Greenwich Loan Income Fund Limited

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ANNUAL REPORT AND AUDITED CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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OFFICERS AND PROFESSIONAL ADVISERS

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Patrick Anthony Seymour Firth (Non-Executive Chairman)
Geoffrey Richard Miller (Executive Director)
Frederick Peter Forni (Non-Executive Director)
James Henry Carthew (Non-Executive Director)

The address of the Directors is the registered office.

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Chief Financial Officer: Patrick Conroy

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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 2012.

In 2010 and 2011 a solid platform had been built from which to grow our business of providing secured lending to small and medium sized businesses. Our increasingly diverse business now lends money directly and indirectly to produce good levels of return that have underpinned a progressive dividend policy and led to a healthy share price performance.

The major corporate event came at the end of the year, with the acquisition of BMS Finance. This acquisition was the culmination of almost a full year's work by our team and advisers, and we are delighted with the way in which BMS is bedding down within GLIF.

Our net income generation continues to grow and for the third quarter of 2012 we announced an 8.7% increase in the Company's quarterly dividend. This increase was underpinned by a combination of a reduction in the cost base of the company and a significant increase in the income generated by the business.

As I have stated on previous occasions, the Board believes that a sustainable and progressive dividend is more valuable to long-term shareholders than achieving the highest possible dividend in any one period and therefore, although our short term net income generation has grown faster than our dividend, the Board will continue to take a longer term view.

Global capital constraints within the financial system remain a major positive for our business. We expect that small and medium sized businesses will continue to find capital in short supply and therefore that capital available will be priced accordingly. However, with the search for yield globally becoming more and more intense, our role is to ensure that we exploit niches in the market that require significant experience and knowledge to lend into and where returns will continue to be good, and not to move more into the mainstream where it is more likely that the weight of money seeking yield may distort parts of the market.

This will also mean that we will need to continue to evolve our lending and be quick to react to changing market conditions. We are strengthening our resources both internally and externally in order that we have these capabilities in hand.

Performance

The strong operational performance of the Company was reflected in a share price increase of 20.2% from 42.75p to 51.38p during the year and the Company paid 4.7p (vs 4p in the previous year) in dividends, producing a total shareholder return of 31.2% for the year. This compares to a total shareholder return of 59.8% in 2011 and 25.5% in 2010. Since the changes to the Board in the middle of 2009, the total shareholder return has been 627%.

Financials

As of 31 December 2012, the Company and its subsidiaries T2 Income Fund CLO I Ltd ("the CLO"), Asset Management Investment Company Ltd and GLIF BMS Holdings Ltd (the "Group") had invested assets with a fair value of approximately GBP186.2m, and cash of GBP27.0m (including GBP16.6m required to be retained within the CLO structure, available for new investment opportunities).

The CLO portfolio is comprised of variable rate investments and, on a weighted average basis, carried a spread of approximately 527 basis points over LIBOR on performing assets.

The Company's Net Asset Value per Share ("NAV") as of 31 December 2012 was 49.1p. This compares to a NAV as of 31 December 2011, on a consistent basis of 48.3p. The previously reported NAV for the end of 2011 of 73.4p valued the debt of the CLO at fair value, where our policy is now to reflect the value of our holding in the CLO by valuing the CLO debt at its par value. This has the effect of reducing the NAV by GBP10.7m, but the effect per share is reduced this year, as the shares in issue increased, as a result of the BMS acquisition.

For the year ended 31 December 2012, GLIF received interest income, dividends and other income totaling GBP15.4m, compared to GBP12.2m for 2011. Operating expenses fell from GBP6.8m in 2011 to GBP5.4m in 2012.

AGM

At this year's AGM there will be a number of resolutions in addition to the normal business of the AGM. As well as some "housekeeping" issues, there are a number of significant areas that reflect GLIF's desire to ensure that as it grows in size and substance, so does its structure and governance.

Firstly we are proposing to update the Company's Articles, which become "Articles of Incorporation", rather than "Articles of Association", in line with Guernsey Company law. Of particular note, we are seeking to enshrine shareholder pre-emption rights within the Articles and update our scrip dividend provisions. It is intended that we introduce a scrip dividend option from the next dividend, to be declared in April.

Name change

We will also be asking shareholders to approve a change in name for GLIF. The name "Greenwich Loan Income Fund Limited" was introduced in 2009, to reflect the fact that at that time all of the Company's assets were managed in Greenwich, Connecticut. Since then we have expanded our business, brought in advisors on assets elsewhere in the world and internalised the management of the business as a whole. We are therefore asking shareholders to approve the change of our name to "GLI Finance Limited". This will allow us to ensure continuity with the great success that the business has seen since we adopted the "GLIF" acronym.

The name change reflects the fact that, as the business has grown from its original shape, so it has gradually become more of a finance business than an investment company. It is true that GLIF has always been a hybrid business that sat somewhere between a finance company and an investment company. As a business we provide loans financed partly with equity, and partly with debt. To that extent we are similar to a bank. The key differences are that all of our lending is secured, we have only corporate loans rather than retail, and our debt is of longer average duration than our loans.

As we develop the business we intend to maintain these differences to the mainstream banking sector, as this should ensure that we have the potential to achieve an attractive return on equity for our shareholders, without the same liquidity risks to which others in the financial sector have been vulnerable.

Corporate Strategy

Our acquisition of BMS Finance in November gave us greater capability to originate our own lending, and it would be our intention to continue to build our origination capability, both in the UK and the rest of the world. This will focus on smaller companies, where the returns to GLIF on an unlevered basis fall within our 10-15% target return.

We are also working actively with funding partners on new CLO projects that will see GLIF able to produce the equity returns we are seeking, but from portfolios of senior secured loans of medium sized businesses. At present we regard UK and Europe as most promising in this regard. We will continue to look for opportunities to develop our US business, but at present it is more of a cash cow, helping to fund the development of the rest of the business.

Executive Team

With the rapid development of the corporate strategy, we have taken action both internally and externally to strengthen the resources available to your Company.

Internally there is a need for GLIF to have the resources necessary to manage its growth, and this will mean adding additional executive personnel over time. We are actively seeking someone to join as the Chief Financial Officer (CFO), a position until now very ably filled by Patrick Conroy of T2 Advisers to assist both in the management of our increasingly diverse existing business but also in analyzing potential new areas for growth, both organic and through acquisition. For shareholders we will want to ensure that any new CFO can ensure that our financial statements are in future slightly less daunting and more easily comparable with other financial businesses.

To reflect the fact that there will in future be an executive team, rather than just one Executive Director, Geoff Miller's title will henceforth be Chief Executive Officer (CEO). Geoff will remain the one executive on the Board, to ensure that the Board remains majority independent at all times.

As we grow the executive resources within GLIF it is necessary to ensure the executives in question are suitably incentivised to continue to deliver superior shareholder returns, whilst having their interests aligned with shareholders. To this end the Remuneration Committee has resolved to amend the current incentive structure, which was applicable solely to Geoff, to an incentive pool, which will be allocated at the Remuneration Committee's discretion. The total pool available will be, as before, 10% of the total shareholder return in excess of 12%, with the amount to be actually paid out capped at 0.5% of net asset value (NAV) in any one year.

To ensure that incentive payments are primarily long term in nature, all payments from the incentive pool will be made one third in cash and two-thirds GLIF equity, the acquisition price of which for the individual will be the prevailing share price or NAV, whichever is higher. All executives will have to hold all of their GLIF equity for their entire period of employment by GLIF.

As these changes require amendments to the CEO's service agreement that both significantly reduces the future cash payments made to him and tie his GLIF holding up for the foreseeable future, the Remuneration Committee resolved to pay to him the amount accrued within the incentive pool as at the end of 2012, one half in cash and one half in shares. This payment is subject to clawback, should the GLIF share price fail to retain its current level.

The Board believes that having a remuneration policy that incentivises performance primarily through equity, that has to be held for an executive's entire tenure with the Company aligns those executives with shareholders, and will put GLIF at the forefront of movement towards longer term incentive structures for those in the finance industry.

External Advisers

Externally we are reviewing the ways in which our advisers are remunerated to better align their interests with shareholders. As a finance business we will judge our performance on costs, internally and externally, against the net return we provide our shareholders. The cost/income ratio, more closely associated with finance businesses, will become far more important than the total expense ratio by which investment company costs tend to be measured. There were times in the past when the Company's cost/income ratio exceeded 100%, as a result of the lack of volatility in the assets under management when compared with the volatility in the returns to shareholders.

As a first step in this regard the Board is engaging GMB Partners LLP to advise on UK, European and US CLO paper and senior secured loans. With a modest base fee, it is intended that the vast majority of their return comes from a share in the net return to GLIF shareholders on the assets on which they advise.

Prospects

We expect 2013 to be a year of significant growth in our non-US business, whilst indications remain positive that our US business will continue to produce returns at the upper end of our 10-15% return on equity target. Since the beginning of 2011 when we clarified the investing policy with unanimous shareholder approval, we have been clear that our long term aim is an equal split of the business between US and non-US assets.

As we grow, we will remain a secured corporate lender because we believe that is where there will be a sustainable competitive advantage in specialist niches dependent on in-depth knowledge to unlock the attractive risk adjusted return potential.

We believe that, as a finance business, GLIF is opening a new and potentially exciting chapter in its growth.

Finally I would like to thank shareholders for their continued support as we have sought to establish a solid base from which to drive our Company forward. As a finance company, the Board of GLIF believes that our Company has an exciting future ahead.

Patrick Firth
Non-Executive Chairman

Date: 2 April 2013

CHIEF EXECUTIVE OFFICER'S REVIEW

The past year has seen further significant changes within Greenwich Loan Income Fund, as the business continues to develop its portfolio of businesses. The most notable addition to the business was the acquisition of BMS Finance, our UK finance business, but at a Group level we also saw significant change, which we are now asking shareholders to reflect in changing the name of the business at the forthcoming AGM.

Whilst Greenwich Loan Income Fund accurately described our business when expansion outside of the US was an aspiration rather than a reality, GLI Finance will reflect our growth as a more broadly based finance business, providing secured finance to small and medium sized businesses in increasingly geographically diverse locations. The choice of name allows the acronym "GLIF" to be retained, as it has become closely associated with the business in the past three years, and given the success we have had we feel that this is something that is important.

As we develop the Company it will be necessary to build more resource at the Group level. At present I am the only employee at the Group level, but we hope to appoint a Chief Financial Officer shortly, and as the Chairman has laid out, preparations in terms of changes to the executive bonus scheme have already been agreed by the Board. I was more than happy to both commit to retaining all of my GLIF stock for my remaining tenure within the Company, and also to receive the majority of any future bonus in stock, as I remain confident in the long term prospects for the business.

The strategy remains as it has been for the past three years:

- Focus on secured lending to small and medium sized enterprises;
- Diversify that lending across geographies and types of business;
- Drive down cost/income ratio;
- Optimise capital structure.

Our vocabulary in expressing these strategic goals in the past has been hampered by our classification as an investment company. Concluding that we are more akin to a finance business than an investment company does allow a more comprehensive explanation of these key strategies.

Focus on Secured Lending to Small and Medium Sized Enterprises
Our business is positioned in an area that is likely to see above average returns for some years to come, as the scarcity of capital for corporate lending continues to have an effect. However, at the same time there are both political pressures to boost lending by banks and a hunger for yield from investors and both will put downward pressure on returns. The key to avoiding the erosion of return is seeking the more niche lending, where it is possible to maintain good returns, as the loans require specialist expertise and knowledge, rather than straightforward banking skills. These more niche areas of lending have higher barriers to entry, hence returns are far less likely to be competed away by yield-seeking investors, and neither are they subject to the same political pressures as more mainstream lending, because these loans would attract a premium cost of funding in any market conditions.

Diversify that Lending Across Geographies and Types of Business
Our business historically was focused on the US, although originally it was intended that there would be exposure to Europe. The GLIF Board has been comfortable with maintaining a high exposure to the US as credit conditions stabilised in the aftermath of the global financial crisis, but it is clearly better for us as a sterling-based business if we diversify the currency exposure we are running over time. We continue to examine a number of opportunities in the UK, Europe and the rest of the world. Where we expand into a new geography or type of business it will be along the lines that we have adopted with BMS, that we took some time to get to understand the business, acquired it through a deal which exposed a relatively modest amount of the GLIF balance sheet initially but we then intend to build out the platform extensively in the future.

Drive Down Cost/Income Ratio
This is one of the key differences from an investment company within our business, and will be a central focus of our strategy in future. An investment company judges its costs based on the proportion of its gross or net assets those costs represent, the assumption being that the capital value will rise over time, as markets rise with the growth in the underlying companies and economies. However, within our type of business the asset levels should remain relatively stable, and in the case of a pure loan may offer only downside rather than upside in capital terms. Therefore the proportion of our assets paid in costs is not as relevant as the proportion of our return that we are paying by way of costs. Hence we are seeking wherever possible to drive down our cost/income ratio. This may seem odd for investment company investors, but would be quite normal for financial businesses. As a result we expect to see a far greater proportion of our costs being variable in future, as opposed to relatively fixed cost of fees based on assets under management.

Optimise Capital Structure

We have used debt within our business since early in the Company's life, both at the Group level and at the subsidiary level, and it has added significantly to the Company's returns to shareholders. For investment companies leverage has been a controversial subject since the split capital investment company sector ran into trouble a decade ago. The implementation of the Retail Distribution Review has only reinforced the view that leveraged funds are unsuitable for many clients, although ironically those same investors may hold a financial company directly or indirectly that is significantly more geared than any fund. Within our business debt-funding is matching our assets with liabilities with the same characteristics, except that the average duration of our debt is longer than our assets. We will look at utilising debt within our business, both at the Group and at a subsidiary level, where we feel this can add to the return without significantly adding to the risk profile of the business as a whole. We will also look at alternative forms of capital at the Group level, just as banks will utilise preference shares and other instruments. However, this will be only one aspect of the capital management. We will also look to utilise the capital structure to align the interests of managers with shareholders. For example, the BMS management subscribed for stock in GLIF BMS Holdings Ltd ("GBH"), the holding company of BMS Finance, alongside GLIF. Whilst this provides the management team with a share in the success of BMS, it also puts them in a "first loss" position within the capital structure, as the GBP1m of share capital of GBH ranks behind GLIF's GBP11.6m loan note.

Review of Businesses

As a whole 2012 saw continued success in the US business, a winding down of the business of Asset Management Investment Company Ltd ("AMIC") and the acquisition of BMS Finance.

US Business

The US business has a number of elements that at present fall under the remit of T2 Advisers, but this will in future be reorganised so as to ensure the correct focus on key aspects of performance delivery by external advisers, whilst the overall strategy is brought in-house.

T2 CLO I Ltd, the Company's largest asset and the main focus of T2 Advisers' efforts on the Company's behalf, continues to perform well. During 2012 the CLO paid out a record level of income, but with the reinvestment period of the CLO coming to an end in July of this year, it is imperative that the managers are correctly incentivized to deliver returns to GLIF. It is therefore intended that the existing management contract amended to focus on T2 CLO I Ltd in the future, and that the majority of return under the management contract come by way of incentive fees, based on the returns to GLIF shareholders. It is expected that the initial cost of these arrangements will be similar to the fee currently paid to T2 Advisers.

On the other CLO equity positions, it is intended that the Company be advised in future by GMB Partners LLP, with the intention of optimising the returns on an ongoing basis. Both Halcyon and GSC produced strong cash flows during 2012, and as both have reinvestment periods stretching into 2014, we would expect healthy results in 2013 as well.

The remaining positions in the US business that will in future be managed internally are two positions purchased from T2 CLO I Ltd in 2009, namely Stratus Technologies equity and Koosharem 2nd Lien Loan, and Lombardia Capital Partners loan and warrant we acquired through the AMIC transaction.

AMIC

The remaining assets within AMIC were transferred to the Group during the year, with only a small amount of cash left remaining in AMIC, pending its winding up. The acquisition proved highly successful and the Group will retain the relationship with two of the holdings, IFDC and Lombardia Capital Partners.

BMS Finance

We completed the acquisition of BMS Finance, a specialist lender to small growth companies, primarily in the UK, in November. This was financed through the setting up of a new subsidiary, GLIF BMS Holdings Ltd, financed with GBP11.6m of a loan note to GLIF, which paid for the acquisition, and GBP1m of equity capital that was subsequently subscribed GBP667k by GLIF and GBP333k by the BMS management.

What was acquired for GBP11.6m was a 70% interest in Noble Venture Finance II LLP ("NVF") and 100% interest in BMS Finance AB Ltd, the UK operating business.

The NVF limited partnership was in wind down when we acquired BMS, and will continue to be run off by the BMS team. Of the GBP1.6m we paid for NVF, GBP1.4m had been returned in cash by the year end and what remains within the structure is a series of positions that may or may not realise any value in years to come, but do not represent any potential downside for GLIF and may provide some upside.

The principal business of BMS Finance is BMS Finance AB Ltd. This business lends to small growth companies, typically with revenue in single digit millions, approaching profitability and with a need for cash to expand their business and a value to the assets or the business that allows BMS to get comfortable that the loan can be recovered. The loans normally fall in the GBP0.5m to GBP2.0m range and usually come with a warrant in the business. The combination of a senior secured loan position and a warrant potentially enables BMS to realise a mezzanine style level of return, but with senior security.

We are working with the management team on a strategy to build the business from its current level. This will involve both enhanced distribution and enhancing the analytical resources within the firm.

It is early days, but we have been impressed with the management team, results continue to look promising, the pipeline of business is good and we regard this as an exciting addition to the Group.

Europe

At present we have only one small holding in Europe, that of IFDC equity. This Japanese long-only equity manager has an unparalleled track record, and correctly turned bullish before the recent strong run in the market. Although Japan remains out of favour with many investors, the company is very well placed for a pick up in demand. We receive a strong dividend from the business, and hence our retention of 30% of the stake we acquired from the AMIC transaction.

There may be opportunities opening up with the first CLOs beginning to be structured once more in Europe. We have been looking closely at this area and we do believe that some interesting returns may be available as we move forward. Any CLO would naturally have to focus heavily on Northern Europe for us to be comfortable with the risk/reward.

Outlook

We have multiple opportunities for growth in the business across a number of jurisdictions, both in structured finance such as CLOs, where we can deploy capital rapidly, and in finance businesses such as BMS, which take longer to consummate but carry the advantage of a sustainable competitive advantage.

The intention remains to deliver a mid-teens ROE to our investors and to pay a good proportion of that as a predictable sterling dividend, whilst reinvesting the remainder for growth in the loan book in the future.

Geoffrey Miller
Chief Executive Officer

Date: 2 April 2013

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated and Company financial statements (the "financial statements") for the year ended 31 December 2012.

The Directors submit their Report together with the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Shareholders' Equity, the Consolidated and Company Statements of Cash Flows and the related notes for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards, in accordance with any relevant enactment for the time being in force, and are in agreement with the accounting records, which comply with Section 238 of the Companies (Guernsey) Law, 2008.

Principal Activities

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

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

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

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

On 1 February 2011, all the Company's 98,633,610 Ordinary Shares in issue were admitted to trading on the Official List of the Channel Island Stock Exchange ("CISX").

Formation of Additional Subsidiary

As announced on 7 November 2012, the Company subscribed to 666,667 ordinary shares of GBP1 each (66.7%) in the capital of GLIF BMS Holdings Limited ("BMS"), a joint venture vehicle formed by the Company with the management team of BMS Finance AB Limited, who own the remaining 333,333 ordinary shares of GBP1 each (33.3%) in the capital of BMS.

This new partly owned subsidiary of the Company was formed to receive the assets of BMS Specialist Debt Fund Limited (the "Seller") acquired by the Company via the Asset Sale and Purchase Agreement, dated 6 November 2012, between the Company and the Seller. The Assets acquired comprised all of the issued share capital of BMS Finance AB Limited ("BMS Finance AB"), which is a UK-based specialist private finance company. BMS Finance AB was being financed by a deep discount bond issued to the Seller standing at the nominal sum of GBP20,738,000 (the "DDB"), as at the transaction date, which was also acquired by the Company pursuant to the Asset Sale and Purchase Agreement. In addition to the shares in BMS Finance AB and the DDB, the Company also acquired the Seller's interest in Noble Venture II Nominees Limited ("NV2N"), formerly Noble Venture Finance II Limited Partnership, and legacy warrants to subscribe for shares in Eazyfone Limited and EGS Group Limited (the "Warrants").

The value ascribed to the Assets was GBP1 in respect of the shares of BMS Finance AB, GBP9,977,954 in respect of the DDB, GBP1,613,106 in respect of the interest in NV2N. and GBP1 in respect of all of the 4 Warrants. The Company paid for these Assets by issuing a total of 20,545,400 Ordinary Shares (split between 2,518,271 Placing Shares and 18,027,129 Consideration Shares) at their Net Asset Value as at 30 September 2012 (being equal to the Net Asset Value per Ordinary Share of the Company) plus GBP1,310,998 in cash.

Immediately upon completion of the Asset Sale and Purchase Agreement, the Company has agreed to transfer the Assets to BMS pursuant to the Transfer Agreement.

The 20,545,400 additional new Ordinary Shares issued by the Company to facilitate this transaction were admitted to AIM and the CISX on 12 November 2012. Following admission the Company's total issued Ordinary Shares totalled 119,179,010.

Group
As at 31 December 2012, the Group comprised the Company, CLO, AMIC, BMS, BMS Finance AB and NV2N.

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

Results and Dividends
The Group and Company results for the year are set out on pages 14 and 15. Dividends of GBP4,892,597 were paid during the year (31 December 2011: GBP3,832,008).

CORPORATE GOVERNANCE

Compliance
As a Guernsey incorporated company and under the AIM Rules for Companies, it is not a requirement for the Company to comply with The UK Corporate Governance Code issued by the Financial Reporting Council in September 2012 (formerly the Combined Code) and applicable for accounting periods beginning on or after 1 October 2012 (the "new Code"). However, the Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and have considered the principles and recommendations of the new Code. Furthermore, the Directors have considered the provisions of the Finance Sector Code of Corporate Governance published by the Guernsey Financial Services Commission ("GFSC") in September 2011 (the "Guernsey Code"), and the AIC Code of Corporate Governance (the "AIC Code").

The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the new Code and the Board considers that reporting against the principles and recommendations of the AIC Code will provide better information to shareholders, therefore, the Company will continue to adopt the relevant provisions of the AIC Code.

As at 31 December 2012, the Company complied substantially with the relevant provisions of the new Code and the AIC Code and it is the intention of the Board that the Company will comply with those provisions (save with regard to the following provisions listed below) throughout the year ending 31 December 2013:

- *The appointment of a Senior Independent Director:* Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and Senior Independent Director. The Board considers that all the independent Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.
- *Establishment of nomination committee:* Due to its size and composition, the Board does not consider it necessary to establish a nomination committee. The Board as a whole monitors performance and plans for director succession, either through Board meetings or, if appropriate, through the use of an appropriately constituted committee. Prospective candidates will be considered on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.
- *Establishment of management engagement committee:* Due to its size and composition, the Board does not consider it necessary to establish a management engagement committee. The Board as a whole monitors the performance of the Company's service providers, either through Board meetings or, if appropriate, through the use of an appropriately constituted committee.
- *Internal audit function:* The Board has reviewed the need for an internal audit function, as recommended by the Code. Due to the size of the Company and the delegation of day-to-day operations to regulated service providers, an internal audit function is not considered necessary. The Directors will continue to monitor the systems of internal controls in place in order to provide assurance that they operate as intended.

Independence of Directors
As at 31 December 2012, the Board consisted of four members, three of whom are non-executive and independent. During the prior year, Mr Miller became an executive Director of the Company under a Service Agreement effective from 31 March 2011.

The Directors recognise the importance of succession planning for the Company's Board and review the composition of the Board annually. However, the Board is of the view that length of service will not necessarily compromise the independence or contribution of Directors of an investment company where continuity and experience can be a benefit to the Board. Furthermore, the Board agrees with the view expressed in the AIC Code that long serving Directors should not be prevented from forming part of an independent majority or from acting as Chairman. Consequently no limit has been imposed on the overall length of service of the Directors.

CORPORATE GOVERNANCE (continued)

Independence of Directors (continued)
Each Director will retire, and seek reappointment at every third annual general meeting ("AGM").

The Directors believe that the Board has a balance of skills and experience which enable it to provide effective strategic leadership and proper governance of the Company.

The Board has contractually delegated external agencies for the management of the investment portfolio, the custodial services and the day to day accounting and company secretarial requirements. Each of these contracts was only entered into after proper consideration by the Board of the quality and services offered.

The Board conducts an annual evaluation of its own performance and that of its committees and individual Directors.

Board Committees

Audit Committee
An Audit Committee has been appointed and is responsible for reviewing and monitoring internal financial control systems and risk management systems on which the Group is reliant, considering the annual accounts and audit report, considering the appointment and remuneration of the Company's auditors and monitoring and reviewing annually their independence, objectivity, effectiveness and qualifications. The members of the Audit Committee are James Carthew (Chairman), Patrick Firth and Frederick Forni. The Audit Committee has performed reviews of the internal financial control systems and risk management systems during the year. The Audit Committee is satisfied with the internal financial control systems of the Group. The Audit Committee will meet at least twice a year.

Remuneration Committee
Further to the appointment of Geoffrey Miller as an executive Director, the Board resolved in 2011 to appoint a Remuneration Committee comprised of Fred Forni as Chairman, Patrick Firth and James Carthew. The key duties include, but are not limited to, agreeing a framework for Director remuneration, ensuring management staff are appropriately incentivised to enhance performance, and reviewing the effectiveness of the remuneration policy on an ongoing basis. The Remuneration Committee was formed on 16 August 2011 and has adopted a formal terms of reference.

Executive Directors Remuneration
As detailed in note 4 to the financial statements, in addition to his fixed salary, Mr Miller is entitled to a contractual bonus equivalent to 10% of the total return, from dividends and from the Company's share price, in excess of 12%, full details of which are available on the Company's website (www.glifund.com). As this bonus is a non-fixed amount, total Directors remuneration will fluctuate year on year.

Management Engagement and Nomination Committees
The Directors do not consider it necessary to establish separate management engagement and nomination committees at this stage. The business which would have otherwise been delegated to such committees is considered by the Board as a whole.

Meetings
The table below, details the attendance at Board and Committee meetings during the year:

	Board*			
	Management	Other	Remuneration Committee**	Audit Committee***
Patrick Firth *(Chairman)*	5	7	1	3
Geoffrey Miller	5	8	–	–
Frederick Forni	5	6	1	3
James Carthew	5	5	1	3

** 13 Board meetings have been held during the year ended 31 December 2012*
*** 1 Remuneration Committee meeting has been held during the year ended 31 December 2012*
**** 3 Audit Committee meetings have been held during the year ended 31 December 2012*

Internal Controls

The Directors are responsible for overseeing the effectiveness of the internal financial control systems of the Company, which are designed to ensure proper accounting records are maintained, that the financial information on which the business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal financial controls can only provide reasonable and not absolute assurance against misstatement or loss.

In accordance with the guidance published in the Turnbull Report by the Financial Reporting Council (the "FRC"), the Board has reviewed the Company's internal control procedures. These internal controls are implemented by the Company's three main service providers, the Investment Manager, the Administrator and the Custodian. The Audit Committee contacts each service provider on an annual basis to seek confirmation that each service provider had effective controls in place to control the risks associated with the services that they are contracted to provide to the Group. The Board is satisfied with the internal controls of the Group.

The Directors meet on a quarterly basis ("Management" meetings per the table above) and at other unscheduled times ("other" meetings per the table above) when necessary to assess Company operations and the setting and monitoring of investment strategy and investment performance. At such meetings, the Board receives from the Administrator and Investment Manager a full report on the Company's holdings and performance. The Board gives directions to the Investment Manager as to the investment objectives and limitations, and receives reports in relation to the financial position of the Company and the custody of its assets.

The Board does not consider it appropriate to directly implement social, ethical and environmental policies in place within an investment company investing in financial instruments. However, the Board acknowledges that in addition to financial, legal and market due diligence, the Investment Manager's investment appraisal includes a rigorous assessment of a potential Investee Company's social, ethical and environmental policies, and therefore the Investment Manager monitors such policies and practices following any investment.

The Board has considered non-financial areas of risk such as disaster recovery and investment management, staffing levels and considers adequate arrangements to be in place.

Anti-bribery and Corruption

The Board acknowledge that the Company's international operations may give rise to possible claims of bribery and corruption. In consideration of the recently enacted UK Bribery Act, at the date of this report the Board had conducted an assessment of the perceived risks to the Company arising from bribery and corruption to identify aspects of business which may be improved to mitigate such risks. The Board has adopted a zero tolerance policy towards bribery and has reiterated its commitment to carry out business fairly, honestly and openly.

Shareholder Views

The Board regularly monitors the shareholder profile of the Company. All shareholders have the opportunity, and are encouraged, to attend the Company AGM at which members of the Board are available in person to meet shareholders and answer questions. In addition, the Company's Investment Manager, Corporate Broker and Executive Director each maintain regular contact with major shareholders and report regularly to the Board on shareholder views.

Substantial Shareholdings

As at 18 March 2013, the Company was aware of the following substantial shareholders who held more than 3 per cent. of issued share capital of the Company:

	Number of Ordinary Shares held*	Percentage of total Ordinary Shares issued held
Henderson Global Investors (UK)	18,400,000	14.04%
Artemis Investment Managers	17,742,112	13.53%
BMS Specialist Debt Fund Ltd	17,377,129	13.26%
AXA Framlington Investment Management	16,813,000	12.82%
J O Hambros Investment Management	11,553,000	8.81%
Philip J Milton & Company Plc**	7,112,367	5.43%
Reliance Mutual Insurance Society	4,365,720	3.33%

** Based on the share register as at 18 March 2013*

***For or on behalf of Philip J Milton & Company Plc or its discretionary clients*

CORPORATE GOVERNANCE (continued)

Directors Interests

As at 31 December 2012, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2012		31 December 2011	
	No. of Ordinary Shares Held	% of total issued Ordinary Shares	No. of Ordinary Shares Held	% of total issued Ordinary Shares
Patrick Firth *(Chairman)*	125,000	0.11	100,000	0.10
Geoff Miller *(Executive Director)*	850,000	0.71	812,627	0.82
Frederick Forni	–	–	–	–
James Carthew	200,000	0.17	175,000	0.18

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards (IFRS) 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 IFRS. In preparing these financial statements, the Directors are required to:

- ensure that the financial statements comply with the Memorandum and Articles of Association and IFRS, 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.

Directors Statement

In accordance with section 249 of The Companies (Guernsey) Law, 2008, the Directors who held office at the date of approval of this Directors' Report confirm that:

- 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 Limited will be proposed at the forthcoming Annual General Meeting.

Approved and signed on behalf of the Board of Directors on 2 April 2013.

Director: Patrick Firth

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

We have audited the consolidated and Company financial statements (the "financial statements") of Greenwich Loan Income Fund Limited (the "Company") for the year ended 31 December 2012 which comprise Consolidated and Company Statements of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Statements 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 12 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 and express an opinion on 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.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's and Group's affairs as at 31 December 2012 and of the Company's and Group's loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception
We have nothing to report in respect of the following where The Companies (Guernsey) Law, 2008 requires us to report to you, if in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey, Channel Islands
Date: 2 April 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	31 December 2012 GBP	31 December 2011 GBP
Revenue	2		
Interest income		**12,634,355**	10,934,279
Dividend revenue		**2,229,126**	484,706
		14,863,481	11,418,985
Investment Income			
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss			
– Realised gain	6	**3,719,522**	57,392
– Net movement in unrealised loss	6	**(18,578,336)**	(1,109,389)
		(14,858,814)	(1,051,997)
Net gain on financial assets and liabilities at amortised cost			
– Realised gain	6	**–**	1,489,252
– Net movement in unrealised foreign currency loss	6	**–**	(116,499)
		–	1,372,753
Other income		**579,439**	800,930
Loss on foreign currency transactions	2	**(272,547)**	(198,610)
Total Income		**311,559**	12,342,061
Expenses			
Management fees	4	**1,852,473**	4,002,524
Administration and secretarial fees	4	**167,336**	181,655
Custodian fees	4	**15,010**	18,600
Legal and professional fees		**712,629**	273,156
Directors' remuneration	4	**90,000**	85,659
Directors' and officers' insurance		**50,730**	62,482
Audit fees		**46,100**	47,000
Executive Directors' remuneration	4	**1,094,509**	444,295
Other expenses	4	**1,391,042**	1,638,409
Operating expenses before finance costs		**5,419,829**	6,753,780
Net (loss)/profit from operations before finance costs		**(5,108,270)**	5,588,281
– Finance costs	2	**(2,289,156)**	(2,363,289)
(Loss)/profit for the year after finance costs		**(7,397,426)**	3,224,992
Other comprehensive income			
Foreign exchange on consolidation		**(755,434)**	681,013
Total comprehensive (loss)/income for the year		**(8,152,860)**	3,906,005
(Loss)/profit attributable to:			
Equity holders of the Company		**(7,699,034)**	3,224,992
Non-controlling interest		**301,608**	–
		(7,397,426)	3,224,992
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(8,454,469)**	3,906,005
Non-controlling interest		**301,608**	–
		(8,152,861)	3,906,005
Basic (loss)/earnings per Ordinary Share (p)	5	**(7.59p)**	3.30p
Diluted (loss)/earnings per Ordinary Share (p)	5	**(7.59p)**	3.30p

The accompanying notes on pages 22 to 44 form an integral part of these financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	NOTES	31 December 2012 GBP	31 December 2011 GBP
Revenue	2		
Interest income		**9,159,796**	7,408,074
Dividend revenue		**7,020,943**	8,606,597
		16,180,739	16,014,671
Investment Income			
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss			
– Realised gains	6	**56,950**	279,411
– Net movement in unrealised losses	6&7	**(30,420,163)**	(6,262,373)
		(30,363,213)	(5,982,962)
Net gain/(loss) on financial assets and liabilities at amortised cost			
– Realised gains	6	**–**	1,489,252
– Net movement in unrealised foreign currency loss	6	**–**	(116,499)
		–	1,372,753
Other income		**9,328**	78,283
(Loss)/gain on foreign currency transactions	2	**(183,051)**	67,361
Total (Loss)/Income		**(14,356,197)**	11,550,106
Expenses			
Management fees		**1,852,473**	4,002,524
Administration and secretarial fees		**111,665**	127,129
Custodian fees		**15,010**	18,600
Legal and professional fees		**712,629**	273,156
Directors' remuneration		**90,000**	85,659
Directors' and officers' insurance		**50,730**	62,482
Audit fees		**46,100**	47,000
Executive Directors' remuneration		**1,094,509**	444,295
Other expenses		**479,946**	775,794
Operating expenses before finance costs		**4,453,062**	5,836,639
Net (loss)/profit from operations before finance costs		**(18,809,259)**	5,713,467
– Finance costs		**(374,283)**	(702,508)
(Loss)/profit for the year after finance costs		**(19,183,542)**	5,010,959
Total comprehensive (loss)/income for the year		**(19,183,542)**	5,010,959
Basic (loss)/earnings per Ordinary Share (p)		**(18.92p)**	5.13p
Diluted (loss)/earnings per Ordinary Share (p)		**(18.92p)**	5.13p

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

The accompanying notes on pages 22 to 44 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	31 December 2012 GBP	31 December 2011 GBP
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	*6*	**186,205,113**	193,264,197
		186,205,113	193,264,197
Current assets			
Trade and other receivables	*8*	**2,116,241**	944,699
Cash and cash equivalents	*9*	**26,971,750**	23,703,514
		29,087,991	24,648,213
Total assets		**215,293,104**	217,912,410
EQUITY			
Share premium	*11*	**29,437,520**	19,289,035
Distributable reserve	*11*	**34,802,740**	34,802,740
Foreign exchange reserve		**(1,666,342)**	(910,908)
Retained earnings		**6,654,999**	19,246,630
Capital and reserves attributable to equity holders of the Company		**69,228,917**	72,427,497
Non-controlling interest		**634,941**	–
Total equity		**69,863,858**	72,427,497
LIABILITIES			
Non-current liabilities			
Loan notes at fair value through profit or loss	*10*	**142,376,297**	135,309,055
Trade and other payables	*10*	**869,486**	–
Current liabilities			
Trade and other payables	*10*	**2,183,463**	10,175,858
Total liabilities		**145,429,246**	145,484,913
Total equity and liabilities		**215,293,104**	217,912,410
Net Asset Value per Ordinary Share (p)	*12*	**58.09p**	73.43p

The financial statements were approved by the Board of Directors on 2 April 2013 and were signed on its behalf by:

Director: James Carthew

Director: Patrick Firth

The accompanying notes on pages 22 to 44 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

	NOTES	31 December 2012 GBP	31 December 2011 GBP
ASSETS			
Non-current assets			
Other financial assets held at fair value through profit or loss	6	**19,611,519**	9,209,927
Subsidiaries held at fair value through profit or loss	7	**34,053,889**	61,888,602
		53,665,408	71,098,529
Current assets			
Trade and other receivables	8	**515,770**	67,876
Cash and cash equivalents	9	**6,047,250**	1,755,529
		6,563,020	1,823,405
Total assets		**60,228,428**	72,921,934
EQUITY			
Share premium	11	**29,437,520**	19,289,035
Distributable reserve	11	**34,802,740**	34,802,740
Retained earnings		**(5,740,417)**	18,335,722
Total equity		**58,499,843**	72,427,497
LIABILITIES			
Non-current liabilities			
Trade and other payables	10	**869,486**	–
Current liabilities			
Trade and other payables	10	**859,099**	494,437
Total liabilities		**1,728,585**	494,437
Total equity and liabilities		**60,228,428**	72,921,934
Net Asset Value per Ordinary Share (p)		**49.09p**	73.43p

The financial statements were approved by the Board of Directors on 2 April 2013 and were signed on its behalf by:

Director: James Carthew

Director: Patrick Firth

The accompanying notes on pages 22 to 44 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital GBP	Share Premium GBP	Distributable Reserve GBP	Foreign Exchange Reserve GBP	Retained Earnings GBP	Capital and Reserves attributable to equity holders of the Company GBP	Non-controlling Interest GBP	**Total Equity GBP**
Balance at 31 December 2010	–	16,087,290	34,802,740	(1,591,921)	19,853,646	69,151,755	–	**69,151,755**
Net proceeds from Ordinary Shares issued	–	3,201,745	–	–	–	3,201,745	–	**3,201,745**
Dividends paid**	–	–	–	–	(3,832,008)	(3,832,008)	–	**(3,832,008)**
Transactions with owners	–	3,201,745	–	–	(3,832,008)	(630,263)	–	**(630,263)**
Profit for the year	–	–	–	–	3,224,992	3,224,992	–	**3,224,992**
Other comprehensive income:								
Foreign exchange on consolidation	–	–	–	681,013	–	681,013	–	**681,013**
Total comprehensive income for the year	–	–	–	681,013	3,224,992	3,906,005	–	**3,906,005**
Balance at 31 December 2011	–	19,289,035	34,802,740	(910,908)	19,246,630	72,427,497	–	**72,427,497**
Net proceeds from Ordinary Shares issued	–	10,148,485	–	–	–	10,148,485	–	**10,148,485**
Acquisition of non-controlling interest	–	–	–	–	–	–	992,123	**992,123**
Dividends paid*	–	–	–	–	(4,892,597)	(4,892,597)	(658,790)	**(5,551,387)**
Transactions with owners	–	10,148,485	–	–	(4,892,597)	5,255,888	333,333	**5,589,221**
(Loss)/profit for the year	–	–	–	–	(7,699,034)	(7,699,034)	301,608	**(7,397,426)**
Other comprehensive income:								
Foreign exchange on consolidation	–	–	–	(755,434)	–	(755,434)	–	**(755,434)**
Total comprehensive (loss)/income for the year	–	–	–	(755,434)	(7,699,034)	(8,454,468)	301,608	**(8,152,860)**
Balance at 31 December 2012	–	29,437,520	34,802,740	(1,666,342)	6,654,999	69,228,917	634,941	**69,863,858**

*During the year ended 31 December 2012, the Company made four dividend payments, totalling 4.7 pence per Ordinary Share
**During the year ended 31 December 2011, the Company made four dividend payments, totalling 4 pence per Ordinary Share

The accompanying notes on pages 22 to 44 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital GBP	Share Premium GBP	Distributable Reserve GBP	Retained Earnings GBP	**Total Equity GBP**
Balance at 31 December 2010	–	16,087,290	34,802,740	17,156,771	**68,046,801**
Net proceeds from Ordinary Shares issued	–	3,201,745	–	–	**3,201,745**
Dividends paid**	–	–	–	(3,832,008)	**(3,832,008)**
Transactions with owners	–	3,201,745	–	(3,832,008)	**(630,263)**
Profit for the year	–	–	–	5,010,959	**5,010,959**
Total comprehensive income for the year	–	–	–	5,010,959	**5,010,959**
Balance at 31 December 2011	–	19,289,035	34,802,740	18,335,722	**72,427,497**
Net proceeds from Ordinary Shares issued	–	10,148,485	–	–	**10,148,485**
Dividends paid*	–	–	–	(4,892,597)	**(4,892,597)**
Transactions with owners	–	10,148,485	–	(4,892,597)	**5,255,888**
Loss for the year	–	–	–	(19,183,542)	**(19,183,542)**
Total comprehensive loss for the year	–	–	–	(19,183,542)	**(19,183,542)**
Balance at 31 December 2012	–	29,437,520	34,802,740	(5,740,417)	**58,499,843**

*During the year ended 31 December 2012, the Company made four dividend payments, totalling 4.7 pence per Ordinary Share
**During the year ended 31 December 2011, the Company made four dividend payments, totalling 4 pence per Ordinary Share

The accompanying notes on pages 22 to 44 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	31 December 2012 GBP	31 December 2011 GBP
Cash flows from/(used in) operating activities			
Cash generated from operations	13	**9,269,487**	3,165,618
Purchase of investments		**(116,308,742)**	(119,134,617)
Sale of investments		**15,557,634**	14,809,435
Principal received	6	**102,375,553**	100,396,647
Net cash inflow/(outflow) from operating activities		**10,893,932**	(762,917)
Cash flows used in investing activities			
Business combination (acquisition of Subsidiary)	7	**(3,166,667)**	(9,051,524)
Net cash outflow from investing activities		**(3,166,667)**	(9,051,524)
Cash flows used in financing activities			
Ordinary Shares issued proceeds received		**1,189,002**	–
Bank loan received		**–**	12,000,000
Bank loan repaid		**–**	(12,000,000)
Dividends paid		**(4,892,597)**	(3,832,008)
Net cash outflow used in financing activities		**(3,703,595)**	(3,832,008)
Net increase/(decrease) in cash and cash equivalents		**4,023,670**	(13,646,449)
Cash and cash equivalents at beginning of year		**23,703,514**	36,668,950
Effect of foreign exchange rate changes during the year		**(755,434)**	681,013
Cash and cash equivalents at end of year	9	**26,971,750**	23,703,514

The accompanying notes on pages 22 to 44 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

	NOTES	31 December 2012 GBP	31 December 2011 GBP
Cash flows from operating activities			
Cash generated from operations	13	**10,919,210**	8,838,021
Purchase of investments		**–**	(4,306,777)
Sale of investments		**–**	2,047,999
Principal received	6	**242,773**	1,838,842
Net cash inflow from operating activities		**11,161,983**	8,418,085
Cash flows used in investing activities			
Business combination (acquisition of Subsidiary)	7	**(3,166,667)**	(9,051,524)
Net cash outflow used in investing activities		**(3,166,667)**	(9,051,524)
Cash flows used in financing activities			
Ordinary Shares issued proceeds received		**1,189,002**	–
Bank loan received		**–**	12,000,000
Bank loan repaid		**–**	(12,000,000)
Dividends paid		**(4,892,597)**	(3,832,008)
Net cash outflow used in financing activities		**(3,703,595)**	(3,832,008)
Net increase/(decrease) in cash and cash equivalents		**4,291,721**	(4,465,447)
Cash and cash equivalents at beginning of year		**1,755,529**	6,220,976
Cash and cash equivalents at end of year	9	**6,047,250**	1,755,529

The accompanying notes on pages 22 to 44 form an integral part of these financial statements.

1. GENERAL INFORMATION

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

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

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

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

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

Formation of Additional Subsidiary

As announced on 7 November 2012, the Company subscribed to 666,667 ordinary shares of GBP1 each (66.7%) in the capital of GLIF BMS Holdings Limited ("BMS"), a joint venture vehicle formed by the Company with the management team of BMS Finance AB Limited, who own the remaining 333,333 ordinary shares of GBP1 each (33.3%) in the capital of BMS. The Company also owns 100% of the issued loan notes of BMS.

This new partly owned subsidiary of the Company was formed to receive the assets of BMS Specialist Debt Fund Limited (the "Seller") acquired by the Company via the Asset Sale and Purchase Agreement, dated 6 November 2012, between the Company and the Seller. The Assets acquired comprised all of the issued share capital of BMS Finance AB Limited ("BMS Finance AB"), which is a UK-based specialist private finance company. BMS Finance AB was being financed by a deep discount bond issued to the Seller standing at the nominal sum of GBP20,738,000 (the "DDB"), as at the transaction date, which was also acquired by the Company pursuant to the Asset Sale and Purchase Agreement. In addition to the shares in BMS Finance AB and the DDB, the Company also acquired the Seller's interest in Noble Venture II Nominees Limited ("NV2N"), formerly Noble Venture Finance II Limited Partnership, and legacy warrants to subscribe for shares in Eazyfone Limited and EGS Group Limited (the "Warrants"). Together BMS, BMS Finance AB and NV2N make up BMS Group.

The value ascribed to the Assets was GBP1 in respect of the shares of BMS Finance AB, GBP9,977,954 in respect of the DDB, GBP1,613,106 in respect of the interest in NV2N and GBP1 in respect of all of the 4 Warrants. The Company paid for these Assets by issuing 20,545,400 Ordinary Shares (split between 2,518,271 Placing Shares and 18,027,129 Consideration Shares) in the Company at fair value as at 30 September 2012 (being equal to the Net Asset Value per Ordinary Share of the Company) plus GBP1,310,998 in cash.

Immediately upon completion of the Asset Sale and Purchase Agreement, the Company has agreed to transfer the Assets to BMS pursuant to the Transfer Agreement.

The 20,545,400 additional new Ordinary Shares issued by the Company to facilitate this transaction were admitted to AIM and the CISX on 12 November 2012. Following admission the Company's total issued Ordinary Shares totalled 119,179,010.

As at 31 December 2012, the Group comprises the Company, CLO, AMIC, BMS, BMS Finance AB and NV2N.

Investing Policy

The full investment policy is disclosed on pages 47 and 48.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union, and all applicable requirements of Guernsey Company Law. The financial statements have been prepared under the historical cost convention, apart from the inclusion of non-current asset investments, foreign currency derivatives and non-current liabilities at fair value through profit or loss. The principal accounting policies of the Group and Company have remained unchanged from the previous year and are set out below. Comparative information in the primary statements is given for the year ended 31 December 2011.

2. ACCOUNTING POLICIES CONTINUED

(b) Basis of consolidation

The financial statements comprise the financial statements of Greenwich Loan Income Fund Limited and its subsidiaries, T2 CLO, AMIC, BMS, BMS Finance AB and NV2N. Subsidiaries are all entities for which the Company has exercises control or owns greater than 50 per cent of the residual economic interest. Through the ownership of the income notes of the T2 CLO the Company has ownership of the residual economic interest of T2 CLO. The Company obtains and exercises control of the AMIC subsidiary through ownership of 100% of AMIC's equity shares. The Company obtains and exercises control of the BMS, BMS Finance AB and NV2N subsidiary through ownership of 66.7% equity shares and 100% of the loan notes of BMS. BMS Finance AB and NV2N are both direct subsidiaries of BMS, with BMS owning 100% and 70.75% of the equity share respectively. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated in full on consolidation.

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

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

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

The change in accounting estimate, for the fair value of T2 CLO, has resulted in a write down in the fair value of the T2 CLO of GBP10,727,442 being recognised in the Company Statement of Comprehensive income during the current year compared to the fair value had the previously used accounting estimate methodology been used.

Non-controlling interests, presented as part of equity, represents the portion of a Subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of Subsidiaries between the owners of the parent and the non-controlling interests measured at their proportionate share of net assets acquired.

(c) Business combination

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

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

At acquisition date, the Group measures the components of non-controlling interests in the acquiree at fair value.

(d) Foreign currency translation

(i) Functional and presentation currency

The financial statements of the Company and the Group are presented in the currency of the primary economic environment in which the Company and the Group operates (its functional currency). The Directors have considered the primary economic currency of the Company and considered the currency in which the original finance was raised, distributions made, and ultimately what currency would be returned if the Company was wound up. The Directors have also considered the currency to which the underlying investments are exposed. On balance, the Directors believe Sterling best represents the functional currency of the Company and the AMIC, BMS, BMS Finance AB and NV2N subsidiaries, with US Dollars the functional currency of the T2 CLO subsidiary. Therefore the books and records are maintained in Sterling and US Dollars respectively and for the purpose of the financial statements the results and financial position of the Group are presented in Sterling, which is the presentation currency of the Group.

(ii) Transactions and balances

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

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

Translation differences on non-monetary items are reported as part of the fair value gain or loss reported in the Consolidated Statement of Comprehensive Income.
The rates of exchange as at 31 December 2012 are as follows:
GBP1: US$1.6255
GBP1: €1.2317
GBP1: CHF1.4873

2. ACCOUNTING POLICIES CONTINUED

(d) Foreign currency translation continued

(iii) Subsidiary companies

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

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

(e) Revenue recognition

Revenue is recognised as follows:

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

(f) Other income

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

(g) 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 Consolidated Statement of Comprehensive Income.

(h) Taxation

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed annual fee of GBP600 is payable to the States of Guernsey in respect of this exemption.

(i) Dividends

Dividend distributions are at the discretion of the Group. A dividend distribution to the shareholders is accounted as a reduction in retained earnings.
A proposed dividend is recognised as a liability in the period in which it has been approved and declared.

(j) Cash and cash equivalents

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

(k) Trade and other receivables

Receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or origination. They are subsequently measured at amortised cost.

(l) Trade and other payables

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

(m) Investments and loan notes

The Group classifies its financial assets and financial liabilities into the following categories in accordance with IAS 39.

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

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

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

2. ACCOUNTING POLICIES CONTINUED

(m) Investments and loan notes continued

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

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

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

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

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

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

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

Total finance costs for the year were GBP2,289,156 (31 December 2011: GBP2,363,289). These finance costs are for interest due to the loan note holders, loan facility fees and loan interest paid. The fair value of long-term notes outstanding at 31 December 2012 were GBP142,376,297 (31 December 2011: GBP135,309,055) (see note 10).

(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 6 derivatives held by the Group as at 31 December 2012 (31 December 2011: 2).

(iii) Subsidiaries

Investments in the subsidiaries are initially recorded at cost. The Company has designated its investments in subsidiaries as fair value through profit or loss since they are managed and their performance is evaluated on a fair value basis, and information about the Group is provided internally on that basis to the entity's key management personnel including the entity's Board of Directors. The Company carries its investments in the T2 CLO, AMIC, BMS, BMS Finance AB and NV2N subsidiaries at fair value through profit or loss. This is based upon the fair value of the assets and liabilities held by T2 CLO, AMIC, BMS, BMS Finance AB and NV2N which the Directors consider to be indicative of fair value for financial reporting purposes. Through its ownership of the residual economic interest of T2 CLO the Directors account for T2 CLO as a wholly owned subsidiary and the operating results are consolidated in these financial statements. The Company directly owns all of the equity shares of AMIC, and it is therefore a wholly owned subsidiary with its operating results being consolidated in these financial statements. The Company directly owns 66.7% of the equity shares of BMS, and it is therefore a partly owned subsidiary with its operating results being consolidated in these financial statements. BMS owns 100% and 70.75% of the equity shares of BMS Finance AB and NV2N respectively are both direct subsidiaries of BMS, with BMS owning respectively, and are therefore both partly owned subsidiaries with its operating results being consolidated in these financial statements.

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

2. ACCOUNTING POLICIES CONTINUED

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

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. These financial statements have been prepared on a going concern basis which the Directors of the Company believe to be appropriate.

The Group also makes assumptions on the classification of financial assets.

Fair values of 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.

Fair values of unlisted debt securities and unlisted equity securities

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

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

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

Going Concern

The Board has assessed of the Company's financial position as at 31 December 2012 and the factors that may impact its performance in the forthcoming year and are of the opinion that it is appropriate to prepare these financial statements on a going concern basis.

(o) Standards issued but not yet effective

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

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Group's financial position or performance, as it is expected that the Fund will continue to classify its financial assets and financial liabilities as being at fair value through profit or loss.
- IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group is yet to assess IFRS13's full impact but will adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.
- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities - The amendments provide an exception to the consolidation requirements in IFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. An investment entity is required to measure its investments in controlled entities at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments' and to provide additional disclosures to enable users of its financial statements to evaluate the nature and financial effects of its investment entities. The amendments are effective from 1 January 2014 with early adoption permitted. However, these amendments have not been endorsed by the EU.

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

The Board is in the process of assessing how material the effects of the standards, interpretations or amendments noted above will have on the financial statements of the Company in future periods.

(p) Share based payments

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

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

Significant accounting policies

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

Categories of financial instruments

	CARRYING VALUE AT 31 DECEMBER 2012			
	Designated Fair Value through Profit or Loss GBP	**Loans and receivables measured at amortised cost GBP**	**Financial Liabilities measured at amortised cost GBP**	**Other GBP**
Financial assets				
Financial assets at fair value through profit or loss	**186,205,113**	**–**	**–**	**–**
Trade and other receivables	**–**	**2,116,241**	**–**	**–**
Cash and cash equivalents	**–**	**–**	**–**	**26,971,750**
Total assets	**186,205,113**	**2,116,241**	**–**	**26,971,750**
Financial liabilities				
Loan notes at fair value through profit or loss	**142,376,297**	**–**	**–**	**–**
Trade and other payables	**–**	**–**	**3,052,949**	**–**
Total liabilities	**142,376,297**	**–**	**3,052,949**	**–**

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

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, share premium, distributable reserves, foreign exchange reserves and retained earnings. The Group is not subject to regulatory or industry specific limitations on its capital, other than the legal requirements for Guernsey incorporated entities. The Group considers the amount and composition of its capital in proportion to risk. Adjustments to the capital structure will be taken in response to economic conditions, the cost of debt, the ability to raise share capital, and other opportunities and factors which the Board may consider. At 31 December 2012, the Group had total equity of GBP69,228,917 (31 December 2011: GBP72,427,497).

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

3. FINANCIAL RISK MANAGEMENT CONTINUED

Capital Risk Management continued

Presented below is a summary of the "coverage" covenants around the CLO loan notes. These covenants could cause diversion of income and early repayment of notes. They are measured by comparing the amount of collateral assets and the debt outstanding.

Covenant Test	Requirement
Collateral Coverage Test: Class A/B Principal	>=133.95%
Collateral Coverage Test: Class C Principal	>=123.40%
Collateral Coverage Test: Class D Principal	>=120.20%
Collateral Coverage Test: Class E Principal	>=115.36%
Interest Coverage Test: Class A/B Principal	>=125.00%
Interest Coverage Test: Class C Principal	>=110.00%
Interest Coverage Test: Class D Principal	>=105.00%
Interest Coverage Test: Class E Principal	>=116.36%

The CLO Loan Notes contain other covenants, such as portfolio diversification. These are "maintain or improve" covenants which generally do not cause much concern.

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

The Investment Manager ensures that not more than 15% of the Group's gross assets are invested in any one investment. Consistent with shareholder approval obtained in December 2006, the Group may apply leverage up to 500%, or five times, the net asset value of the Group. Leverage is the ability to incur indebtedness for the purpose of making investments. The Group has incurred net indebtedness (approximately US$248.9 million; GBP154.1 million or 222.26% at cost, US$231.4 million; GBP142.4 million or 205.66% at fair value as at the year end) through its CLO subsidiary in the form of long-term notes.

Concentration Risk

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

(a) Market risk

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

As at 31 December 2012, the Group's market risk is affected by three main components: changes in actual market prices, interest rates and foreign currency movements. Interest rates and foreign currency movements are covered at (b) and (c) below.

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 had the following effect:

	Net assets attributable to holders of equity shares		**Statement of Comprehensive Income**	
	2012	2011	**2012**	2011
	GBP	GBP	**GBP**	GBP
5% increase	**2,191,441**	2,897,757	**2,191,441**	2,897,757
5% decrease	**(2,191,441)**	(2,897,757)	**(2,191,441)**	(2,897,757)

The above changes are due to the following:

	Financial Assets at FVTPL		**Financial Liabilities at FVTPL**	
	2012	2011	**2012**	2011
	GBP	GBP	**GBP**	GBP
5% increase	**9,310,256**	9,663,210	**(7,118,815)**	(6,765,453)
5% decrease	**(9,310,256)**	(9,663,210)	**7,118,815**	6,765,453

3. FINANCIAL RISK MANAGEMENT CONTINUED

(b) Interest rate risk

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

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

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

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

At 31 December 2012	**Floating rate Financial Instruments GBP**	**Fixed rate Financial Instruments GBP**	**Non-interest Bearing Financial Instruments GBP**	**Total GBP**
Assets				
Financial assets at fair value through profit or loss	**177,980,350**	**–**	**8,224,763**	**186,205,113**
Trade and other receivables	**–**	**–**	**2,116,241**	**2,116,241**
Cash and cash equivalents	**26,971,750**	**–**	**–**	**26,971,750**
Total assets	**204,952,100**	**–**	**10,341,004**	**215,293,104**
Liabilities				
Loan notes	**142,376,297**	**–**	**–**	**142,376,297**
Trade and other payables	**–**	**–**	**3,052,949**	**3,052,949**
Total liabilities	**142,376,297**	**–**	**3,052,949**	**145,429,246**
Total interest sensitivity gap	**62,575,803**	**–**	**7,288,055**	**69,863,858**

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

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

3. FINANCIAL RISK MANAGEMENT CONTINUED

(b) Interest rate risk continued

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

At 31 December 2012, should the interest spread have increased or decreased by 200 basis points, or had the interest rate have increased or decreased by 25 basis points, with all other variables remaining constant, this would have had the following effect:

	Net assets attributable to holders of equity shares		**Statement of Comprehensive Income**	
	2012	2011	**2012**	2011
	GBP	GBP	**GBP**	GBP
200 basis point increase in interest spread	**3,817,411**	3,897,904	**3,817,411**	3,897,904
200 basis point decrease in interest spread	**(3,817,411)**	(3,897,904)	**(3,817,411)**	(3,987,904)
25 basis point increase in interest rates	**159,310**	161,201	**159,310**	161,201
25 basis point decrease in interest rates	**(159,310)**	(161,201)	**(159,310)**	(161,201)

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

(c) Currency risk

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

The majority of the Group's financial assets and liabilities are also denominated in US Dollars and therefore the Group is exposed to fluctuations in the GBP:US Dollar foreign exchange rate. There is also some exposure to Euro and Swiss Franc, however, not significant.

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

	Net assets & Statement of Comprehensive Income			
	USD	**EUR**	**CHF**	**TOTAL**
31 December 2012	**GBP2,889,660**	**GBP66,292**	**GBP285**	**GBP2,956,237**
31 December 2011	GBP3,355,805	GBP269,769	GBP–	GBP3,625,574

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

(d) Credit risk

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

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

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

3. FINANCIAL RISK MANAGEMENT CONTINUED

(d) Credit risk continued

The following amounts on debt instruments were considered impaired:

	31 December 2012	Movement/ impairment transferred in during the year	31 December 2011
Debt instruments held through T2 CLO – Principal (including PIK interest)	**US$20.0m**	US$5.9m	US$14.1m
Debt instruments held through BMS – Principal	**GBP12.3m***	GBP12.3m	GBP–

**This is the cumulative unrealised loss which represents the amount of change in its fair attributable to changes in credit riskof the assets, which is no longer consider recoverable by the Group.*

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

Included within the fair value of the loan portfolio is an amount of GBP99,995 (relating to loan held via BMS) which was past due as at the year end but unimpaired.

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

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

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

Portfolio by rating category	31 December 2012	31 December 2011
1	**0%**	1%
2	**89%**	85%
3	**9%**	12%
4	**1%**	0%
5	**1%**	2%
Total	**100%**	100%

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

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

(2) An estimate of the potential amount of principal loss will be determined on a quarterly basis. The Group considers a loss attributable to credit risk to exist in those instances where the loan has been determined to be impaired, and in accordance with the credit ratings methodology above has been rated 5. The amount of the loss is considered to be equal to the entire amount of the loss, since in such instances the relationship of the value of such loans to normal market indices is less reliable.

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 movements in and cumulative losses on the CLO Loan Notes held at fair value through profit or loss are not considered to be related to credit risk.

3. FINANCIAL RISK MANAGEMENT CONTINUED

(e) Liquidity risk

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

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

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

	CURRENT		NON-CURRENT		
	Within 6 months GBP	6 to 12 months GBP	1 to 5 years GBP	5 years to maturity* GBP	No stated maturity GBP
At 31 December 2012					
Loan notes	**577,637**	**587,211**	**4,662,585**	**154,894,095**	**–**
Trade and other payables	**2,007,963**	**175,500**	**869,486**	**–**	**–**
Total financial liabilities	**2,585,600**	**762,711**	**5,532,071**	**154,894,095**	**–**
At 31 December 2011					
Loan notes	607,435	614,110	4,876,171	163,207,755	–
Trade and other payables	10,175,858	–	–	–	–
Total financial liabilities	10,783,293	614,110	4,876,171	163,207,755	–

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

In addition to the above, the table below analyses the contractual undiscounted cash flows of Group's loan notes payable at maturity (as above) compared to the fair value carrying amount of the loan notes as at the year end, by relevant maturity groupings based on the remaining period at the year end date.

	CURRENT		NON-CURRENT		
	Within 6 months GBP	6 to 12 months GBP	1 to 5 years GBP	5 years to maturity GBP	No stated maturity GBP
At 31 December 2012					
Loan notes – contractual undiscounted cash flows	**577,637**	**587,211**	**4,662,585**	**154,894,095**	**–**
Loan notes – fair value*	**511,704**	**520,185**	**4,130,384**	**137,214,024**	**–**
Difference	**65,933**	**67,026**	**532,201**	**17,680,071**	**–**
At 31 December 2011					
Loan notes – contractual undiscounted cash flows	607,435	614,110	4,876,171	163,207,755	–
Loan notes – fair value*	485,463	490,798	3,897,039	130,435,755	–
Difference	121,972	123,312	979,132	32,772,000	–

**The loan notes are carried at fair value, all changes in value are attributable to market risk.*

Fair value estimation

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

Financial instruments measured at fair value

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

3. FINANCIAL RISK MANAGEMENT CONTINUED

Financial instruments measured at fair value continued

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

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

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

At 31 December 2012	*Note*	**Level 1 GBP**	**Level 2 GBP**	**Level 3 GBP**	**Total GBP**
Assets					
Broadly syndicated loans	*a*	**–**	**–**	**177,980,350**	**177,980,350**
Equity securities	*b*	**–**	**–**	**3,335,241**	**3,335,241**
CLO equity securities	*b*	**–**	**–**	**4,479,376**	**4,479,376**
Warrant securities	*c*	**–**	**–**	**410,146**	**410,146**
Total		**–**	**–**	**186,205,113**	**186,205,113**
Liabilities					
CLO loan notes	*d*	**–**	**–**	**142,376,297**	**142,376,297**
Total		**–**	**–**	**142,376,297**	**142,376,297**
Net Fair Value		**–**	**–**	**43,828,816**	**43,828,816**

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

Measurement of fair value

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

(a) Broadly syndicated loans

All the broadly syndicated loans are denominated in USD. The loans have significant unobservable inputs, as they trade infrequently. The fair value of the broadly syndicated loans is based primarily on the average of all indicative bids provided by brokers making a market in these loans; these average bid prices are accumulated and calculated by an outside pricing service. Generally, the vast majority of the broadly syndicated loans have multiple bids. In those instances where the average bid price of a loan indicates a potential for a significant variance to its approximate value, a third-party valuation will provide a valuation analysis.

3. FINANCIAL RISK MANAGEMENT CONTINUED

Measurement of fair value continued

(b) Equity securities and CLO equity securities

With the exception of a single equity holding which is denominated in GBP, all the equity securities are denominated in USD. The equity securities have significant unobservable inputs, as they trade infrequently or are unlisted. CLO equity securities are valued based upon the indicative bid price provided by the broker that sold the security to the Company which is considered to be equal to fair value. As observable prices are not available for the other equity securities, the Board uses an independent third-party valuer to provide a valuation analysis of the equities to in its determining of the fair value. The valuation expert used the Income Approach – Discounted Cash Flow Method and the Market Approach – Guideline Comparable Method and Comparable Transaction Method to estimate the indicated Total Enterprise Value of the equity securities which is considered to be the fair value of the equity securities. Assumptions used by the expert include discount rates, growth rates, EBITDA margins and tax rates.

(c) Warrant security

With the exception of a single warrant which is denominated in USD, all other warrant securities are denominated in GBP. The warrant securities have unobservable inputs, as they are unlisted. As observable prices are not available for these securities, the Board, assisted by the Investment Manager, uses earnings multiple valuation techniques in its determining of their fair value (being 2 times revenue).

(d) CLO loan notes

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

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:

31 December 2012	**Broadly Syndicated loans GBP**	**Equity GBP**	**CLO Equity GBP**	**Warrants GBP**	**CLO Loan Notes GBP**	**Total GBP**
Opening fair value	**180,452,763**	**8,351,992**	**4,070,015**	**389,427**	**(135,309,055)**	**57,955,142**
Purchases/loans advanced	**111,021,460**	**–**	**–**	**427,674**	**–**	**111,449,134**
Transfers in*	**20,337,952**	**163,277**	**–**	**1**	**–**	**20,501,230**
Sales	**(12,937,952)**	**(2,735,688)**	**–**	**(818,158)**	**–**	**(16,491,798)**
Capital repayments	**(102,375,553)**	**–**	**–**	**–**	**–**	**(102,375,553)**
Gains and losses recognised in profit and loss:						
– realised	**2,127,081**	**1,201,957**	**–**	**390,484**	**–**	**3,719,522**
– transfers in*	**(12,350,525)**	**–**	**–**	**–**	**–**	**(12,350,525)**
– unrealised	**(8,294,876)**	**(3,646,297)**	**409,361**	**20,718**	**(7,067,242)**	**(18,578,336)**
Closing fair value	**177,980,350**	**3,335,241**	**4,479,376**	**410,146**	**(142,376,297)**	**43,828,816**

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

** On acquisition of subsidiaries during the year.*

*** Previously this would be eliminated in the consolidated Group financial statements as the Company directly held some of the CLO loan notes issued by T2 CLO. During 2011, the Company sold these CLO loan notes to a third party.*

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

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

4. FUND EXPENSES

Management fee

The Investment Manager, T2 Advisers, LLC, is entitled to receive an annual fee payable quarterly in advance. The management fee is calculated based on the average value of the Company's gross assets at the most recently completed calendar quarter and the projected gross assets as of the end of the current calendar quarter. With effect from 1 July 2010, the management fee payable was reduced by 25 basis points from 2.00% of gross assets to 1.75% of gross assets. With effect from 30 June 2011 to 31 March 2012, the management fee will be fixed at the payment for the previous quarter of GBP911, 272. Thereafter, from the management fee payable at the end of the first quarter of 2012, the management fee will be calculated on the Company's gross assets, less the fair value of the liabilities within the CLO, to the extent that the CLO remains consolidated by the Company. The new fee will be subject to a minimum fee of GBP155,000 per quarter. As announced on 18 May 2011, the Board and the Company's then nominated adviser considered the aforementioned amendments to the investment management agreement to be fair and reasonable insofar as the Company's shareholders are concerned.

Total fees charged for the year ended 31 December 2012 amounted to GBP1,852,473 (31 December 2011: GBP4,002,524). The total amount prepaid at the year end amounted to GBP343,110 (31 December 2011: GBPnil).

Administration and secretarial fees

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

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

Total Administration and secretarial fees charged for the year ended 31 December 2012 amounted to GBP167,336 (31 December 2011: GBP181,655). The total amount due and payable at the year end amounted to GBP45,990 (31 December 2011: GBP48,240).

Custodian fees

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

Total fees charged for the year ended 31 December 2012 amounted to GBP15,010 (31 December 2011: GBP18,600). The total amount payable at the year end amounted to GBPnil (31 December 2011: GBP3,750 payable).

Other expenses

For the year ended 31 December 2012, other expenses include those of the CLO and AMIC. The table below details other charges during the year:

Other expenses:	**Group 31 December 2012 GBP**	Group 31 December 2011 GBP	**Company 31 December 2012 GBP**	Company 31 December 2011 GBP
Directors' expenses	**70,280**	197,031	**70,280**	97,031
T2 CLO investment management fees	**478,991**	468,870	**–**	–
Portfolio analysis fees	**12,690**	131,133	**12,690**	131,133
NOMAD fees	**63,966**	20,000	**63,966**	20,000
Listing fees	**8,457**	7,867	**8,457**	7,867
Broker fees	**7,510**	198,331	**7,510**	198,331
CFO fees	**125,000**	125,000	**125,000**	125,000
Marketing expenses	**92,519**	105,032	**92,519**	105,032
AIC fees	**7,214**	4,492	**7,214**	4,492
Registrar fees	**25,745**	28,381	**25,745**	28,381
Other AMIC expenses	**76,724**	145,519	**–**	–
Other T2 CLO expenses	**261,259**	252,380	**–**	–
Other BMS expenses	**9,234**	–	**–**	–
Other NV2N expenses	**25,728**	–	**–**	–
Other BMS Finance AB expenses	**59,160**	–	**–**	–
Sundry	**66,565**	54,373	**66,565**	58,527
	1,391,042	1,638,409	**479,946**	775,794

4. FUND EXPENSES CONTINUED

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

As at 31 December 2012, each of the non-executive Directors had entered into an agreement with the Company providing for them to act as a Director of the Company.

As at 31 December 2012, the non-executive Directors' annual fees, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company, were as detailed in the table below:

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

**Mr Firth's Director's fee increased from GBP25,000 per annum to GBP40,000 per annum on 28 April 2011 when he was elected as Chairman of the Board. Total Director's fee paid to Mr Firth during the year ended 31 December 2011 was GBP35,137.*
***For the period to 31 March 2011, Mr Miller acted as non-executive Chairman of the Board and was entitled to an annual fee of GBP40,000.*

Total Directors fees charged to the Group for the year ended 31 December 2012 amounted to GBP90,000 (31 December 2011: GBP85,659). The total amount due and payable at the year end amounted to GBP22,500 (31 December 2011: GBPnil).

Under an employment contract (the "Employment Contract"), effective from 31 March 2011, Mr Miller became an Executive Director of the Company and is entitled to a fixed salary of GBP150,000 per annum (less applicable tax and social security contributions). Mr Miller's salary cost is included in the Consolidated Statement of Comprehensive Income. The total salary cost for the year ended 31 December 2012 relating to Mr Miller amounted to GBP150,000 (31 December 2011: GBP118,394). In addition to the fixed salary referred to above, Mr Miller shall be entitled to a contractual bonus, details of which are available on the Company's website (www.glifund.com). In accordance with the Employment Contract the actual bonus amount paid to Mr Miller for any financial period is capped at a maximum of 0.3 per cent of the Company's Net Asset Value (adjusted pro rata for period less or more than one year) (the "Cap"). Any excess contractual bonus payable above this Cap shall be deferred and added to any contractual bonus payable (if any) in the next financial year. For the year ended 31 December 2012, the total contractual bonus cost relating to Mr Miller amounted to GBP936,367, of which GBPnil was physically paid during the year (31 December 2011: GBP325,901, of which GBP217,282 was physically paid and GBP108,619 deferred to the next financial year). The total amount due and payable at the year end relating to Mr Miller's contractual bonus for the current and prior years amounted to GBP1,044,986 (31 December 2011: GBP108,619), of this amount only GBP175,500 is payable within 1 year.

5. (DEFICIT)/EARNINGS PER ORDINARY SHARE

(Deficit)/earnings per Ordinary Share has been calculated by dividing the deficit attributable to Ordinary Shareholders of GBP7,699,034 (31 December 2011: GBP3,224,992 profit) by the weighted average number of Ordinary Shares outstanding during the year of 101,384,224 (31 December 2011: 97,671,029).
Fully diluted (deficit)/earnings per Ordinary Share has been calculated by dividing the deficit attributable to Ordinary Share holders of GBP7,699,034 (31 December 2011: GBP3,224,992 profit), by the weighted average number of Ordinary Shares outstanding during the year adjusted for the effects of all dilutive potential Ordinary Shares of 101,384,224 (31 December 2011: 97,671,029).

Basic & Diluted (deficit)/earnings per Ordinary Share

Date	No. of shares	No. of days	Weighted average no. of shares
01/01/2012	98,633,610	317	85,428,564
12/11/2012	119,179,010	49	15,955,660
31/12/2012		366	101,384,224
01/01/2011	87,300,000	31	7,414,520
31/01/2011	98,633,610	334	90,256,509
31/12/2011		365	97,671,029

There was no dilutive effect for potential Ordinary Shares.

6. FINANCIAL ASSETS AND LIABILITIES

	Group 31 December 2012 GBP	Group 31 December 2011 GBP	Company 31 December 2012 GBP	Company 31 December 2011 GBP
Debt securities of listed companies	**29,744,756**	27,134,616	**–**	–
Debt securities of unlisted companies	**148,235,594**	153,318,147	**12,814,009**	3,811,155
Unlisted equity securities	**3,335,241**	8,351,992	**1,907,988**	939,330
Unlisted CLO equity securities	**4,479,376**	4,070,015	**4,479,376**	4,070,015
Unlisted warrant securities	**410,146**	389,427	**410,146**	389,427
	186,205,113	193,264,197	**19,611,519**	9,209,927
Realised (loss)/gains recognised on financial assets and liabilities (1)				
Realised (loss)/gain on investments at fair value through profit or loss	**3,719,522**	57,392	**56,950**	279,411
Realised gain on financial liabilities at amortised cost	**–**	1,489,252	**–**	1,489,252
	3,719,522	1,546,644	**56,950**	1,768,663
Unrealised (loss)/gains recognised on financial assets and liabilities at fair value through profit or loss (2)				
Unrealised (loss)/gain on financial assets investments at fair value through profit or loss	**(11,511,093)**	3,624,063	**(1,918,783)**	557,558
Unrealised loss on financial liabilities investments at fair value through profit or loss	**(7,067,243)**	(4,733,452)	**–**	–
Unrealised loss on financial liabilities investments at amortised cost	**–**	(116,499)	**–**	(116,499)
	(18,578,336)	(1,225,888)	**(1,918,783)**	441,059

	Group 31 December 2012 GBP	Group 31 December 2011 GBP	Company 31 December 2012 GBP	Company 31 December 2011 GBP
Opening cost of financial assets	**154,646,906**	126,552,111	**12,569,424**	8,332,912
Purchases	**111,449,134**	133,614,799	**12,506,198**	5,483,983
Transfers in*	**20,501,230**	9,628,687	**–**	311,960
Sales	**(16,491,798)**	(14,809,436)	**(242,773)**	(1,838,842)
Realised gain/(loss) of investments	**3,719,522**	57,392	**56,950**	279,411
Capital repayments	**(102,375,553)**	(100,396,647)	**–**	–
Cost of investments at year end	**171,449,441**	154,646,906	**24,889,799**	12,569,424
Unrealised gain/(loss) at year end**	**14,755,672**	38,617,291	**(5,278,280)**	(3,359,497)
Closing value at year end	**186,205,113**	193,264,197	**19,611,519**	9,209,927

** On acquisition of subsidiaries during the year.*

*** GBP12,350,525 of unrealised losses on investments at fair value through profit or loss were transferred in with the acquisition of BMS Group.*

(1) For the year ended 31 December 2012, the Group had a realised gain of GBP3,719,522 (year ended 31 December 2011: GBP1,546,644 realised gain) which comprised a realised gain on investments of GBP3,719,522 (year ended 31 December 2011: realised gain of GBP57,392 realised gain). During the prior year the Company also had a realised gain on the sale of some of the CLO loan notes by the parent company, Greenwich Loan Income Fund Limited, of GBP1,489,252.

(2) For the year ended 31 December 2012, the Group had an unrealised loss on financial assets and liabilities of GBP18,578,336 (year ended 31 December 2011: GBP1,225,888 realised loss). This is comprised of an unrealised loss on financial assets of GBP11,511,093 (year ended 31 December 2011: GBP3,624,063 unrealised gain) and an unrealised loss on liabilities of GBP7,067,243 (year ended 31 December 2011: GBP4,849,951 unrealised loss).

7. SUBSIDIARIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Company 31 December 2012 GBP	Company 31 December 2011 GBP
Opening cost of investment in Subsidiaries	**42,181,497**	29,928,228
Additions at cost	**666,667**	12,253,269
Cost of investment in Subsidiaries at year end	**42,848,164**	42,181,497
Unrealised (loss)/gain*	**(8,794,275)**	19,707,105
Closing fair value of investment in Subsidiaries	**34,053,889**	61,888,602
Movement in unrealised loss on Subsidiaries	**(28,501,380)**	(6,819,931)
Movement in unrealised loss on financial assets at amortised cost	**–**	(116,499)
Movement in unrealised (loss)/gain on financial assets at fair value through profit or loss (see note 6)	**(1,918,783)**	557,558
Total movement in unrealised (loss)/gain	**(30,420,163)**	(6,378,872)

** See note 2(m)(iii) for details of the change in fair value measurement of the T2 CLO subsidiary during the year.*

On 12 November 2012 ("transaction date"), the Company acquired a partly owned subsidiary, BMS Group, in order to put the capital that was becoming available to work and diversify the Group's portfolio. The total consideration was GBP11,459,483. At the date of acquisition the fair value of BMS Group's net assets was GBP11,672,078, resulting in a bargain gain of GBP212,595. The bargain gain on consolidation was as a result of the basic offer (based on the NAV of the BMS Group as at 30 September 2012 when the transaction was negotiated) being different to the fair value of the net assets acquired on the transaction date. This bargain gain was included in other income in the Consolidated Statement of Comprehensive Income for the year. Post acquisition net profits of GBP360,855 (revenue: GBP855,508), relating to BMS Group, were included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2012.

Company – year ended 31 December 2012 **Acquisition of BMS Group by asset/liability class:**	Net Assets Acquired GBP	Consideration GBP	Bargain Purchase Gain/(Loss) GBP
Investments at fair value through profit or loss	8,114,470	7,966,673	147,797
Cash and cash equivalents	3,779,665	3,710,822	68,843
Trade and other receivable	526,708	517,115	9,593
Trade and other payables	(748,765)	(735,127)	(13,638)
Total	**11,672,078**	**11,459,483**	**212,595**

In consideration for acquiring the net assets of BMS Group, the Company paid cash of GBP2,500,000 and issued 18,027,129 Consideration Shares for a total value of GBP8,959,483 or 49.70p per Consideration Share (please see Note 11).

As a result of the above acquisition, the Company acquired trade and other receivables with a total fair value of GBP8,641,178 (classified as investments at fair value through profit or loss and trade and other receivables in the table above). The gross contractual amount receivable totalled GBP21,065,598. The difference amounting to GBP12,390,964 represents amounts not expected to be collected.

In addition, the Company paid cash of GBP666,667 to subscribe to 66.7% of the issued share capital of BMS.

Professional fees relating to the acquisition of BMS Group in the year amounted to GBP300,726. These are included in the Statements of Comprehensive Income within legal and professional fees.

Had the acquisition of BMS happened at the beginning of the year, the combined net revenues and net loss of the Company , attributable to equity holders, plus that of BMS for the year ended 31 December 2012 would have been GBP15,735,655 and GBP8,376,893 respectively.

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

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

7. SUBSIDIARIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS CONTINUED

During the current year, AMIC made dividends of the net cash proceeds from investment sales and the remaining investments held up to GLIF. As at the year end, AMIC was only retaining a cash balance sufficient to settle remaining payables and to fund its intended liquidation.

Company – year ended 31 December 2011 **Acquisition of AMIC by asset/liability class:**	Net Assets Acquired GBP	Consideration GBP	Bargain Purchase Gain/(Loss) GBP
Investments at fair value through profit or loss	8,475,107	8,007,083	468,024
Cash and cash equivalents	4,421,045	4,176,900	244,145
Trade and other receivable	123,266	116,459	6,807
Trade and other payables	(49,937)	(47,173)	(2,764)
Total	12,969,481	12,253,269	716,212

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

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

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

8. TRADE AND OTHER RECEIVABLES

	Group 31 December 2012 GBP	Group 31 December 2011 GBP	**Company 31 December 2012 GBP**	Company 31 December 2011 GBP
Accrued bank interest	**6,150**	1,124	**6,150**	–
Dividends receivable	**–**	395,374	**–**	–
Loan interest receivable (1)	**734,329**	434,508	**127,026**	18,163
Security sales receivable (2)	**987,854**	53,692	**–**	–
Prepaid expenses (3)	**387,908**	60,001	**382,594**	49,713
	2,116,241	944,699	**515,770**	67,876

(1) Interest receivable on the investment loans held by the Group.
(2) Unsettled security sales.
(3) Includes prepaid investment management fees of GBP343,110.

9. CASH AND CASH EQUIVALENTS

	Group 31 December 2012 GBP	Group 31 December 2011 GBP	**Company 31 December 2012 GBP**	Company 31 December 2011 GBP
Call account	**26,971,750**	23,703,514	**6,047,250**	1,755,529

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

10. TRADE AND OTHER PAYABLES

	Group 31 December 2012 GBP	Group 31 December 2011 GBP	Company 31 December 2012 GBP	Company 31 December 2011 GBP
Current liabilities				
Due to Subsidiary	**–**	–	**68,843**	71,996
Administrator's fees	**45,990**	48,240	**29,379**	31,036
Custodian's fees	**18,515**	3,750	**3,750**	3,750
Audit fees	**44,100**	55,100	**44,100**	32,200
Directors' fees	**22,500**	–	**22,500**	–
Executive Directors' remuneration payable (see note 4)	**175,500**	336,292	**175,500**	336,292
Finance cost (1)	**357,157**	394,667	**–**	–
Security purchases payable (2)	**–**	9,168,385	**–**	–
Other accruals	**1,519,701**	169,424	**515,027**	19,163
	2,183,463	10,175,858	**859,099**	494,437
Non current liabilities				
Executive Directors' remuneration payable (see note 4)	**869,486**	–	**869,486**	–
CLO loan notes at fair value through profit of loss*	**142,376,297**	135,309,055	**–**	–
	143,245,783	135,309,055	**869,486**	–

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

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

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

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

11. SHARE CAPITAL, SHARE PREMIUM & DISTRIBUTABLE RESERVE

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

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

On 12 November 2012, following the acquisition of BMS Group, the Company issued 20,545,400 new Ordinary Shares (2,518,271 Placing Shares at a value of 47.215p per share and 18,027,129 Consideration Shares at a value of 49.7p per share).

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

On 15 June 2007, Court approval was received to reduce the issued share premium of the Company by an amount of GBP0.95 per Ordinary Share. The reduction was credited as a Distributable Reserve.

As at 31 December 2012 and 31 December 2011, the Distributable Reserve stood at GBP34,802,740.

11. SHARE CAPITAL, SHARE PREMIUM & DISTRIBUTABLE RESERVE CONTINUED

Share Capital	31 December 2012 Shares in issue	31 December 2011 Shares in issue
Ordinary shares – nil par value		
Balance at start of the year	**98,633,610**	87,300,000
Issued during the year	**20,545,400**	11,333,610
Balance at end of the year	**119,179,010**	98,633,610

Share Premium	31 December 2012 GBP	31 December 2011 GBP
Balance at start of the year	**19,289,035**	16,087,290
Issued during the year	**10,148,485**	3,201,745
Balance at end of the year	**29,437,520**	19,289,035

12. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary Share is calculated by dividing the total net assets attributable to Ordinary Share holders at the year end of GBP69,228,917 (31 December 2011: GBP72,427,497) by the Ordinary Shares in issue at the end of the year being 119,179,100 (31 December 2011: 98,633,610).

13. CASH GENERATED FROM OPERATIONS

Group:	31 December 2012 GBP	31 December 2011 GBP
(Loss)/profit for the year	**(7,397,426)**	3,224,992
Adjustments for:		
Net losses on financial assets and liabilities at fair value through profit or loss	**14,858,815**	1,051,997
Net gains on financial assets and liabilities at amortised cost	**–**	(1,372,753)
Changes in working capital:		
Trade and other receivables	**(237,378)**	(105,946)
Trade and other payables	**2,045,476**	367,328
Cash inflow from operations	**9,269,487**	3,165,618

Company:	31 December 2012 GBP	31 December 2011 GBP
(Loss)/profit for the year	**(19,183,542)**	5,010,959
Adjustments for:		
Net losses on financial assets and liabilities at fair value through profit or loss	**30,363,213**	5,982,962
Net gains on financial assets and liabilities at amortised cost	**–**	(1,372,753)
Dividend in specie	**(1,046,714)**	(1,489,166)
Changes in working capital:		
Trade and other receivables	**(447,895)**	435,201
Trade and other payables	**1,234,148**	270,818
Cash inflow from operations	**10,919,210**	8,838,021

14. CONSOLIDATED SUBSIDIARY UNDERTAKINGS

Through its direct 100% ownership of the residual economic interest in T2 CLO, the direct ownership of 100% of the equity shares of AMIC, the direct ownership of 66.7% of BMS's equity shares and with BMS Finance AB and NV2N are both direct subsidiaries of BMS, with BMS owning 100% and 70.75% of the equity share respectively, the Directors consider the following entities as wholly and partly owned subsidiaries of the Company and their results and financial positions are included within the consolidated results of the Group.

	Date of incorporation	Country of incorporation	Nature of holding	Percentage holding
T2 CLO	11 October 2006	Cayman Islands	Directly held – Income Notes	100%
AMIC	13 April 1994	United Kingdom	Directly held – Equity Shares	100%
BMS	5 November 2012	United Kingdom	Directly held – Equity Shares	66.67%
BMS Finance AB*	24 November 2006	United Kingdom	Indirectly held – Equity Shares	100%*
NV2N*	30 May 2007	United Kingdom	Indirectly held – Equity Shares	70.75%*

** Direct subsidiaries of BMS, percentage holding represents BMS direct holding in the underlying subsidiaries.*

15. SEGMENTAL REPORTING

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

The vast majority of the Group's investment income arises from investments in entities incorporated in the US. Approximately 95% of the Group's portfolio is based in the US with the remainder of investments being based in the UK and Luxembourg. The Group has a highly diversified portfolio of investments and no single investment accounts for more than 10% of the Group's income.

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

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

16. RELATED PARTY TRANSACTIONS

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

Group & Company	**31 December 2012 GBP**	31 December 2011 GBP
Amounts incurred during the year to related parties		
Fees to P Conroy as Chief Financial Officer to the Company	**125,000**	125,000
Fees to the Investment Manager, T2 Advisers, LLC	**1,852,473**	4,002,524
Amounts due to related parties at the year end		
Fees due to P Conroy as Chief Financial Officer to the Company	**10,413**	10,417

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

During the year ended 31 December 2012, the Company acquired one investment holding, in IFDC Ordinary Shares 2012, from AMIC for aggregated proceeds of GBP1.05 million. Also during the current year, BMS Finance AB held an investment loan with BMI Healthcare Ltd, a company sharing a common director with BMS Finance AB. As at the year end, the total outstanding loan due was GBP2.39 million.

During the year ended 31 December 2011, the Company acquired two investment holdings, both in Lombardia Capital Partners Inc, from AMIC for aggregated proceeds of GBP1.49 million. On a consolidated basis this transaction had no net impact on the Group's Consolidated Statement of Financial Position.

There is no ultimate controlling party of the Company.

16. RELATED PARTY TRANSACTIONS CONTINUED

Directors shareholdings in the Company

As at 31 December 2012, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2012		31 December 2011	
	No. of Ordinary Shares Held	**% of total issued Ordinary Shares**	No. of Ordinary Shares Held	% of total issued Ordinary Shares
Patrick Firth *(Chairman)*	**125,000**	**0.11**	100,000	0.10
Geoff Miller	**850,000**	**0.71**	812,627	0.82
Frederick Forni	**–**	**–**	–	–
James Carthew	**200,000**	**0.17**	175,000	0.18

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

17. COMMITMENTS AND CONTINGENCIES

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

18. POST YEAR END EVENTS

Dividend

On 23 January 2013, the Directors of the Company declared a dividend of 1.25p per Ordinary Share for the third quarter of 2012. The dividend was be payable to shareholders on the register on the record date of 1 February 2013.

Placing

On 23 January 2013, the Company announced a placing whereby a further 11,917,000 new Ordinary Shares were issued at a price of 50 pence per Ordinary Share. These new Ordinary Shares were admitted to AIM and the CISX on 28 January 2013. Following this placing the Company's total issued Ordinary Shares totalled 131,096,010.

Changes to the Incentive Structure

The Remuneration Committee has resolved to amend the current incentive structure, which was applicable solely to Geoff Miller, to an incentive pool, which will be allocated at the Remuneration Committee's discretion. The total pool available will be, as before, 10% of the total shareholder return in excess of 12%, with the amount to be actually paid out capped at 0.5% of net asset value (NAV) in any one year.

To ensure that incentive payments are primarily long term in nature, all payments from the incentive pool will be made one third in cash and two-thirds GLIF equity, the acquisition price of which for the individual will be the prevailing share price or NAV, whichever is higher. All executives will have to hold all of their GLIF equity for their entire period of employment by GLIF.

Further detail can be found in the Chairman's Statement.

Appointment of Joint Broker

As announced on 23 January 2012, Panmure Gordon (UK) Limited were appointed joint broker to the Company.

18. POST YEAR END EVENTS CONTINUED

Significant Portfolio Movements

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

Closing Date	Par Amount US$		Purchase Price
15/01/13	2,475,000.00	FAPS	100.875
09/01/13	5,000,000.00	Sourcecorp	99.000
28/01/13	1,590,909.09	Global Tel Link	99.875
05/02/13	1,000,000.00	Renfro	99.500
14/02/13	1,666,666.67	Healogics	99.500
12/02/13	1,440,000.00	SESAC	99.000
14/02/13	3,333,333.33	ABB Concise	99.500
28/02/13	119,047.62	First Data	100.000
13/02/13	3,125,000.00	First Advantage	99.000
11/03/13	1,333,333.33	Renfro	101.500
01/03/13	2,880,000.00	Integra Telecom	99.000
26/02/13	3,240,000.00	SESAC	101.500
28/02/13	246,951.22	Plato	99.990
15/02/13	640,000.00	Integra Telecom	100.625
*	5,000,000.00	Merrill Corp	99.000
*	3,750,000.00	ARES 2013-26A SUB	81.250
*	1,000,000.00	Merrill Corp	100.750
*	1,000,000.00	Merrill Corp	100.750

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

Since the year end the Group made the following significant investment sales/repayments:

Closing Date	Par Amount US$		Realised gain/(loss) US$
03/01/13	5,819,999.96	Dean Food	341,925
22/01/13	2,962,500.00	Neustar Inc	44,438
05/02/13	1,980,000.00	National Healing Corporation – 1st Lien	99,000
05/02/13	3,500,000.00	National Healing Corporation – 2nd Lien	210,000
13/02/13	658,569.69	First Data Corporation – 2014 Term Loan B-1	18,781
14/03/13	2,917,642.65	Skillsoft	39,978

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

PORTFOLIO STATEMENT OF THE GROUP

AS AT 31 December 2012

US$ Loans - debt securities of listed companies (31 December 2011: 37.46%)	Principal Currency	Fair Value US$	Fair Value GBP	% of net assets
Alere US Holdings LLC	6,927,424.4400	6,949,661	4,275,399	6.18%
Community Health Extended	5,000,000.0000	5,026,850	3,092,495	4.47%
Dean Foods	5,819,999.9600	5,809,815	3,574,171	5.16%
DG Fastchannel Inc	5,603,877.5600	5,356,354	3,295,204	4.76%
Neustar Inc	2,962,500.0000	2,975,476	1,830,499	2.64%
Roundy's Supermarkets Inc	6,952,474.9400	6,524,481	4,013,830	5.80%
Rovi Corp.	5,959,974.9400	5,937,625	3,652,799	5.27%
UniTek Global Services	5,895,000.0000	5,762,363	3,544,978	5.12%
Web.com Group Inc	3,990,000.3300	4,007,477	2,465,381	3.56%
			29,744,756	42.96%

US$ Loans – debt securities of unlisted companies (31 December 2011: 211.69%)				
Aramark Corp LC-1 US Term Loan Non-Extending	1,754,112.8300	1,755,043	1,079,694	1.56%
Aramark Corp LC-2 Term Loan B Extended	3,701,754.6300	3,703,717	2,278,509	3.29%
ASP HHI ACQ	5,500,000.0000	5,555,000	3,417,410	4.94%
AVG Holding Cooperatief UA	2,575,231.5300	2,568,793	1,580,310	2.28%
Biomet Inc - $ Term B-1 Loan	4,910,587.8500	4,934,453	3,035,653	4.39%
Blue Coat Systems Inc	5,280,882.3500	5,310,614	3,267,065	4.72%
BNY ConvergEx Group LLC	1,125,000.0000	1,058,209	651,005	0.94%
Corel	5,174,329.7800	5,174,330	3,183,223	4.60%
Deltek	4,650,000.0000	4,679,900	2,879,052	4.16%
Drew Marine Partners LP	3,412,500.0000	3,421,031	2,104,602	3.04%
First Data Corporation - 2014 Term Loan B-1 ($)	658,569.6800	657,654	404,586	0.58%
First Data Corporation 2017	8,000,000.0000	7,846,240	4,826,970	6.97%
Global Tel Link Corp	6,665,322.5300	6,675,654	4,106,831	5.93%
Grede	6,228,571.4300	6,228,571	3,831,788	5.54%
Hoffmaster Group Inc - First Lien	4,874,705.5800	4,846,286	2,981,413	4.31%
Hoffmaster Group Inc - Second Lien	2,000,000.0000	1,995,000	1,227,315	1.77%
Immucor Inc - Term B-1 Loan	4,443,918.7400	4,495,690	2,765,728	4.00%
InfoNXX - 2nd Lien	2,155,200.0000	2,025,888	1,246,317	1.80%
Mediacom TL-C	3,856,410.2600	3,841,949	2,363,549	3.41%
Mercury Payment Systems	2,468,760.8100	2,487,277	1,530,161	2.21%
Merrill Corp 2nd Lien	1,091,605.1200	932,777	573,840	0.83%
Mirion Technologies	2,464,417.4000	2,464,417	1,516,098	2.19%
Mold-Masters (2007) Limited	4,812,832.2500	4,796,806	2,950,972	4.26%
NAB Holdings LLC	5,850,000.0000	5,879,250	3,616,887	5.22%
National Healing Corporation – 1st Lien	1,980,000.0000	1,984,950	1,221,132	1.76%
National Healing Corporation – 2nd Lien	3,500,000.0000	3,570,000	2,196,247	3.17%
National Vision Inc	2,646,666.6600	2,673,133	1,644,499	2.38%
Nextag Inc	5,045,422.9500	4,885,634	3,005,619	4.34%
Pegasus	7,094,272.3000	6,763,183	4,160,678	6.01%
Petco Animal Supplies	7,411,821.5300	7,460,814	4,589,858	6.63%
Philips Plastics Corporation	2,962,500.0000	2,940,281	1,808,847	2.61%
Physiotherapy Associates Holdings Inc	3,980,000.0000	3,970,050	2,442,356	3.53%
Plato Inc	4,875,000.0000	4,826,250	2,969,086	4.29%
Presidio Inc.	5,985,000.0000	5,985,000	3,681,944	5.32%
Protection One	6,947,504.0300	7,016,979	4,316,813	6.24%
Provo Craft	3,180,765.3300	693,407	426,581	0.62%
RBS Holding Company LLC	5,895,000.0000	2,791,283	1,717,184	2.48%
Renaissance Learning Inc	2,992,500.0000	2,998,126	1,844,433	2.66%
Securus Technologies - Tranche 1 Term Loan	1,970,000.0000	1,974,925	1,214,965	1.75%
Securus Technologies Inc 2nd Lien Tranche 1	3,600,000.0000	3,601,512	2,215,633	3.20%
Shield Finance Loan	5,970,000.0000	5,962,538	3,668,125	5.30%
Ship Luxco	4,946,969.4000	4,961,415	3,052,239	4.41%
Sirius Computer Solutions	2,206,730.7700	2,220,523	1,366,055	1.97%
SkillSoft	2,917,642.7600	2,939,525	1,808,382	2.61%
SourceHov LLC	3,940,000.0000	3,878,930	2,386,300	3.45%
Sportsman's Warehouse	6,000,000.0000	5,940,000	3,654,260	5.28%
Sterling Infosystems Inc	2,736,250.0000	2,729,409	1,679,120	2.43%
Stratus Technologies 2nd Lien	6,856,250.1900	4,113,750	2,530,760	3.66%
Sumtotal Systems	3,750,000.0000	3,693,750	2,272,378	3.28%
Sub-total US$ loans – debt securities of unlisted companies carried forward			119,292,472	172.32%

US$ Loans – debt securities of unlisted companies continued	Principal Currency	Fair Value US$	Fair Value GBP	% of net assets
Sub-total US$ debt securities of unlisted companies brought forward continued			119,292,472	172.32%
Syniverse Holdings Inc	3,980,000.0000	4,009,850	2,466,841	3.56%
Teleguam Holdings LLC	1,831,884.9500	1,802,117	1,108,654	1.60%
Teleguam Holdings LLC	2,812,500.0000	2,756,250	1,695,632	2.45%
Topps	7,956,332.2000	7,638,079	4,698,911	6.79%
US FT Holdco Inc	5,940,000.0000	5,966,017	3,670,266	5.30%
US TelePacific Corp	3,937,216.5100	3,880,639	2,387,351	3.45%
Vision Solutions	6,000,000.0000	5,820,000	3,580,437	5.17%
Koosharem (Select Remedy) 2nd lien	9,000,000.0000	229,500	141,187	0.21%
Koosharem (Select Remedy) 2nd lien PIK	1,912,638.5500	48,772	30,004	0.04%
Lombardia Capital Partners Inc - Convertible Note	1,709,628.0000	1,709,628	1,051,755	1.52%
			140,123,510	202.41%
GBP Loans – debt securities of unlisted companies				
Omnium	29,896.9700	–	–	0.00%
Instem	250,000.0000	–	250,000	0.36%
HLC	1,537,393.0000	–	1,537,393	2.22%
Destiny	205,094.4500	–	205,095	0.30%
Touch Local	968,431.2500	–	968,431	1.40%
Excitor	2,385,077.7600	–	2,385,078	3.44%
Hiwave	350,000.0000	–	350,000	0.51%
BMI Healthcare Ltd - assignment advance	2,316,092.1400	–	2,316,092	3.35%
Vegastream	583,194.7400	–	–	0.00%
SpinX	3,037,114.0700	–	–	0.00%
IKIVO	1,230,615.7000	–	–	0.00%
Replisaurus	7,824,765.8000	–	99,995	0.14%
			8,112,084	11.72%
Total Loans			177,980,350	257.09%
CLO Equity (31 December 2011: 5.62%)				
GSC Group CDO VII Ltd	3,790,000.0000	3,373,100	2,075,116	3.00%
Halcoyn Structured Asset Management CLO	4,625,000.0000	3,908,125	2,404,260	3.47%
Total CLO Equity			4,479,376	6.47%
Equity (31 December 2011: 11.53%)				
Stratus Technologies Bermuda Holdings Limited	775,631.8730	203,280	125,057	0.18%
Stratus Technologies Bermuda Limited	176,648.8226	1,196,720	736,216	1.06%
IFDC Ordinary Shares 2012	5,017.0000	1,046,715	1,046,715	1.51%
Provo Craft Holdings LLC	1,160.3467	20,000	12,304	0.02%
UI Acquisition Holding Co	10.6267	2,185,997	1,344,815	1.95%
UI Acquisition Holding Co	0.5542	114,003	70,134	0.10%
Total Equity			3,335,241	4.82%
Warrants (31 December 2011: 0.54%)				
Koorsharem -warrant	6,029.0000	–	–	0.00%
Lombardia Capital Partners Inc - Warrant	1.0000	666,692	410,146	0.59%
Eazyfone Limited - 08/01/2008 Warrants	5,617.0000	–	–	0.00%
Eazyfone Limited - 15/10/2008 Warrants	122.0000	–	–	0.00%
EGS Group Limited - 08/01/2008 Warrants	120,717.0000	–	–	0.00%
EGS Group Limited - 29/05/2009 Warrants	426,554.0000	–	–	0.00%
Total warrants			410,146	0.59%
Total financial assets at fair value through profit or loss			186,205,113	268.97%
Cash balances			26,971,750	38.96%
Other net liabilities			(143,313,005)	(207.01%)
Non-controlling interest			(634,941)	(0.92%)
Net Assets Attributable to Equity Holders			69,228,217	100.00%

INVESTMENT OBJECTIVE

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

INVESTMENT POLICY

General

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

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

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

Investment Policy

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

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

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

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

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

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

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

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

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

GLIF is currently an "investing company" for AIM rule purposes and therefore has an "investment policy" per above, although the Company intends to run itself as a finance company in the future.

Greenwich Loan Income Fund Limited

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