Greenwich Loan Income Fund Limited

Greenwich Loan Income Fund Limited

CONSOLIDATED AND COMPANY ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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OFFICERS AND PROFESSIONAL ADVISERS

Directors:

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

The address of the Directors is the registered office.

Investment Manager:

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United States

Broker:

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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 CLO I (the "Group") are described herein. At the current time, virtually the entire consolidated portfolio of the Company is invested at CLO I. While there are investment limitations that CLO I 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 leverage 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 CLO I 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. CLO I must also maintain portfolio limitations which include but are not limited to weighted average maturity, minimum credit spread and maximum risk profile.

Investment Policy (as amended 11 January 2011)

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

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

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

I am pleased to report the results of Greenwich Loan Income Fund Limited ("GLIF" or the "Company") for the year ended 31 December 2010. After the turbulence of the previous year, 2010 was a year of more measured progress on the surface, but significant and fundamental change beneath, which should give the Company a platform to optimise returns from an exciting asset class in the future.

Whilst 2009 could be characterised as a year of transition for the Company, towards a more mainstream investment company, 2010 was a year in which the Company reestablished itself as a mainstream vehicle with a strategy to develop long term value for shareholders. For the first time in the Company's history we agreed the acquisition of another investment company, Asset Management Investment Company plc ("AMIC") and we remain alert to other opportunities to enhance both capital and income.

Performance

The GLIF share price rose 10.4% from 26.5p to 29.25p during the year and the Company paid 4p in dividends, giving a total shareholder return of 25.5% for the year. This compares to a total shareholder return of 120.0% in 2009. Since the changes to the Board in the middle of 2009 the total shareholder return has been 226.2%. The S & P LSTA All Loans Index, which the Company's managers believe to be the most relevant index for against which to judge the performance, produced a 10.1% total return in 2010, 51.6% in 2009 and 26.3% since the changes to the Board. The market value return of the S & P LSTA All Loans Index for 2010 was 7.2%.

Just as importantly from a long-term shareholders' perspective, the extreme volatility of the preceding period has abated, without prospects for accretion of value for shareholders on a long term basis being diminished. A consistent and growing dividend has been paid for the last seven quarters. Shareholders who subscribed at launch and increased their holding through the share issue in 2009 are still some way from breaking even and this is something of which the Board is very aware and continues to focus on addressing.

AMIC acquisition

It was to this end that the Board has continually reviewed opportunities for acquisitions during the year. As I have made clear in previous statements, there are many opportunities within the debt markets, but we will not pursue any transaction that does not have the potential to be accretive to capital and income of GLIF without materially increasing the risk profile of the business.

With this in mind, AMIC the Board of GLIF identified AMIC as a potentially attractive acquisition and we approached the company at the beginning of June of 2010, to seek a recommendation for a deal which we felt was in the best interests of both sets of shareholders. We achieved a broad outline agreement at the end of October and the deal was formally announced in December and completed at the end of January 2011.

The AMIC transaction brings with it two debt instruments, that will complement the existing GLIF loan portfolio, and one high yielding equity position that ensures the transaction will be accretive in revenue terms. All of the investee businesses are financially sound, with a strong position in their respective fields.

Equally important in the process of the AMIC transaction, in terms of building GLIF for the long term, were the listing of the Company on the Channel Islands Stock Exchange ("CISX") and the amendment of the investment policy of the Company.

CISX listing

The listing on the CISX gives GLIF for the first time a listing on a Recognised Investment Exchange, and this allows our stock, for the first time, to be held by UK individuals in their ISA's. As an investment company that is seeking to provide a good and sustainable level of income, the ability for individuals to hold the shares in a tax efficient manner is vitally important.

Amended investment policy

The amendment to the investment policy provided an opportunity for the Company to set out longer-term parameters for its investments, to ensure that shareholders understood exactly what sort of exposure would be provided by GLIF in the future.

First and foremost was a commitment to the loan market. With the focus returning globally to rising interest rates, the loans market offers one of the few asset classes within the high yield arena to have the potential to perform well. When the name of the Company was changed in 2009 "Loan" was added to the name to indicate that this Company would continue to focus on the loan market, the amended investment policy reinforces this commitment.

Secondly, the amended policy discusses both direct and indirect investment in the loans market. We currently hold some loans directly, but the majority of our exposure is through T2 CLO I Ltd. This vehicle, consolidated in our balance sheet as we own 100% of the residual economics of the vehicle, gives us the economics of exposure to a portfolio of loans, leveraged through a very cheap debt facility of just 75 basis points over LIBOR until 2019. However, as the last three years have shown, such structures will trade at different values to the underlying loans at different points in the cycle. At some points it may be preferable to hold a structure, at certain points it may be better to hold loans directly. At all times we will retain exposure to the loan market but we want to ensure our investment managers have maximum flexibility to optimise that exposure as they see fit.

Thirdly the Company will continue to see US investment at the core of its investment process. There are opportunities elsewhere in the world and we may well seek to exploit these opportunities, but the US will remain a core part of our portfolio, as it is by far the largest and most liquid loan market in the world.

Finally the Company has put clear limits on the amount of non-loan assets that can be held without seeking shareholder approval. As companies emerge from the crisis, loans have been restructured and we now hold equity and warrants within GLIF as well as loans. Similarly, any transactions we look at are likely to come with assets other than loans. Whilst we do not ever want to see the focus of the Company drift from loans, we equally want to ensure that any opportunity to add value through an acquisition is not stymied by the requirement to hold nothing but loans. Indeed, it may be the "box-ticking" requirements of others that will allow us to acquire other assets at attractive prices in the future.

Future strategy

Thus far I have discussed the acquisition of assets, but equally important in the long term will be to recycle assets through sale. The loan market has seen a remarkable resurgence over the past year, but remains in a state of flux. If we see opportunities to dispose of any of our assets for better value exposure elsewhere we will not hesitate to do so, but always ensuring that our portfolio as a whole remains within the amended investment policy.

There appear many opportunities within the loan market currently, and the recovery in prices and volumes allows GLIF for the first time since I became Chairman to focus fully on optimising investor returns and not partly on maintaining cash flow within the Company.

Investor relations

I am aware that GLIF has not always been the easiest of vehicles to understand and that exacerbated the slump in the Company's share price in early 2009. Since becoming Chairman I have sought to give a greater level of explanation.

Last year we added two additional figures to our NAV announcements, to give greater clarity to the underlying value of the Company.

The value based upon assets at market value and liabilities at par was 45.4p per share as at 31 December 2010, compared to 14.8p as at 31 December 2009. This value is theoretical, since the assets within the CLO are required to remain invested, but it gives a figure based on the full extent of the Company's liabilities, rather than the market value of those liabilities, which is the IFRS basis for the NAV. The dramatic recovery reflects the gearing of returns offered by the CLO and the recovery in the US loan market

The value based upon CLO assets as calculated for interest diversion purposes, remaining assets at market, and liabilities at par was 52.8p per share as at 31 December 2010, compared to 48.5p as at 31 December 2009. This number is an indication of the underlying value within the CLO, with again the non-CLO assets at their market values. As this number is based on the performance of the loans and the companies rather than the market value it is a less volatile number than the market-based value.

In addition to striving to improve financial disclosure, the Company will continue to engage with the market and investors on as regular basis as is practical to further the understanding of the strengths of GLIF, the nature of its investments and its structure and the dynamics of the loan market.

Financials

As of 31 December 2010, the Company and its subsidiary CLO I (the "Group") had invested assets with a fair value of approximately £161.55 million, and cash of £36.67 million (including £30.45 million required to be retained within the CLO structure, available for new investment opportunities). The portfolio is comprised of variable rate investments and, on a weighted average basis, carried a spread of approximately 420 basis points over LIBOR. The Group's Net Asset Value per Share ("NAV") as of 31 December 2010 was 79p (31 December 2009: 70p). For the year ended 31 December 2010 the Group recorded a profit, including net unrealised gains on investments and liabilities, of approximately £11.05 million (31 December 2009: £2.04 million). Basic earnings per share for the period were approximately 12.66p (31 December 2009: 3.92p), and the total dividends per share in respect of the year 2010 were 4.0p (31 December 2009: 2.0p).

As we have previously described to shareholders, under International Financial Reporting Standards (IFRS), the consolidated results of operations for the Company include the impact of carrying its investments and its liabilities at fair value. Shareholders should be aware that the Company's realisation of the full NAV is unlikely. It should also be noted that because both the investment portfolio and the CLO loan notes are denominated in US dollars, the weakening of the USD versus the GBP over the course of the year has created unrealised Foreign Exchange ("FX") losses on the investment portfolio, and unrealised FX gains on the CLO loan notes. The net result of all these fair value and FX related changes are reflected in the consolidated financial results.

Prospects

We expect the loan market in 2011 to continue to offer attractive investment opportunities and performance. In addition, there are many opportunities that are presenting themselves currently to strengthen GLIF beyond its current assets and we will continue to evaluate each with a view to building long term prospects, both for the dividend and the capital of the business.

Geoff Miller
Chairman

23 March 2011

DIRECTORS' REPORT

The Directors present their report and the audited consolidated and Company financial statements for the year ended 31 December 2010.

Principal Activities

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

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

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

The Company and its subsidiary (together "the Group") have sought to achieve an attractive risk adjusted return by investing in debt securities, consisting primarily of senior debt across multiple industries. The Group invests primarily in companies with attractive fundamental characteristics including experienced management, a significant financial or strategic sponsor or partner, a strong competitive position and positive cash flow.

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 page 11. Dividends of £3,492,000 were paid during the year (31 December 2009: £430,000).

Corporate Governance

As a Guernsey incorporated company, the Company is not required to comply with the provisions of the Combined Code on Corporate Governance (the "Combined Code") issued by the Financial Reporting Council. However, the Directors believe that high standards of corporate governance should be maintained and have therefore adopted those provisions of the AIC Code of Corporate Governance (the "Code") which the Board believe are relevant to the Company given its status as a non-UK investment company. In respect of the financial year ended 31 December 2010, the Company complied with the Code save with regard to the following provisions:

- *The role of the chief executive:* The Board considers that the post of chief executive officer is not relevant for the Company as this role has effectively been delegated to the Investment Manager under the terms of the Investment Management Agreement.
- *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.
- *Executive directors' remuneration:* As the Board has no executive directors, it is not required to comply with the principles of the Code in respect of executive directors' remuneration and does not have a remuneration committee.
- *Establishment of nomination committee:* Since all of the Directors are non-executive and independent, the Board does not consider it necessary to establish a nomination committee. The Board as a whole monitors performance and plans for succession of the Board, either through Board meetings or, if appropriate, through the use of an appropriately constituted committee.
- *Establishment of management engagement committee:* Since all of the Directors are non-executive and independent, 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 Company delegates to third parties its day-to-day operations and has no employees. These third parties have their own internal audit function and the Board has therefore determined that there is no requirement for the Company to have its own internal audit function. The Directors consider annually whether a function equivalent to an internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

With effect from 29 June 2010 The UK Corporate Governance Code replaced the Combined Code.

Independence of Directors

As at 31 December 2010, the Board consisted of three members, all of whom are non-executive and independent.

The Directors recognise the importance of succession planning for 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 of Corporate Governance 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.

Each Director will retire, and seek reappointment at every third annual general meeting ("AGM"). At the AGM, to be held on 27 April 2011, Ordinary Resolutions will be proposed for Mr Firth and Mr Forni to retire by rotation, under the articles of association, and seek reappointment.

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.

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 by the Financial Reporting Council ("FRC"), ("the Turnbull Report"), 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 below) and at other unscheduled time ("Ad hoc" meetings per the table below) 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.

Meetings

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

	Board*		
	Management	Ad hoc	Audit Committee**
Geoffrey Miller *(Chairman)*	4	10	5
Frederick Forni	4	9	5
Patrick Firth	4	11	5

** 15 Board meetings have been held during the year ended 31 December 2010*

*** 5 Audit Committee meetings have been held during the year ended 31 December 2010*

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 Patrick Firth (Chairman), Geoffrey Miller 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, Management Engagement and Nomination Committees

Since all of the Directors are non-executive and independent, the Board does not consider it necessary to establish remuneration, management engagement and nomination committees.

Substantial Shareholdings

As at 4 February 2011 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
Artemis Investment Managers	17,707,954	17.95
Henderson Global Investors (UK)	14,400,000	14.60
AXA Framlington Investment Management	13,813,000	14.00
J O Hambros Investment Management	12,288,166	12.46
Philip J Milton & Company Plc**	7,235,650	7.34
HSBC Private Bank Suisse (SW)	4,900,000	4.97
Reliance Mutual Insurance Society	4,315,720	4.38
Brewin Dolphin	3,132,485	3.18

** Based on the share register as at 4 February 2011 (post AMIC transaction)*
***For or on behalf of Philip J Milton & Company Plc or its discretionary clients*

Directors Interests

As at 31 December 2010 the interests in Ordinary Shares held by the Directors who held office during the year, and their families, are set out below:

	31 December 2010	31 December 2009
	No. of Ordinary Shares	No. of Ordinary Shares
Geoffrey Miller *(Chairman)*	500,000	500,000
Frederick Forni	–	–
Patrick Firth	50,000	50,000

On 11 January 2011, Mr Miller and Mr Firth purchased 250,000 and 50,000 Ordinary Shares in the Company respectively.

On 1 February 2011, Mr Miller increased his holding by 62,627 Ordinary Shares in the Company. There were no further changes in the interest of the Directors prior to the date of this report.

Statement of Directors' Responsibilities

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

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

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

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

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 25 March 2011.

Director: Patrick Firth

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

We have audited the consolidated and company financial statements of Greenwich Loan Income Fund Limited for the year ended 31 December 2010 which comprise Consolidated and Company Income Statements, 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 9 the Company's Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's and Group's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS's 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: 25 March 2011

CONSOLIDATED AND COMPANY INCOME STATEMENTS

	NOTES	Group Year to 31 December 2010 GBP	Group Year to 31 December 2009 GBP	Company Year to 31 December 2010 GBP	Company Year to 31 December 2009 GBP
Revenue					
Other income	2	**5,168**	3,888	**5,166**	61,274
Investment Income					
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	6				
– Realised		**1,209,950**	(417,906)	**7,049**	–
– Unrealised		**7,537,549**	2,440,128	**8,733,806**	(3,994,752)
– Interest income on fair value through profit or loss assets		**9,756,442**	9,866,468	**7,223,838**	4,194,926
– Finance costs		**(1,716,936)**	(2,711,017)	**–**	–
Gain/(loss) on foreign currency transactions		**295,642**	(2,260,447)	**295,642**	(105,210)
Total Income		**17,087,815**	6,921,114	**16,265,501**	156,238
Expenses					
Management fees	4	**3,990,969**	2,965,261	**3,990,969**	2,965,261
Administration and secretarial fees	4	**113,274**	47,418	**113,274**	47,418
Custodian fees	4	**15,154**	15,070	**15,154**	15,070
Legal and professional fees		**127,504**	20,867	**127,504**	20,867
Directors' remuneration	4	**110,000**	100,000	**110,000**	100,000
Directors' and officers' insurance		**61,095**	53,402	**61,095**	53,402
Audit fees		**61,000**	45,050	**61,000**	45,050
Share option expense		**–**	58,240	**–**	58,240
Other expenses		**1,555,739**	1,580,642	**621,016**	368,491
Total Expenses		**6,034,735**	4,885,950	**5,100,012**	3,673,799
Profit/(loss) for the year		**11,053,080**	2,035,164	**11,165,489**	(3,517,561)
Basic earnings per share	5	**0.1266**	0.0392	**0.1279**	(0.0678)
Diluted earnings per share	5	**0.1264**	0.0388	**0.1276**	(0.0678)

All of the profit for the current and prior years relates to the equity holders of the parent.

The accompanying notes on pages 18 to 37 form an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Group Year to 31 December 2010 GBP	Group Year to 31 December 2009 GBP	**Company Year to 31 December 2010 GBP**	Company Year to 31 December 2009 GBP
Profit/(loss) for the year	**11,053,080**	2,035,164	**11,165,489**	(3,517,561)
Other comprehensive income				
Foreign exchange on consolidation	**342,922**	(4,678,284)	**–**	–
Total comprehensive income for the year	**11,396,002**	(2,643,120)	**11,165,489**	(3,517,561)
Attributable to:				
Equity holders of the parent	**11,396,002**	(2,643,120)	**11,165,489**	(3,517,561)
	11,396,002	(2,643,120)	**11,165,489**	(3,517,561)

The accompanying notes on pages 18 to 37 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	31 December 2010 GBP	31 December 2009 GBP
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	6	**161,545,339**	153,256,998
		161,545,339	153,256,998
Current assets			
Note receivable	8	**375,268**	500,000
Trade and other receivables	8	**409,794**	1,200,566
Cash and cash equivalents	9	**36,668,950**	24,253,613
		37,454,012	25,954,179
Total assets		**198,999,351**	179,211,177
EQUITY			
Capital and reserves attributable to the Group's equity holders			
Share premium	11	**16,087,290**	16,087,290
Other reserve		**34,802,740**	34,802,740
Foreign exchange reserve		**(1,591,921)**	(1,934,843)
Retained earnings		**19,853,646**	12,292,566
Total equity		**69,151,755**	61,247,753
LIABILITIES			
Non-current liabilities			
Loan notes at fair value through profit or loss	10	**129,207,450**	117,354,993
Current liabilities			
Trade and other payables	10	**640,146**	608,431
Total liabilities		**129,847,596**	117,963,424
Total equity and liabilities		**198,999,351**	179,211,177
Net Asset Value per Share	12	**£0.79**	£0.70

The financial statements were approved by the Board of Directors on 25 March 2011 and were signed on its behalf by:

Director: Patrick Firth

The accompanying notes on pages 18 to 37 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

	NOTES	31 December 2010 GBP	31 December 2009 GBP
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	6	**4,415,857**	3,091,446
Investment in subsidiary	7	**56,455,264**	47,433,719
Loan notes held at amortised cost	8	**675,243**	594,500
		61,546,364	51,119,665
Current assets			
Note receivable	8	**375,268**	500,000
Trade and other receivables	8	**127,812**	174,386
Cash and cash equivalents	9	**6,220,976**	8,782,971
		6,724,056	9,457,357
Total assets		**68,270,420**	60,577,022
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share premium	11	**16,087,290**	16,087,290
Other reserve		**34,802,740**	34,802,740
Retained earnings		**17,156,771**	9,483,282
Total equity		**68,046,801**	60,373,312
LIABILITIES			
Current liabilities			
Trade and other payables	10	**223,619**	203,710
Total liabilities		**223,619**	203,710
Total equity and liabilities		**68,270,420**	60,577,022
Net Asset Value per Share		**£0.78**	£0.69

The financial statements were approved by the Board of Directors on 25 March 2011 and were signed on its behalf by:

Director: Patrick Firth

The accompanying notes on pages 18 to 37 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Group	Share Capital GBP	Share Premium GBP	Other Reserve*** GBP	Foreign Exchange Reserve GBP	Retained Earnings*** GBP	Total Equity GBP
Balance at 31 December 2008	–	5,619,040	34,800,000	2,743,441	10,687,402	**53,849,883**
Net proceeds from share issue	–	10,382,750	–	–	–	**10,382,750**
Exercise of share options	–	85,500	–	–	–	**85,500**
Grant of share options	–	–	2,740	–	–	**2,740**
Dividends paid**	–	–	–	–	(430,000)	**(430,000)**
Transactions with owners	–	10,468,250	2,740	–	(430,000)	**10,040,990**
Profit for the year	–	–	–	–	2,035,164	**2,035,164**
Other comprehensive income:						
Foreign exchange on consolidation	–	–	–	(4,678,284)	–	**(4,678,284)**
Total comprehensive income for the year	–	–	–	(4,678,284)	2,035,164	**(2,643,120)**
Balance at 31 December 2009	–	16,087,290	34,802,740	(1,934,843)	12,292,566	**61,247,753**
Net proceeds from share issue	–	–	–	–	–	**–**
Dividends paid*	–	–	–	–	(3,492,000)	**(3,492,000)**
Transactions with owners	–	–	–	–	(3,492,000)	**(3,492,000)**
Profit for the year	–	–	–	–	11,053,080	**11,053,080**
Other comprehensive income:						
Foreign exchange on consolidation	–	–	–	342,922	–	**342,922**
Total comprehensive income for the year	–	–	–	342,922	11,053,080	**11,396,002**
Balance at 31 December 2010	–	16,087,290	34,802,740	(1,591,921)	19,853,646	**69,151,755**

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

The accompanying notes on pages 18 to 37 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Company	Share Capital GBP	Share Premium GBP	Other Reserve*** GBP	Foreign Exchange Reserve GBP	Retained Earnings*** GBP	**Total Equity GBP**
Balance at 31 December 2008	–	5,619,040	34,800,000	–	13,430,843	**53,849,883**
Net proceeds from share issue	–	10,382,750	–	–	–	**10,382,750**
Exercise of share options	–	85,500	–	–	–	**85,500**
Grant of share options	–	–	2,740	–	–	**2,740**
Dividends paid**	–	–	–	–	(430,000)	**(430,000)**
Transactions with owners	–	10,468,250	2,740	–	(430,000)	**10,040,990**
Loss for the year	–	–	–	–	(3,517,561)	**(3,517,561)**
Other comprehensive income:	–	–	–	–	–	**–**
Total comprehensive income for the year	–	–	–	–	(3,517,561)	**(3,517,561)**
Balance at 31 December 2009	–	16,087,290	34,802,740	–	9,483,282	**60,373,312**
Net proceeds from share issue	–	–	–	–	–	**–**
Dividends paid*	–	–	–	–	(3,492,000)	**(3,492,000)**
Transactions with owners	–	–	–	–	(3,492,000)	**(3,492,000)**
Profit for the year	–	–	–	–	11,165,489	**11,165,489**
Other comprehensive income:	–	–	–	–	–	**–**
Total comprehensive income for the year	–	–	–	–	11,165,489	**11,165,489**
Balance at 31 December 2010	–	16,087,290	34,802,740	–	17,156,771	**68,046,801**

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

The accompanying notes on pages 18 to 37 form an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

	NOTES	Group 31 December 2010 GBP	Group 31 December 2009 GBP	Company 31 December 2010 GBP	Company 31 December 2009 GBP
Cash flows from operating activities					
Cash generated from operations	13	**3,252,800**	(1,435,558)	**2,615,850**	475,757
Purchase of investments	6	**(80,166,361)**	(35,662,307)	**(1,711,000)**	(5,308,416)
Sale of investments	6	**23,754,633**	12,535,692	**–**	–
Principal received	6	**68,723,343**	28,149,558	**25,155**	28,533
Net cash inflow/(outflow) from operating activities		**15,564,415**	3,587,385	**930,005**	(4,804,126)
Cash flows from financing activities					
Net proceeds from issue of shares	11	**–**	10,382,750	**–**	10,382,750
Exercise of share options	11	**–**	30,000	**–**	30,000
CLO loan notes purchased		**–**	(561,350)	**–**	(561,350)
CLO loan notes principal paid		**–**	(235,244)	**–**	–
Dividends paid		**(3,492,000)**	(430,000)	**(3,492,000)**	(430,000)
Net cash (outflow)/inflow from financing activities		**(3,492,000)**	9,186,156	**(3,492,000)**	9,421,400
Net increase/(decrease) in cash and cash equivalents		**12,072,415**	12,773,541	**(2,561,995)**	4,617,274
Cash and cash equivalents at beginning of year		**24,253,613**	16,158,356	**8,782,971**	4,165,697
Effect of foreign exchange rate changes during the year		**342,922**	(4,678,284)	**–**	–
Cash and cash equivalents at end of year	9	**36,668,950**	24,253,613	**6,220,976**	8,782,971

The accompanying notes on pages 18 to 37 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. The address of the registered office is P.O. Box 296, Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA.

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

A Cayman Islands registered subsidiary company, T2 Income Fund CLO I Ltd. ("T2 CLO" or the "CLO"), was created on 11 October 2006. The CLO is a wholly owned subsidiary of the Company and the operating results are consolidated in these financial statements. The Group is comprised of the "Company" and the "CLO".

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

On 31 January 2011, the Company acquired a second wholly owned subsidiary, Asset Management Investment Company plc ("AMIC"). Subsequent to this transaction AMIC changed its name to Asset Management Investment Company Limited.

Investing Policy

The Group's investment policy is detailed on pages 2 and 3.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and all applicable requirements of the Guernsey Company Law, 2008. 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 have remained unchanged from the previous year and are set out below.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Greenwich Loan Income Fund Limited and its subsidiary, T2 Income Fund CLO I Ltd. Subsidaries are all entities for which the Company has greater than 50 per cent of the ownership of the residual economic interest. The Company obtains and exercises control of its subsidiary through ownership of the income notes of the entity. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated in full on consolidation.

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

(c) Foreign currency translation

(i) Functional and presentation currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Directors have considered the primary economic currency of the Company and considered the currency in which the original finance was raised, distributions made, and ultimately what currency would be returned 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 US Dollars the functional currency of the subsidiary. Therefore the books and records are maintained in Sterling and US Dollars respectively and for the purpose of the consolidated financial statements the results and financial position of the Group are presented in Sterling, which is the presentation currency of the Group.

(ii) Transactions and balances

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

2. ACCOUNTING POLICIES CONTINUED

(c) Foreign currency translation continued

(iii) Subsidiary company

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

1. assets and liabilities of the Consolidated Statement of Financial Position presented are translated at the closing rate at the date of the year end;

2. income and expenses for the Consolidated Income Statement are translated at average exchange rates for the 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.

(d) Revenue recognition

Revenue is recognised as follows:

Other income – relates to bank interest received. Bank interest is recognised on an accruals basis.

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

(e) Expenditure

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

(f) Taxation

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

(g) Share issue expenses

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

(h) Dividends

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

(i) Cash and cash equivalents

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

(j) Trade and other receivables

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

(k) Trade and other payables

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

(l) Investments and loan notes

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

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

The CLO loan notes were designated at fair value through profit or loss because the purpose of issuing the CLO loan notes was to be able to make investments in syndicated loans which were based upon the same or similar variable interest rates, and the fair value designation avoided an accounting mismatch between the sources of financing for the purchase of investments and the investments themselves. The Directors recognise that the magnitude of fair value movement of the CLO loan notes has been substantially greater than the movement of the investments, due to variations in the different markets in which these instruments are traded.

Unquoted equity security investments, 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.

2. ACCOUNTING POLICIES CONTINUED

(l) Investments and loan notes continued

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

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 companies' recent and projected financial performance as well as other relevant business developments. In those instances where the Investment Manager believes additional analysis is necessary, for example due to a significant change in the market quote without related transaction volume, an outside valuation firm will provide a valuation estimate based upon their proprietary methodologies and techniques. Factors considered in these independent valuation analyses include discounted cash flows, comparable company and comparable transaction analysis, and credit spread analysis based upon the independent valuation firms' view of the implied credit rating of the investment and the corresponding required spread in the marketplace. The Board considers all the information presented to it, including indicative bids, internal analysis, and independent valuations, in order to reach, in good faith, their fair value determination.

For bi-lateral loans, an independent third party performs portfolio company evaluations. As at 31 December 2010 and 31 December 2009, there were no bi-lateral loans in the Group's portfolio.

The fair value of the CLO loan notes is determined primarily by reference to a 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 mid-market value report is the best reflection of fair value of the notes, consistent with the requirements of IFRS, and is consistent with the other factors which have been taken into consideration.

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

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

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

Total finance costs for period were GBP1,716,936 (31 December 2009: GBP2,711,017). These finance costs are for interest due to the loan note holders. Fair value of long-term notes outstanding at 31 December 2010 were GBP129,207,450 (31 December 2009: GBP117,354,993).

(ii) Derivative Financial Instruments

Derivatives are categorised as financial assets or liabilities held for trading and valued at fair value through profit or loss. There were no derivatives held by the Group as at 31 December 2010 (31 December 2009: none).

(iii) Subsidiary

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

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

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

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

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

2. ACCOUNTING POLICIES CONTINUED

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

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.

(n) New standards

New standards and interpretations have been published that are mandatory for the Group's accounting periods after 1 February 2010 or later periods and which the Group has not early adopted:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- Improvements to IFRSs 2010 (various effective dates)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)

As of 31 December 2010, the following standards and interpretations are in issue but not yet adopted by the EU:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IFRS 7 Financial Instruments: Disclosures (effective 1 July 2011)

The Directors are currently evaluating the significance of the impact that the adoption of these standards and interpretations in future periods will have on the financial statements of the Group.

(o) Share based payments

Share options are valued in accordance with IFRS2. In accordance with IFRS2, 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.

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.

3. FINANCIAL RISK MANAGEMENT CONTINUED

Categories of financial instruments

	CARRYING VALUE AT 31 DECEMBER 2010			
	Designated Fair Value through Profit or Loss GBP	Financial Assets measured at amortised cost GBP	Financial Liabilities measured at amortised cost GBP	Other GBP
Financial assets				
Financial assets at fair value through profit or loss	**161,545,339**	**–**	**–**	**–**
Note receivable	**–**	**375,268**	**–**	**–**
Trade and other receivables	**–**	**409,794**	**–**	**–**
Cash and cash equivalents	**–**	**–**	**–**	**36,668,950**
Total assets	**161,545,339**	**785,062**	**–**	**36,668,950**
Financial liabilities				
Loan notes at fair value through profit or loss	**129,207,450**	**–**	**–**	**–**
Trade and other payables	**–**	**–**	**640,146**	**–**
Total liabilities	**129,207,450**	**–**	**640,146**	**–**

	CARRYING VALUE AT 31 DECEMBER 2009			
	Designated Fair Value through Profit or Loss GBP	Financial Assets measured at amortised cost GBP	Financial Liabilities measured at amortised cost GBP	Other GBP
Financial assets				
Financial assets at fair value through profit or loss	153,256,998	–	–	–
Note receivable	–	500,000	–	–
Trade and other receivables	–	1,200,566	–	–
Cash and cash equivalents	–	–	–	24,253,613
Total assets	153,256,998	1,700,566	–	24,253,613
Financial liabilities				
Loan notes at fair value through profit or loss	117,354,993	–	–	–
Trade and other payables	–	–	608,431	–
Total liabilities	117,354,993	–	608,431	–

With the exception of its investment in subsidiary, the same measurement categories are applied to the balances held by the Company.

3. FINANCIAL RISK MANAGEMENT CONTINUED

Capital Risk Management

The Group's capital is represented by the net assets attributable to shareholders and the objective when managing capital is to enable the Group to continue as a going concern in order to provide a consistent appropriate risk-adjusted return to shareholders, and to maintain a strong capital base to support the continued development of its investment activities. The Group manages its capital to ensure that its objective is met. It does this by investing available cash whilst maintaining sufficient liquidity to meet on-going expenses and dividend payments. The Group considers its capital to include share capital, distributable reserves, retained earnings, and debt. The Group is not subject to regulatory or industry specific limitations on its capital, other than the legal requirements for Guernsey incorporated entities. The Group considers the amount and composition of its capital in proportion to risk. Adjustments to the capital structure will be taken in response to economic conditions, the cost of debt, the ability to raise share capital, and other opportunities and factors which the Board may consider. At 31 December 2010 the Group had total equity of GBP69,151,755 (31 December 2009: GBP61,247,753).

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

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

The Investment Manager ensures that not more than 15% of the Group's gross assets are invested in any one investment. Consistent with shareholder approval obtained in December 2006, the Group may apply leverage up to 500%, or five times, the net asset value of the Group. Leverage is the ability to incur indebtedness for the purpose of making investments. The Group has incurred net indebtedness (approximately US$246.9 million; GBP152.9 million at cost, US$201.7 million; GBP129.2 million 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. 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 consolidated 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 Group's offering memorandum. All investments present a risk of loss of capital.

At 31 December 2010, the Group's market risk is affected by three main components: changes in actual market prices, interest rate and foreign currency movements. Interest rates and foreign currency movements are covered at (b) and (c) below.

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

If market prices had increased by 5% with all other variables held constant, this would have increased net assets attributable to holders of equity shares by approximately GBP1,616,894 (31 December 2009: GBP1,795,100), due to the increase in the fair value of financial assets at fair value through profit or loss by GBP8,077,267 (31 December 2009: GBP7,662,850) offset by the increase in the fair value of the financial liabilities at fair value through profit or loss by GBP6,460,373 (31 December 2009: GBP5,867,750). Conversely, if market prices had decreased by 5%, this would have decreased net assets attributable to holders of equity shares by approximately GBP1,616,894 (31 December 2009: GBP1,795,100), due to the decrease in the fair value of financial assets at fair value through profit or loss by GBP8,077,267 (31 December 2009: GBP7,662,850) offset by the decrease in the fair value of the financial liabilities at fair value through profit or loss by GBP6,460,373 (31 December 2009: GBP5,867,750).

(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.

3. FINANCIAL RISK MANAGEMENT CONTINUED

(b) Interest rate risk continued

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

At 31 December 2010	Floating Rate Financial Assets GBP	Fixed rate Financial Assets GBP	Non-interest Bearing Financial Assets GBP	Total GBP
Assets				
Financial assets at fair value through profit or loss	**160,456,433**	**–**	**1,088,906**	**161,545,339**
Note receivable	**–**	**–**	**375,268**	**375,268**
Trade and other receivables	**–**	**–**	**409,794**	**409,794**
Cash and cash equivalents	**36,668,950**	**–**	**–**	**36,668,950**
Total assets	**197,125,383**	**–**	**1,873,968**	**198,999,351**
Liabilities				
Loan notes	**129,207,450**	**–**	**–**	**129,207,450**
Trade and other payables	**–**	**–**	**640,146**	**640,146**
Total liabilities	**129,207,450**	**–**	**640,146**	**129,847,596**
Total interest sensitivity gap	**67,917,933**	**–**	**1,233,822**	**69,151,755**

At 31 December 2009	Floating Rate Financial Assets GBP	Fixed rate Financial Assets GBP	Non-interest Bearing Financial Assets GBP	Total GBP
Assets				
Financial assets at fair value through profit or loss	153,256,998	–	–	153,256,998
Note receivable	–	–	500,000	500,000
Trade and other receivables	–	–	1,200,566	1,200,566
Cash and cash equivalents	24,253,613	–	–	24,253,613
Total assets	177,510,611	–	1,700,566	179,211,177
Liabilities				
Loan notes	117,354,993	–	–	117,354,993
Trade and other payables	–	–	608,431	608,431
Total liabilities	117,354,993	–	608,431	117,963,424
Total interest sensitivity gap	60,155,618	–	1,092,135	61,247,753

The sensitivity analyses below have been determined based on the Group's exposure to interest rates for interest bearing assets and liabilities (included in the interest rate exposure table above) at the 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.

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 2010, should the interest spread have lowered by 200 basis points with all other variables remaining constant, the decrease in net assets attributable to holders of equity for the period would amount to approximately GBP3,437,414 (31 December 2009: GBP4,311,447). If the interest spread had risen by 200 basis points, the increase in net assets attributable to holders of equity would amount to approximately GBP3,437,414 (31 December 2009: GBP4,311,447).

3. FINANCIAL RISK MANAGEMENT CONTINUED

(b) Interest rate risk continued

At 31 December 2010, should interest rates have lowered by 25 basis points with all other variables remaining constant, the increase in net assets attributable to holders of equity for the year would amount to approximately GBP139,233 (31 December 2009: increase in net assets GBP100,940). If the interest rate had risen by 25 basis points, the decrease in net assets attributable to holders of equity would amount to approximately GBP139,233 (31 December 2009: decrease in net assets GBP100,940).

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

(c) Currency risk

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

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

31 December 2010	**USD**	**GBP**	**Total**
Assets			
Financial assets at fair value through profit or loss account	**161,545,339**	**–**	**161,545,339**
Cash and cash equivalents	**32,540,192**	**4,128,758**	**36,668,950**
Note receivable	**–**	**375,268**	**375,268**
Trade and other receivables	**403,086**	**6,708**	**409,794**
Total assets	**194,488,617**	**4,510,734**	**198,999,351**
Liabilities			
Loan notes at fair value through profit or loss	**129,207,450**	**–**	**129,207,450**
Trade and other payables	**488,205**	**151,941**	**640,146**
	129,695,655	**151,941**	**129,847,596**
Total currency sensitivity gap	**64,792,962**	**4,358,793**	**69,151,755**

31 December 2009	USD	GBP	Total
Assets			
Financial assets at fair value through profit or loss account	153,256,998	–	153,256,998
Cash and cash equivalents	24,253,537	76	24,253,613
Note receivable	–	500,000	500,000
Trade and other receivables	1,077,478	123,088	1,200,566
Total assets	178,588,013	623,164	179,211,177
Liabilities			
Loan notes at fair value through profit or loss	117,354,993	–	117,354,993
Trade and other payables	474,021	134,410	608,431
Total liabilities	117,829,014	134,410	117,963,424
Total currency sensitivity gap	60,758,999	488,754	61,247,753

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.

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, translated at the period end date.

3. FINANCIAL RISK MANAGEMENT CONTINUED

(c) Currency risk continued

At 31 December 2010, if GBP had weakened or strengthened by 5% against the US Dollar, with all other variables held constant, the increase or decrease respectively in net assets attributable to holders of equity shares would amount to approximately GBP3,239,648 (31 December 2009: GBP3,037,950).

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

Portfolio by rating category	31 December 2010	31 December 2009
1	**9%**	8%
2	**73%**	58%
3	**18%**	33%
4	**0%**	0%
5	**0%**	1%
Total	**100%**	100%

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

(1) The above methodology outlines the general parameters adopted to determine ratings, and other facts and circumstances may be considered when determining an appropriate Credit Ratings Level.
(2) An estimate of the potential amount of principal loss will be determined on a quarterly basis.

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

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

The credit risk associated with the CLO loan notes, designated as a financial liability held at fair value through profit or loss, is affected by changes in the credit ratings associated with the different classes of the loan notes. During 2009 the following changes in ratings were noted for each of the classes:

- Class A - rated as AAA by Standard & Poor's and Aaa by Moody's throughout the year
- Class B - rated as AA by Standard & Poor's and Aa2 by Moody's throughout the year
- Class C - rated as A by Standard & Poor's throughout the year and rated as Baaa3 by Moody's at the start of the year and subsequently upgraded to Baa1 during the year
- Class D - rated as BBB by Standard & Poor's throughout the year and rated as Ba3 by Moody's at the start of the year and subsequently upgraded to Ba1 during the year
- Class E - rated as BB by Standard & Poor's throughout the year and rated as B3 at the start of the year and subsequently upgraded to B3 during the year.

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 Income Fund CLO I Ltd, 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	Later than 5 years GBP	No stated maturity GBP
At 31 December 2010					
Loan notes	**800,486**	**813,753**	**6,461,378**	**162,473,589**	**–**
Trade and other payables	**640,146**	**–**	**–**	**–**	**–**
Total financial liabilities	**1,440,632**	**813,753**	**6,461,378**	**162,473,589**	**–**
At 31 December 2009					
Loan notes	766,093	766,093	6,128,743	158,516,210	–
Trade and other payables	608,431	–	–	–	–
Total financial liabilities	1,374,524	766,093	6,128,743	158,516,210	–

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 Group adopted the amendments to IFRS 7 "Improving Disclosures about Financial Instruments" effective from 1 January 2009. These amendments require the Group to present certain information about financial instruments measured at fair value in the Consolidated Statement of Financial Position.

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

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

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

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

At 31 December 2010	*Note*	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Assets					
Broadly syndicated loans	*a*	**–**	**–**	**160,456,433**	**160,456,433**
Equity securities	*b*	**–**	**–**	**1,088,906**	**1,088,906**
Total		**–**	**–**	**161,545,339**	**161,545,339**
Liabilities					
CLO loan notes	*c*	**–**	**–**	**(129,207,450)**	**(129,207,450)**
Total		**–**	**–**	**(129,207,450)**	**(129,207,450)**
Net Fair Value		**–**	**–**	**32,337,889**	**32,337,889**

3. FINANCIAL RISK MANAGEMENT CONTINUED

(e) Liquidity risk continued

Financial instruments measured at fair value continued

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

Measurement of fair value

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

(a) Broadly syndicated loans

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

(b) Equity securities

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

(c) CLO loan notes

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

Level 3 fair value measurements

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

Period ended 31 December 2010	Broadly Syndicated loans GBP	Equity GBP	CLO Loan Notes GBP	Total GBP
Opening balance	**153,256,998**	**–**	**(117,354,993)**	**35,902,005**
Purchases	**80,166,361**	**–**	**–**	**80,166,361**
Sales	**(23,754,633)**	**–**	**–**	**(23,754,633)**
Capital repayments	**(68,723,343)**	**–**	**–**	**(68,723,343)**
Gains and losses recognised in profit and loss				
– realised	**1,209,950**	**–**	**–**	**1,209,950**
– unrealised	**18,301,100**	**1,088,906**	**(11,852,457)**	**7,537,549**
Closing balance	**160,456,433**	**1,088,906**	**(129,207,450)**	**32,337,889**

3. FINANCIAL RISK MANAGEMENT CONTINUED

(c) CLO loan notes continued

Level 3 fair value measurements continued

Year ended 31 December 2009	Broadly Syndicated loans GBP	CLO Loan Notes GBP	Total GBP
Opening balance	126,644,228	(88,538,096)	38,106,132
Purchases	35,662,307	–	35,662,307
Sales	(12,535,692)	561,350	(11,974,342)
Capital repayments	(28,149,558)	235,244	(27,914,314)
Gains and losses recognised in profit and loss			
– realised	(1,876,127)	1,458,221	(417,906)
– unrealised	33,511,840	(31,071,712)	2,440,128
Closing balance	153,256,998	(117,354,993)	35,902,005

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

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

4. FUND EXPENSES

Management fee

The Investment Manager, T2 Advisers, LLC, is entitled to receive an annual fee payable quarterly in advance. The management fee is calculated based on 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.

Total fees charged for the period ended 31 December 2010 amounted to GBP3,990,969 (31 December 2009: GBP2,965,261). The total amount due and payable at the year end amounted to GBPnil (31 December 2009: 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 24 July 2010 to 31 December 2010, Praxis Fund Services was entitled to an annualised fee for its services, as administrator and secretary, 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.

For the period 1 January 2010 to 24 July 2010, the former Administrator and Secretary, Butterfield Fulcrum Group (Guernsey) Limited, was entitled to an annual fee for its services, as administrator and secretary, of 0.075% of the Net Asset Value of the Group, calculated on the last business day of each quarter and payable quarterly in arrears. The fee was subject to a minimum of GBP40,000 per annum. They are also due a fixed accounting fee of GBP10,000 per annum plus a fixed fee of GBP5,000 for their registrar services.

Total Administration and secretarial fees (excluding accounting and registrar fees) charged for the year ended 31 December 2010 amounted to GBP113,274 (31 December 2009: GBP47,418). The total amount due and payable at the year end amounted to GBP39,609 (31 December 2009: GBP11,410).

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 2010 amounted to GBP15,154 (31 December 2009: GBP15,070). The total amount due and payable at the year end amounted to GBP3,750 (31 December 2009: GBP3,750).

4. FUND EXPENSES CONTINUED

Directors fees

Each of the Directors has entered into an agreement with the Company providing for them to act as a non-executive director of the Company. Their annual fees, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company were as follows:

	31 December 2010 GBP	31 December 2009 GBP
Geoffrey Miller *(Chairman)*	**40,000**	25,000
Frederick Forni	**25,000**	25,000
Patrick Firth	**25,000**	25,000

Total fees charged to the Group for the year ended 31 December 2010 amounted to GBP110,000 (31 December 2009: GBP100,000). The total amount due and payable at the period end amounted to GBPnil (31 December 2009: GBP16,250). During the year ended 31 December 2010, a one off additional payment of GBP20,000 (31 December 2009: GBP35,000) was made to the Chairman in recognition of special services provided to the Company.

5. EARNINGS PER ORDINARY SHARE

Earnings per share has been calculated by dividing the profit attributable to Ordinary Share holders of GBP11,053,080 (31 December 2009: GBP2,035,164) by the weighted average number of Ordinary Shares outstanding during the year of 87,300,000 (31 December 2009: 51,857,534). Fully diluted profit per share has been calculated by dividing the profit attributable to Ordinary Share holders of GBP11,053,080 (31 December 2009: GBP2,035,164), by the weighted average number of Ordinary Shares outstanding during the year adjusted for the effects of all dilutive potential Ordinary Shares 87,479,376 (31 December 2009: 52,516,651).

Basic earnings per Ordinary Share

Date	No. of shares	No. of days	Weighted average no. of shares
01/01/10 & 30/12/10	87,300,000	365	87,300,000
01/01/09	43,000,000	292	34,400,000
20/10/09	87,000,000	3	715,068
23/10/09	87,300,000	70	16,742,466
		365	51,857,534

Diluted earnings per Ordinary Share

Date	No. of shares	No. of days	Weighted average no. of shares
01/01/10	87,905,555	85	20,471,157
26/03/10	87,350,000	280	67,008,219
		365	87,479,376
01/01/09	43,555,555	197	23,508,067
17/07/09	43,905,555	95	11,427,473
20/10/09	87,905,555	73	17,581,111
		365	52,516,651

	31 December 2010 No. of shares	31 December 2009 No. of shares
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**87,300,000**	51,857,534
Effect of dilutive potential ordinary shares:		
Share options	**179,376**	659,117
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**87,479,376**	52,516,651

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

	Group 2010 GBP	Group 2009 GBP	Company 2010 GBP	Company 2009 GBP
Debt securities of listed companies	**46,648,497**	52,098,842	**–**	–
Debt securities of unlisted companies	**113,807,936**	101,158,156	**3,326,951**	3,091,446
Unlisted equity securities	**1,088,906**	–	**1,088,906**	–
Investment in subsidiary	**–**	–	**56,455,264**	47,433,719
	161,545,339	153,256,998	**60,871,121**	50,525,165
Realised gains/(loss) recognised on financial assets and liabilities at fair value through profit or loss (1)				
– Realised gain/(loss) on investments	**1,209,950**	(1,876,127)	**7,049**	–
– Realised gain on financial liabilities	**–**	1,458,221	**–**	–
	1,209,950	(417,906)	**7,049**	–
Unrealised gains/(losses) recognised on financial assets and liabilities at fair value through profit or loss (2)				
– Unrealised gain/(loss) on financial assets	**19,390,006**	33,511,840	**8,733,806**	(3,994,752)
– Unrealised loss on financial liabilities	**(11,852,457)**	(31,071,712)	**–**	–
	7,537,549	2,440,128	**8,733,806**	(3,994,752)

	Group 2010 GBP	Group 2009 GBP	Company 2010 GBP	Company 2009 GBP
Opening cost of financial assets	**137,653,776**	144,552,846	**6,640,018**	1,360,135
Purchases	**80,166,361**	35,662,307	**1,711,000**	5,308,416
Sales	**(23,754,633)**	(12,535,692)	**–**	–
Realised gain/(loss) of investments	**1,209,950**	(1,876,127)	**7,049**	–
Capital repayments	**(68,723,343)**	(28,149,558)	**(25,155)**	(28,533)
Cost of investments at year end	**126,552,111**	137,653,776	**8,332,912**	6,640,018
Unrealised gain/(loss) at year end	**34,993,228**	15,603,222	**(3,917,055)**	(3,548,572)
Closing value at year end	**161,545,339**	153,256,998	**4,415,857**	3,091,446

(1) For the year ended 31 December 2010 the Group had a realised gain of GBP1,209,950 (31 December 2009: GBP417,906 loss) which comprised a realised gain on investments of GBP1,209,950 (31 December 2009: GBP1,876,127 loss) and a realised gain on the purchase of some of the CLO loan notes by the parent company, Greenwich Loan Income Fund Limited, of GBPnil (31 December 2009: GBP1,458,221 gain).

(2) For the year ended 31 December 2010 the Group had an unrealised gain on financial assets and liabilities at fair value through profit or loss of GBP7,537,549 (31 December 2009: GBP2,440,128). This is comprised of an unrealised gain on financial assets of GBP19,390,006 (31 December 2009: GBP33,511,840) and an unrealised loss on liabilities of GBP11,852,457 (31 December 2009: GBP31,071,712).

7. INVESTMENT IN SUBSIDIARY

	Company 31 December 2010 GBP	Company 31 December 2009 GBP
Opening cost of investment in subsidiary	**29,928,228**	29,928,228
Additions at cost	**–**	–
Cost of investment in subsidiary at year end	**29,928,228**	29,928,228
Unrealised gain	**26,527,036**	17,505,491
Closing fair value of investment in subsidiary	**56,455,264**	47,433,719

8. TRADE AND OTHER RECEIVABLES

	Group 2010 GBP	Group 2009 GBP	Company 2010 GBP	Company 2009 GBP
Accrued bank interest	**147**	1	**147**	–
Loan interest receivable	**363,035**	1,155,306	**81,053**	129,127
Prepaid expenses	**46,612**	45,259	**46,612**	45,259
	409,794	1,200,566	**127,812**	174,386
Current assets				
Note receivable	**375,268**	500,000	**375,268**	500,000
Non current assets				
Loan notes held at amortised cost	**–**	–	**675,243**	594,500

The GBP375,268 (31 December 2009: GBP500,000) note receivable relates to a promissory note that was originally due for payment in 2009 from T2 Advisers, LLC, the Company's Investment Manager. This note, which is subject to certain conditions, was signed on 5 December 2006 and was subject to interest of 8% per annum, compounded annually. On 29 September 2009 it was agreed that payment on the promissory note be deferred (with interest ceasing to accrue from that date) until such time as the reduction in the aggregate fees paid by the Company to the Investment Manager, commencing 1 July 2010, is equal to the amount payable under the note, at which point the note will be cancelled. The note began to be repaid with effect from 30 September 2010. The promissory note has been classified as a current asset as at 31 December 2010.

During the year to 31 December 2009, the Company purchased some of the CLO loan notes from its subsidiary T2 Income Fund CLO I Ltd. At a Company level, the loan notes are designated as receivables held at amortised cost.

9. CASH AND CASH EQUIVALENTS

	Group 2010 GBP	Group 2009 GBP	Company 2010 GBP	Company 2009 GBP
Call account	**36,668,950**	24,253,613	**6,220,976**	8,782,971

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

10. TRADE AND OTHER PAYABLES

	Group 2010 GBP	Group 2009 GBP	Company 2010 GBP	Company 2009 GBP
Current liabilities				
Due to Subsidiary	**–**	–	**71,678**	69,299
Administrator's fees	**39,609**	11,410	**39,609**	11,410
Custodian's fees	**3,750**	3,750	**3,750**	3,750
Audit fees	**50,000**	40,000	**50,000**	40,000
Directors' fees	**–**	16,250	**–**	16,250
Finance cost (1)	**340,538**	327,717	**–**	–
Other accruals	**206,249**	209,304	**58,582**	63,001
	640,146	608,431	**223,619**	203,710
Non current liabilities				
Loan notes	**129,207,450**	117,354,993	**–**	–

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 have been eliminated within the consolidated financial statements for consolidation purposes only and a realised gain of GBP1,458,221 recognised in the Company's financial statements.

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

11. SHARE CAPITAL

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

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

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

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

Effective 21 April 2008, the options to acquire 4,222,222 ordinary shares were cancelled in consideration of a one-off cash payment by the Company to the Investment Manager of GBP1.4 million. The amount of the payment was determined by the Board with reference to the present value of the options, with the application of a further discount, and after consultation with the Company's nominated advisor.

The Investment Manager was granted options to purchase 555,555 Ordinary Shares at 101.75p per Share, the value of the original options granted was based upon the 5,000,000 Ordinary Shares issued in June 2007, in accordance with the terms of the Share Option Plan. Effective 26 March 2010, upon mutual agreement the 555,555 options were cancelled without additional payment as part of the restructuring of the investment management agreement.

In accordance with IFRS2, the value of the options was based upon an estimate of the fair value of the services received. The Company believes that the fair value can be determined by a comparison to a performance-based incentive fee program, which arrangements are common practice in the industry, because the option program was similarly intended to compensate the Investment Manager for achieving superior returns. The fair value estimate was based, in good faith, upon the present value of a hypothetical performance-based incentive fee, assuming a fee of 20% of the excess return above an 8% hurdle rate over a ten-year period; the fair value of the options was determined to be £100,000. For the year ending 31 December 2010 the Company charged GBPnil (31 December 2009: GBPnil) to expenses representing the amortisation of the fair value of the options, which had been fully expensed during 2007 upon meeting the performance criteria.

11. SHARE CAPITAL CONTINUED

On 17 July 2009, the Directors were granted options over 350,000 shares in total, exercisable at a price of 10p per share at any time up to the second anniversary of the passing of the relevant resolution. On 23 October 2009, 300,000 of these options were exercised. Under IFRS2, the share options granted are measured at fair value at the grant date based on market prices. On exercise of the share options the change in fair value is also recognised and expensed in the Income Statement. There was no share option expense for the year ended 31 December 2010. During the year to 31 December 2010, a share option expense of GBPnil (31 December 2009: GBP58,240) was recognised in relation to these share options issued.

Share Capital	**31 December 2010 Shares in issue**	31 December 2009 Shares in issue
Ordinary shares – nil par value		
Balance at start year	**87,300,000**	43,000,000
Issued during the year	**–**	44,000,000
Options exercised	**–**	300,000
Balance at end year	**87,300,000**	87,300,000

Share Premium	**31 December 2010 GBP**	31 December 2009 GBP
Balance at start year	**16,087,290**	5,619,040
Issued during year	**–**	11,000,000
Options exercised	**–**	85,500
Issue costs	**–**	(617,250)
Balance at end year	**16,087,290**	16,087,290

12. NET ASSET VALUE PER 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 GBP69,151,755 (31 December 2009: GBP61,247,753) by the Ordinary Shares in issue at the end of the year being 87,300,000 (31 December 2009: 87,300,000).

13. CASH GENERATED FROM OPERATIONS

	Group 2010 GBP	Group 2009 GBP	**Company 2010 GBP**	Company 2009 GBP
Profit/(loss) for the year	**11,053,080**	2,035,164	**11,165,489**	(3,517,561)
Adjustments for:				
Realised (gain)/loss arising on adjustment to financial assets and liabilities	**(1,209,950)**	417,906	**(7,049)**	–
Unrealised (gain)/loss arising on adjustment to financial assets and liabilities	**(7,537,549)**	(2,440,128)	**(8,733,806)**	3,994,752
Unrealised gain on loan notes held at amortised cost	**–**	–	**–**	(9,775)
Additional interest on loan notes held at amortised cost	**–**	–	**–**	(23,375)
Share option expense	**–**	58,240	**–**	58,240
Changes in working capital:				
Trade and other receivables	**915,504**	217,367	**171,307**	(54,758)
Trade and other payables	**31,715**	(1,724,107)	**19,909**	28,234
Cash inflow/(outflow) from operations	**3,252,800**	(1,435,558)	**2,615,850**	475,757

14. CONSOLIDATED SUBSIDIARY UNDERTAKING

Through its 100% ownership of the residual economic interest in T2 Income Fund CLO I Ltd., the Directors consider the following entity as a wholly owned subsidiary of the Company and its results and financial position are included within the consolidated results of the Company.

	Date of incorporation	Country of incorporation	Nature of holding	Percentage holding
T2 Income Fund CLO I Ltd	11 October 2006	Cayman Islands	Income Notes	100%

15. SEGMENTAL REPORTING

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

The vast majority of the Group's investment income arises from investments in entities incorporated in the US. Approximately 97% of the Group's portfolio is based in the US with the remainder of investments being based in Canada. The Group has a highly diversified portfolio of investments and no single investment accounts for more than 10% of the Group's income.

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

There were no changes in reportable segments during the year 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 2010 GBP	Group 2009 GBP	**Company 2010 GBP**	Company 2009 GBP
Amounts incurred during the year to related parties				
Fees due to P Conroy as Chief Financial Officer to the Company	**125,000**	–	**125,000**	–
Fees due to the Investment Manager, T2 Advisers, LLC	**3,990,696**	2,965,261	**3,990,696**	2,965,261
Reimbursement due to BDC Partners, LLC	**–**	85,942	**–**	85,942

	Group 2010 GBP	Group 2009 GBP	**Company 2010 GBP**	Company 2009 GBP
Amounts due to related parties at the year end				
Fees due to P Conroy as Chief Financial Officer to the Company	**–**	56,250	**–**	6,250
Due to subsidiary in relation to Wall Street Office system	**–**	–	**58,375**	56,440
Amounts due from related parties at the year end				
Note receivable from the Investment Manager, T2 Advisers, LLC	**375,268**	500,000	**375,268**	500,000

On 18 December 2009, the Company acquired an investment in senior secured corporate notes, Koosharem 2nd Lien, from the CLO for US$8.55 million (GBP5.31 million). While on a consolidated basis the transaction had no net impact on the Group Statement of Financial Position, the acquisition may improve the CLO's likelihood of being in compliance with certain covenants, and will have the effect of increasing the probability of the Company receiving future interest payments from the CLO.

On 9 November 2010, the Company acquired two investment holdings, both in Stratus Technologies Bermuda Limited, from the Subsidiary for aggregated proceeds ofUS$1.70 million (GBP1.06 million). On a consolidated basis this transaction had no net impact on the Group Statement of Financial Position.

16. RELATED PARTY TRANSACTIONS CONTINUED

Directors shareholdings in Company

At 31 December 2010, Geoff Miller had a beneficial interest in 500,000 ordinary shares, representing 0.57% of the Company's issued share capital and Patrick Firth held 100,000 ordinary shares, representing 0.06% of the Company's issued share capital.

At 31 December 2010, Frederick Forni held a share option for 50,000 ordinary shares.

17. COMMITMENTS AND CONTINGENCIES

There were no commitments or contingencies as at 31 December 2010 (31 December 2009: none).

18. POST BALANCE SHEET EVENTS

Significant Portfolio Movements

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

Closing Date	Nominal		Purchase Price GBP
31 January 2011	17,314,412	Asset Management Investment Company PLC	12,253,269

Since the period end the Group made the following sales:

Closing Date	Par Amount		Realised gain GBP
11 February 2011	US$1,137,000	CLO Note Class B	285,344
11 February 2011	US$3,000,000	CLO Note Class D	1,203,909

Acquisition of Asset Management Investment Company PLC ("AMIC")

On 7 December 2010, the boards of Greenwich Loan income Fund Limited ("GLIF") and AMIC announced that they had agreed the terms of the acquisition by GLIF of the entire issued share capital of AMIC. This was implemented by means of a scheme of arrangement pursuant to Part 26 of the Companies Act. The scheme became effective on 31 January 2011.

Under the terms of the acquisition, all of AMIC's existing issued ordinary share capital was cancelled and new AMIC shares were issued and credited as fully paid to GLIF and AMIC became a wholly owned subsidiary of GLIF. Former AMIC shareholders could elect to receive cash under the basic offer or new GLIF Shares under the share alternative or a mix of both.

Under the basic offer, cash was paid in exchange for AMIC Shares valued at 92 per cent. of the AMIC Formula Asset Value ("FAV") of GBP12.25 million, or 76.923p per share. Under the share alternative, new GLIF Shares were issued in exchange for AMIC shares valued at 92 per cent. of the AMIC FAV. The value of a new GLIF Share was set at 28.25p being the mid-market closing share price of a GLIF Share on 25 October 2010, the business day prior to the indicative offer announcement.

As a result 11,333,610 new Ordinary Shares in GLIF were issued.

The new GLIF Shares and the existing GLIF Shares were admitted to the Official List of the Channel Islands Stock Exchange by way of a combination of an introduction and a consideration issue.

The Board of GLIF identified the following benefits of the AMIC acquisition for GLIF shareholders:

- greater strength and depth to the ownership of GLIF and a larger net asset base for the enlarged Group which may provide more liquidity in GLIF shares under normal market circumstances;
- the acquisition should result in an enhancement in the net asset value per GLIF Share and should be accretive to both capital and income for GLIF;
- the acquisition diversifies the sources of both capital and income for the enlarged group; and
- cost reductions across the enlarged group through economies of scale and having one quoted holding company rather than two.

Under the Share Alternative in the terms of the Acquisition, this transaction resulted in 11,333,610 new Ordinary Shares in the Company being issued.

Gearing

To fund the above transaction, on 2 February 2011 the Company drew down GBP12 million in accordance with a loan facility between the Company and Investec Bank PLC. On 15 February 2011, the Company repaid £4 million of this loan and at the date of this report the outstanding loan balance was £8 million.

18. POST BALANCE SHEET EVENTS CONTINUED

Ordinary Share Issue

On 1 February 2011, the Company announced that 11,333,610 new Ordinary Shares had been issued and that these shares were admitted to trading on AIM on the same day. At the date of this report the Company's capital consisted of 98,633,610 Ordinary Shares of no par value.

Listing on Channel Islands Stock Exchange ("CISX")

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

Amendment to the Company's Investment Policy

On 11 January 2011, the shareholders approved the clarification to the Company's investment policy. The full investment policy is disclosed on pages 2 and 3.

Change in Directors shareholdings in the Company

On 11 January 2011, Mr Miller and Mr Firth purchased an additional 250,000 and 50,000 Ordinary Shares in the Company respectively.

On 1 February 2011, Mr Miller increased his holding by 62,627 Ordinary Shares in the Company. There were no further changes in the interest of the Directors prior to the date of this report.

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

PORTFOLIO STATEMENT OF THE GROUP
AS AT 31 DECEMBER 2010

Loans - debt securities of listed companies	Principal US$	Fair Value US$	Fair Value GBP	% of net assets
Boise Paper	3,826,940	3,822,156	2,448,217	3.54%
Cablevision (CSC Holdings)	3,053,684	3,042,721	1,948,963	2.82%
Charter Communications	4,984,468	4,913,838	3,147,475	4.55%
Community Health Extended	1,922,961	1,914,000	1,225,980	1.77%
Community Health Non-Extended	4,021,857	3,919,300	2,510,441	3.63%
Corel	7,180,336	6,798,917	4,354,930	6.30%
Dean Foods	5,939,385	5,781,991	3,703,556	5.36%
Emdeon Business Solutions	5,979,453	5,917,147	3,790,128	5.48%
Ford	6,702,609	6,687,460	4,283,539	6.19%
IM Holding (Inverness Medical)	3,835,256	3,748,963	2,401,334	3.47%
Mediacom TL-C	3,938,462	3,746,462	2,399,732	3.47%
Mediacom TL-D	1,975,000	1,966,982	1,259,916	1.82%
MetroPCS	3,958,656	3,948,760	2,529,311	3.66%
National Cinemedia	5,000,000	4,890,650	3,132,622	4.54%
Navisite	1,488,500	1,414,075	905,762	1.31%
Sally	4,884,240	4,874,081	3,122,009	4.51%
SuperValu - Term Loan B1	1,291,831	1,272,002	814,759	1.18%
SuperValu - Term Loan B2	2,289,859	2,257,526	1,446,020	2.09%
X-rite	1,934,786	1,910,602	1,223,803	1.77%
		72,827,633	46,648,497	67.46%

Loans - debt securities of unlisted companies	Principal US$	Fair Value US$	Fair Value GBP	% of net assets
4437667 Canada Inc. (Mold Masters)	5,576,188	5,018,569	3,214,559	4.65%
Anchor Glass	4,427,885	4,435,501	2,841,084	4.11%
Aramark Corp LC-1 US Term Loan Non-Extending	1,754,113	1,732,730	1,109,871	1.60%
Aramark Corp LC-2 Term Loan B Extended	3,701,755	3,705,456	2,373,467	3.43%
Atlantic Broadband Finance LLC	1,930,435	1,942,983	1,244,544	1.80%
Attachmate	7,431,377	7,358,922	4,713,632	6.82%
Burger King Corporation	2,500,000	2,535,800	1,624,263	2.35%
Decision Resources LLC	4,500,000	4,432,500	2,839,162	4.11%
Diversified Machine	5,500,000	5,335,000	3,417,243	4.94%
DynCorp International Inc Loan	2,992,500	3,009,946	1,927,970	2.79%
Fifth Third Processing Solutions LLC	2,000,000	2,014,160	1,290,136	1.87%
First Data Corporation B-1	8,386,150	7,746,706	4,962,020	7.18%
Georgia Pacific TL B	2,342,436	2,340,187	1,498,967	2.17%
Getty Images	3,990,000	4,019,925	2,574,894	3.72%
HCA TL-A	3,066,576	3,026,587	1,938,629	2.80%
Houghton	3,850,379	3,580,853	2,293,654	3.32%
Huish Detergents	5,908,240	5,640,538	3,612,950	5.22%
Hyland Software Inc	3,181,818	3,185,795	2,040,607	2.95%
InfoNXX	6,720,000	6,406,378	4,103,496	5.93%
Infor Global	5,745,000	5,524,794	3,538,811	5.12%
Merrill Corp 2nd Lien	1,028,636	992,634	635,815	0.92%
MLM Holdings Inc	5,985,000	5,895,225	3,776,086	5.46%
MR Default (Prommis Solutions)	2,124,977	2,061,227	1,320,284	1.91%
NameMedia (2)	3,579,950	3,490,451	2,235,749	3.23%
Network Solutions	4,258,456	4,034,887	2,584,478	3.74%
Nusil	2,537,143	2,524,457	1,616,998	2.34%
Pegasus	8,625,986	8,094,022	5,184,487	7.50%
Petco Animal Supplies	4,000,000	3,996,680	2,560,005	3.70%
Presidio Inc.	5,625,000	5,484,375	3,512,923	5.08%
Prodigy Health 1st lien	5,736,711	5,048,306	3,233,606	4.68%
Prodigy Health 2nd lien	1,506,667	1,152,600	738,278	1.07%
Proquest	4,687,500	4,582,031	2,934,942	4.25%

Loans - debt securities of unlisted companies continued	Principal US$	Fair Value US$	Fair Value GBP	% of net assets
Provo Craft	3,230,769	3,115,689	1,995,702	2.89%
QA Master	5,275,228	5,002,657	3,204,367	4.63%
Shearer's Foods	3,970,000	3,930,300	2,517,487	3.64%
Shield Finance Loan	3,940,000	3,920,300	2,511,081	3.63%
SkillSoft	2,985,000	3,005,537	1,925,145	2.78%
Springboard Finance LLC	5,775,000	5,781,179	3,703,036	5.35%
Stratus Technologies 2nd Lien	5,722,849	3,433,710	2,199,404	3.18%
Topps	8,846,412	8,050,235	5,156,440	7.46%
TravelClick	3,476,593	3,302,763	2,115,528	3.06%
UI Holdings (CBA Group) (3)	2,800,346	2,590,320	1,659,185	2.40%
Koosharem (Select Remedy) 1st lien	2,899,433	2,131,083	1,365,029	1.97%
Koosharem (Select Remedy) 1st lien PIK	34,575	25,413	16,278	0.02%
Koosharem (Select Remedy) 2nd lien	9,000,000	2,745,000	1,758,263	2.54%
Koosharem (Select Remedy) 2nd lien PIK	959,145	292,539	187,381	0.27%
		177,676,950	113,807,936	164.58%
Total Loans		250,504,583	160,456,433	232.04%

Equity	Nominal	Fair Value US$	Fair Value GBP	% of net assets
Stratus Technologies Bermuda Holdings Limited Series B1 Ordinary Shares	775,631.8730	246,795	158,080	0.23%
Stratus Technologies Bermuda Holdings Limited Series B1 Preference Shares	176,648.8226	1,453,205	930,826	1.34%
CBA Group (UI Acquisition Holding Co) Class A	10.6267	–	–	–
CBA Group (UI Acquisition Holding Co) Class B	0.5542	–	–	–
Total Equity		1,700,000	1,088,906	1.57%
Warrants				
Koosharem – warrants to purchase 6,029 shares of common stock	6,029.0000	–	–	–
Total warrants		–	–	–
Total financial assets at fair value through profit or loss			161,545,339	233.61%
Cash balances			36,668,950	53.03%
Other net liabilities			(129,062,534)	(186.64%)
Net Assets			69,151,755	100.00%

Greenwich Loan Income Fund Limited

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