 2009)
	William Harley Tozier (Non-Executive Chairman)	(Resigned 18 June 2009)
	Frederick Peter Forni (Non-Executive Director)	
	Patrick Anthony Seymour Firth (Non-Executive Director)	
	Saul Barak Rosenthal (Non-Independent Director)	(Resigned 18 June 2009)
	Patrick Francis Conroy (Non-Independent Director)	(Resigned 18 June 2009)

The address of the Directors is the registered office.

Investment Manager

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Broker

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Administrator

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Custodian

Butterfield Bank (Guernsey) Limited
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Auditors

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU
United Kingdom

Nominated Adviser

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Legal Advisers

In the Channel Islands:
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Registered Office

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CHAIRMAN'S STATEMENT

I am pleased to report the results of Greenwich Loan Income Fund Limited ("GLIF" or the "Company") for the year ended 31 December 2009. The Company finished the year far stronger than it had started and it can now face the future with a much higher degree of confidence and a greater sense of purpose.

Looking back at 2009, it was a year of transition for the Company. In addition to some structural matters, we have changed the way in which the Company interacts with the marketplace, re-established the dividend and raised additional capital.

The first quarter of 2009 saw a collapse in confidence in companies that utilised Collateralised Loan Obligations to provide funding for their business and as a result the Company saw its share price hit an intra-day nadir in February 2009 of a penny, despite the underlying business continuing to perform reasonably well in the circumstances.

In the second quarter I joined the Board and my consultations with shareholders made it clear that what was required was a clearer explanation of the Company's structure and its portfolio. The Company had a good track record of performance relative to its asset class, and had a very cheap debt facility in its Collateralised Loan Obligation, T2 CLO I Ltd ("the CLO"), but these factors had become overshadowed by general market concerns and the fact that the Company's dividend had been suspended, due to a lack of cashflow from the CLO. The lack of cashflow from the CLO was due to certain covenant violations, caused in part by ratings downgrades of a number of the CLO's loan assets. However, during this period, the portfolio continued to perform.

In the third quarter the Company began the process of clearer and more consistent communication with the market. We made clear the strengths and weaknesses of the business, and the opportunities available to improve this situation.

Receipt of a full quarterly interest payment from the CLO at the beginning of the third quarter allowed the dividend to be resumed, at 0.5p, and the remaining two interest payments for the year have also been received in full, allowing a further 0.5p interim dividend to be declared in October and a third interim dividend of 1.0p declared shortly after the year end.

With the share price having improved and shareholders supportive of the Company having a greater level of capital outside of the CLO, the final quarter's most important event was the £11.0 million capital raising in October. As at the year end, the Company had net assets valued at £12.9 million (14.8p per share) outside of the CLO, compared with £5.2 million (12.1p per share) at the start of the year.

Not only does this additional capital give the Company the flexibility to buy in notes issued by the CLO, should they become available at attractive prices, but it also allows the business to avoid potential short term cashflow issues which caused the dividend to have to be suspended in the autumn of 2008, despite the fact that interest was still being received from the CLO.

As of 31 December 2009, the Group had invested assets with a fair value of approximately £153.3 million, and cash of £24.3 million (including £15.5 million required to be retained within the CLO structure, available for new investment opportunities). The portfolio is comprised of variable rate investments and, on a weighted average basis, carried a spread of approximately 426 basis points over LIBOR. The Group's Net Asset Value per Share ("NAV") as of 31 December 2009 was 70p (2008: 125p). For the year ended 31 December 2009 the Group recorded a profit, including net unrealized gains on investments and liabilities, of £2.0 million (2008: £16.4 million). Basic earnings per share for the period were 3.9p (2008: 38.2p), and the total dividends per share in respect of the year 2009 were 2.0p (2008: 5.0p).

As we have previously described to shareholders, under International Financial Reporting Standards (IFRS), the consolidated results of operations for the Company include the impact of carrying its investments and its liabilities at fair value. Shareholders should be aware that the Company's realisation of the full NAV is unlikely. It should also be noted that because both the investment portfolio and the CLO loan notes are denominated in US dollars the weakening of the USD versus the GBP over the course of the year has created unrealised Foreign Exchange ("FX") losses on the investment portfolio, and unrealized FX gains on the CLO loan notes. The net result of all these fair value and FX related changes are reflected in the consolidated financial results. It should be noted that the apparent decline in profitability from 2008 to 2009 reflects a reduction in the unrealized gains on assets and liabilities, not a reduction in net investment income which actually increased approximately 10%.

The NAV, as calculated in accordance with IFRS, reflects the theoretical fair value of the liabilities of the CLO but, because the market is rather illiquid, it may be difficult for the Company to acquire any or a significant portion of those liabilities. Following consultations with investors and with market participants, the Board has determined that in future, it will release two further calculations with the quarterly NAV release in order to provide a greater level of background information.

The first will be to value the assets at market value but the liabilities at their par value, to the extent that those liabilities can be covered by assets within the CLO. It is important to note that, although the CLO is consolidated, it is a separate entity and GLIF is not responsible for any shortfall in the assets of the CLO when the notes it has issued become due in 2019. As the assets within the CLO at current market prices remain below the par value of the CLO's liabilities this calculation will for the time being equate to the value of net assets outside of the CLO. At the year end this value was 14.8p per share (2008: 12.1p).

The second additional number to be released will value the debt at par but the assets within the CLO at their value as assessed for the CLO test purposes; assets outside of the CLO will be valued at market. The rationale for utilisation of this value is that for CLO interest test purposes loans are only marked to market where they are rated CCC or below, are being restructured or are in default. This gives an indication of what value may be within the CLO portfolio, if it continues to perform. Assets outside of the CLO will be marked to market regardless of rating. As at year end this NAV value was 48.5p per share (2008: 81.1p).

During the past year the syndicated corporate loan market saw both unprecedented price declines and unprecedented volatility. While prices remain depressed across most sectors and ratings categories, we saw a strong upward move during the second half of 2009 which has now continued into 2010. Despite continued discounts from par values, and largely as a result of the recent increase in loan prices combined with broadly worrisome macroeconomic fundamentals, the Investment Manager's view is that certain larger-issuer broadly syndicated corporate loans do not adequately reflect the spreads necessary to compensate investors for the risks involved. As such, we continue to focus more heavily on middle-market issues, where we believe greater opportunity currently resides. The Investment Manager has and continues to track a large number of loans, and notes that the overall health of the middle-market sector seems to have improved meaningfully over the past year. The Investment Manager has recently made a number of selective purchases and continues to favour those lower-leveraged companies which stand to benefit from annuity revenue streams attached to lower-risk counterparties. Our current investment strategy is based on the belief that, especially in the case of less liquid middle-market loans, supply and demand issues will likely continue to outweigh issuer operating fundamentals, creating opportunities to acquire certain middle-market loans at attractive prices. In view of the more permanent nature of our asset base (relative to many other investors active in this category), and given our strong current cash position, we regard that as a potentially beneficial dynamic.

Currency volatility has also had a considerable impact on the reported results, and will continue to do so. Practically all of the Company's assets (including cash held on deposit which includes the cash raised in the share issuance in October) are held in US dollars, as are the Company's CLO loan notes. During 2009 this had a negative impact on the Company's reported results, as the dollar weakened from $1.46 to the pound at the beginning of the year to $1.61 to the pound at the end. The Board has the authority to hedge the currency exposure, and keeps this matter under constant review. However, it is the Board's view that at current $/£ exchange rate levels the risk/reward balance is unattractive for the Company.

At the AGM last August I identified my primary objectives as Chairman as improving transparency and communication, maintaining disciplined cash flow management and positioning the Company so that it is able to take advantage of market opportunities in order to maximise long-term shareholder value. In 2009 there have been significant steps forward in transparency and communication and I am confident that these can be built on during 2010. This year we anticipate continued volatility in debt markets which we expect will offer significant market opportunities for the Company to add value for shareholders.

Last year the Company was unable to take advantage of such opportunities due to the extremely low share price and the lack of cash outside the CLO. This year, with a more solid balance sheet outside the CLO the Company is well placed to take advantage of opportunities as they occur. With the potential for opportunities that may involve corporate activity in the next few months the Company will not be seeking to move to the main market immediately. However, the Company will continue to monitor the situation with its advisers and it remains one of its objectives to become a main market listed company in due course.

The past year has been one of transition for the business and for the Company. There will be further challenges for the Company to face in coming months, but it does so in much stronger shape than was the case a year ago.

Geoffrey Miller
Chairman

March 2010

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

Greenwich Loan Income Fund Limited (the "Company") is a closed-ended investment company which was incorporated as a company limited by shares and with limited liability in Guernsey on 9 June 2005 in accordance with The Companies (Guernsey) Law, 1994 (since superseded by The Companies (Guernsey) Law, 2008). The Company was admitted to the AIM market of the London Stock Exchange on 5 August 2005.

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

A Cayman Islands registered subsidiary company, T2 Income Fund CLO I Ltd, was created on 11 October 2006. Through its ownership of 100% of the income notes of T2 Income Fund CLO I Ltd the Directors consider the CLO to be a wholly owned subsidiary and the operating results are consolidated in these financial statements.

The Company and its subsidiary (together "the Group") have sought to achieve an attractive risk adjusted return by investing in debt securities, consisting primarily of senior debt across multiple industries.

The Group invests 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.

A list of the directors who served the Company during the year is shown on page 1.

RESULTS AND DIVIDENDS

The Group results for the year are set out on page 6. Dividends of £430,000 were paid during the year (2008: £3,225,000).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Companies (Guernsey) Law, 2008 for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss for that period. International Accounting Standard 1 requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances a fair presentation will be achieved by compliance with all International Financial Reporting Standards. In preparing these financial statements, the Directors are required to:

- ensure that the Financial Statements comply with the Memorandum and Articles of Association and International Financial Reporting Standards, as published by the International Accounting Standards Board;
- select suitable accounting policies and apply them consistently;
- present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

A resolution for the reappointment of Grant Thornton UK LLP will be proposed at the forthcoming Annual General Meeting.

Approved on behalf of the board of directors on 25 March 2010.

Geoffrey Miller
Director

Patrick Firth
Director

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF GREENWICH LOAN INCOME FUND LIMITED

We have audited the Group and Parent Company financial statements (the "financial statements") of Greenwich Loan Income Fund Limited (formerly T2 Income Fund Limited) for the year ended 31 December 2009 which comprise the Consolidated and Company Income Statements and Statements of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Statement of Changes in Shareholders' Equity, the Consolidated and Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS
As described in the Statement of Directors' Responsibilities on page 4 the Company's directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

OPINION ON THE FINANCIAL STATEMENTS
In our opinion:

- the financial statements give a true and fair view, of the state of the Group's and the Parent Company's affairs as at 31 December 2009 and of the Group's and the Parent Company's profit/(loss) for the year then ended; and
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.
- the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008.
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
Chartered Accountants
London

25 March 2010

CONSOLIDATED AND COMPANY INCOME STATEMENTS

	NOTES	GROUP Year to 31 December 2009 GBP	GROUP Year to 31 December 2008 GBP	COMPANY Year to 31 December 2009 GBP	COMPANY Year to 31 December 2008 GBP
Revenue					
Other income	2	**3,888**	32,588	**61,274**	32,588
Investment income					
(Loss)/gain on financial assets and liabilities at fair value through profit or loss	6				
– Realised		**(417,906)**	(896,251)	**–**	832,634
– Unrealised		**2,440,128**	16,765,411	**(3,994,752)**	16,351,137
– Changes due to interest rates		**9,866,468**	12,528,242	**4,194,926**	6,468,643
– Finance costs		**(2,711,017)**	(6,235,227)	**–**	–
(Loss)/gain on foreign currency transactions					
– Realised		**(77,263)**	(1,256,063)	**(77,263)**	(1,256,063)
– Unrealised		**(2,183,184)**	(74,727)	**(27,947)**	251,913
Total income		**6,921,114**	20,863,973	**156,238**	22,680,852
Expenses					
Management fees	4	**2,965,261**	2,969,672	**2,965,261**	2,969,672
Administration and secretarial fees	4	**47,418**	40,000	**47,418**	40,000
Custodian fees	4	**15,070**	15,010	**15,070**	15,010
Legal and professional fees		**20,867**	99,887	**20,867**	99,887
Directors' remuneration	4	**100,000**	64,929	**100,000**	64,929
Directors' and officers' insurance		**53,402**	44,236	**53,402**	44,236
Audit fees		**45,050**	45,730	**45,050**	45,730
Share option expense		**58,240**	–	**58,240**	–
Other expenses		**1,580,642**	1,166,170	**368,491**	378,602
Total expenses		**4,885,950**	4,445,634	**3,673,799**	3,658,066
Profit/(loss) for the year		**2,035,164**	16,418,339	**(3,517,561)**	19,022,786
Basic earnings per share	5	**0.0392**	0.3818	**(0.0678)**	0.4424
Diluted earnings per share	5	**0.0388**	0.3662	**(0.0678)**	0.4243

All of the profit for the year relates to the equity holders of the parent.

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	GROUP		COMPANY	
	Year to 31 December 2009 GBP	Year to 31 December 2008 GBP	**Year to 31 December 2009 GBP**	Year to 31 December 2008 GBP
Profit/(loss) for the year	**2,035,164**	16,418,339	**(3,517,561)**	19,022,786
Other comprehensive income				
Foreign exchange on consolidation	**(4,678,284)**	2,604,447	**–**	–
Total comprehensive income for the year	**(2,643,120)**	19,022,786	**(3,517,561)**	19,022,786
Attributable to:				
Equity holders of the parent	**(2,643,120)**	19,022,786	**(3,517,561)**	19,022,786
	(2,643,120)	19,022,786	**(3,517,561)**	19,022,786

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

	NOTES	As at 31 December 2009 GBP	As at 31 December 2008 GBP
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	*6*	**153,256,998**	126,644,228
Current assets			
Note receivable	*8*	**500,000**	500,000
Trade and other receivables	*8*	**1,200,566**	1,417,933
Cash and cash equivalents	*9*	**24,253,613**	16,158,356
		25,954,179	18,076,289
Total assets		**179,211,177**	144,720,517
EQUITY			
Capital and reserves attributable to the Group's equity holders			
Share premium	*11*	**16,087,290**	5,619,040
Other reserve		**34,802,740**	34,800,000
Foreign exchange reserve		**(1,934,843)**	2,743,441
Retained earnings		**12,292,566**	10,687,402
Total equity		**61,247,753**	53,849,883
LIABILITIES			
Non-current liabilities			
Loan notes at fair value through profit or loss	*10*	**117,354,993**	88,538,096
Current liabilities			
Trade and other payables	*10*	**608,431**	2,332,538
Total liabilities		**117,963,424**	90,870,634
Total equity and liabilities		**179,211,177**	144,720,517
Net Asset Value per Share		**£0.70**	£1.25

The financial statements were approved by the Board of Directors on 25 March 2010 and were signed on its behalf by:

Geoffrey Miller
Director

Patrick Firth
Director

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

COMPANY BALANCE SHEET

	NOTES	As at 31 December 2009 GBP	As at 31 December 2008 GBP
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	*6*	**3,091,446**	614,381
Investment in subsidiary	*7*	**47,433,719**	48,625,653
Loan notes held at amortised cost	*8*	**594,500**	–
		51,119,665	49,240,034
Current assets			
Note receivable	*8*	**500,000**	500,000
Trade and other receivables	*8*	**174,386**	119,628
Cash and cash equivalents	*9*	**8,782,971**	4,165,697
		9,457,357	4,785,325
Total assets		**60,577,022**	54,025,359
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share premium	*11*	**16,087,290**	5,619,040
Other reserve		**34,802,740**	34,800,000
Retained earnings		**9,483,282**	13,430,843
Total equity		**60,373,312**	53,849,883
LIABILITIES			
Current liabilities			
Trade and other payables	*10*	**203,710**	175,476
Total liabilities		**203,710**	175,476
Total equity and liabilities		**60,577,022**	54,025,359
Net Asset Value per Share		**£0.69**	£1.25

The financial statements were approved by the Board of Directors on 25 March 2010 and were signed on its behalf by:

Geoffrey Miller
Director

Patrick Firth
Director

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

GROUP	Share Capital GBP	Share Premium GBP	Other Reserve** GBP	Foreign Exchange Reserve GBP	Retained Earnings** GBP	Total Equity GBP
Balance at 31 December 2007	–	5,619,040	36,200,000	138,994	(2,505,937)	**39,452,097**
Settlement of share options	–	–	(1,400,000)	–	–	**(1,400,000)**
Dividends paid	–	–	–	–	(3,225,000)	**(3,225,000)**
Transactions with owners	–	–	(1,400,000)	–	(3,225,000)	**(4,625,000)**
Profit for the year	–	–	–	–	16,418,339	**16,418,339**
Other comprehensive income:						
Foreign exchange on consolidation	–	–	–	2,604,447	–	**2,604,447**
Total comprehensive income for the year	–	–	–	2,604,447	16,418,339	**19,022,786**
Balance at 31 December 2008	–	5,619,040	34,800,000	2,743,441	10,687,402	**53,849,883**
Net proceeds from share issue	–	10,382,750	–	–	–	**10,382,750**
Exercise of share options	–	85,500	–	–	–	**85,500**
Grant of share options	–	–	2,740	–	–	**2,740**
Dividends paid*	–	–	–	–	(430,000)	**(430,000)**
Transactions with owners	–	10,468,250	2,740	–	(430,000)	**10,040,990**
Profit for the year	–	–	–	–	2,035,164	**2,035,164**
Other comprehensive income:						
Foreign exchange on consolidation	–	–	–	(4,678,284)	–	**(4,678,284)**
Total comprehensive income for the year	–	–	–	(4,678,284)	2,035,164	**(2,643,120)**
Balance at 31 December 2009	–	16,087,290	34,802,740	(1,934,843)	12,292,566	**61,247,753**

COMPANY	Share Capital GBP	Share Premium GBP	Other Reserve** GBP	Foreign Exchange Reserve GBP	Retained Earnings** GBP	Total Equity GBP
Balance at 31 December 2007	–	5,619,040	36,200,000	–	(2,366,943)	**39,452,097**
Settlement of share options	–	–	(1,400,000)	–	–	**(1,400,000)**
Dividends paid	–	–	–	–	(3,225,000)	**(3,225,000)**
Transactions with owners	–	–	(1,400,000)	–	(3,225,000)	**(4,625,000)**
Profit for the year	–	–	–	–	19,022,786	**19,022,786**
Other comprehensive income:	–	–	–	–	–	**–**
Total comprehensive income for the year	–	–	–	–	19,022,786	**19,022,786**
Balance at 31 December 2008	–	5,619,040	34,800,000	–	13,430,843	**53,849,883**
Net proceeds from share issue	–	10,382,750	–	–	–	**10,382,750**
Exercise of share options	–	85,500	–	–	–	**85,500**
Grant of share options	–	–	2,740	–	–	**2,740**
Dividends paid*	–	–	–	–	(430,000)	**(430,000)**
Transactions with owners	–	10,468,250	2,740	–	(430,000)	**10,040,990**
Loss for the year	–	–	–	–	(3,517,561)	**(3,517,561)**
Other comprehensive income	–	–	–	–	–	**–**
Total comprehensive income for the year	–	–	–	–	(3,517,561)	**(3,517,561)**
Balance at 31 December 2009	–	16,087,290	34,802,740	–	9,483,282	**60,373,312**

*During the year the Company made two dividend payments.
**Distributable reserves

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

	NOTES	GROUP Year to 31 December 2009 GBP	GROUP Year to 31 December 2008 GBP	COMPANY Year to 31 December 2009 GBP	COMPANY Year to 31 December 2008 GBP
Cash flows from operating activities					
Cash generated from operations	*13*	**(1,435,558)**	(1,388,683)	**475,757**	1,873,835
Purchase of investments	*6*	**(35,662,307)**	(21,723,644)	**(5,308,416)**	–
Sale of investments	*6*	**12,535,692**	7,244,591	**–**	3,528,951
Net cash (outflow)/inflow from operating activities		**(24,562,173)**	(15,867,736)	**(4,832,659)**	5,402,786
Cashflows from investing activities					
Principal received	*6*	**28,149,558**	17,967,782	**28,533**	7,646
Net cash inflow from investing activities		**28,149,558**	17,967,782	**28,533**	7,646
Cashflows from financing activities					
Net proceeds from issue of shares	*11*	**10,382,750**	–	**10,382,750**	–
Exercise/(settlement) of share options		**30,000**	(1,400,000)	**30,000**	(1,400,000)
CLO loan notes purchased		**(561,350)**	–	**(561,350)**	–
CLO loan notes principal paid		**(235,244)**	–	**–**	–
Dividends paid		**(430,000)**	(3,225,000)	**(430,000)**	(3,225,000)
Net cash inflow/(outflow) from financing activities		**9,186,156**	(4,625,000)	**9,421,400**	(4,625,000)
Net increase/(decrease) in cash and cash equivalents		**12,773,541**	(2,524,954)	**4,617,274**	785,432
Cash and cash equivalents at beginning of year		**16,158,356**	16,078,863	**4,165,697**	3,380,265
Foreign exchange (loss)/gain on consolidation		**(4,678,284)**	2,604,447	**–**	–
Cash and cash equivalents at end of year		**24,253,613**	16,158,356	**8,782,971**	4,165,697

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

1. GENERAL INFORMATION

Greenwich Loan Income Fund Limited (formerly T2 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. The address of the registered office is 2nd Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey GY1 3NQ.

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

A Cayman Islands registered subsidiary company, T2 Income Fund CLO I Ltd. ("T2 CLO" or the ''CLO''), was created on 11 October 2006. Through its ownership of the residual economic interest of T2 Income Fund CLO I Ltd. the Directors consider the CLO to be a wholly owned subsidiary and the operating results are consolidated in these financial statements. The Group is comprised of the ''Company'' and the ''CLO''.

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.

Investing Policy

The Group generally invests in syndicated and non-syndicated corporate loans issued by a range of companies, with a focus to date on issuers with a credit rating of B or CCC (S&P). The Group began with a particular focus on technology related companies and continues to leverage the technology-based expertise of its principals. The Group focuses its investments primarily in small to medium sized companies, including those companies traditionally defined as ''middle market''. The Group usually expects to take a senior debt position, and may also invest in senior and junior subordinated debt.

T2 Advisers seeks to take advantage of its current relationships with US and global agent banks and private equity funds to source deals. The Group principally targets companies with experienced management, a significant financial or strategic sponsor or partner, a strong competitive position and positive cash flow.

The Board anticipates that the Group's maximum investment size, at the time of investment, will be limited to 15 per cent of the Group's gross assets; however, the Group may make larger investments and in such circumstances it may seek to syndicate or sell a portion of its initial investment.

The Group may seek additional debt (or raise additional capital through the issuance of its equity) to fund future investments. Any gearing will not be undertaken without the approval of the Board.

The Group's objective is to produce a stable and predictable dividend yield, with long term preservation of net asset value.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements of the Group 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.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Greenwich Loan Income Fund Limited and its subsidiary, T2 Income Fund CLO I Ltd. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Company obtains and exercises control of its subsidiary through ownership of the income notes of the entity. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

The Company carries its investment in the CLO subsidiary at fair value through profit or loss. This is based upon the fair value of the assets and liabilities held by the CLO, which the Directors consider to be indicative of fair value for financial reporting purposes; however, the disparity between the Company's NAV per share, as determined under IFRS, and share price has been recognised by the Directors and is believed to be reflective of significant dislocations in the global credit markets as well as practical limitations on the Company's ability to realise the discount reflected in the fair value of the CLO loan notes.

(c) Foreign currency translation

(i) Functional and presentation currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity 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 on a break up basis. 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 Dollars the functional currency of the subsidiary. Therefore the books and records are maintained in Sterling and 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.

2. ACCOUNTING POLICIES CONTINUED

(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 Income Statement.

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

(iii) Subsidiary company

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 Balance Sheet presented are translated at the closing rate at the date of the balance sheet;

2. income and expenses for the Income Statement are translated at average exchange rates for the period (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 as a separate component of shareholders' equity.

(d) Revenue recognition

Revenue is recognised as follows:

Other income – relates to note receivable interest on the CLO loan notes purchased by the Company from its subsidiary and bank interest received. Loan note interest is recognised under the effective interest rate method and bank interest on an accruals basis.

Dividend income – dividend income is recognised when the right to receive payment is established.

(e) 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 Income Statement.

(f) 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.

(g) 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.

(h) Dividends

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

(i) 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.

(j) 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.

(k) Trade and other payables

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

2. ACCOUNTING POLICIES CONTINUED

(l) 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 Directors recognise that the magnitude of fair value movement of the CLO loan notes is substantially greater than the movement of the investments, due to variations in the different markets in which these instruments are traded.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet 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, the Investment Manager prepares an analysis of the portfolio companies' 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 31 December 2009, there were no bi-lateral loans in the Group's portfolio.

The fair value of the CLO loan notes is determined primarily by reference to a mid-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 mid-market value report to be the best indicator of fair value for the notes. The mid-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 mid-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 Income Statement in the period in which they arise.

Net income from financial instruments at fair value through profit or loss

Net 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, dividends, finance costs and foreign exchange differences.

Total finance costs for 2009 were GBP 2,711,017 (2008: GBP 6,235,227). These finance costs are for interest due to the loan note holders. Long-term notes outstanding at 31 December 2009 were GBP 117,354,993 (2008: GBP 88,538,096).

(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 no derivatives held by the Company as at 31 December 2009.

(iii) Subsidiary

Investment in subsidiary is initially recorded at cost. The Company carries its investment in the CLO subsidiary at fair value through profit or loss. This is based upon the fair value of the assets and liabilities held by the CLO, which the Directors consider to be indicative of fair value for financial reporting purposes. Through its ownership of the residual economic interest of T2 Income Fund CLO I Ltd the Directors consider the CLO to be a wholly owned subsidiary and the operating results are consolidated in these financial statements.

(m) 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 Group also makes assumptions on the classification of financial assets.

2. ACCOUNTING POLICIES CONTINUED

(m) Critical accounting estimates and judgements in applying accounting policies continued

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

The Group can invest in financial instruments which are not quoted in active markets. 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 year end.

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 substantially exceeded 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 affect the sustainability of the CLO structure and therefore the fair value of the loan notes.

(n) New standards

New standards and interpretations have been published that are mandatory for the Group's accounting periods after 1 January 2009 or later periods and which the Group has not early adopted:

– IFRS 9 Financial Instruments (effective 1 January 2013)
– IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
– IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
– Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009)
– Group Cash-settled Share-based Payments Transactions – Amendment to IFRS 2 (effective 1 January 2010)
– Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
– IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
– IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
– IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)
– IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
– Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14 (effective 1 January 2011)
– Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
– Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)

As of 31 December 2009, the following standards and interpretations are in issue but not yet adopted by the EU:

– IFRS 9 Financial Instruments (effective 1 January 2013)
– Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14 (effective 1 January 2011)
– IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
– Improvements to IFRSs 2009 (Issued 16 April 2009)
– Group Cash-settled Share-based Payments Transactions – Amendment to IFRS 2 (effective 1 January 2010)
– Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
– IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)

The Directors anticipate that the adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the company.

Standards adopted during the year

IAS 1 (revised), 'Presentation of financial statements' was effective from 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Group has elected to present the statement of comprehensive income as two statements: the 'Income Statement' and the 'statement of Comprehensive Income'. IAS 1 Presentation of Financial Statements (Revised 2007) requires presentation of a comparative balance sheet as at the beginning of the first comparative period, in some circumstances. Management considers that this is not necessary this year because the 2007 balance sheet is the same as that previously published.

IFRS 8, ''Operating segments'' was effective from 1 January 2009. IFRS 8 replaces IAS 14, ''Segment reporting'', and aligns segment reporting with the requirements of the US standard SFAS 131, ''Disclosures about segments of an enterprise and related information''. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner

2. ACCOUNTING POLICIES CONTINUED

(n) New standards continued

that is more consistent with the internal reporting provided to the Investment Committee of the Investment Manager ("ICIM"). The adoption of IFRS 8 results in additional disclosures but does not have an impact on the Company's financial position or performance.

(o) Share based payments

Share options are valued in accordance with IFRS2. In accordance with IFRS2, share options issued during the year 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.

3. FINANCIAL RISK MANAGEMENT

(1) Financial risk factors

The Group is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price 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.

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 31 DECEMBER 2009			
	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	**153,256,998**	**–**	**–**	**–**
Note receivable	**–**	**500,000**	**–**	**–**
Trade and other receivables	**–**	**1,200,566**	**–**	**–**
Cash and cash equivalents	**–**	**–**	**–**	**24,253,613**
Total assets	**153,256,998**	**1,700,566**	**–**	**24,253,613**
Financial liabilities				
Loan notes at fair value through profit or loss	**117,354,993**	**–**	**–**	**–**
Trade and other payables	**–**	**–**	**608,431**	**–**
	117,354,993	**–**	**608,431**	**–**

	CARRYING VALUE AT 31 DECEMBER 2008			
	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	126,644,228	–	–	–
Note receivable	–	500,000	–	–
Trade and other receivables	–	1,417,933	–	–
Cash and cash equivalents	–	–	–	16,158,356
Total assets	126,644,228	1,917,933	–	16,158,356
Financial liabilities				
Loan notes at fair value through profit or loss	88,538,096	–	–	–
Trade and other payables	–	–	2,332,538	–
	88,538,096	–	2,332,538	–

The same measurement categories are applied to the balances held by the Company.

3. FINANCIAL RISK MANAGEMENT CONTINUED

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, retained earnings, and debt. 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 31 December 2009 the Group had total equity of GBP 61,247,753 (2008: GBP 53,849,883).

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 collateralised 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 indebtedness (approximately US$ 244.7 million; GBP 151.6 million) through its CLO subsidiary in the form of long-term notes.

(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 Group's offering memorandum. All investments present a risk of loss of capital.

At 31 December 2009, the Group's market risk is affected by three main components: changes in actual market prices, interest rate and foreign currency movements. Interest rates and foreign currency movements are covered at (b) and (c) below.

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 GBP 1,795,100 (2008: GBP 1,905,306), due to the increase in the fair value of financial assets at fair value through profit or loss by GBP 7,662,850 (2008: GBP 6,332,211) offset by the increase in the fair value of the financial liabilities at fair value through profit or loss by GBP 5,867,750 (2008: GBP 4,426,905). Conversely, if market prices had decreased by 5%, this would have decreased net assets attributable to holders of equity shares by approximately GBP 1,795,100 (2008: GBP 1,905,306), due to the decrease in the fair value of financial assets at fair value through profit or loss by GBP 7,662,850 (2008: GBP 6,332,211) offset by the decrease in the fair value of the financial liabilities at fair value through profit or loss by GBP 5,867,750 (2008: GBP 4,426,905).

(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.

3. FINANCIAL RISK MANAGEMENT CONTINUED

(b) Interest rate risk continued

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

At 31 December 2009	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	**153,256,998**	**–**	**–**	**153,256,998**
Note receivable	**–**	**–**	**500,000**	**500,000**
Trade and other receivables	**–**	**–**	**1,200,566**	**1,200,566**
Cash and cash equivalents	**24,253,613**	**–**	**–**	**24,253,613**
Total assets	**177,510,611**	**–**	**1,700,566**	**179,211,177**
Liabilities				
Loan notes	**117,354,993**	**–**	**–**	**117,354,993**
Trade and other payables	**–**	**–**	**608,431**	**608,431**
Total liabilities	**117,354,993**	**–**	**608,431**	**117,963,424**
Total interest sensitivity gap	**60,155,618**	**–**	**1,092,135**	**61,247,753**

At 31 December 2008	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	126,644,228	–	–	126,644,228
Note receivable	–	500,000	–	500,000
Trade and other receivables	–	–	1,417,933	1,417,933
Cash and cash equivalents	16,158,356	–	–	16,158,356
Total assets	142,802,584	500,000	1,417,933	144,720,517
Liabilities				
Loan notes	88,538,096	–	–	88,538,096
Trade and other payables	–	–	2,332,538	2,332,538
Total liabilities	88,538,096	–	2,332,538	90,870,634
Total interest sensitivity gap	54,264,488	500,000	(914,605)	53,849,883

A 200 basis point increase or decrease is used when reporting interest spread risk internally and represents management's assessment of the possible change in interest spreads, and 25 basis points is used when reporting interest rate risk.

At 31 December 2009, should the interest spread have lowered by 200 basis points with all other variables remaining constant, the decrease in net assets attributable to holders of equity for the year would amount to approximately GBP 4,311,447 (2008: GBP 4,648,060). If the interest spread had risen by 200 basis points, the increase in net assets attributable to holders of equity would amount to approximately GBP 4,311,447 (2008: GBP 4,648,060).

At 31 December 2009, should interest rates have lowered by 25 basis points with all other variables remaining constant, the increase in net assets attributable to holders of equity for the year would amount to approximately GBP 100,940 (2008: increase in net assets GBP 151,485). If the interest rate had risen by 25 basis points, the decrease in net assets attributable to holders of equity would amount to approximately GBP 100,940 (2008: decrease in net assets GBP 151,485).

The Company's exposure to interest rate risk is limited to its financial assets at fair value through profit or loss, loan notes held at amortised cost and its cash and cash equivalents. These are all floating rate financial assets. The effect of a change in interest rates on the Company's balances is minimal at a Group level.

3. FINANCIAL RISK MANAGEMENT CONTINUED

(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:

31 December 2009	USD	EUR	GBP	Total
Assets				
Financial assets at fair value through profit or loss account	**153,256,998**	**–**	**–**	**153,256,998**
Cash and cash equivalents	**24,253,537**	**–**	**76**	**24,253,613**
Trade and other receivables	**1,077,478**	**–**	**623,088**	**1,700,566**
Total assets	**178,588,013**	**–**	**623,164**	**179,211,177**
Liabilities				
Trade and other payables	**117,829,014**	**–**	**134,410**	**117,963,424**
Total currency sensitivity gap	**60,758,999**	**–**	**488,754**	**61,247,753**

At 31 December 2008	USD	EUR	GBP	Total
Assets				
Financial assets at fair value through profit or loss account	126,644,228	–	–	126,644,228
Cash and cash equivalents	16,158,356	–	–	16,158,356
Trade and other receivables	1,329,598	–	588,335	1,917,933
Total assets	144,132,182	–	588,335	144,720,517
Liabilities				
Trade and other payables	90,781,834	–	88,800	90,870,634
Total currency sensitivity gap	53,350,348	–	499,535	53,849,883

At 31 December 2009, had the exchange rate between the USD, EUR and GBP increased or decreased by 5%, with all other variables held constant, the increase or decrease respectively in net assets attributable to holders of equity shares would amount to approximately GBP 2,235,321 (2008: GBP 2,156,562).

The majority of the Company's financial assets and liabilities are also denominated in US dollars. The effect of a change in exchange rates by 5% is minimal to the Group.

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

3. FINANCIAL RISK MANAGEMENT CONTINUED

(d) Credit risk continued

Portfolio by rating category	2009	2008
1	**8%**	22%
2	**58%**	50%
3	**33%**	28%
4	**0%**	0%
5	**1%**	0%
Total	**100%**	100%

Credit Ratings Level	Ratings Criteria Methodology (1) (General Parameters)
1	Company is performing 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.

None of the Group's financial assets are secured by collateral or other credit enhancements.

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.

The credit risk associated with the CLO loan notes, designated as a financial liability held at fair value through profit or loss, is affected by changes in the credit ratings associated with the different classes of the loan notes. During the year the following changes in ratings were noted for each of the classes:

- Class A – rated as AAA by Standard & Poor's and Aaa by Moody's throughout the year
- Class B – rated as AA by Standard & Poor's and Aa2 by Moody's throughout the year
- Class C – rated as A by Standard & Poor's throughout the year and rated as A2 by Moody's at the start of the year and subsequently downgraded to Ba1 then upgraded to Baa3 during the year
- Class D – rated as BBB by Standard & Poor's throughout the year and rated as Baa2 by Moody's at the start of the year and subsequently downgraded to B1 then upgraded to Ba3 during the year
- Class E – rated as BB by Standard & Poor's throughout the year and rated as Ba2 by Moody's at the start of the year and subsequently downgraded to Caa2 then upgraded to B3 during the year.

(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 Income Fund CLO I Ltd, is also considered to be an illiquid investment due to the restrictions that exist over its sale.

3. FINANCIAL RISK MANAGEMENT CONTINUED

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows, assuming interest rates in effect at the year end. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	CURRENT		NON-CURRENT		
	Within 6 months GBP	6 to 12 months GBP	1 to 5 years GBP	Later than 5 years GBP	No stated maturity GBP
At December 2009					
Loan notes	**766,093**	**766,093**	**6,128,743**	**158,516,210**	**–**
Trade and other payables	**608,431**	**–**	**–**	**–**	**–**
Total financial liabilities	**1,374,524**	**766,093**	**6,128,743**	**158,516,210**	**–**
At 31 December 2008					
Loan notes	4,704,711	4,704,711	37,637,684	223,163,401	–
Trade and other payables	2,332,538	–	–	–	–
Total financial liabilities	7,037,249	4,704,711	37,637,684	223,163,401	–

Fair value estimation

The fair values of the Group's short-term trade receivables and payables approximate their carrying amounts at the balance sheet date.

Financial instruments measured at fair value

The Group adopted the amendments to IFRS 7 "Improving Disclosures about Financial Instruments" effective from 1 January 2009. These amendments require the Group to present certain information about financial instruments measured at fair value in the balance sheet. In the first year of application comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the 31 December 2009 year end.

The following table presents financial assets and liabilities measured at fair value in the balance sheet 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 (ie as prices) or indirectly (ie 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 balance sheet are grouped into the fair value hierarchy as follows:

31 December 2009	*Note*	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Assets					
Broadly syndicated loans	*a*	**–**	**–**	**153,256,998**	**153,256,998**
Total		**–**	**–**	**153,256,998**	**153,256,998**
Liabilities					
CLO loan notes	*b*	**–**	**–**	**(117,354,993)**	**(117,354,993)**
Total		**–**	**–**	**(117,354,993)**	**(117,354,993)**
Net fair value		**–**	**–**	**35,902,005**	**35,902,005**

3. FINANCIAL RISK MANAGEMENT CONTINUED

(e) Liquidity risk continued

The Company's investment in subsidiary also falls under Level 3.

Measurement of fair value

The methods and valuation techniques used for the purposes of measuring fair value are unchanged compared to the previous reporting period.

(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 derive the fair value.

(b) CLO loan notes

The CLO loan notes are denominated in USD. 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 mid-market value report provided by the independent broker-dealer.

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:

	Broadly Syndicated Loans GBP	CLO Loan Notes GBP	Total GBP
Opening balance	**126,644,228**	**(88,538,096)**	**38,106,132**
Purchases	**35,662,307**	**–**	**35,662,307**
Sales	**(12,535,692)**	**561,350**	**(11,974,342)**
Capital repayments	**(28,149,558)**	**235,244**	**(27,914,314)**
Gains and losses recognised in profit and loss			
– realised	**(1,876,127)**	**1,458,221**	**(417,906)**
– unrealised	**33,511,840**	**(31,071,712)**	**2,440,128**
Closing balance	**153,256,998**	**(117,354,993)**	**35,902,005**

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 2% of 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.

Total fees charged for the year ended 31 December 2009 amounted to GBP 2,965,261 (2008: GBP 2,969,672). The total amount due and payable at the year end amounted to GBP nil (2008: GBP nil).

Administration and secretarial fees

The Administrator and Secretary, Butterfield Fulcrum Group (Guernsey) Limited, is entitled to an annual fee for its services, as administrator and secretary, of 0.075% 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 GBP 40,000 per annum. They are also due a fixed accounting fee of GBP 10,000 per annum plus a fixed fee of GBP 5,000 for their registrar services.

Total Administration and secretarial fees (excluding accounting and registrar fees) charged for the year ended 31 December 2009 amounted to GBP 47,418 (2008: GBP 40,000). The total amount due and payable at the year end amounted to GBP 1,410 (2008: GBP 10,000).

4. FUND EXPENSES CONTINUED

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 GBP 15,000 per annum. The fee is payable quarterly in arrears.

Total fees charged for the year ended 31 December 2009 amounted to GBP 15,070 (2008: GBP 15,010). The total amount due and payable at the year end amounted to GBP 3,750 (2008: GBP 7,520).

Directors fees

The current level of fees for the Chairman of the Board of Directors of the Group is GBP 25,000 per annum, and GBP 20,000 each for non-executive directors. During the year to 31 December 2009, a one off additional payment of GBP 35,000 was made to the Chairman. This was in recognition of special services provided to the Company.

Total fees charged to the Group for the year ended 31 December 2009 amounted to GBP 100,000 (2008: GBP 64,929). The total amount due and payable at the year end amounted to GBP 16,250 (2008: GBP 16,250).

5. EARNINGS PER SHARE

Earnings per share has been calculated by dividing the profit/(loss) attributable to ordinary shareholders GBP 2,035,164 Group, GBP(3,517,561) Company (2008: GBP 16,418,339 Group, GBP 19,022,786 Company) by the weighted average number of ordinary shares outstanding during the year 51,857,534 (2008: 43,000,000). Fully diluted profit per share has been calculated by dividing the profit attributable to ordinary shareholders of GBP 2,035,164 Group, GBP(3,517,561) Company (2008: GBP 16,418,339 Group, GBP 19,022,786 Company), by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of all dilutive potential ordinary shares 52,516,651 (2008: 44,836,065).

Basic earnings per share

Date	No. of shares	No. of days	Weighted average no. of shares
01/01/09	43,000,000	292	34,400,000
20/10/09	87,000,000	3	715,068
23/10/09	87,300,000	70	16,742,466
		365	51,857,534
01/01/08 & 31/12/08	43,000,000	366	43,000,000

Diluted earnings per share

Date	Fully diluted no. of shares	No. of days	Weighted average no. of shares
01/01/09	43,555,555	197	23,508,067
17/07/09	43,905,555	95	11,427,473
20/10/09	87,905,555	73	17,581,111
		365	52,516,651
01/01/08	47,777,777	111	14,489,982
21/04/08	43,555,555	255	30,346,083
		366	44,836,065

The dilutive shares are anti-dilutive for the purposes of the Company's earnings and therefore, have not impacted the diluted loss per share.

	2009 No. of shares	2008 No. of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**51,857,534**	43,000,000
Effect of dilutive potential ordinary shares:		
Share options	**659,117**	1,836,065
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**52,516,651**	44,836,065

6. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2009 GBP	Group 2008 GBP	Company 2009 GBP	Company 2008 GBP
Debt securities of listed companies	**52,098,842**	28,102,380	**–**	–
Debt securities of unlisted companies	**101,158,156**	98,541,848	**3,091,446**	614,381
Investment in subsidiary	**–**	–	**47,433,719**	48,625,653
	153,256,998	126,644,228	**50,525,165**	49,240,034
Realised (loss)/gains recognised on financial assets and liabilities at fair value through profit or loss (1)				
Realised (loss)/gain on investments	**(1,876,127)**	(896,251)	**–**	832,634
Realised gain on financial liabilities	**1,458,221**	–	**–**	–
	(417,906)	(896,251)	**–**	832,634
Unrealised gains recognised on financial assets and liabilities at fair value through profit or loss (2)				
Unrealised gain/(loss) on financial assets	**33,511,840**	(9,286,677)	**(3,994,752)**	16,351,137
Unrealised (loss)/gain on financial liabilities	**(31,071,712)**	26,052,088	**–**	–
	2,440,128	16,765,411	**(3,994,752)**	16,351,137

	Group 2009 GBP	Group 2008 GBP	Company 2009 GBP	Company 2008 GBP
Opening cost of financial assets	**144,552,846**	148,937,826	**1,360,135**	4,064,098
Purchases	**35,662,307**	21,723,644	**5,308,416**	–
Sales	**(12,535,692)**	(7,244,591)	**–**	(3,528,951)
Realised (loss)/gain on sale of investments	**(1,876,127)**	(896,251)	**–**	832,634
Transfer to subsidiary	**–**	–	**–**	–
Capital repayments	**(28,149,558)**	(17,967,782)	**(28,533)**	(7,646)
Cost of investments at year end	**137,653,776**	144,552,846	**6,640,018**	1,360,135
Unrealised gain/(loss) at year end	**15,603,222**	(17,908,618)	**(3,548,572)**	(745,754)
Closing value at year end	**153,256,998**	126,644,228	**3,091,446**	614,381

(1) For the year ended 31 December 2009 the Group had a realised loss of GBP 417,906 (2008: GBP 896,251) which comprised a realised loss on investments of GBP 1,876,127 (2008: GBP 896,251) and a realised gain on the purchase of some of the CLO loan notes by the parent company, Greenwich Loan Income Fund Limited, of GBP 1,458,221 (2008: GBP nil).

(2) For the year ended 31 December 2009 the Group had an unrealised gain on financial assets and liabilities at fair value through profit or loss of GBP 2,440,128 (2008: GBP 16,765,411). This is comprised of an unrealised gain/(loss) on financial assets of GBP 33,511,840 (2008: GBP (9,286,677)) and an unrealised (loss)/gain on liabilities of GBP (31,071,712) (2008: GBP 26,052,088).

7. INVESTMENT IN SUBSIDIARY

	Company 2009 GBP	Company 2008 GBP
Opening cost of investment in subsidiary	**29,928,228**	29,928,228
Additions at cost	**–**	–
Cost of investment in subsidiary at year end	**29,928,228**	29,928,228
Unrealised gain	**17,505,491**	18,697,425
Closing fair value of investment in subsidiary	**47,433,719**	48,625,653

The cost of the investment is represented by the net assets transferred to the subsidiary.

The Company from time to time makes asset transfers between the Company, Greenwich Loan Income Fund Limited, and the subsidiary, T2 Income Fund CLO I Ltd.

8. TRADE AND OTHER RECEIVABLES

	Group 2009 GBP	Group 2008 GBP	Company 2009 GBP	Company 2008 GBP
Accrued bank interest	**1**	118	**–**	–
Loan interest receivable	**1,155,306**	1,384,117	**129,127**	85,930
Prepaid expenses	**45,259**	33,698	**45,259**	33,698
	1,200,566	1,417,933	**174,386**	119,628
Current assets				
Note receivable	**500,000**	500,000	**500,000**	500,000
Non current assets				
Loans notes held at amortised cost	**–**	–	**594,500**	–

The GBP 500,000 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 is 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 for payment on the promissory note to be deferred (without interest) until such time as the reduction in the aggregate fees paid by the Company to the Investment Manager, currently being negotiated, is equal to the amount payable under the note, at which point the note will be cancelled. The promissory note has been classified as current at 31 December 2009.

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 are designated as receivables held at amortised cost.

9. CASH AND CASH EQUIVALENTS

	Group 2009 GBP	Group 2008 GBP	Company 2009 GBP	Company 2008 GBP
Call account	**24,253,613**	16,158,356	**8,782,971**	4,165,697

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

10. TRADE AND OTHER PAYABLES

	Group 2009 GBP	Group 2008 GBP	Company 2009 GBP	Company 2008 GBP
Current liabilities				
Due to Subsidiary	**–**	–	**69,299**	76,778
Administrator's fees	**11,410**	10,000	**11,410**	10,000
Custodian's fees	**3,750**	7,520	**3,750**	7,520
Audit fees	**40,000**	40,000	**40,000**	40,000
Directors' fees	**16,250**	16,250	**16,250**	16,250
Finance cost (1)	**327,717**	2,038,708	**–**	–
Other accruals	**209,304**	220,060	**63,001**	24,928
	608,431	2,332,538	**203,710**	175,476
Non current liabilities				
Loan notes	**117,354,993**	88,538,096	**–**	–

On 19 July 2007 loan notes were issued in the amount of US$ 309,050,000 with a twelve year term by T2 Income Fund CLO I Ltd. 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 I 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 have been eliminated within the consolidated financial statements for consolidation purposes only and a realised gain of GBP 1,458,221 recognised.

(1) Interest on the loan notes is calculated on a weighted average interest rate of LIBOR plus 75 basis points.

11. SHARE CAPITAL

The Company has the power to issue an unlimited number of ordinary shares of no par value.

Upon incorporation, the Investment Manager, T2 Advisers LLC, was granted options to purchase 4,222,222 Ordinary Shares at the Placing Price, as reduced by dividends paid per share, subject to the Company achieving certain performance criteria as follows:

The Investment Manager options vested and became exercisable in respect of 50 per cent immediately on conclusion of the first three month period during which the Company paid dividends on the Shares in an aggregate amount during that three month period equal to or exceeding 8 per cent of the Initial Offer Price on an annualised basis (the hurdle rate). The remaining 50 per cent vested and became exercisable immediately on conclusion of the twelve month period following the date specified above.

On 23 February 2007 the hurdle rate was met. Accordingly on 31 March 2007 the options on 2,111,111 of these Ordinary shares became vested. The remaining options for 2,111,111 Ordinary shares vested on 31 March 2008.

Effective 21 April 2008, the options to acquire 4,222,222 ordinary shares were cancelled in consideration of a one-off cash payment by the Company to the Investment Manager of GBP 1.4 million. The amount of the payment was determined by the Board with reference to the present value of the options, with the application of a further discount, and after consultation with the Company's nominated advisor.

The Investment Manager has been granted options to purchase 555,555 Ordinary Shares at 101.75p per Share, based upon the 5,000,000 Ordinary Shares issued in June 2007, in accordance with the terms of the Share Option Plan.

In accordance with IFRS2, the value of the options was based upon an estimate of the fair value of the services received. The Company believes that the fair value can be determined by a comparison to a performance-based incentive fee program, which arrangements are common practice in the industry, because the option program was similarly intended to compensate the Investment Manager for achieving superior returns. The fair value estimate was based, in good faith, upon the present value of a hypothetical performance-based incentive fee, assuming a fee of 20% of the excess return above an 8% hurdle rate over a ten-year period; the fair value of the options was determined to be GBP 100,000. For the year ending 31 December 2009 the Company charged GBP nil (2008: GBP nil) to expenses representing the amortisation of the fair value of the options, which had been fully expensed during 2007 upon meeting the performance criteria.

On 17 July 2009, the directors were granted options over 350,000 shares in total exercisable at a price of 10p per share at any time up to the second anniversary of the passing of the relevant resolution. On 23 October 2009, 300,000 of these options were exercised. 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 Income Statement. During the year to 31 December 2009, a share option expense of GBP 58,240 (2008: GBP nil) was recognised in relation to these share options issued.

Share Capital	**31 December 2009 Shares in issue**	31 December 2008 Shares in issue
Ordinary shares – nil par value		
Balance at start year	**43,000,000**	43,000,000
Issued during the year	**44,000,000**	–
Options exercised	**300,000**	–
Balance at end year	**87,300,000**	43,000,000

Share Premium	**31 December 2009 GBP**	31 December 2008 GBP
Balance at start year	**5,619,040**	5,619,040
Issued during year	**11,000,000**	–
Options exercised	**85,500**	–
Issue costs	**(617,250)**	–
Transfer to distributable reserves	**–**	–
Balance at end year	**16,087,290**	5,619,040

12. NET ASSET VALUE PER SHARE

The net asset value per Ordinary Share is calculated by dividing the net assets at the year end of GBP 61,247,753 for the Group and GBP 60,373,312 for the Company (2008: GBP 53,849,883 for the Group and the Company) by the Ordinary Shares in issue at the end of the year being 87,300,000 (2008: 43,000,000).

13. CASH GENERATED FROM OPERATIONS

	Group 2009 GBP	Group 2008 GBP	Company 2009 GBP	Company 2008 GBP
Profit for the year	**2,035,164**	16,418,339	**(3,517,561)**	19,022,786
Adjustments for:				
Realised loss/(gain) arising on adjustment to financial assets and liabilities	**417,906**	896,251	**–**	(832,634)
Unrealised (gain)/loss arising on adjustment to financial assets and liabilities	**(2,440,128)**	(16,765,411)	**3,994,752**	(16,351,137)
Unrealised gain on loan notes held at amortised cost	**–**	–	**(9,775)**	–
Additional interest on loan notes held at amortised cost	**–**	–	**(23,375)**	–
Share option expense	**58,240**	–	**58,240**	–
Changes in working capital:				
Trade and other receivables	**217,367**	(298,820)	**(54,758)**	76,870
Trade and other payables	**(1,724,107)**	(1,639,042)	**28,234**	(42,050)
Cash (outflow)/inflow from operations	**(1,435,558)**	(1,388,683)	**475,757**	1,873,835

14. CONSOLIDATED SUBSIDIARY UNDERTAKING

Through its ownership of the residual economic interest in T2 Income Fund CLO I Ltd., the Directors consider the following entity as a wholly owned subsidiary of the Company and its results and financial position are included within the consolidated results of the Company.

	Date of incorporation	Country of incorporation	Nature of holding
T2 Income Fund CLO I Ltd	11 October 2006	Cayman Islands	Income Notes

15. SEGMENT 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 portfolio of its CLO subsidiary, and considers the business to have a single operating segment. Although the CLO is a legally distinct entity, investment allocation decisions are based upon an integrated investment strategy and performance is evaluated on an overall basis.

The vast majority of the Group's investment income arises from investments in entities incorporated in the US. Approximately 97% of the Group's portfolio is based in the US with the remainder of investments being based in Canada. 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 year.

16. RELATED PARTY TRANSACTIONS

Patrick Firth was a director of the Administrator, Butterfield Fulcrum Group (Guernsey) Limited until 30 June 2009.

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

	Group 2009 GBP	Group 2008 GBP	Company 2009 GBP	Company 2008 GBP
Amounts incurred during the year to related parties				
Fees due to P Conroy as Chief Financial Officer to the Company	**–**	75,137	**–**	75,137
Fees due to the Investment Manager, T2 Advisers, LLC	**2,965,261**	2,969,672	**2,965,261**	2,969,672
Reimbursement due to BDC Partners, LLC	**85,942**	185,720	**85,942**	185,720

	Group 2009 GBP	Group 2008 GBP	Company 2009 GBP	Company 2008 GBP
Amounts due to related parties at the year end				
Fees due to P Conroy as Chief Financial Officer to the Company	**56,250**	6,250	**6,250**	6,250
Due to subsidiary in relation to Wall Street Office system	**–**	–	**56,440**	56,440
Amounts due from related parties at the year end				
Note receivable from the Investment Manager, T2 Advisers, LLC	**500,000**	500,000	**500,000**	500,000

On 18 December 2009, the Company acquired an investment in senior secured corporate notes, Koosharem 2nd Lien, from the CLO for US$ 8.55 million (GBP 5.31 million). While on a consolidated basis the transaction had no net impact on the Group balance sheet, the acquisition may improve the CLO's likelihood of being in compliance with certain covenants, and will have the effect of increasing the probability of the Company receiving future interest payments from the CLO.

Directors shareholdings in Company

On 17 July 2009, Geoffrey Miller, Frederick Forni and Patrick Firth were granted share options in the Company exercisable at a price of GBP 10 pence per share at any time up to the second anniversary of the passing of the relevant resolution. Geoffrey Miller was granted options over 250,000 shares and Frederick Forni and Patrick Firth were each granted options over 50,000 shares.

On 23 October 2009, Geoffrey Miller and Patrick Firth exercised their share options to subscribe for ordinary shares in the Company. At 31 December 2009, Geoffrey Miller had a beneficial interest in 500,000 ordinary shares, representing 0.57% of the Company's issued share capital and Patrick Firth held 50,000 ordinary shares, representing 0.06% of the Company's issued share capital.

17. COMMITMENTS AND CONTINGENCIES

There were no commitments or contingencies as at 31 December 2009.

18. POST BALANCE SHEET EVENTS

Since the year end the Group has made 9 new investment purchases, these are detailed below:

Date	Par Amount		Purchase Price (USD)
7 January 2010	USD 2,000,000	Huish Detergent	97.00
7 January 2010	USD 4,000,000	MetroPCS	97.50
13 January 2010	USD 4,000,000	QVC	100.25
19 January 2010	USD 4,000,000	Broadlane	98.50
16 February 2010	USD 3,000,000	Charter	93.50
16 February 2010	USD 3,000,000	Charter	93.625
25 February 2010	USD 2,000,000	Anchor Glass	100.00
25 February 2010	USD 4,000,000	Intergraph	99.00
5 March 2010	USD 4,000,000	Shearers Foods Inc	98.50
8 March 2010	USD 4,000,000	Provo Craft and Novelty Inc	97.00

Since the year end the Group made the following sales:

Date	Par Amount		Realised gain (GBP)
6 January 2010	USD 4,412,679	Oshkosh Trucks	829,319
19 January 2010	USD 1,000,000	Inverness Medical	92,703

PORTFOLIO STATEMENT OF THE GROUP

AS AT 31 DECEMBER 2009

	Fair Value GBP	% of net assets
Aramark Corp	3,398,541	5.55%
4437667 Canada Inc. (Mold Master)	2,811,742	4.59%
Attachmate	4,618,182	7.54%
Boise Paper	2,628,476	4.29%
Broadlane	1,621,209	2.65%
Cablevision	2,978,705	4.86%
Cavalier Telephone	5,614,629	9.17%
Community Health	3,506,711	5.73%
Conner Steel	1,938,876	3.17%
Corel	4,248,276	6.94%
Dean Foods	3,517,722	5.74%
Data Transmission	2,062,557	3.37%
Emdeon Business Services LLC	3,575,608	5.84%
First Data Corp B1 Term Loan	4,831,379	7.89%
Ford	4,974,237	8.12%
Georgia Pacific LLC	2,001,653	3.27%
Getty Images	3,161,696	5.16%
HCA TL-A	2,141,430	3.50%
Houghton	1,951,271	3.19%
Hudson Products Holdings Inc.	2,384,970	3.89%
Huish Detergents	2,305,771	3.76%
Inverness Medical	2,870,508	4.69%
InfoNXX	3,910,515	6.38%
Infor Global	3,268,782	5.34%
Keane (Caritor)	2,821,175	4.61%
Koosharem Corp 2nd Lien Credit	1,419,413	2.32%
Koosharem Corp 1st Lien Credit	1,672,033	2.73%
Language Line	3,079,576	5.03%
Macrovision	933,403	1.52%
Mediacom TL-C	2,273,394	3.71%
Mediacom TL-D	1,235,447	2.02%
Merrill Corp	345,848	0.56%
MR Default	1,716,082	2.80%
NameMedia, Inc.	2,529,978	4.13%
National Cinemedia	2,945,411	4.81%
NPC 1st lien	1,876,552	3.06%
NPC 2nd lien	2,198,415	3.59%
Navisite	2,033,262	3.32%
Network Solutions	2,936,550	4.79%
Nuvox	4,184,264	6.83%
Oshkosh Trucks	2,655,698	4.34%
PAETEC Holding Corp.	1,330,691	2.17%
Peacock Engineering	1,533,600	2.50%
Pegasus	4,168,515	6.81%
Prodigy Health 1st lien	2,874,336	4.69%
Prodigy Health 2nd lien	863,884	1.41%
Proquest	4,898,536	8.00%
QA Master	3,002,798	4.90%
Quebecor (World Color Press)	2,478,796	4.05%
SkillSoft	1,473,306	2.41%
Stratus Technologies	1,656,576	2.70%
SuperValu	2,371,387	3.87%
Sunquest Holdings (Misys)	2,466,236	4.03%
Topps Co. Inc.	2,968,824	4.85%
TravelCLICK Acquisition Co	1,972,890	3.22%
TVC Communications	2,006,009	3.28%
VS Holdings (CBA Group)	1,562,667	2.55%
Workflow	1,233,770	2.01%
X-rite 1st Lien	1,214,230	1.98%
Total financial assets at fair value through profit or loss	153,256,998	250.23%
Cash balances	24,253,613	39.60%
Other net liabilities	(116,262,858)	(189.83%)
Net assets	61,247,753	100.00%

Greenwich Loan Income Fund Limited

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