GLI Finance Limited

GLI Finance Limited

ANNUAL REPORT AND AUDITED CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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OFFICERS AND PROFESSIONAL ADVISERS

Directors:	Patrick Anthony Seymour Firth (Non-Executive Chairman) Frederick Peter Forni (Non-Executive Director) Geoffrey Richard Miller (Executive Director) James Henry Carthew (Non-Executive Director) The address of the Directors is the registered office.
Executive Team:	
Chief Executive Officer:	Geoffrey Miller
Chief Financial Officer:	Emma Stubbs *(appointed 18 November 2013)*
Chief Financial Officer:	Patrick Conroy *(ceased 31 January 2014)*
Registered office:	P.O. Box 296 Sarnia House Le Truchot St Peter Port Guernsey, GY1 4NA Channel Islands
Collateral Manager to T2 CLO Portfolio:	T2 Advisers, LLC 8 Sound Shore Drive, Suite 255 Greenwich Connecticut, 06830 United States of America
Investment Adviser:	GMB Partners LLP 22 Hanover Square London, W1S 1JP United Kingdom
Brokers:	Panmure Gordon & Co One New Change London, EC4M 9AF United Kingdom
Nominated Adviser:	Panmure Gordon & Co One New Change London, EC4M 9AF United Kingdom *(appointed 28 October 2013)*
CISX Sponsor:	Mourant Ozannes Securities Limited P.O. Box 186 1 Le Marchant Street St Peter Port Guernsey, GY1 4HP Channel Islands *(terminated 10 December 2013)*
Administrator and Company Secretary:	Praxis Fund Services Limited P.O. Box 296 Sarnia House Le Truchot St Peter Port Guernsey, GY1 4NA Channel Islands

OFFICERS AND PROFESSIONAL ADVISERS CONTINUED

Custodian:	Butterfield Bank (Guernsey) Limited P.O. Box 25 Regency Court Glategny Esplanade St Peter Port Guernsey, GY1 3AP Channel Islands
Legal Advisers in the Channel Islands:	Mourant Ozannes 1 Le Marchant Street St Peter Port Guernsey, GY1 4HP Channel Islands
Legal Advisers in the UK:	Stephenson Harwood 1 Finsbury Circus London, EC2M 7SH United Kingdom
Bankers:	Investec Bank (Channel Islands) Ltd P.O. Box 188, Glategny Court Glategny Esplanade St Peter Port Guernsey, GY1 3LP Channel Islands
Auditors:	Grant Thornton Limited P.O. Box 313, Lefebvre House Lefebvre Street St Peter Port Guernsey, GY1 3TF Channel Islands
Registrar:	Equiniti Limited Aspect House Spencer Road Lancing West Sussex, BN99 6DA United Kingdom
Public Relations:	FTI Consulting Holborn Gate 26 Southampton Buildings London, WC2A 1PB United Kingdom

CHAIRMAN'S STATEMENT

I am pleased to report the results of GLI Finance Limited ("GLIF" or the "Company") for the year ended 31 December 2013.

Although the Company's Net Asset Value was stable during the year, it was nonetheless a year of significant change, as our Company continues to develop its strategy of moving from investing only in loans originated by third parties towards origination of Small and Medium Enterprises ("SMEs") finance through the platforms in which we have an equity interest. Although it is relatively early days, the signs are encouraging that we have a range of businesses and management teams capable of producing strong returns through the economic cycle.

Our first origination platform, BMS Finance ("BMS") continues its progress and towards the end of the year a matched funding facility from the UK Government's Business Bank was agreed. We believe that this is a very positive step for the Company as the management team seek to build on their impressive track record.

New Investments

In contrast to 2012, 2013 was a busy year for strategic transactions, with four new investments being made during the second half of the year. In accordance with our stated strategy, these investments were all in SME finance companies. The first was in FundingKnight, a peer-to-peer lender to UK SMEs, the second was Platform Black, a UK peer-to-peer provider of invoice finance and supply chain finance, the third was Raiseworks, a peer-to-peer lender to SMEs based in the US and finally Sancus, an offshore peer-to-peer lending platform.

As with all of the platforms in which we have invested, these companies are seeking to provide an offering that is complementary to the mainstream banking sector, rather than attempting to take on the banks at their own game. This is important, as we believe that this will ensure a sustainable competitive advantage across the cycle, rather than just a cyclical play due to the weakness of the banks after the financial crisis.

A further five investments have been made since the year end. Additional details on these are included in the Chief Executive Officer's Report, Strategic Review and in the Post Year End Events note at the back of these financial statements. All five investments are in complementary areas to the current portfolio.

Performance

In 2013 despite the hive of activity going on with the new investments, we continued to deliver a stable capital performance whilst the continuing strong income flow to the Company underpinned an increased dividend. During the year the Company paid 5.0p in dividends (vs 4.7p in the previous year).

The Company Net Asset Value ("NAV") increased by 20% during the year, from GBP58.5m in 2012 to GBP70.1m at the end of 2013. The NAV per share at the year end was 49.99p compared to 49.09p last year.

The Company's share price remained stable over the year with a slight decline in the year by 0.4p or 1% over the period. This year's total return of 9% compared to 31.2% in the previous year, as the discount to the Company's Net Asset Value was closed during 2012.

CLO Portfolio

Whilst our new businesses will provide the potential to accrete value for the future, the current income of the Company and the majority of its assets remain with the CLO portfolio. The intention has been to look to gradually transition assets from the CLO portfolio to the origination businesses over time but we are aware that the transition period, in which the Company is neither finance business nor pure CLO investor, has the potential to cause uncertainty and confusion.

The Company is now investigating the potential to segregate the CLO portfolio in a subsidiary, to which it may be possible to attract third party funding, both to reduce the Company's exposure and to expand the CLO portfolio, thus reducing our position-specific risk. Our intention would be to consider a separate listing of the CLO portfolio in time. In exploring this potential, our overriding consideration will be to ensure that, in aggregate, Company shareholders will receive at least as high a dividend as they do currently.

Financials

As of 31 December 2013, the Company had net assets of GBP70.1m, or 49.99p per share, compared to net assets of GBP58.5m, or 49.09p per share at 31 December 2012. The reason for the rise in net assets being greater than the net assets per share is because the Company issued 11.9m shares in January 2013 to raise an additional GBP5.96m (gross of broker fees) and a further 9.0m shares were issued in October 2013 raising GBP4.59m (gross of broker fees).

The comparative Group numbers show net assets attributable to equity holders rising from GBP69.2m as at 31 December 2012 to GBP74.1m as at 31 December 2013. However, at a Group level the debt within T2 CLO 1 Ltd is marked to market and as the discount to par narrowed over the past year the net assets per share at a Group level fell from 58.09p as at 31 December 2012 to 52.81p as at 31 December 2013. The difference in the net assets at a Group and Company level represents the market view of the net present value of the low cost of the T2 CLO 1 Ltd debt. The Board continues to believe that the performance of the net asset value at the Company level as opposed to the Group level is the more appropriate in assessing the performance of the underlying business.

For the year ended 31 December 2013, GLIF received interest income, dividends and other income totalling GBP12.5m, compared to GBP16.2m for the comparable period in 2012. However the 2012 numbers included GBP5.2m which related to one off dividends received from Asset Management Investment Company Ltd ("AMIC"), the subsidiary acquired in 2011. If the effect of these dividends is excluded the revenue increased year on year by 13.5%. In the Chief Financial Officer's Report there is a reanalysed Company Statement of Comprehensive Income which splits out these adjustments to hopefully make the numbers more understandable. Operating expenses fell from GBP4.5m for the year in 2012 to GBP3.6m in 2013.

In November 2013, the Company made an application to the CISX for the cancellation of the listing of its Ordinary Shares on the CISX Official List. The reason for this was due to a change to the ISA rules with effect from 5 August 2013 which permits investors to hold some or all of their annual ISA allowance in AIM shares. Previously the shares were only able to be held in ISAs by virtue of the listing on the CISX and this was the primary reason for this listing. This will reduce the Company's costs going forward as we will no longer need to incur the administrative and compliance costs in connection with the maintenance of its CISX listing. Furthermore this has allowed the Company's listing structure to be simplified by having shares admitted to trading only on AIM.

As the Company is an investing company under AIM Rules, we are required to have an investing policy. The shareholders approved a new investing policy in November 2013, reflecting the broadening of the business beyond its origins as a passive loan investor. Details of the new investing policy form part of these annual financial statements.

Market Commentary

The loan markets started the year in buoyant fashion and the first quarter saw accelerating issuance of loans and collateralised structures to package those loans. For the first time since the financial crisis the European market for CLOs reopened in earnest.

In the second quarter the markets were rocked by the prospect of the Federal Reserve indicating that it was considering unwinding, or tapering, its policy of extremely loose monetary policy and this saw an immediate increase in spreads but, by the end of the quarter, markets were taking a more measured view and pricing stabilised.

In the second half of the year despite tapering concerns, overall credit markets remained healthy due to the continuing demand for yield.

Similarly the sterling/US dollar rate, to which we are exposed through having the majority of the Company's assets in US dollars, saw the US dollar strengthen until March 2013 but since then there has been significant weakness; in part due to policy decisions in the US, and in part due to a positive response to more healthy economic numbers in the UK and a positive reception for the new Governor of the Bank of England.

Executive Team

In the last annual report I reported that with the rapid development of the corporate strategy there was a need for GLIF to have the resources necessary to manage its growth and this would mean adding additional executive personnel over time.

On the 18 November 2013, Emma Stubbs joined the company as Chief Financial Officer ("CFO") as part of the Executive Team.

For the first time we include a Chief Financial Officer's Report, and it is my hope and belief that Emma will make a great contribution to both the clarity of reporting of our historic performance and our planning for the future. Previously, from the launch of the business, Patrick Conroy of T2 Advisors was filling the role and I would like to thank Patrick for his contribution to the success of GLIF and helping make it the business it is today.

Corporate Strategy

Our strategy remains that we will continue to focus on smaller companies where the returns to GLIF on an unlevered basis fall within our 10-15% target return.

With the acquisition of BMS Finance in November 2012 and the more recent investments this has given us greater capability to originate our own lending and ensure that our money is put to work through the most profitable channels.

As has been flagged previously, the Company is working closely with GMB Partners on the optimal way for the Company to realise value from its CLO investments over time. Preparatory work for the potential transfer of the CLO portfolio into a separately listed fund is underway and we are intending to assess market support for an offering in the first half of the year.

Outlook

As I have noted above, in the last twelve months we have seen nine new investments being made with SME Lenders. We now have a diversity of platforms which should provide some very substantial potential with an acceptable level of risk.

We believe we have a comprehensive range of SME finance solutions and no further deals are needed to enable us to reinvest the proceeds of exits from the CLO portfolio or further diversify our portfolio. However, the management team remains alert to any opportunities that may arise.

The continuing low interest rate environment and increasing confidence of investors in financial assets has brought more and more competition into the mainstream loan markets, and hence our Company's preference to seek more niche opportunities where there is greater potential for sustainable competitive advantage across the economic cycle.

I would like to thank shareholders for their continued support and enthusiasm for the changes we have made over the past year and hope that they agree with the GLIF Board's belief that we have an exciting and profitable future ahead.

Patrick Firth
Non-Executive Chairman
Date: 25 March 2014

CHIEF EXECUTIVE OFFICER'S REVIEW

As the Chairman has said, 2013 was a transitional year and we expect the coming twelve months to continue this reshaping of our business, with the goal of becoming a leading alternative provider of SME finance across the US and Europe, but with the heart of the business in the UK, reflecting the sterling investor base, share price and dividend policy.

In order to achieve our goal we are building a range of partnerships with online and offline finance platforms that we believe have a sustainable competitive advantage, strong and experienced management teams, are complementary in approach to the traditional finance industry and have a strong qualitative and quantitative approach towards their business. We invest in and through these platforms to optimise return to our shareholders.

In pursuing this strategy our focus remains on an optimal return on equity for our shareholders. Whilst other alternative finance providers are seeking growth for its own sake, and are seeking to be valued by investors on the basis of the number of clients that they have or the size of their loan book, we wish to achieve a good rate of return for our investors from our investments as we believe this will provide an optimal risk/return balance, and reflects the significant experience in the finance industry that I and the rest of the Board bring to the decision making. We target a 10-15% return on equity across the economic cycle, in order that we can both support our current dividend and grow the equity within our loan book.

Our Chief Financial Officer's report which follows this report covers the progress made in 2013 and therefore I will not dwell on the operational results of 2013. From a strategic standpoint, GLIF BMS Holdings Limited ("BMS") continues to develop its business in line with its plans and the matched funding agreed with the Business Bank is an important strategic milestone in the development of the business. As for the earlier stage businesses in which we invested during the year, FundingKnight, and Platform Black are rapidly developing their reputations in their respective fields, Raiseworks is generating considerable interest in the US and Sancus is already showing a strong pipeline of business.

Since the year end we announced a number of other transactions that build out our range of platforms and put us in a position that, although we continue to see opportunities to build out our family of businesses, we do not have to do any further transactions.

The other transactions announced in January were:

Investment	Strategy
TradeRiver Finance	Global Trade finance
Finpoint UK	UK SME lending
European Receivables Exchange	European invoice discounting
Crowdshed	Global multi-asset crowd funding
Proplend	UK property-backed lending

We also confirmed in our January trading update that it is our intention to exit our CLO portfolio over time. The Company is working closely with GMB Partners on the optimal way for the Company to realise value from its CLO investments over time. Preparatory work for the potential transfer of the CLO portfolio into a separately listed fund is underway and we are intending to assess market support for an offering in the first half of 2014. As the CLO portfolio is exited, so the monies realised will be reinvested through to the Company's finance platforms.

Looking beyond the exit of our CLO portfolio, our strategy will be to add value to each finance platform in which we are invested and to seek benefits from different platforms working together. The most obvious area in which GLIF can benefit the businesses is to make capital available, either within the business or investing into the assets originated by the business, but beyond that we believe that a number of competitive advantages can be gained by our platforms through their relationship with GLIF.

Firstly there is the potential for cross-referral between the various platforms. Our strategy of backing entrepreneurs building their own businesses, rather than owning and controlling subsidiaries, we believe enhances the propensity for cross-referral of business, rather than diminishing it. Entrepreneurs will see clear mutual benefit in working together, where managers of two business units within an organisation might not. Cross-referral applies not only to borrowers but also to investors. As the platforms grow they will develop their investor base beyond GLIF and for investors our family of platforms offers a wide array of types of asset, of which we must ensure that they are all aware.

Secondly there is the pooling of knowledge across platforms. Many of our platforms are in the peer-to-peer space and are facing being regulated entities for the first time this year, and all of our businesses face an array of other regulatory challenges. Being able to discuss these amongst a peer group will bring best practice across the group and where professional advice is needed on specific issues the costs can be defrayed across a range of platforms.

Finally there is the ability to seek efficiencies from a broader relationship with service providers. Many platforms use similar services and being able to pool this service provision could add value.

It is early days in the development of these synergies, and we have factored nothing into our assessment of each platform's prospects for such benefits, but so far the indications are encouraging that such benefits will flow across the platforms, resulting in better results at a group level.

This year will be a critical one in the development of the alternative finance industry, both in the UK and the US. Regulatory changes brought about by the JOBS Act in the US and by the introduction of FCA regulation of certain online platforms will begin to create an environment where investors can feel that standards are being met across the online finance industry and platforms can more readily be compared.

I believe that this and the increasing size of the alternative finance market will bring SME finance assets into the investment mainstream as a discrete asset class. We are already seeing institutional interest in alternative finance taking off, although amounts invested are tempered by the amount of SME finance assets available.

In this environment the management of supply and demand will be critical. Fortunately our platforms have a partner in GLIF that can help in managing this, but within the industry as a whole mis-pricing is almost inevitable and there have already been signs that certain parts of the yield curve within the peer-to-peer market are witnessing such a mismatch. In extremis this could present too great a challenge for platforms without sufficient capital behind them and looking forward it is my view that there will be both failures and consolidation in the sector. Given that our platforms have our balance sheet behind them this represents less of a challenge for the platforms in our portfolio than for others lacking such support, but it is nevertheless something of which we must be cognisant and plan accordingly.

The other feature of the alternative finance market I believe will become more important over the next year will be the blurring of the lines between peer-to-peer and other forms of alternative finance, due to the increasing institutionalisation of the market. As fund managers seek to gain exposure to SME finance assets as a discrete asset class, so peer-to-peer and other non-bank finance businesses will increasingly have an alternative source of funding to broad based peer-to-peer or the banks that would have traditionally funded the market. In the US there are already businesses that would have once been launched as peer-to-peer models that are now entirely institutionally funded, and I think the model will migrate to Europe in time.

Our approach has been to avoid focussing on one aspect of the market, be it peer-to-peer or directly funded, online or offline, but rather to seek to find a series of complementary niches that can exploit the areas within SME finance in which the banks cannot or will not compete, and so there is the potential for sustainable competitive advantage across the economic cycle. The reason the banks cannot compete in certain niches is because their need for a scaleable and efficient model has removed their ability to service business requiring a significant amount of human interaction; where they will not compete is in areas that due to capital requirements it is no longer economic for them to write the business. Our platforms cover both areas.

In conclusion, within GLIF we have built a unique origination capability within SME finance, diversified by geography, industry, size of lending and type of lending. We have the ability to put significant capital to work and intend to do so as we exit the CLO portfolio. With no fixed investment criteria we have the flexibility to adapt to changing conditions, which we believe will be a crucial competitive advantage in years to come.

This year will be a further year of significant change within GLIF, and we are well placed to take advantage of the opportunities and address the challenges that doubtless will present themselves as the business and the alternative finance industry matures.

Geoffrey Miller
Chief Executive Officer
Date: 25 March 2014

GLIF has an interest in ten SME finance platforms, five of which were held at the year end, five of which were acquired since the year end. The intention is that these platforms will form the core of the Company's business in future, with investment made by the Company into these platforms and through these platforms into the underlying SME finance assets.

Platforms Held At Year End

BMS Finance (through GLIF BMS Holdings LTD)
Size of loan book at year end GBP12.5m
GLIF economic interest 31 December 2013 GBP14.6m
The company finances high growth SMEs, predominantly in the UK. Typically these businesses have up to GBP25m of revenue, but do not require a three year track record of profits. The loans are two to three year senior secured amortising loans of GBP500k-GBP4.5m and in addition to the loan itself; BMS typically obtains a warrant or exit fee. The focus of the portfolio is business services and technology companies.

The business is relationship banking; keeping a close engagement with borrowers to ensure effective monitoring. Covenants set as an 'amber' warning level allowing time for remedial action to be taken.

Towards the end of 2013 BMS agreed a GBP15m matched funding facility with the Business Bank and it is expected that this money will start to be put to work in the first half of 2014.

GLIF owns GBP14.1m out of a total GBP14.6m enterprise value (67% of equity plus GBP12.6m debt).

FundingKnight
Size of loan book at year end GBP2.58m
(GBP3.24m as at 13 March 2014)
GLIF economic interest 31 December 2013 GBP2.8m
FundingKnight provides SME finance through crowd funding from a broad base of investors. The maximum loan size is GBP150k and the maximum term is five years. An experienced in-house team of SME bankers, using both quantitative and qualitative analysis, underwrites the loans. The loan book has grown rapidly since our investment in July 2013 and we expect this to continue.

The business provides traditional small business banking delivered through modern architecture, in a way that is no longer possible through the "computer says yes/computer says no" approach of the larger banks. GLIF invested GBP1.5m in the ordinary shares and preference shares of FundingKnight for at least 20% of the business, and had a loan book originated through FundingKnight of GBP1.291m by the year end. This is a broadly based book of UK SME loans.

Platform Black
Total invoices financed in 2013 GBP36.4m
GLIF economic interest 31 December 2013 GBP2.2m
Platform Black is a UK based peer-to-peer invoice trading and supply chain finance business. Its investor base is exclusively sophisticated investors, funds or corporate entities and these investors bid for tranches of invoices from 5% of the principal upwards through Platform Black's proprietary platform.

Platform Black launched in June 2012 and has financed invoices of over GBP45m, advancing over GBP40m to date in approximately 1,000 auctions for periods of 30, 60 or 90 days. The average auction size has been rising and the average cost of funding invoices falling, indicating that the building blocks are in place for growth in 2014. GLIF invested GBP163k over the Platform in 2013, all of the invoices acquired have matured and repaid in full generating an average IRR in excess of 13%.

Raiseworks
GLIF economic interest USD1.5m
GLIF invested USD1.5m in the US peer-to-peer SME lending business, Raiseworks, LLC ("Raiseworks"). In return for the investment, GLIF expects to retain a 20% to 30% holding. The Raiseworks business began in 2011, to improve small business access to credit and to increase investment opportunities in small businesses. The Raiseworks team has spent the past two years building the platform, developing the credit underwriting model, establishing partnerships, and securing a broker dealer license.

The Raiseworks platform automates the private capital formation process by bringing increased efficiency and transparency to businesses and investors. It utilizes one of the largest private company databases in the United States and a suite of proprietary, predictive algorithms in an effort to provide community members with an information advantage.

Sancus
GLIF economic interest 31 December 2013 - 7.4% of ordinary shares and the option of acquiring up to GBP2.75m preference shares
GLIF acquired a 7.4% stake in Sancus, an offshore peer-to-peer secured lender with significant permanent capital, run by a highly experienced team of professionals who have been in the financial sector for over 25 years.

Its target market is entrepreneurs, SMEs, HNWIs and professionals and it offers attractive returns to clients who wish to participate in co-investment lending opportunities. Sancus takes a holistic approach when reviewing complex borrowing opportunities and takes into consideration a potential borrower's total asset base, while making decisions quickly and providing certainty to potential borrowers. Sancus will also co-invest in all deals, providing comfort to fellow lenders. The loan book is growing rapidly, since the company opened for business in January. The company has now written GBP3.93m of loans, average size GBP1.31m and 20 months average duration.

Platforms Acquired Since Year End

Finpoint UK

GLIF economic interest GBP1.25m

Finpoint UK is a joint venture between CRX (the German company that owns Finpoint) and GLIF. The platform provides financial institutions with the opportunity to acquire loans direct from SMEs; a similar model to P2P, but with larger loan sizes and a solely institutional focus.

After a successful three years in Germany, Finpoint approached GLIF, as it wished to enter the UK market but wanted a local partner to help shape the strategy. On 24 January 2014, a new Company was created called Finpoint Ltd whereby GLIF purchased a 75% equity stake in the UK business for GBP0.75m and CRX subscribed for the remaining 25% for GBP0.25m. GLIF also subscribed to GBP0.5m of preference shares. The Company has been granted an exclusive perpetual license from CRX to use the Finpoint platform in the UK.

TradeRiver Finance

Total financed in 2013 GBP14.8m

GLIF economic interest 10% of equity plus GBP2m loan facility

TradeRiver Finance is a non-bank online funding solution which finances trade, both cross-border and in the UK. The company provides businesses with finance to purchase goods and services through a convenient online platform. Over the last three months, the amount TradeRiver has loaned to businesses has grown by 18 per cent to a total of GBP24m. The average loan term is approximately 100 days and loan sizes average approximately GBP80,000.

GLIF has provided TradeRiver with a GBP2m subordinated facility, and has acquired a 10% stake in the equity of the business for GBP800k. We expect the loan to be drawn down over time, as TradeRiver's book of business grows.

European Receivables Exchange (Dansk Faktura Børs)

GLIF economic interest 5% of equity

The company is an invoice discounting business, currently operating principally in Denmark but has the potential to broaden its reach across Europe. It is different from Platform Black not only geographically but also in the fact that there is no fractional bidding and the individual bids for the entire invoices are quoted as a percentage of the invoice face value, rather than the return per month. GLIF has acquired a 5% stake in the business.

CrowdShed

GLIF economic interest at least 26% of equity

CrowdShed is creating a new multi-faceted approach to crowd funding, bringing together rewards and donations with equity and commercial debt opportunities. GLIF has acquired at least a 26% stake in the business, giving GLIF exposure to the fast growing financial crowd funding industry. CrowdShed will also provide opportunities for GLIF to participate in a variety of assets as different products and funding campaigns are launched on the platform.

Proplend

GLIF economic interest 22.5% ordinary shares plus preference shares

GLIF has investing GBP1m in Proplend, in a combination of equity and preference shares, for a 22.5% stake in the business. Proplend is a secured P2P lender run by an experienced property team with a differentiated product, it has already completed its first commercial property loan and is expected to be fully launched online by the end of Q1 2014. The company expects to focus on the UK commercial property market and loan sizes of typically between GBP100k and GBP5m.

CLO Investments

As has been previously flagged, the Company is working closely with GMB Partners on the optimal way for the Company to realize value from its CLO investments over time. Preparatory work for the potential transfer of the CLO portfolio into a separately listed fund is underway and we are intending to assess market support for an offering in the first half of the year.

Future strategy

It is expected that the partnerships now agreed will form the core of the GLIF business in the future. We continue to actively examine other opportunities where we believe that a partnership would both add value to and be complementary with the existing platforms, but we now have the breadth of business required to ensure that we can redeploy the proceeds of realisation of the CLO assets in a timely manner. As the Board would expect at least a comparable long term return from the new platforms as those delivered by the CLO investments, the Company remains committed to its current dividend policy.

CHIEF FINANCIAL OFFICER'S REVIEW

In 2013, the Company saw a successful continuation of the diversification begun in late 2012 with the acquisition of BMS Finance, moving away from reliance on the CLO portfolio towards becoming a leading alternative provider of SME finance. Although there has been this change in the strategy, the Company has been able to maintain the 5p dividend to its shareholders, supported by continued good returns from its CLO investments. It is expected in time that the newer investments will provide at least as high a return as has been provided by the CLO portfolio, and investment has been made on that basis.

Over the coming years we anticipate seeing a shift in the make up of the Company's income from income earned by the CLO investments to income from the increased investment in SME lending, which we believe offers sustainable high risk-adjusted returns. These returns are expected to come both from the investments in the platforms themselves, as well as from investing through the platforms, into finance assets.

As we have started to see changes in the way in which the Company's income is derived, the make-up of the income numbers has changed. The "Portfolio Update" set out immediately below describes the changes in the asset composition of the portfolio from the close of 2012 to the close of 2013. In addition, we have also included below a reanalysed statement of income to show clearly the changes in the composition of the income earned during the calendar years 2012 and 2013. Note that total income grew from GBP11.0m to GBP12.5m in 2013, an increase of 13.6%.

Portfolio Update

As at the 31 December 2013, at a Company level our Portfolio was valued at GBP68.9m, with net current assets of GBP1.2m bringing the total Net Asset Value ("NAV") to GBP70.1m. This was in comparison to a NAV of GBP58.5m last year, comprising GBP53.7m in investments and GBP4.8m net current assets.

During the year the Company completed investments in four new platforms, FundingKnight, Platform Black, Raiseworks and Sancus, details of these are noted later in this report.

As we have started to expand into alternative finance providers for SMEs it has diversified the Company's portfolio geographically and by asset class. Some statistics on our portfolio are set out in the tables below:

	31 December 2013		31 December 2012	
	GBPm	**%**	GBPm	%
CLO Portfolio	43.1	61%	37.6	64%
SME Platforms	8.9	13%	0.9	2%
Loans	15.5	22%	13.3	23%
Other	1.4	2%	1.9	3%
Net Cash	1.2	2%	4.8	8%
Total	**70.1**	**100%**	**58.5**	**100%**

	31 December 2013		31 December 2012	
	GBPm	**%**	GBPm	%
Europe	5.7	8%	1.1	2%
UK	22.0	31%	12.5	21%
US	41.2	59%	40.1	69%
Total investments	68.9	98%	53.7	92%
Net current assets	1.2	2%	4.8	8%
Total	**70.1**	**100%**	**58.5**	**100%**

CLO Portfolio

The CLO Portfolio comprises the T2 CLO 1 and other CLO equity positions.

T2 CLO 1 remains our largest investment of GBP32.8m at the end of 2013 (GBP33.1m 2012). Interest earned in the year of GBP9.6m was up on last year by 6.2% from GBP9.0m, providing a return of 27.99%. During the year, T2CLO 1 reached the end of its reinvestment period.
A portion of the continuing positive cash flows going forward will be used to repay the loan notes held in the structure.

CLO Portfolio CONTINUED

In addition to the T2 CLO 1 we also hold other CLO equity positions with a total value of GBP10.3m (31 December 2012: GBP4.5m). These are Halcyon Structured Asset Management CLO, GSC Group CDO VIII Ltd, Ares XXVI CLO Ltd and Harvest CLO VII Limited. GMB Partners LLP advises us on all these. Income from these equity positions has increased by 8% in the year from GBP1.6m to GBP1.7m

SME Platforms

The total value held in SME Platforms increased during the year from GBP0.9m in 2012 to GBP8.9m in 2013, following the new investments in FundingKnight, Platform Black, Sancus and Raiseworks. Previously this balance was made up solely of GLIF BMS Holdings Ltd ("GBHL").

BMS

The Company has a 66.7% equity stake in GBHL which has continued to perform well in 2013 and we have seen a strong growth in equity over the year of 65%. At the close of 2013, the value of equity was GBP1.5m compared to GBP0.9m at the close of 2012.

GBHL comprises of a 100% interest in BMS Finance AB Ltd ("BMS") the UK operating business, a 70% interest in Noble Venture II Nominees Ltd ("NVF") and a 95% interest in NVF Tech Ltd (previously named HiWave UK).

Raiseworks

On the 19 December 2013, we invested USD1.5m in Raiseworks, LLC ("Raiseworks") a national US peer-to-peer SME lending business to fund the purchase of certain peer-to-peer business assets in a deal led by Gary Chodes, CEO of Raiseworks. In return for the investment, we expect to retain a 20% to 30% holding.

Sancus

On 6 December 2013, the Company acquired a 7.4% equity stake in Sancus and the option of acquiring up to GBP2.725m preference shares.

Subsequent to the year end, a further five investments in SME platforms were made, which has been referred to earlier in the CEO Report.

Loans

At the year end, the Company's loan balance had increased from GBP13.3m in 2012 to GBP15.5m in 2013. This comprises loans with Koosharem (Select Remedy), Lombardia Capital Partners ("LCP"), BMS Finance AB Ltd ("BMS AB"), FundingKnight and Platform Black.

Koosharem (Select Remedy) loan value was GBP0.7m at the year end (31 December 2012: GBP0.2m).

During the year, Lombardia Capital Partners ("LCP") agreed to buy the Company out of its warrant position, via a swap of the warrant for an increased balance on its loan from GLIF of USD0.8m (a 60% uplift on the acquisition value in 2011). In addition, LCP repaid USD1.1m of the existing principal and thus the outstanding loan overall reduced during the year by USD0.3m. As at 31 December 2013, the loan principal was GBP0.7m (31 December 2012: GBP1m). During the year GBP55k was received as income (31 December 2012: GBP64k).

In November 2012, we invested GBP11.6m in the acquisition of BMS Finance, a specialist lender to small growth companies, based primarily in the UK. This was financed through the setting up of GBHL, funded by a GBP11.6m loan note issued to GLIF (which paid for the acquisition) and GBP1m of equity capital of which GBP667k was subscribed by GLIF and GBP333k by the BMS management. In December 2013, GLIF invested a further GBP1m into GBHL through an increase in the principal of the loan notes issued by GBHL, bringing this to GBP12.6m. The coupon rate of the loan is 8%.

At the year end, the Company had GBP1.291m invested through the FundingKnight platform, typically with gross returns in excess of 11%.

The Company also provides funding through the platform of Platform Black. In 2013, the Company had invested GBP163k in invoices, all of which have been repaid at an average IRR (in excess) of 13%.

Other

Other balances held by the Company at the year end include IFDC, Stratus and in 2012 there was a small balance held with AMIC of GBP32,829.

IFDC is a Japanese long-only equity manager which has an unparalleled track record and from which we receive a healthy dividend. During 2013, GBP169,430 was received in way of dividends (31 December 2012: GBP163,020) from our investment of GBP1.0m, producing a 16.2% return.

Other CONTINUED

The equity value of Stratus Technologies Inc at the year end was GBP0.4m (31 December 2012: GBP0.9m).

AMIC was wound up in the year and was formally dissolved on 16 January 2014.The acquisition of AMIC proved highly successful and the Group was able to retain the relationship with two of the holdings, IFDC and LCP.

Company Statement of Comprehensive Income – Reanalysed

As the Company increases its investment in SME lending platforms, the breakdown of the income received will expand. The below table reanalyses the Company Statement of Comprehensive Income to separate out the realised and unrealised gains and losses and gains and losses on currency transactions to try and show a like for like comparison of income earned in the year.

In 2012, the dividend income line included GBP5.2m which related to AMIC. As this subsidiary was being wound down in the year, the dividend payment was received from AMIC to the Company. For comparison purposes for income received in the year, this dividend of GBP5.2m has been excluded.

	31 December 2013	31 December 2012
	GBP	GBP
CLO investment income	11,309,643	10,626,487
BMS	930,135	127,026
Lombardia	54,905	63,770
IFDC	169,430	163,020
Interest income	10,649	9,328
Total income	12,474,762	10,989,631
Expenses	(4,085,439)	(4,827,345)
Profit for the year (reanalysed)	**8,389,323**	6,162,286
Reconciliation to Company Statement of Comprehensive Income:		
Dividends received (AMIC)	-	5,200,436
Realised gain/(loss) on financial asset	(11,941,112)	56,950
Unrealised gain/(loss) on financial asset	11,162,100	(30,420,163)
Gain/(loss) on foreign currency transactions	345,655	(183,051)
Profit/(Loss) for the year	**7,955,966**	**(19,183,542)**
Dividends paid in the year	6,556,713	4,892,597

In the reanalysed numbers, total income has increased by 13.6% this year from GBP11m in 2012 to GBP12.5m in 2013. A large reason for this is the interest earned on the loan with BMS finance as 2013 was the first full year the loan was held for. The original loan was for GBP11.6m at a rate of 8%. This was increased during the year to GBP12.6m.

Investment income received from the CLOs was also up 6.4%, with an increase in the T2 CLO I Ltd as well as an increase in return from the other CLO equity positions. Expenses decreased by 15% in 2013, from GBP4.8m last year to GBP4.1m in 2013.

In the reanalysed Company Statement of Comprehensive Income, the 2013 profit was GBP8.4m, compared to a profit of GBP6.2m in 2012 producing an increase of 36%. Out of the profits, GBP6.5m was paid in the way of dividends to shareholders in 2013 with GBP4.9m paid last year.

Change in Net Asset Value

During the year, we have seen the NAV increase from GBP58.5m to GBP70.1m, representing a 20% increase. GBP10.2m of this was from the issue of new shares with the remainder from profits in the year of GBP8.0m and dividends paid out of GBP6.6m. During the year the number of shares in issue has increased by 18% and the NAV per share has gone from 49.09p at the end of 2012, to 49.99p at the end of this year, being an increase of 2%.

Change in Net Asset Value CONTINUED

	GBP
Balance at 31 December 2012	58,499,843
Net Proceeds from Ordinary Shares issued	10,213,539
Profit for the year	7,955,966
Dividends Paid	(6,556,713)
Balance at 31 December 2013	**70,112,635**
Number of Shares in issue at 31 December 2012	119,179,010
Number of Shares in issue at 31 December 2013	**140,266,411**
NAV per Share at 31 December 2012	49.09p
NAV per Share at 31 December 2013	**49.99p**

FX Rates

The Company has transactions in numerous non-base currencies. The table below lists out the foreign exchange rates used for the years ended 31 December 2013, 31 December 2012 and 31 December 2011:

	Rates of exchange v's GBP1		
Currency	**31 December 2013**	**31 December 2012**	**31 December 2011**
USD	1.6557	1.6255	1.5543
EUR	1.2041	1.2317	1.1987
HKD	12.8394	N/A	N/A
SEK	10.6562	N/A	N/A
CHF	1.4782	1.4873	N/A

Principal Risks and Uncertainties

There are a number of risks and uncertainties that can impact the performance of the Company. Some of these are beyond the control of the Company and its Board. However the Board and Executive Team do closely monitor market trends and risks on an on-going basis and a review of risks forms part of the quarterly board meetings. The main risks identified by the Board that could affect the Company's performance are as follows:

Business risk:

The Company faces risks in a change in economic conditions as well as changes to lending rates and increased competition. The Executive Team monitor current economic information, trends and forecasts on a regular basis as well as the Board and Executive team monitoring data from the advisors and investee companies. The portfolio diversification in fixed and floating rate assets as well as robust underwriting by original platforms is in place to mitigate this risk.

Portfolio Management risk:

There is a risk of underperformance of the underlying investments. Investment advisors provide quarterly reports on the CLO portfolios and there is Company representation on the portfolio company boards with the Chief Executive Officer being involved with portfolio companies' management. The Company closely monitors developments within portfolios companies. The Company also has a currency risk in that it has transactions in non-GBP. The financial statements are prepared in GBP. The Board monitors the foreign exchange fluctuations and considers using a hedging programme to mitigate loss against foreign exchange.

Principal Risks and Uncertainties CONTINUED

Operational risk:

The Company performs on-going internal monitoring of operational processes and controls and receives regular reports from the administrators of the Company on operational breaches and errors, adherence to policies and procedures and compliance reporting to reduce risk of fraud and bribery. The Board is aware of the UK Bribery Act 2010 and has adopted an anti-bribery policy relevant to the nature of the Company and its business activities. The Board has also adopted a succession plan to mitigate the risk of disruption from the loss of key individuals.

Default Risk:

The Company is exposed to default risk from the loans made on the underlying platforms. The Executive Team closely monitor the loans being invested in and are confident in the management skills in accessing risk, origination and recovery. The CEO is on the board of these platforms and is kept informed of procedures around risk and is also alerted to any possible defaults early on. To date the Company has a zero default rate in the loans it has invested in.

Compliance/Regulatory risk:

As a Guernsey Investment Company listed on the AIM market, the Company is required to comply with the AIM Rules. In conjunction with the Nomad, the Company Secretary monitors statutory requirements to ensure compliance with listing rules. As a Guernsey incorporated company under AIM Rules for Companies, the Company is not required to comply with the UK Corporate Governance Code issued by the Financial Reporting Council (formerly the Combined Code on Corporate Governance) and applicable for accounting periods beginning on or after 1 October 2012 (the "UK Code"). However, the Directors place a high importance on ensuring that high standards of corporate governance are maintained and have considered the principles and recommendations of the UK Code. As at 31 December 2013, the Company applies and reports against the principles of the AIC Code. The compliance monitoring policies and procedures operated by the administrator and adopted by the Company provides compliance oversight and regular reporting of the Company's adherence with the Law, applicable legislation issued by the GFSC and provides the Company with reporting channels under anti-money laundering legislation.

Conflicts risk:

The Company now invests in a number of platforms and whilst no platform is in direct competition with any other, this is a consideration when looking at potential new platforms and which the Company looks to avoid. The Chief Executive Officer is a board member on all the platforms in which the Company invests. There are service agreements in place to confirm that any information acquired as a result of being a Director of each platform remains confidential to that platform. No information is shared without the knowledge and consent of the relevant platform.

Note 3 of the Financial Statements gives further details of the 'Risks associated with financial instruments'.

Emma Stubbs
Chief Financial Officer
Date: 25 March 2014

BOARD MEMBERS & EXECUTIVE TEAM

BOARD MEMBERS

James Carthew – Independent Non-Executive Director

James Carthew was for many years a fund manager. He now writes research on closed-end funds quoted in London. His career started at M&G in 1984, where he managed a number of UK equity income funds and the M&G Fund of Investment Trusts. He also covered a variety of sectors as an analyst for M&G, including the Financial Services sector. From 2001-2010 he managed the Advance UK Trust PLC, a quoted global fund of funds that specialised in the promotion of corporate governance within the closed-end fund industry. Today James is head of research at Marten & Co, a boutique specialising in the distribution of sponsored research on UK companies through its quoteddata and martenandco websites. James also writes articles on the closed-end fund industry on a freelance basis for Citywire and sits on the judging panel for the Investment Company of the Year Awards.

Mr Carthew is Chairman of the Audit Committee. He is also a Director on BMS Finance AS Limited, a company which forms part of the GLIF Group.

Patrick Firth – Independent Non-Executive Director

Patrick Firth qualified as a chartered accountant with KPMG in 1991 before building a career in fund administration with roles at Rothschild Asset Management (C.I.) Limited, BISYS where he became Managing Director of BISYS Fund Services (Guernsey) Limited, before joining Bank of Butterfield in 2002. Patrick left Butterfield Fulcrum in 2009 and has since taken on a number of non-executive positions in listed and private companies. Patrick is a former Chairman of the Guernsey Investment Fund Association, a position he held for two years to March 2012, and a member of the AIC Offshore Funds Committee.

Mr Firth is Chairman of the Board. He is also a Director on GLIF BMS Holdings Limited, a company which forms part of the GLIF Group.

Fred Forni – Independent Non-Executive Director

Mr. Forni was a senior finance professional with Macquarie Holdings (USA) Inc., a United States affiliate of Macquarie Group Limited from October 1997 to October 2012 (and a Senior Managing Director from and after July 2004) where he was involved in (i) developing, marketing, executing and managing structured and conventional financial products transactions for the Macquarie Group, including the establishment of an NYSE listed USD 425m closed-end fund (Macquarie Global Infrastructure Fund; ticker: MGU) and the formation and management of specialized investment portfolios of CLO and CMBS securities aggregating in excess of USD 1 billion and (ii) structuring principal and advisory transactions principally from an income taxation perspective. Mr. Forni acted as a non-executive director for numerous Macquarie Group entities, including an investment adviser under the Investment Company Act of 1940 and a fund incubation joint venture with M.D. Sass. From 1995 to 1997 Mr. Forni was employed as a tax associate with Morgan, Lewis & Bockius LLP. Mr. Forni holds a B.A. in Economics from Connecticut College, a J.D., awarded cum laude, from Georgetown University Law Center and an LL.M. in taxation from New York University Law School. Mr. Forni holds Series 24, Series 7 and Series 63 FINRA licenses and is admitted to practice law in both New York and Connecticut.

Mr Forni is Chairman of the Remuneration Committee.

Geoff Miller – Executive Director

Geoff Miller spent twenty years in the UK financial services industry, as an analyst and as a fund manager, focused within the Non-Bank Financials sector. As an analyst he led the number one-rated UK small and mid-cap Financials team, and as a fund manager ran the largest listed Financials fund in London. He moved offshore in 2007, working in Moscow and Singapore before moving to Guernsey.

In addition to leading the executive team at GLIF, Geoff sits as an independent director on a number of boards of financial and investment companies, including GLIF's investee companies.

EXECUTIVE TEAM

Geoff Miller – Chief Executive Officer

See above.

Emma Stubbs – Chief Financial Officer

Emma Stubbs was Head of Business Analysis and Projects at Sportingbet, an online gaming company from January 2007 to October 2013 where she was responsible for formulating strategy across Europe and Emerging Markets. She had a key role in providing business performance and analysis advice with regard to JVs, B2B, M&A and entering regulated markets. From November 2004 to January 2007 Emma worked as an Account Manager at Marsh Management Services (Guernsey) Limited, a Captive Insurance Company. Emma qualified as a Chartered Certified Accountant with Deloitte in Guernsey in July 2004 where she had been working in the Audit and Advisory department. She graduated from the University of the West of England with a BA Hons degree in Accounting and Finance. Emma is resident in Guernsey.

She is also a Director on Secured Loan Investments Limited, a company which forms part of the GLIF Group, and a director of Finpoint Limited, an investee company within GLIF Group's investment portfolio.

DIRECTORS' REPORT

The Directors present their Annual Report and Audited Consolidated and Company financial statements (the "financial statements") for the year ended 31 December 2013.

The Directors submit their Report together with the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Shareholders' Equity, the Consolidated and Company Statements of Cash Flows and the related notes for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, in accordance with any relevant enactment for the time being in force, and are in agreement with the accounting records, which comply with Section 238 of the Companies (Guernsey) Law, 2008.

Principal Activities

GLI Finance Limited (the "Company" or "GLIF") was incorporated and domiciled in Guernsey, Channel Islands, as a company limited by shares and with limited liability on 9 June 2005 in accordance with The Companies (Guernsey) Law, 1994 (since superseded by The Companies (Guernsey) Law, 2008). The address of the registered office is P.O. Box 296, Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA. The Company is a Guernsey Authorised Closed-ended Investment Scheme and is subject to the Authorised Closed-ended Investment Scheme Rules 2008. The Company was admitted to the AIM market of the London Stock Exchange on 5 August 2005. On 1 February 2011, the Company's Ordinary Shares were admitted to trading on the Official List of the Channel Islands Stock Exchange ("CISX"). In accordance with the terms of the circular to shareholders dated 13 November 2013, application was made to the CISX for the cancellation of the listing of the Company's ordinary shares from the Official List of the CISX. The de-listing took effect on 10 December 2013.

The Company is an investing company for the purpose of the AIM rules. The Executive Team is responsible for the management of the Company. GMB Partners LLP (the "Investment Adviser" or "GMB") is employed by the Company to advise on UK, European and US CLO paper and senior secured loans. T2 Advisers, LLC ("T2 Advisers"), a registered investment adviser in the United States, managed the Company's assets under the terms of an investment management agreement, until 12 April 2013, at which time the investment management agreement was terminated by mutual consent. T2 Advisers provides management of the assets within T2 CLO I Ltd (the "CLO"), a vehicle of which GLIF owns a 100% interest in the residual economics. For the provision of this management, T2 Advisers receives a base fee of GBP10,000 per quarter, 0.25% of the gross assets of CLO, and 20% of the return from CLO to GLIF, over and above USD1,430,000 per quarter. T2 Advisers is also the collateral manager for the CLO.

On 30 April 2013, the Company received approval from shareholders and the Guernsey authorities to change its name from Greenwich Loan Income Fund Limited to GLI Finance Limited.

The Group

As at 31 December 2013, the Group comprises the Company and the entities disclosed in note 17 to the financial statements.

Investment Objective & Policy

The Company's objective is to produce a stable and predictable dividend yield, with long term preservation of net asset value. The Company aims to achieve this through the provision of secured lending to small and medium sized companies.

Please refer to pages 68 and 69 for detailed version of the Company's investment objective and policy.

Directors and Executive Team of the Company

A list of the Directors and the Executive Team who served the Company during the year is shown on page 14.

On 18 November 2013, in accordance with a Service Agreement dated 23 October 2013, Emma Stubbs was appointed Chief Financial Officer ("CFO") of the Company. The CFO reports to the Audit Committee.

Results and Dividends

The Group and Company results for the year are set out on pages 28 and 29. Dividends of GBP6,556,713 were paid during the year (31 December 2012: GBP4,892,597).

A detailed review of the Company's performance to 31 December 2013 is contained in the Chief Financial Officer's Report.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013. The legislation is aimed at determining the ownership of assets of US persons in non-US accounts and improving US tax compliance with respect to those assets. The States of Guernsey has recently announced that it has decided to enter into an intergovernmental agreement ("IGA") with US Treasury in order to facilitate the requirements under FATCA and is currently in negotiations with regards to how this is to be implemented and, as a result, the impact this will have on the Company remains unknown. The Board is in the process of ensuring the Company complies with FATCA's requirements.

Alternative Investment Fund Managers Directive

The Board acknowledges that the Alternative Investment Fund Managers Directive is due to take effect during 2014. We are currently giving this matter consideration and liaising with the Company's advisers to determine the necessary action to be taken.

Substantial Shareholdings

As at 10 March 2014, 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
AXA Framlington Investment Management	19,813,000	14.13
Affiliated Managers Group	18,712,515	13.34
Waverton Investment Management	12,287,900	8.76
Henderson Group	7,706,578	5.49
Hargreaves Lansdown PLC	6,533,515	4.66
Philip J Milton & Company Plc**	6,039,131	4.31
Barclays Bank	4,862,651	3.47
Unicorn Asset Management	4,625,000	3.30
Bank of New York Mellon	4,372,000	3.12
Brewin Holdings plc	4,369,324	3.12
Reliance Mutual Group	4,365,720	3.11

* Based on the share register as at 10 March 2014

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

Directors Interests

As at 31 December 2013, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2013		31 December 2012	
	No. of Ordinary Shares Held	**% of total issued Ordinary Shares**	No. of Ordinary Shares Held	% of total issued Ordinary Shares
Patrick Firth *(Chairman)*	134,292	0.10	125,000	0.11
Geoff Miller *(Executive Director)*	1,525,223	1.09	850,000	0.71
Frederick Forni	–	–	–	–
James Carthew	200,000	0.14	200,000	0.17

See Note 22 of the financial statements for details of the Directors interest in the Ordinary Shares of the Company as at the date of this report.

As at 31 December 2013, there were no unexercised share options for Ordinary Shares of the Company (31 December 2012: nil Ordinary Shares).

Statement of Directors' Responsibilities

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

Statement of Directors' Responsibilities CONTINUED

In preparing these financial statements, the Directors are required to:

- ensure that the financial statements comply with the Memorandum and Articles of Incorporation and IFRS, as adopted by the European Union;
- 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; and
- 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.

Going Concern

The Directors have considered the going concern basis of preparation for financial statements supported by the Director's assessment of the Company's ability to pays its debts as they fall due. The Directors are of the opinion that the Company has adequate financial resources to continue in operational existence for the foreseeable future. Hence the Directors believe it is appropriate to continue to adopt the going concern basis in preparing the financial statement.

Directors Statement

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;
- 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; and
- the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Approved and signed on behalf of the Board of Directors on 25 March 2014.

Director: Patrick Firth

Director: James Carthew

CORPORATE GOVERNANCE

Compliance

As a Guernsey incorporated company and under the AIM Rules for Companies, it is not a requirement for the Company to comply with The UK Corporate Governance Code ("UK Code"), however, the Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and have considered the principles and recommendations of the UK Code. Furthermore, the Directors have considered the provisions of the Finance Sector Code of Corporate Governance published by the Guernsey Financial Services Commission ("GFSC") in September 2011 (the "Guernsey Code"), and the AIC Code of Corporate Governance (the "AIC Code").

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to Shareholders.

As at 31 December 2013, the Company complied substantially with the relevant provisions of the UK Code and the AIC Code and it is the intention of the Board that the Company will comply with those provisions (save with regard to the following provisions listed below) throughout the year ending 31 December 2014:

- *The appointment of a Senior Independent Director:* Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and Senior Independent Director. The Board considers that all the independent Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

- *Establishment of nomination committee:* Due to its size and composition, the Board does not consider it necessary to establish a nomination committee. The Board as a whole monitors performance and arrangements for director succession, either through Board meetings or, if appropriate, through the use of an appropriately constituted committee or through the appointment of an external search consultancy. Prospective candidates will be considered on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Company did not engage the services of an external search consultancy during the year.

- *Establishment of management engagement committee:* Due to its size and composition, the Board does not consider it necessary to establish a management engagement committee. The Board as a whole monitors the performance of the Company's service providers, either through Board meetings or, if appropriate, through the use of an appropriately constituted committee.

- *Internal audit function:* The Board has reviewed the need for an internal audit function, as recommended by the Code. Due to the size of the Company and the delegation of day-to-day operations to regulated service providers, an internal audit function is not considered necessary. The Directors will continue to monitor the systems of internal controls in place in order to provide assurance that they operate as intended.

During the year under review, the Board authorised Mr Carthew and Mr Miller to review the suitability of the Company adopting the UK Code. As at 31 December 2013, the Company continues to apply and report against the principles of the AIC Code pending the outcome of this review and a possible transition to the UK Code.

Composition and Independence of Directors

As at 31 December 2013, the Board consisted of four members, three of whom are non-executive and independent. During 2011, Mr Miller became an executive Director of the Company and is therefore not considered independent under the AIC Code.

The Chairman of the Board is Patrick Firth and biographies for all Directors can be found on page 14. In considering the independence of the Chairman, the Board has taken note of the provisions of the AIC Code relating to independence and has determined that Patrick Firth is an Independent Director.

The Directors recognise the importance of succession planning for the Company's Board and review the composition of the Board annually. As of June 2014, Patrick Firth and Fred Forni will have each served as Directors of the Company for nine years, 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. In considering the independence of the Chairman and Mr Forni, the Board has considered the provisions of the AIC Code relating to independence and remains satisfied that they remain independent of the Company, despite their length of service.

Composition and Independence of Directors CONTINUED

The Board agrees with the view expressed in the AIC Code that long serving Directors should not be prevented from forming part of an independent majority or from acting as Chairman and 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").

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 service providers for the management of the investment portfolio, the custodial services and the day to day accounting and company secretarial requirements. Each of these contracts was only entered into after proper consideration by the Board of the quality and services offered. The Board is responsible for the appointment and monitoring of these service providers.

The Board, Audit Committee and Remuneration Committee undertake an annual evaluation of their own performance and that of individual Directors on an annual basis. This includes a formal process of self-appraisal together with the Chairman reviewing each member's performance, contribution and commitment to the Group. The remainder of the Board is responsible for evaluating the performance of the Chairman. The Chairman also has responsibility for assessing the individual Board members' training requirements.

Executive Team

The Company employs an executive team comprising Geoff Miller, who became Chief Executive Officer ("CEO") during 2011, and Emma Stubbs who was appointed as the Company's Chief Financial Officer ("CFO") on 18 November 2013 (together the "Executive Team").

The non-executive independent Directors monitor and evaluate the performance of the CEO and CFO.

Board Committees

Audit Committee

An Audit Committee has been appointed and conducts formal meetings at least three times a year. The Audit Committee's main role and responsibilities is to provide advice to the Board on whether the annual report and financial statement, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The other principal duties, amongst others, is to consider the appointment, independence, effectiveness of the audit and remuneration of the auditor and to review and recommend the annual statutory accounts and interim report to the Board of Directors. Where non-audit services are to be provided to the Group by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement will be considered before proceeding. The Audit Committee is chaired by James Carthew and its other members are Patrick Firth and Fred Forni. The Board have considered the membership of the Audit Committee and have determined that the members of the Audit Committee have recent and relevant financial experience. For the principal duties and report of the Audit Committee please refer to the Audit Committee Report on pages 21 and 22.

Remuneration Committee

Further to the appointment of Geoffrey Miller as an executive Director, the Board resolved in 2011 to appoint a Remuneration Committee comprised of Fred Forni as Chairman, Patrick Firth and James Carthew. The key duties include, but are not limited to, agreeing a framework for Director remuneration, ensuring management staff are appropriately incentivised to enhance performance, and reviewing the effectiveness of the remuneration policy on an on going basis. The Remuneration Committee, which was formed on 16 August 2011,has adopted a formal terms of reference. Refer to the Remuneration Report on pages 23 and 24 for details of fees paid to the Directors during the year.

Management Engagement and Nomination Committees

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

Meetings

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

Meetings CONTINUED

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

	Board			
	Management	Other	Remuneration Committee	Audit Committee
Patrick Firth *(Chairman)*	4 of 4	12 of 12	1 of 1	5 of 5
Geoffrey Miller	4 of 4	11 of 12	-	-
Frederick Forni	4 of 4	10 of 12	1 of 1	5 of 5
James Carthew	4 of 4	7 of 12	1 of 1	5 of 5

Anti-bribery and Corruption

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

Shareholder Views

The Net Asset Value figures are published monthly. The Boards advisers and the Executive Team plans to implement regular dialogue with institutional shareholders, the feedback from which will be reported to the Board and the Chairman. Shareholders who wish to communicate with the Board should contact the Administrator in the first instance, whose contact details can be found on page 1.

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

Social, Ethical and Environmental Policies

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 Adviser's / Executive Team's investment appraisal includes a rigorous assessment of a potential Investee company's social, ethical and environmental policies, and therefore the Investment Adviser / Executive Team monitors such policies and practices following any investment.

AUDIT COMMITTEE REPORT

The Company has established an Audit Committee with formally delegated duties and responsibilities within written terms of reference (which are available from the Company's Secretary). The Audit Committee has been in operation throughout the year under review.

Chairman and Membership

The Audit Committee is chaired by James Carthew, and its other members are the other independent Directors of the Company. Only independent Directors serve on the Audit Committee and members of the Audit Committee have no links with the Company's external auditor and are independent of the Executive Team and the Investment Adviser. The Audit Committee meets not less than three times a year in Guernsey, and meets the external auditor at least twice a year in Guernsey. The identity of the chairman of the Audit Committee is reviewed on an annual basis and the membership of the Audit Committee and its terms of reference are kept under review.

Duties

The principal duties of the Audit Committee in discharging its responsibilities include reviewing the Annual Report and Audited Financial Statements and Interim Report and Unaudited Financial Statements, the valuation of the Company's investment portfolio, the system of internal controls and the terms of appointment of the external auditor together with their remuneration. The Audit Committee consider the appointment of the external auditor, discuss and agree with the external auditor the nature and scope of the audit, keep under review the agreed scope, review the results and effectiveness of the audit and the independence and objectivity of the external auditor, and review the external auditor's letter of engagement and management letter. The Audit Committee is responsible for monitoring the financial reporting process, including the appropriateness of the Company's accounting policies, and the effectiveness of the Company's internal control and risk management systems by analysing the key procedures adopted by the Group's service providers. The Audit Committee is also responsible for overseeing the Company's relationship with the external auditor, including making recommendations to the Board on the appointment of the external auditor and their remuneration. The Audit Committee also reviews, considers and, if thought appropriate, recommends for the purposes of the Group's Financial Statements valuations prepared by the Investment Adviser or Executive Team. These valuations are the most critical element in the Group's Financial Statements and the Audit Committee questions them carefully.

Financial Reporting and Audit

The Audit Committee reviews, considers and, if thought appropriate, recommends to the Board the approval of the contents of the Half Yearly Report and Unaudited Financial Statements and Annual Report and Audited Financial Statements together with the external auditor's report thereon. The Audit Committee focuses particularly on compliance with legal requirements, accounting standards and the relevant Listing Rules and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the Half Yearly Report and Unaudited Financial Statements and Annual Report and Audited Financial Statements remains with the Board.

The Audit Committee provides a formal forum through which the external auditor reports to the Board and the external auditor is invited to attend Audit Committee meetings at which Annual and Half Yearly Financial Statements are considered.

After discussions with the Investment Adviser, Executive Team and external auditor, the Audit Committee determined that the key risk of misstatement of the Company and Group's financial statements relates to the valuation of financial assets and financial liabilities at fair value through profit or loss, in the context of judgements used to evaluate current fair value, and revenue recognition.

Note 3 to the Financial Statements highlights that the total carrying amount of the Group's financial assets and liabilities was GBP220.7m and GBP142.3m respectively. Freely tradeable market prices are not available for these financial assets and liabilities such that the Group's financial assets and liabilities are valued based on the accounting policies described in detail in Note 2(m) to the Financial Statements. The valuation process and methodology have been discussed with the Investment Adviser, Executive Team and external auditor. The Investment Adviser and Executive Team provide a detailed valuation report to the Company on a quarterly basis. The Audit Committee has reviewed the valuation report and the Investment Adviser and Executive Team have confirmed to the Audit Committee that the valuation methodology has been applied consistently during the year and that the external auditor's work had not identified any errors or inconsistencies that were material in the context of the Financial Statements as a whole.

The accounting policies for revenue recognition are described in detail in Note 2(e) to the Financial Statements. The Audit Committee has reviewed the revenue recognition policies of the Group and has determined that they are in accordance with the accounting standards and have been applied consistently. The external auditor's work has not identified any errors or inconsistencies that were material in the context of the Financial Statements as a whole.

After due consideration the Audit Committee recommend to the Board that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

External Auditor

The Audit Committee considers the nature, scope and results of the auditor's work, monitors the independence of the external auditor, and reviews, develops and implements policy on the supply of non-audit services that are to be provided by the external auditor. All non-audit services are pre-approved by the Audit Committee after they are satisfied that relevant safeguards are in place to protect the auditor's objectivity and independence.

During 2013, the Audit Committee considered the length of tenure of the external auditor and assessed the suitability of the current arrangements in light of the expected future requirements of the business. It was subsequently agreed to re-tender the Group's audit and proposal requests were submitted to three of the major audit firms operating in Guernsey. Having met with each firm and after due consideration given to each proposal, it was agreed by the Audit Committee that on the grounds of cost, the quality of the service provided and the credentials of the external auditor, it remained appropriate to retain the services of Grant Thornton Limited for the current period. This is the fourth year of Grant Thornton Limited's appointment as the Company's external auditor. The Audit Committee will assess whether a formal re-tendering of the Group's audit is appropriate on an annual basis.

Internal Controls

The Investment Adviser and Administrator together maintain a system of internal control on which they report to the Audit Committee. The Audit Committee has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Investment Adviser and Administrator, provide sufficient assurance that a sound system of risk management and internal control, which safeguards shareholders' investment and the Group's assets, is maintained. An internal audit function specific to the Group is therefore considered unnecessary.

The Audit Committee is responsible for reviewing and monitoring the effectiveness of the internal financial control systems and risk management systems on which the Group is reliant. These systems 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 Group are safeguarded. Such a system of internal financial controls can only provide reasonable and not absolute assurance against misstatement or loss.

In accordance with the guidance published in the Turnbull Report by the Financial Reporting Council (the "FRC"), the Audit Committee has reviewed the Company's internal control procedures. These internal controls are implemented by the Company's two main service providers, the Investment Adviser and the Administrator. 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 has considered non-financial areas of risk such as disaster recovery and investment management, staffing levels and considers adequate arrangements to be in place.

On behalf of the Audit Committee

James Carthew
Audit Committee Chairman
Date: 25 March 2014

REMUNERATION REPORT

Introduction

An ordinary resolution for the approval of the annual remuneration report will be put to the shareholders at the annual general meeting to be held in 2014.

Remuneration Policy

A Remuneration Committee was appointed in 2011 comprised of Fred Forni as Chairman, Patrick Firth and James Carthew. The key duties include, but are not limited to, agreeing a framework for Director remuneration, ensuring management staff are appropriately incentivised to enhance performance, and reviewing the effectiveness of the remuneration policy on an on-going basis. No Director is involved in determining their own remuneration.

Non-Executive Directors

The Articles of Incorporation provide that, unless otherwise determined by Ordinary Resolution, there shall be paid to the Board such fees for their services in the office of Director as the Board may determine. It is the Board's policy to determine the level of Directors' fees having regard to the fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and time committed to the Company's affairs.

The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in or with a view to the performance of their duties or in attending meetings of the Board or of committees or general meetings.

The Board shall have the power at any time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. The number of Directors shall not be less than two and there shall be no maximum number unless otherwise determined by the Company by Ordinary Resolution. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Executive Team

Fixed Salary

The Executive Team members are entitled to receive a fixed salary (less applicable tax and social security contributions). See below for details.

Executive Bonus Scheme

In addition to the fixed salary referred to above, the Executive Team members are also entitled to a contractual bonus. Prior to 21 January 2013, in accordance with the Employment Contract the actual bonus amount paid for any financial period was capped at a maximum of 0.3 per cent of the Company's Net Asset Value (adjusted pro rata for period less or more than one year) (the "Cap"). Any excess contractual bonus payable above this Cap was deferred and added to any contractual bonus payable (if any) in the next financial year. With effect from 21 January 2013, the Remuneration Committee resolved to amend the current incentive structure, which was applicable solely to Mr Miller at that time, to an incentive pool, which is allocated at the Remuneration Committee's discretion. The total pool available is, as before, 10% of the total shareholder return in excess of 12%, with the amount to be actually paid out capped at 0.5% of net asset value (NAV) in any one year. To ensure that incentive payments are primarily long term in nature, all payments from the incentive pool will be made one third in cash and two-thirds Company equity, the acquisition price of which for the individual will be the prevailing share price or NAV, whichever is higher. All executives will have to hold all of their Company equity for their entire period of employment by the Company. Mrs Stubbs became eligible to participate in the Executive Bonus Scheme with effect from 1 December 2013.

In addition to participation in the Executive Bonus Scheme, Mrs Stubbs is entitled to a guaranteed cash bonus of GBP10,000 for the year 1 December 2013 to 30 November 2014. As at 31 December 2013, the accrued cash bonus recognised in the Company's Statement of Total Comprehensive Income was GBP821.

Remuneration

Non-Executive Directors

For the year then ended 31 December 2013, the non-executive Directors' annual fees, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company, were as detailed in the table below:

	31 December 2013	31 December 2012
	GBP	GBP
Patrick Firth *(Chairman)*	42,500	40,000
Frederick Forni	27,500	25,000
James Carthew	35,000	25,000

The increase in Directors' fees noted above became effective 1 January 2013.

Executive Team

For the year ended 31 December 2013, the Executive Team members' annual salaries, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company, were as detailed in the table below:

	31 December 2013		31 December 2012	
	Fixed Salary	**Executive Bonus Scheme**	Fixed Salary	Executive Bonus Scheme
	GBP	**GBP**	GBP	GBP
Geoff Miller (CEO)	150,000	–	150,000	936,367
Emma Stubbs (CFO)	10,962*	–	N/A	N/A

*appointed 18 November 2013 with a fixed annualised salary of GBP90,000.

During the current year, the Remuneration Committee resolved to settle to Mr Miller's deferred bonus accrual as at 31 December 2012, one half in cash and one half in shares which the Company purchased from the market.

Other than the above, there were no other fees paid to the Board and or Executive Team. Please note as the Executive Bonus Scheme is a non-fixed amount, total Executive Team remuneration will fluctuate year on year. The Company did not engage the services of an external remuneration consultant during the year.

On behalf of the Remuneration Committee

Fred Forni
Remuneration Committee Chairman
Date: 25 March 2014

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GLI FINANCE LIMITED

We have audited the Consolidated and Company financial statements (the "financial statements") of GLI Finance Limited (the "Company") for the year ended 31 December 2013 which comprise the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Shareholders' Equity, the Consolidated and Company Statements of Cash Flows and the related notes. 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 explained more fully in the Statement of Directors' Responsibilities on pages 16 and 17, the Directors are responsible for the preparation of the financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Auditor commentary

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Company and the third-party service providers, and inspecting records and documents held by the third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

The Group financial statements are a consolidation of 9 reporting units comprising the parent company, T2 CLO 1 Limited ("T2 CLO"), Asset Management Investment Company Limited ("AMIC"), Secured Loan Investments Limited ("SLI"), GLIF BMS Holdings Limited ("GLIF BMS") and its subsidiaries including BMS Finance AB Limited ("BMS Finance"), Noble Venture II Nominees Limited ("NV2N"), NVF Tech Limited ("NVF Tech") and Hiwave (Hong Kong) Limited ("Hiwave HK"). The overall approach to the group audit included performing a full audit of the parent company and the group consolidation, and the financial information of T2 CLO and GLIF BMS. Specified audit procedures were performed on certain material balances and transactions for BMS Finance, NV2N and NVF Tech.

In establishing the overall approach to the Group audit, we determined the work that needed to be performed at the subsidiary undertakings, as the Group engagement team, or component auditors operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work of those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. For the group audit, we established a materiality for the Group financial statements

Our application of materiality CONTINUED
taken as a whole to be GBP773,000, which is 1% of the Group's net asset value. For the financial information of the individual parent and subsidiary undertakings, we set our materiality based on a proportion of group materiality appropriate to the relative scales of each of the businesses.

We have determined the threshold at which we communicate misstatements to the Audit Committee to be GBP37,850. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Our assessment of risk
Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, account balances or disclosures.

Financial assets designated at fair value through profit or loss
The principal activity of the Group is the provision of secured lending to small and medium sized companies with the objective to produce a stable and predictable dividend yield, with long term provision of net asset value. Accordingly, the investment portfolio is the largest asset in the financial statements and is designated at fair value through profit or loss ("FVTPL") in accordance with IAS 32 "Financial Instruments: Recognition and Measurement". Measurement of the value of an unquoted investment includes significant assumptions and judgements and we have therefore identified the valuation of financial assets as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, obtaining an understanding of how valuations are performed and Board's process to recognise and measure investments.

For broadly syndicated loans, we obtained confirmation of investments held at the year end directly from the independent custodian and reconciled these to the records maintained by the Group's Administrator, testing a selection of investment additions and disposals to supporting documentation, and agreeing the valuation of the broadly syndicated loans to an independent source of market prices specifically market quotes from agent banks and analysis from the Investment Manager of the portfolio company in cases wherein a significant change in the credit profile of the said portfolio company has been noted. In such instances, we obtained an external valuation report to support the carrying amount at the year end.

For unquoted investments, our audit work included reviewing share certificates held by the Group and reconciling these to the records maintained by the Group's Administrator, obtaining an understanding of how valuations are performed, assessment of whether the valuations were made in accordance with published guidance, discussions with the Administrator and Investment Manager and challenging the valuation in conjunction with inspection of supporting documentation.

The Group's accounting policy and other disclosures on financial assets designated at FVTPL are included in Notes 2 and 3 to the financial statements.

Financial liabilities designated at fair value through profit or loss ("FVTPL")
The Group obtains financing from third parties through the issuance of collateralised loan notes ("CLO"). The recognition and measurement of the CLO is accounted for in accordance with IAS 32 "Financial Instruments: Recognition and Measurement" and is based on significant judgements and assumptions. We therefore identified the measurement of the CLO as a significant risk that requires special audit consideration.

Our audit work included, but was not restricted to, obtaining confirmation of loan notes outstanding at the year end directly from the independent trustee of T2 CLO and reconciling these to the records maintained by the Group's Administrator, testing capital repayments to supporting documentation, and agreeing prices from independent valuation experts to the prices recorded in the books of the Group. We obtained the market value report provided by the independent broker-dealer which makes the market in the CLO notes.

The Group's accounting policy and other disclosures on financial liabilities designated at FVTPL are included in Notes 2 and 3 to the financial statements.

Revenue recognition
Under ISAs (UK & Ireland), there is a presumed risk that revenue may be misstated due to improper recognition of revenues. Due to the nature of this risk we are required to assess it as a significant risk requiring special audit considerations.

Our audit work included, but was not restricted to, assessing whether the Group's revenue recognition policies conform to IAS 18 Revenues and reviewing significant contracts to determine whether interest and/or dividends have been accounted for in accordance with that policy.

The Group's accounting policy in respect of revenue recognition is included in Note 2.

Management override of internal control
Under ISAs (UK & Ireland), for all our audits we are required to consider the risk of management override of financial controls. Due to the unpredictable nature of this risk we are required to assess it as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, specific procedures relating to this risk that are required by ISA 240, The Auditors Responsibilities relating to Fraud in an Audit of the Financial Statements. This includes tests of journal entries, the evaluation of judgments and assumptions in management's estimates and tests of significant transactions outside the normal course of business.

In particular, our work on financial assets and liabilities at FVTPL addressed key aspects of ISA 240.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Company's affairs as at 31 December 2013 and of the Group's and Company's profit for the year then ended;
- are in accordance with IFRSs as adopted by the European Union; and
- comply with 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:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable, and whether the Annual Report appropriately discloses those matters that were communicated to the audit committee which we consider should have been disclosed.

Under The Companies (Guernsey) Law 2008 we are required to report to you, if in our opinion:

- proper accounting records have not been kept by the Company; or
- the Company financial statements are not in agreement with the accounting records; or
- we have not obtained 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 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	31 December 2013 GBP	31 December 2012 GBP
Revenue			
Interest income		**13,110,495**	12,634,355
Dividend revenue		**1,944,179**	2,229,126
		15,054,674	14,863,481
Investment income			
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss			
- Realised (losses)/gains	3 & 9	**(11,295,684)**	3,719,522
- Net movement in unrealised gains/(losses)	9	**4,544,547**	(18,578,336)
		(6,751,137)	(14,858,814)
Other income	4	**1,835,913**	579,439
Gain/(loss) on foreign currency transactions		**399,541**	(272,547)
Total income		**10,538,991**	311,559
Expenses			
Management fees	5	**2,090,615**	1,852,473
Administration and secretarial fees	5	**153,540**	111,665
Custodian fees	5	**15,572**	15,010
Legal and professional fees		**446,093**	712,629
Directors' remuneration	5	**105,000**	90,000
Directors' and officers' insurance		**28,891**	50,730
Audit fees		**44,100**	46,100
Executive Team remuneration	5	**161,783**	1,086,367
Other expenses	5	**3,467,750**	1,454,855
Operating expenses before finance costs		**6,513,344**	5,419,829
Net profit/(loss) from operations before finance costs		**4,025,647**	(5,108,270)
- Finance costs	13	**(2,140,193)**	(2,289,156)
Profit/(loss) for the year after finance costs		**1,885,454**	(7,397,426)
Net losses on Associates	9	**(118,716)**	-
Profit/(loss) for the year		**1,766,738**	(7,397,426)
Other comprehensive income			
Foreign exchange on consolidation		**(226,457)**	(755,434)
Total comprehensive income/(loss) for the year		**1,540,281**	(8,152,860)
Profit/(loss) attributable to:			
Equity holders of the Company		**1,116,837**	(7,699,034)
Non-controlling interest		**649,901**	301,608
		1,766,738	(7,397,426)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**890,380**	(8,454,469)
Non-controlling interest		**649,901**	301,608
		1,540,281	(8,152,861)
Basic earnings/(loss) per Ordinary Share	6	**0.84p**	(7.59)p
Diluted earnings/(loss) per Ordinary Share	6	**0.84p**	(7.59)p

The accompanying notes on pages 36 to 67 form an integral part of these financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Notes	31 December 2013 GBP	31 December 2012 GBP
Revenue			
Interest income		**10,574,839**	9,159,796
Dividend revenue		**1,889,274**	7,020,943
		12,464,113	16,180,739
Investment income			
Net loss on financial assets and liabilities at fair value through profit or loss			
- Realised (losses)/gains	9	**(11,941,112)**	56,950
- Net movement in unrealised gains/(losses)	9	**11,162,100**	(30,420,163)
		(779,012)	(30,363,213)
Other income	4	**10,649**	9,328
Gain/(loss) on foreign currency transactions		**345,655**	(183,051)
Total income/(loss)		**12,041,405**	(14,356,197)
Expenses			
Management fees	5	**2,090,615**	1,852,473
Administration and secretarial fees	5	**153,540**	111,665
Custodian fees	5	**15,572**	15,010
Legal and professional fees		**446,093**	712,629
Directors' remuneration	5	**105,000**	90,000
Directors' and officers' insurance		**28,891**	50,730
Audit fees		**44,100**	46,100
Executive Team remuneration	5	**161,783**	1,086,367
Other expenses	5	**539,808**	488,088
Operating expenses before finance costs		**3,585,402**	4,453,062
Net profit/(loss) from operations before finance costs		**8,456,003**	(18,809,259)
- Finance costs		**(500,037)**	(374,283)
Profit/(loss) for the year after finance costs		**7,955,966**	(19,183,542)
Total comprehensive income/(loss) for the year		**7,955,966**	(19,183,542)
Basic earnings/(loss) per Ordinary Share	6	**6.01p**	(18.92)p
Diluted earnings/(loss) per Ordinary Share	6	**6.01p**	(18.92)p

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

The accompanying notes on pages 36 to 67 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2013 GBP	31 December 2012 GBP
ASSETS			
Non-current assets			
Fixed assets – tangible	7	**376**	-
Fixed assets – intangible intellectual property	8	**1,466,397**	-
Financial assets available for sale	9	**791,126**	-
Financial assets at fair value through profit or loss	9	**198,734,550**	186,205,113
Associates at equity method accounting	9	**5,001,161**	-
		205,993,610	186,205,113
Current assets			
Trade and other receivables	11	**3,295,679**	2,116,241
Cash and cash equivalents	12	**18,106,171**	26,971,750
		21,401,850	29,087,991
Total assets		**227,395,460**	215,293,104
EQUITY			
Share premium	14	**39,651,059**	29,437,520
Distributable reserve		**34,802,740**	34,802,740
Foreign exchange reserve		**(1,892,799)**	(1,666,342)
Retained earnings		**1,507,621**	6,654,999
Capital and reserves attributable to equity holders of the Company		**74,068,621**	69,228,917
Non-controlling interest		**992,344**	634,941
Total equity		**75,060,965**	69,863,858
LIABILITIES			
Non-current liabilities			
Loan notes at fair value through profit or loss	13	**137,767,085**	142,376,297
Trade and other payables	13	**8,971,204**	869,486
		146,738,289	143,245,783
Current liabilities			
Trade and other payables	13	**5,596,206**	2,183,463
Total liabilities		**152,334,495**	145,429,246
Total equity and liabilities		**227,395,460**	215,293,104
Net Asset Value per Ordinary Share	15	**52.81p**	58.09p

The financial statements were approved by the Board of Directors on 25 March 2014 and were signed on its behalf by:

Director: Patrick Firth

Director: James Carthew

The accompanying notes on pages 36 to 67 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2013 GBP	31 December 2012 GBP
ASSETS			
Non-current assets			
Other financial assets held at fair value through profit or loss	9	**28,776,739**	19,611,519
Subsidiaries held at fair value through profit or loss	9	**34,285,809**	34,053,889
Associates held at fair value through profit or loss	9	**4,405,948**	-
		67,468,496	53,665,408
Current assets			
Trade and other receivables	11	**1,664,543**	515,770
Cash and cash equivalents	12	**4,040,663**	6,047,250
		5,705,206	6,563,020
Total assets		**73,173,702**	60,228,428
EQUITY			
Share premium	14	**39,651,059**	29,437,520
Distributable reserve		**34,802,740**	34,802,740
Retained earnings		**(4,341,164)**	(5,740,417)
Total equity		**70,112,635**	58,499,843
LIABILITIES			
Non-current liabilities			
Trade and other payables	13	**-**	869,486
Current liabilities			
Trade and other payables	13	**3,061,067**	859,099
Total liabilities		**3,061,067**	1,728,585
Total equity and liabilities		**73,173,702**	60,228,428
Net Asset Value per Ordinary Share	15	**49.99p**	49.09p

The financial statements were approved by the Board of Directors on 25 March 2014 and were signed on its behalf by:

Director: Patrick Firth

Director: James Carthew

The accompanying notes on pages 36 to 67 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital GBP	Share Premium GBP	Distributable Reserve GBP	Foreign Exchange Reserve GBP	Retained Earnings GBP	Capital and reserves attributable to equity holders of the Company GBP	Non-controlling Interest GBP	**Total Equity GBP**
Balance at 31 December 2011	–	19,289,035	34,802,740	(910,908)	19,246,630	72,427,497	–	**72,427,497**
Net proceeds from Ordinary Shares issued (note 14)	–	10,148,485	–	–	–	10,148,485	–	**10,148,485**
Acquisition of non-controlling interest	–	–	–	–	–	–	992,123	**992,123**
Dividends paid*	–	–	–	–	(4,892,597)	(4,892,597)	(658,790)	**(5,551,387)**
Transactions with owners	–	10,148,485	–	–	(4,892,597)	5,255,888	333,333	**5,589,221**
(Loss)/profit for the year	–	–	–	–	(7,699,034)	(7,699,034)	301,608	**(7,397,426)**
Other comprehensive income:								
Foreign exchange on consolidation	–	–	–	(755,434)	–	(755,434)	–	**(755,434)**
Total comprehensive (loss)/income for the year	–	–	–	(755,434)	(7,699,034)	(8,454,468)	301,608	**(8,152,860)**
Balance at 31 December 2012	–	29,437,520	34,802,740	(1,666,342)	6,654,999	69,228,917	634,941	**69,863,858**
Net proceeds from Ordinary Shares issued (note 14)	–	10,213,539	–	–	–	10,213,539	–	**10,213,539**
Dividends paid**	–	–	–	–	(6,556,713)	(6,556,713)	–	**(6,556,713)**
Dividends paid to non-controlling interest	–	–	–	–	292,498	292,498	(292,498)	**–**
Transactions with owners	–	10,213,539	–	–	(6,264,215)	3,949,324	(292,498)	**3,656,826**
Profit for the year	–	–	–	–	1,116,837	1,116,837	649,901	**1,766,738**
Other comprehensive income:								
Foreign exchange on consolidation	–	–	–	(226,457)	–	(226,457)	–	**(226,457)**
Total comprehensive (loss)/income for the year	–	–	–	(226,457)	1,116,837	890,380	649,901	**1,540,281**
Balance at 31 December 2013	–	39,651,059	34,802,740	(1,892,799)	1,507,621	74,068,621	992,344	**75,060,965**

*During the year ended 31 December 2012, the Company made four dividend payments, totalling 4.7 pence per Ordinary Share.
**During the year ended 31 December 2013, the Company made four dividend payments, totalling 5.0 pence per Ordinary Share.

The accompanying notes on pages 36 to 67 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital GBP	Share Premium GBP	Distributable Reserve GBP	Retained Earnings GBP	**Total Equity GBP**
Balance at 31 December 2011	–	19,289,035	34,802,740	18,335,722	**72,427,497**
Net proceeds from Ordinary Shares issued (note 14)	–	10,148,485	–	–	**10,148,485**
Dividends paid*	–	–	–	(4,892,597)	**(4,892,597)**
Transactions with owners	–	10,148,485	–	(4,892,597)	**5,255,888**
Loss for the year	–	–	–	(19,183,542)	**(19,183,542)**
Total comprehensive loss for the year	–	–	–	(19,183,542)	**(19,183,542)**
Balance at 31 December 2012	–	29,437,520	34,802,740	(5,740,417)	**58,499,843**
Net proceeds from Ordinary Shares issued (note 14)	–	10,213,539	–	–	**10,213,539**
Dividends paid**	–	–	–	(6,556,713)	**(6,556,713)**
Transactions with owners	–	10,213,539	–	(6,556,713)	**3,656,826**
Profit for the year	–	–	–	7,955,966	**7,955,966**
Total comprehensive income for the year	–	–	–	7,955,966	**7,955,966**
Balance at 31 December 2013	–	39,651,059	34,802,740	(4,341,164)	**70,112,635**

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

**During the year ended 31 December 2013, the Company made four dividend payments, totalling 5.0 pence per Ordinary Share.

The accompanying notes on pages 36 to 67 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31 December 2013 GBP	31 December 2012 GBP
Cash flows from/(used in) operating activities			
Cash generated from operations	16	**14,061,389**	9,269,487
Purchase of investments		**(117,309,344)**	(116,308,742)
Sale of investments		**5,658,879**	15,557,634
Principal received		**94,647,752**	102,375,553
Net cash (outflow)/inflow (used in)/from operating activities		**(2,941,324)**	10,893,932
Cash flows (used in)/from investing activities			
Business combination (acquisition of Subsidiary)	10	**(60,658)**	(3,166,667)
Fixed assets acquired - tangible		**(11,129)**	-
Fixed assets disposed - tangible		**63,018**	-
Fixed assets acquired - intangible		**(927,837)**	-
Net cash outflow used in investing activities		**(936,606)**	(3,166,667)
Cash flows from/(used in) financing activities			
Cash paid on repurchase of loan notes		**(8,418,018)**	-
Ordinary Shares issued proceeds received		**10,126,560**	1,189,002
Dividends paid		**(6,469,734)**	(4,892,597)
Net cash outflow used in financing activities		**(4,761,192)**	(3,703,595)
Net (decrease)/increase in cash and cash equivalents		**(8,639,122)**	4,023,670
Cash and cash equivalents at beginning of year		**26,971,750**	23,703,514
Effect of foreign exchange rate changes during the year		**(226,457)**	(755,434)
Cash and cash equivalents at end of year	12	**18,106,171**	26,971,750

The accompanying notes on pages 36 to 67 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

	Notes	31 December 2013 GBP	31 December 2012 GBP
Cash flows from/(used in) operating activities			
Cash generated from operations	16	**6,193,688**	10,919,210
Purchase of investments		**(12,647,207)**	-
Sale of investments		**504,237**	-
Principal received		**285,869**	242,773
Net cash (outflow)/inflow (used in)/from operating activities		**(5,663,413)**	11,161,983
Cash flows used in investing activities			
Business combination (acquisition of Subsidiary)	10	**-**	(3,166,667)
Net cash outflow used in investing activities		**-**	(3,166,667)
Cash flows from/(used in) financing activities			
Ordinary Shares issued proceeds received		**10,126,560**	1,189,002
Dividends paid		**(6,469,734)**	(4,892,597)
Net cash inflow/(outflow) from/(used in) financing activities		**3,656,826**	(3,703,595)
Net (decrease)/increase in cash and cash equivalents		**(2,006,587)**	4,291,721
Cash and cash equivalents at beginning of year		**6,047,250**	1,755,529
Cash and cash equivalents at end of year	12	**4,040,663**	6,047,250

The accompanying notes on pages 36 to 67 form an integral part of these financial statements.

1. GENERAL INFORMATION

GLI Finance Limited (the "Company") was incorporated and domiciled in Guernsey, Channel Islands, as a company limited by shares and with limited liability on 9 June 2005 in accordance with The Companies (Guernsey) Law, 1994 (since superseded by The Companies (Guernsey) Law, 2008). The address of the registered office is P.O. Box 296, Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA. The Company is a Guernsey Authorised Closed-ended Investment Scheme and is subject to the Authorised Closed-ended Investment Scheme Rules 2008. The Company was admitted to the AIM market of the London Stock Exchange on 5 August 2005. On 1 February 2011, the Company's Ordinary Shares were admitted to trading on the Official List of the Channel Island Stock Exchange ("CISX"). The Company's Ordinary Shares were cancelled from the Official List of the CISX on 10 December 2013. The Company does not have a fixed life and the Articles do not contain any trigger events for a voluntary liquidation of the Company.

The Company is an investing company for the purpose of the AIM rules. The Executive Team is responsible for the management of the Company. GMB Partners LLP (the "Investment Adviser") is employed by the Company to advise on UK, European and US CLO paper and senior secured loans. T2 Advisers, LLC ("T2 Advisers"), a registered investment adviser in the United States, managed the Company's assets under the terms of an investment manager agreement, until 12 April 2013, at which time the management agreement was terminated by mutual consent. T2 Advisers provides management of the assets within T2 CLO I Ltd ("T2 CLO"), a vehicle of which GLIF owns a 100% interest in the residual economics. T2 Advisers is also the collateral manager for T2 CLO.

On 30 April 2013, the Company received approval from shareholders and the Guernsey authorities to change its name from Greenwich Loan Income Fund Limited to GLI Finance Limited.

Subsidiaries

A Cayman Islands registered company, T2 CLO, was created on 11 October 2006. The Company owns the residual economic interest of T2 CLO and therefore the operating results of T2 CLO are consolidated in these financial statements.

On 31 January 2011, the Company acquired a wholly owned subsidiary, Asset Management Investment Company plc and the operating results are consolidated in these financial statements. Subsequent to this transaction Asset Management Investment Company plc changed its name to Asset Management Investment Company Limited ("AMIC"). During 2013, having sold or transferred all its investments, AMIC was liquidated.

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

This new partly owned subsidiary of the Company was formed to receive the assets of BMS Specialist Debt Fund Limited (the "Seller") acquired by the Company via the Asset Sale and Purchase Agreement, dated 6 November 2012, between the Company and the Seller. The Assets acquired comprised all of the issued share capital of BMS Finance AB Limited ("BMS Finance AB"), which is a UK-based specialist private finance company. BMS Finance AB was being financed by a deep discount bond issued to the Seller standing at the nominal sum of GBP20,738,000 (the "DDB"), as at the transaction date, which was also acquired by the Company pursuant to the Asset Sale and Purchase Agreement. In addition to the shares in BMS Finance AB and the DDB, the Company also acquired the Seller's interest in Noble Venture II Nominees Limited ("NV2N"), formerly Noble Venture Finance II Limited Partnership, and legacy warrants to subscribe for shares in Eazyfone Limited and EGS Group Limited (the "Warrants"). The value ascribed to the Assets was GBP1 in respect of the shares of BMS Finance AB, GBP9,977,954 in respect of the DDB, GBP1,613,106 in respect of the interest in NV2N and GBP1 in respect of all of the 4 Warrants. The Company paid for these Assets by issuing 20,545,400 Ordinary Shares in the Company at fair value as at 30 September 2012 (being equal to the Net Asset Value per Ordinary Share of the Company) plus GBP1,310,998 in cash.

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

On 18 March 2013, BMS acquired 100% of the equity holding in NVF Tech Limited (formerly HiWave Technologies (UK) Limited) ("NVF Tech") and HiWave (Hong Kong) Limited ("HiWave HK") via a sale and purchase agreement with HiWave Technologies PLC ("HiWave PLC"). The consideration for this transaction was GBP100,000. Together BMS, BMS Finance AB, NV2N, NVF Tech and HiWave HK make up BMS Group. During the latter part of 2013 the ownership of Hiwave HK was transferred from BMS to NVF Tech before being sold by the Group.

On 27 December 2013, the Company incorporated a wholly own subsidiary called Secured Loan Investments Limited ("SLI"). As at the year end SLI was yet to commence trading.

As at 31 December 2013, the Group comprises the Company, CLO, BMS, BMS Finance AB, NV2N, NVF Tech and SLI.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"), and all applicable requirements of Guernsey Company Law. The financial statements have been prepared under the historical cost convention, apart from the inclusion of non-current asset investments, foreign currency derivatives and non-current liabilities at fair value through profit or loss. The principal accounting policies of the Group and Company have remained unchanged from the previous year, except for the application of new standards, and are set out below. Comparative information in the primary statements is given for the year ended 31 December 2012.

2. ACCOUNTING POLICIES CONTINUED

(b) Basis of consolidation

The financial statements comprise the results of the Company and its subsidiaries T2 CLO, AMIC, BMS, BMS Finance AB, NV2N, NVF Tech, SLI and HiWave HK (the "Group") for the year ended 31 December 2013. Subsidiaries are all entities over which the Company exercises control or owns greater than 50 per cent of the residual economic interest during the year. Through the ownership of the income notes of the T2 CLO the Company has ownership of the residual economic interest of T2 CLO. The Company obtained and exercised control of the AMIC subsidiary through ownership of 100% of AMIC's equity shares during the year (as at 31 December 2013 had been liquidated). The Company obtains and exercises control of the BMS Group subsidiary through ownership of 66.7% equity shares and 100% of the loan notes of BMS. BMS Finance AB, NV2N and NVF Tech are all direct subsidiaries of BMS, with BMS owning 100%, 70.75%, and 95% of the equity shares respectively. Hiwave HK was a direct subsidiary of NVF Tech during the year, with NVF Tech owning 100% of the equity shares in Hiwave HK. The Group disposed of Hiwave HK during 2013. The Company obtained and exercised control of the SLI subsidiary through ownership of 100% of SLI's equity shares. As at the year end SLI was yet to commence trading. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in full on consolidation.

As at the year end, the Company carries its direct investments in subsidiaries at fair value through profit or loss, based upon the fair value of the assets and liabilities held by subsidiaries.

As disclosed in the 2011 annual financial statements, with effect from 1 January 2012, the Board decided that the T2 CLO equity would be accounted for in the Statement of Financial Position of the Company as a discrete investment and it is held at its discrete fair value, rather than as previously at its consolidated value based on the fair value of the aggregated underlying assets and liabilities. The Board believes this provides investors with a better guide to the fair value of the assets held, were they not to be held to maturity.

The change in accounting estimate described above, resulted in a write down in the fair value of the T2 CLO of GBP10,727,442 during the prior year and this was recognised in the Company's Statement of Comprehensive Income.

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

(c) Business combination

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

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

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

2. ACCOUNTING POLICIES CONTINUED

(d) Foreign currency translation CONTINUED

(ii) Transactions and balances CONTINUED

Translation differences on non-monetary items are reported as part of the fair value gain or loss reported in the Consolidated Statement of Comprehensive Income. The rates of exchange as at 31 December 2013 are as follows:

GBP1: USD1.6557
GBP1: EUR1.2041
GBP1: HKD12.8394
GBP1: SEK10.6562
GBP1: CHF1.4782

(iii) Subsidiary companies

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

1. assets and liabilities per 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 Statement of Comprehensive Income 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.

(e) Revenue recognition

Revenue is recognised as follows:

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

(f) Other income

Other income relates to interest income, arrangement fees received and bargain purchase gains, if any, on acquisitions of subsidiaries (refer to note 2(c)). Interest income is recognised on a time-proportionate basis using the effective interest method and includes interest income from cash and cash equivalents.

(g) Expenditure

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

(h) Taxation

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

(i) Dividends

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

(j) Cash and cash equivalents

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

(k) Trade and other receivables

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

(l) Trade and other payables

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

(m) Investments and loan notes

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

Recognition and initial measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised on the trade date, which is the date on which the Group becomes party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date on which they are originated.

2. ACCOUNTING POLICIES CONTINUED

(m) Investments and loan notes CONTINUED

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

Recognition and initial measurement CONTINUED

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in Consolidated Statement of Comprehensive Income. Financial assets and financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Fair value measurement

Fair value policy applicable from 1 January 2013

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using quoted price in an active market for that instrument. A market is regarded as "active" if transactions of the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Group measure financial instruments quoted in an active market at a mid price.

If there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

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

For broadly syndicated loans the Group 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, T2 Advisers prepares an analysis of the portfolio company's recent and projected financial performance as well as other relevant business developments. In those instances where the T2 Advisers believes additional analysis is necessary, for example due to a significant change in the market quote without related transaction volume, an outside valuation firm will provide a valuation estimate based upon their proprietary methodologies and techniques.

Factors considered in these independent valuation analyses include discounted cash flows, comparable company and comparable transaction analysis, and credit spread analysis based upon the independent valuation firms' view of the implied credit rating of the investment and the corresponding required spread in the marketplace. The Board considers all the information presented to it, including indicative bids, internal analysis, and independent valuations, in order to reach, in good faith, their fair value determination.

The 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 Group has designated CLO loan notes and receivables at fair value through profit or loss since they are managed and their performance are evaluated on a fair value basis, and information about the Group is provided internally on that basis to the entity's key management personnel including the entity's Board of Directors. The Directors recognise that the magnitude of fair value movement of the CLO loan notes has been substantially greater than the movement of the investments, due to variations in the different markets in which these instruments are traded.

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 T2 Advisers and the few holders of the notes. The Directors believe that the market value report is the best reflection of fair value of the notes, consistent with the requirements of IFRS, and is consistent with the other factors which have been taken into consideration.

If in the case of any investment the Directors at any time consider that the above basis of valuation is inappropriate or that the value determined in accordance with the foregoing principles is unfair, they are entitled to substitute what in their opinion, is a fair value.

Where this is the case or where no value is provided by the managers or administrators of the underlying funds, then the fair value is estimated with care and in good faith by the Directors in consultation with the Investment Manager with a view to establishing the probable realisation value for such units or shares as at close of business on the relevant valuation day. This process is also applied, where the Directors deem it necessary, to those funds subject to suspension, gating, side pockets, orderly wind down or liquidation.

2. ACCOUNTING POLICIES CONTINUED

(m) Investments and loan notes CONTINUED

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

Fair value measurement CONTINUED

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

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

Policy applicable before 1 January 2013

"Fair value" was the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, then the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as "active" if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for financial instruments is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if they are available) or reference to the current fair value of other instruments that are substantially the same.

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.

Derecognition

Sales of all investments are recognised on trade date - the date on which the Group disposes of the economic benefits of the asset. 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.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the Consolidated Statement of Comprehensive Income. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(ii) Derivative financial instruments

Derivatives are categorised as financial assets or liabilities held for trading and valued at fair value through profit or loss. There were 6 derivatives held by the Group as at 31 December 2013 (31 December 2012: 6).

(iii) Subsidiaries

Investments in the directly held subsidiaries are initially recorded at cost by the Company. The Company has designated its investments in directly held subsidiaries as fair value through profit or loss since they are managed and their performance is evaluated on a fair value basis, and information about the Group is provided internally on that basis to the entity's key management personnel including the entity's Board of Directors. The Company carries its directly held investments in the T2 CLO, BMS and SLI subsidiaries at fair value through profit or loss.

This is based upon the fair value of the assets and liabilities held by T2 CLO, BMS and SLI which the Directors consider to be indicative of fair value for financial reporting purposes. Through its ownership of the residual economic interest of T2 CLO the Directors account for T2 CLO as a wholly owned subsidiary and the operating results are consolidated in these financial statements. The Company directly owned all of the equity shares of AMIC during the year, and it was therefore a wholly owned subsidiary with its operating results to the date of liquidation being consolidated in these financial statements.

The Company directly owns 66.7% of the equity shares of BMS, which is therefore a partly owned subsidiary, with its operating results being consolidated in these financial statements. As at 31 December 2013, BMS owns 100%, 70.75% and 95% of the equity shares of BMS Finance AB, NV2N and NVF Tech respectively. Hiwave HK was a direct subsidiary of NVF Tech during the year, with NVF Tech owning 100% of the equity shares in Hiwave HK. The Group disposed of Hiwave HK during 2013 with its operating results to the date of disposal being consolidated in these financial statements. These subsidiaries of BMS, are therefore all partly owned subsidiaries of the Group with their operating results being consolidated in these financial statements.

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

2. ACCOUNTING POLICIES CONTINUED

(m) Investments and loan notes CONTINUED

(iv) Investment in Associates

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

Investments in associates and joint ventures are accounted for by the Group using the equity method.
Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The Company has designated its investments in associates as fair value through profit or loss.

(n) Fixed assets - tangible

Tangible fixed assets include computer equipment and this is stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost on a straight line basis over its expected useful economic life, being 2 years.

(o) Fixed assets – intangible intellectual property

The cost of acquired intellectual property rights are stated at purchase price plus any directly attributable costs incurred in preparing the asset for use.

The intangible assets are assessed for impairment annually, or as required if there are indications of impairment (please see Note 2(p) for the impairment testing procedures). Acquired intellectual property rights are amortised on a straight-line basis over the term of the license of the intellectual property asset acquired. All amortisation and impairment charges are included within Other Expenses in the Consolidated Statement of Comprehensive Income.

(p) Impairment testing of intangible assets and property, plant and equipment

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

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

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

Fair values of investments and loan notes designated as financial assets and liabilities at fair value

The Group invests in broadly syndicated loans that have limited trading activity. The CLO loan notes in issue also trade infrequently. The fair value of such instruments is determined by using valuation techniques. Details of the assumptions used are given in the notes regarding financial assets and liabilities. Please refer to Note 9 for details of the carrying amounts as at the year end.

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. Please refer to Note 13 for details of the carrying amounts as at the year end.

Fair values of Unlisted Debt Securities and Unlisted Equity Securities

The Group can invest in financial instruments which are not quoted in active markets and may receive such financial instruments as distributions on certain investments. Fair values are determined by using valuation techniques. Where valuation techniques, such as the Market Capitalisation Approach, are used to determine fair values they are carried out by an independent valuation firm specifically engaged by the Group to carry out the valuations. Changes in assumptions could affect the reported fair value of financial instruments. See Note 9 for details of the carrying amounts 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.

2. ACCOUNTING POLICIES CONTINUED

(q) Critical accounting estimates and judgements in applying accounting policies CONTINUED

Going Concern

The Board has assessed the Company's financial position as at 31 December 2013 and the factors that may impact its performance in the forthcoming year and are of the opinion that it is appropriate to prepare these financial statements on a going concern basis.

(r) New Accounting Standards Effective and Adopted

The following new standard, which became effective and has been applied for the current period, is relevant to the Group's operations:

- IFRS 13, 'Fair value measurement', establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between willing market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 "Financial Instruments: Disclosures". Notwithstanding the above, the adoption of this new Standard has had no significant impact on the measurements of the Group's assets and liabilities.

The following new standard, which is not yet effective, has been early adopted for the current period and is relevant to the Group's operations:

- IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2014, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. Under the Standard, the Company would classify interests in joint arrangements as either joint operations or joint ventures depending on whether the Company had rights to the assets and obligations for the liabilities of the arrangement. When making this assessment, the Company will need to consider the structure of any arrangements that might exist, the legal form of any separate vehicles, the contractual terms of such arrangements and other fact or circumstances that may exist.

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

- IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2014, introduces a new control model that is applicable to all investees, by focusing on whether a company has power over an investee, exposure or rights to variable returns from its involvement in the investee and the ability to use its power to affect those returns. The amendments provide an exemption to consolidation requirements in IFRS 10, for controlled "investment entities" meeting IFRS 10's exemption criteria, and require "investment entities" to measure particular subsidiaries at fair value through profit or loss, rather than consolidating them. It is expected that the Company will be able to apply this exemption in its statutory financial statements, and therefore, in accordance with this exemption the Company will only have to present Company financial statements going forward.

- IFRS 9, 'Financial instruments', no mandatory effective date has yet been determined, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

The Board is currently considering the impact of the above standards.

The Directors believe that the financial statements contain all of the information required to enable Shareholders and potential investors to make an informed appraisal of the investment activities and profits and losses of the Company and Group for the period to which it relates and does not omit any matter or development of significance.

(t) Share based payments

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

GROUP - 31 December 2013

	Designated Fair Value through Profit or Loss GBP	Available for Sale GBP	Loans and receivables measured at amortised cost GBP	Financial Liabilities measured at amortised cost GBP
Financial assets				
Financial assets at fair value through profit or loss	**198,734,550**	**–**	**–**	**–**
Available for sale financial assets	**–**	**791,126**	**–**	**–**
Trade and other receivables*	**–**	**–**	**3,041,636**	**–**
Cash and cash equivalents	**–**	**–**	**18,106,171**	**–**
Total assets	**198,734,550**	**791,126**	**21,147,807**	**–**
Financial liabilities				
Loan notes at fair value through profit or loss	**137,767,085**	**–**	**–**	**–**
Trade and other payables**	**–**	**–**	**–**	**4,575,304**
Total liabilities	**137,767,085**	**–**	**–**	**4,575,304**

GROUP - 31 December 2012

	Designated Fair Value through Profit or Loss GBP	Loans and receivables measured at amortised cost GBP	Financial Liabilities measured at amortised cost GBP
Financial assets			
Financial assets at fair value through profit or loss	186,205,113	–	–
Trade and other receivables*	–	1,728,333	–
Cash and cash equivalents	–	29,971,750	–
Total assets	186,205,113	28,700,083	–
Financial liabilities			
Loan notes at fair value through profit or loss	142,376,297	–	–
Trade and other payables	–	–	3,052,949
Total liabilities	142,376,297	–	3,052,949

* In accordance with IFRS7 excludes prepayments.

** In accordance with IFRS7 excludes deferred income.

COMPANY	31 December 2013	31 December 2012
Financial assets	**GBP**	**GBP**
Associates at fair value through profit or loss	4,405,948	-

Capital Risk Management

The Group's capital is represented by the net assets attributable to shareholders and the objective when managing capital is to enable the Group to continue as a going concern in order to provide a consistent appropriate risk-adjusted return to shareholders, and to maintain a strong capital base to support the continued development of its investment activities. The Group manages its capital to ensure that its objective is met. It does this by investing available cash whilst maintaining sufficient liquidity to meet on-going expenses and dividend payments. The Group considers its capital to include share capital, share premium, distributable reserves, foreign exchange reserves and retained earnings. The Group is not subject to regulatory or industry specific limitations on its capital, other than the legal requirements for Guernsey incorporated entities. The Group considers the amount and composition of its capital in proportion to risk.

Adjustments to the capital structure will be taken in response to economic conditions, the cost of debt, the ability to raise share capital, and other opportunities and factors which the Board may consider. At 31 December 2013, the Group had total equity of GBP74,068,621 (31 December 2012: GBP69,228,917).

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 T2 CLO subsidiary, its debt is collateralised by investments held in the CLO portfolio. The portfolio is subject to various financial and other covenant tests which may result in required paydowns of its debt from time to time; in the absence of such required paydowns, the debt matures in 2019.

3. FINANCIAL RISK MANAGEMENT CONTINUED

Capital Risk Management CONTINUED

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

Covenant Test	Requirement*
Collateral Coverage Test: Class A/B Principal	>=133.95%
Collateral Coverage Test: Class C Principal	>=123.40%
Collateral Coverage Test: Class D Principal	>=120.20%
Collateral Coverage Test: Class E Principal	>=115.36%
Interest Coverage Test: Class A/B Principal	>=125.00%
Interest Coverage Test: Class C Principal	>=115.00%
Interest Coverage Test: Class D Principal	>=110.00%
Interest Coverage Test: Class E Principal	>=105.00%
Interest Coverage Test	>=116.36%

* As at 31 December 2013, the CLO loan notes met the all the requirements

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

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

The Executive Team 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 USD235.6million; GBP145.7million or 196.71% at cost (based on Group NAV), USD228.1million; GBP137.8 or 186.00% at fair value (based on Group NAV) as at the year end) through its CLO subsidiary in the form of long-term notes.

Concentration Risk

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

Market risk

The Group and Company's exposure to market risk comprises mainly movements in the Group and Company's investments. The investment portfolio is managed within parameters disclosed in the Company's offering memorandum. All investments present a risk of loss of capital. As at 31 December 2013, the Group and Company's market risk is affected by three main components: changes in actual market prices, interest rates and foreign currency movements. Interest rates and foreign currency movements are covered below.

The following details the Group and Company's sensitivity to a 5% increase and decrease in the market prices of financial instruments, with 5% being the sensitivity rate used when reporting price risk to the Board bi-annually and represents the Board's assessment of the possible change in market price.

If market prices of financial instruments held by the Group increased or decreased by 5% with all other variables held constant, this would have had the following effect during the year:

GROUP	Net assets attributable to holders of equity shares		Consolidated Statement of Comprehensive Income	
	5% increase	5% decrease	**5% increase**	5% decrease
	GBP	GBP	**GBP**	GBP
31 December 2013	**3,087,930**	(3,087,930)	**3,087,930**	(3,087,930)
31 December 2012	**2,191,441**	(2,191,441)	**2,191,441**	(2,191,441)

The above changes are due to the following:

GROUP	Financial Assets at FVTPL		Financial Liabilities at FVTPL	
	5% increase	5% decrease	**5% increase**	5% decrease
	GBP	GBP	**GBP**	GBP
31 December 2013	**9,976,284**	(9,976,284)	**(6,888,354)**	6,888,354
31 December 2012	**9,310,256**	(9,310,256)	**(7,118,815)**	7,118,815

3. FINANCIAL RISK MANAGEMENT CONTINUED

Market risk CONTINUED

If market prices of financial instruments held by the Company increased or decreased by 5% with all other variables held constant, this would have had the following effect during the year:

GROUP	Net assets attributable to holders of equity shares		Consolidated Statement of Comprehensive Income	
	5% increase	5% decrease	**5% increase**	5% decrease
	GBP	GBP	**GBP**	GBP
31 December 2013	**3,373,425**	(3,373,425)	**3,373,425**	(3,373,425)
31 December 2012	**2,683,270**	(2,683,270)	**2,683,270**	(2,683,270)

The above changes would be due to the changes in fair value of financial assets held at fair value through profit or loss.

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 and Company 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 comprises two elements: spread risk and rate risk.

The Group and Company 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 and Company's cash balances, debt instruments and loan notes are open to interest rate risk.

The Group and Company may, but are not required to, hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts. Neither the Group nor the Company entered into any such transactions during the current or prior years.

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

At 31 December 2013	Floating rate Financial Instruments GBP	Fixed rate Financial Instruments GBP	Non-interest Bearing Financial Instruments GBP	Total GBP
Assets				
Financial assets at fair value through profit or loss	**182,648,147**	**–**	**16,086,403**	**198,734,550**
Available for sale financial assets	**–**	**–**	**791,126**	**791,126**
Trade and other receivables	**–**	**–**	**3,041,636**	**3,041,636**
Cash and cash equivalents	**18,106,171**	**–**	**–**	**18,106,171**
Total assets	**200,754,318**	**–**	**19,919,165**	**220,673,483**
Liabilities				
Loan notes	**137,767,085**	**–**	**–**	**137,767,085**
Trade and other payables	**–**	**–**	**4,575,304**	**4,575,304**
Total liabilities	**137,767,085**	**–**	**4,575,304**	**142,342,389**
Total interest sensitivity gap	**62,987,233**	**–**	**15,343,861**	**78,331,094**

At 31 December 2012	Floating rate Financial Instruments GBP	Fixed rate Financial Instruments GBP	Non-interest Bearing Financial Instruments GBP	Total GBP
Assets				
Financial assets at fair value through profit or loss	177,980,350	–	8,224,763	186,205,113
Trade and other receivables	–	–	1,728,333	1,728,333
Cash and cash equivalents	26,971,750	–	–	26,971,750
Total assets	204,952,100	–	9,953,096	214,905,196
Liabilities				
Loan notes	142,376,297	–	–	142,376,297
Trade and other payables	–	–	3,052,949	3,052,949
Total liabilities	142,376,297	–	3,052,949	145,429,246
Total interest sensitivity gap	62,575,803	–	6,900,147	69,475,950

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 December 2013

3. FINANCIAL RISK MANAGEMENT CONTINUED

Interest rate risk CONTINUED

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

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 2013, should the interest spread have increased or decreased by 200 basis points, or had the interest rate have increased or decreased by 25 basis points, with all other variables remaining constant, this would have had the following effect:

GROUP	Net assets attributable to holders of equity shares		ConsolidatedStatement of Comprehensive Income	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	GBP	GBP	**GBP**	GBP
200 basis point increase in interest spread	**3,878,322**	3,817,411	**3,878,322**	3,817,411
200 basis point decrease in interest spread	**(3,878,322)**	(3,817,411)	**(3,878,322)**	(3,817,411)
25 basis point increase in interest rates	**165,805**	159,310	**165,805**	159,310
25 basis point decrease in interest rates	**(165,805)**	(159,310)	**(165,805)**	(159,310)

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

The table below summarises the Company's exposure to interest rate risk:

At 31 December 2013	Floating rate Financial Instruments GBP	Fixed rate Financial Instruments GBP	Non-interest Bearing Financial Instruments GBP	Total GBP
Assets				
Financial assets at fair value through profit or loss	**1,407,739**	**12,591,062**	**53,469,695**	**67,468,496**
Trade and other receivables	**–**	**–**	**1,645,652**	**1,645,652**
Cash and cash equivalents	**4,040,663**	**–**	**–**	**4,040,663**
Total assets	**5,448,402**	**12,591,062**	**55,115,347**	**73,154,811**
Liabilities				
Trade and other payables	**–**	**–**	**3,061,067**	**3,061,067**
Total liabilities	**–**	**–**	**3,061,067**	**3,061,067**
Total interest sensitivity gap	**5,448,402**	**12,591,062**	**52,054,280**	**70,093,744**

At 31 December 2012	Floating rate Financial Instruments GBP	Fixed rate Financial Instruments GBP	Non-interest Bearing Financial Instruments GBP	Total GBP
Assets				
Financial assets at fair value through profit or loss	1,222,947	11,591,062	40,851,399	53,665,408
Trade and other receivables	–	–	138,920	138,920
Cash and cash equivalents	6,047,250	–	–	6,047,250
Total assets	7,270,197	11,591,062	40,990,319	59,851,578
Liabilities				
Trade and other payables	–	–	1,728,585	1,728,585
Total liabilities	–	–	1,728,585	1,728,585
Total interest sensitivity gap	7,270,197	11,591,062	39,261,734	58,122,993

3. FINANCIAL RISK MANAGEMENT CONTINUED

Interest rate risk CONTINUED

The sensitivity analysis below has been determined based on the Company'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.

As at 31 December 2013, should the interest spread have increased or decreased by 200 basis points, or had the interest rate have increased or decreased by 25 basis points, with all other variables remaining constant, this would have had the following effect:

COMPANY	**Net assets attributable to holders of equity shares**		**ConsolidatedStatement of Comprehensive Income**	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	GBP	GBP	**GBP**	GBP
200 basis point increase in interest spread	**146,792**	155,303	**146,792**	155,303
200 basis point decrease in interest spread	**(146,792)**	(155,303)	**(146,792)**	(155,303)
25 basis point increase in interest rates	**28,451**	34,531	**28,451**	34,531
25 basis point decrease in interest rates	**(28,451)**	(34,531)	**(28,451)**	(34,531)

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

Currency risk

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

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

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

GROUP	**Net Assets & Statement of Comprehensive Income**					
	USD (in GBP)	**EUR (in GBP)**	**CHF (in GBP)**	**HKD (in GBP)**	**SEK (in GBP)**	**Total (in GBP)**
31 December 2013	2,365,628	234,278	41	(994)	8,133	2,607,086
31 December 2012	2,889,660	66,292	285	-	-	2,956,237

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

The majority of the Company's net financial assets and liabilities are also denominated in US Dollars and therefore the Company is exposed to fluctuations in the GBP:US Dollar exchange rate. There is also some exposure to Euro, however, this is less significant.

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

COMPANY	**Net Assets & Statement of Comprehensive Income**		
	USD (in GBP)	**EUR (in GBP)**	**Total (in GBP)**
31 December 2013	2,160,086	242,062	2,402,148
31 December 2012	2,293,866	8,223	2,302,089

3. FINANCIAL RISK MANAGEMENT CONTINUED

Interest rate risk CONTINUED

In accordance with the Company's policy, the Executive Team monitors the Company's currency position on a regular basis, and the Board of Directors reviews it on a quarterly basis.

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 9. The loan portfolio of the Group reflects a secured or unsecured interest in the general corporate assets of the borrowers.

The following amounts on debt instruments were considered impaired:

	31 December 2013	Movement/ impairment transferred in during the year	31 December 2012
Debt instruments held through T2 CLO – Principal and GLIF (including PIK interest)	**US$31.5m**	US$11.5m*	US$20.0m
Debt instruments held through BMS – Principal	**GBPNil**	GBP(12.3)m**	GBP12.3

**This is the cumulative source currency unrealised losses which represents the amount of change in the fair value attributable to these investments due to changes in credit risk of the assets.*
***This relates to previously impaired loans held as at 31 December 2012 written off during the current year.*

As at the year end, there is no accrued interest which is considered uncollectable (31 December 2012: GBPnil & USDnil).

Included within the fair value of the loan portfolio is an amount of GBPnil (31 December 2012: GBP99,995) (relating to loan held via BMS) which was past due as at the year end but unimpaired.

The Group mitigates credit risk by only entering into agreements related to loan instruments in which the collateral and/or operating strength of the investee companies is sufficient to support the loan amounts outstanding. This determination of whether the loan instruments are sufficiently collateralised is made by the T2 Advisers and/or the Executive Team at the time of the agreements, and the T2 Advisers and/or the Executive Team continues to evaluate the loan instruments in the context of these agreements. The Group also mitigates risk relating to the BMS loan portfolio by having the ability to purchase equity, via warrants, in an investee company should it default on a loan.

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

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

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

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. The Group invests in the equity of a number of businesses that have a limited number of shareholders, often principally the management team of the business. Until an exit is obtained for all shareholders it is highly likely in the majority of instances that a sale of the Group holding would be difficult and the level at which it is possible may not reflect the fair value of the investment. As many of the businesses in which the Group invests are at an early stage in their development, the Group does not expect realisation of these investments in the near term.

3. FINANCIAL RISK MANAGEMENT CONTINUED

Liquidity risk CONTINUED

Similarly within the debt portfolio, the Group invests in debt securities with a term of up to seven years, and generally holds investments in debt securities until maturity of the debt and therefore the Group does not expect realisation of the portfolio to occur in the near term.

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

The following table 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. The allocation of the contractual undiscounted cash flows on the loan notes represents the apportionment to the interest payable within each category in addition to the repayment of the loan note on maturity.

GROUP	CURRENT		NON-CURRENT		
	Within 6 months GBP	6 to 12 months GBP	1 to 5 years GBP	5 years to maturity* GBP	No stated maturity GBP
At 31 December 2013					
Loan notes - contractual undiscounted cash flows*	**555,452**	**564,659**	**4,483,513**	**142,923,351**	**–**
Trade and other payables**	**4,575,304**	**–**	**–**	**–**	**–**
Total financial liabilities	**5,130,756**	**564,659**	**4,483,513**	**142,923,351**	**–**
At 31 December 2012					
Loan notes	577,637	587,211	4,662,585	154,894,095	–
Trade and other payables**	2,007,963	175,500	869,486	–	–
Total financial liabilities	2,585,600	762,711	5,532,071	154,894,095	–

** The contractual maturity of the Group's financial liabilities details in the table above is 15 July 2019.*
*** In accordance with IFRS7 excludes deferred income.*

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

GROUP	CURRENT		NON-CURRENT		
	Within 6 months GBP	6 to 12 months GBP	1 to 5 years GBP	5 years to maturity GBP	No stated maturity GBP
At 31 December 2013					
Loan notes – contractual undiscounted cash flows	**555,452**	**564,659**	**4,483,513**	**142,923,351**	**–**
Loan notes – fair value*	**515,213**	**523,753**	**4,158,709**	**132,569,410**	**–**
Difference	**40,239**	**40,906**	**324,804**	**10,353,941**	**–**
At 31 December 2012					
Loan notes – contractual undiscounted cash flows	577,637	587,211	4,662,585	154,894,095	–
Loan notes – fair value*	511,704	520,185	4,130,384	137,214,024	–
Difference	65,933	67,026	532,201	17,680,071	–

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

Fair value estimation

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

3. FINANCIAL RISK MANAGEMENT CONTINUED

Financial instruments measured at fair value

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or broker price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are, unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

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:

		31 December 2013	31 December 2012
At 31 December 2013		**Level 3 & Total**	**Level 3 & Total**
Assets	**Note**	**GBP**	**GBP**
Loans - broadly syndicated	a	**162,460,743**	169,868,266
Loans - held through GLIF BMS	b	**20,187,404**	8,112,084
Equity securities	c	**5,733,763**	3,335,241
CLO equity securities	c	**10,352,640**	4,479,376
Warrant securities	d	**-**	410,146
Total		**198,734,550**	186,205,113
Liabilities			
CLO loan notes	e	**137,767,085**	142,376,297
Total		**137,767,085**	142,376,297
Net Fair Value		**60,967,465**	43,828,816

Measurement of fair value

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

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

(a) Loans – broadly syndicated

All the broadly syndicated loans are denominated in USD and, other than Koosharem 2nd Lien Loan, are held within T2 CLO 1 Ltd, the collateral manager of which is T2 Advisers. These loans have significant unobservable inputs, as they trade infrequently. The fair value of the broadly syndicated loans is based primarily on the average of all indicative bids provided by brokers making a market in these loans; these average bid prices are accumulated and calculated by an outside pricing service and supplied to both the trustee of the CLO and the Company by the collateral manager. Generally, the vast majority of the broadly syndicated loans have multiple bids and hence the average bid price in the Board's view represents a fair reflection of the fair value of those loans. In those instances where the average bid price of a loan indicates a potential for a significant variance to its approximate value, a third-party valuation will provide a valuation analysis. In the case of Koosharem 2nd Lien Loan it is held directly by the Company and is in default. In coming to a fair value for the loan the Board has taken into account not only the bid prices from the market but also any communication from Koosharem and its advisers.

3. FINANCIAL RISK MANAGEMENT CONTINUED

Measurement of fair value CONTINUED

(a) Loans – broadly syndicated CONTINUED

As at 31 December 2013, the broadly syndicated loans are held with companies across various industry sectors within the United States. The table below details each sector with a greater than 10% coverage within the broadly syndicated loans portfolio:

Sector	Coverage
Electronics	14.13%
Banking	11.99%
Healthcare, Education and Childcare	10.67%
Diversified/Conglomerate Service	10.12%
Other	53.09%

(b) Loans – held through GLIF BMS

The loans held through GLIF BMS are bilateral agreements and thus there are no external valuation metrics available. The fair value is established by considering the financial data provided by the underlying businesses to BMS Finance. If the loan remains within its covenants, continues to meet all of its obligations and the management of BMS expect this to continue to be the case, the loans are valued at par. If the companies fail to meet their obligations, or GLIF and/or BMS Finance are of the view that it is likely in the future that the company may not meet its obligations in the future, a provision is made against the loan.

As at 31 December 2013, the bilateral loan agreements held through GLIF BMS were across various industry sectors within the United Kingdom (84.41%), Denmark (13.17%) and the United States (2.42%). The table below details each sector with a greater than 10% coverage within the bilateral loan agreements portfolio:

Sector	Coverage*
Media	21.26%
Software/IT	21.03%
Financial Services	20.06%
Healthcare	18.59%
Publishing	13.10%
Other	5.96%

*These are loans which GLIF BMS have made themselves and in addition there is GBP7.7m loans held through GLIF BMS which relate to private clients.

(c) Equity securities

The Group has a number of equity positions, which fall into three categories:

1. Investments in finance platforms
2. Investments in equity positions received from loan restructurings
3. Other equity investments

The equity securities have significant unobservable inputs, as they trade infrequently and are unlisted. There is a discrete valuation approach to each category of equity investments.

Investments in finance platforms

At the year end, the Group held investments in five finance platforms: BMS Finance, FundingKnight Holdings Limited, Platform Black Limited, Sancus Limited and Raiseworks LLC.

In the case of GLIF BMS Holdings Limited, the fair value is ascertained by reference to the underlying assets and liabilities of GLIF BMS Holdings Limited, as the company is consolidated onto the Group consolidated financial statements.

The investments in the remaining four platforms were acquired during the year. It is the view of the Board that the prospects for these investments has not materially altered in the time since the assets were acquired and thus no change has been made to their fair valuation at the year end at the Company level. The Company will continually assess whether it is appropriate to retain the cost the holdings as their fair value. At Group level, where an investment in a platform is classified as an investment in an Associate the Group accounts for these investment using the equity method.

Investments in equity positions received from loan restructurings

As observable prices are not available for these equity securities, the Board uses an independent third-party valuer to provide a valuation analysis of the equities to in its determining of the fair value. The valuation expert used the Income Approach – Discounted Cash Flow Method and the Market Approach – Guideline Comparable Method and Comparable Transaction Method to estimate the indicated Total Enterprise Value of each company. These Total Enterprise Value is used to ascertain the fair value of the equity securities. Assumptions used by the expert include discount rates, growth rates, EBITDA margins and tax rates. These assumptions are made by the independent valuation firm and the Group has no input to the process.

Other equity investments

At present the Group has one other equity investment and that is the holding of IFDC, denominated in Euro. GLIF is the only external investor in this company and thus the Board does not believe that a fair value using comparable more broadly held companies would be appropriate. Instead the Board value the investment in IFDC with reference to the net asset value of the business, as the Board believe that this is the basis against which any realisation of the Group's position will be valued in the future.

3. FINANCIAL RISK MANAGEMENT CONTINUED

Measurement of fair value CONTINUED

(d) Warrant security

With the exception of a single warrant which is denominated in USD, all other warrant securities are denominated in GBP and held within GLIF BMS holdings Limited. The warrant securities have unobservable inputs, as they are unlisted. There is a significant degree of uncertainty as to whether any of the warrant positions will ever be of any value. The warrants held within GLIF BMS Holdings are issued by companies that are relatively small and relatively early stage and thus there is a high degree of uncertainty as to the value within the equity of the business and thus whether any value will ever attach to the warrants. In relation to the other warrant position, this company is in default on its loan obligations. For these reasons all of the warrants held by the Company are valued at zero, unless and until cash has been received by the Company in exchange for the warrant.

(e) CLO loan notes (also referred to as "CLO equity")

The CLO loan notes held within the portfolio provide a return equal to the residual economic value of the CLO structures of which they form a part after the obligations to all other loan notes within the structure are met. As such their returns resemble an equity return and hence they are referred to as "CLO equity" although in reality they are loan notes. All but one of the positions are denominated in US Dollars, the other is denominated in Euros. The loan notes also have significant unobservable inputs, as they trade infrequently. The fair value of the loan notes is determined primarily by reference to a market value report provided by at least one independent broker-dealer.

The exception to this is T2 CLO 1 Limited, where the Company holds 100% of the income notes that entitle the Company to 100% of the residual economics. As a result the underlying assets and liabilities of T2 CLO 1 Limited are consolidated onto the Group balance sheet and valued accordingly. At the Company level, the par value of the CLO loan notes is taken as the level of liability, as opposed to the fair value of the loan notes, as the Board believes that this gives a fairer reflection of the underlying value attributable to the Company. Please see Note 2(m)(i).

In addition to the Group policies above the Company implements the following methods and valuation techniques:

(f) Subsidiaries

The Subsidiaries are denominated in GBP and US Dollar. The Subsidiaries have significant unobservable inputs, as they trade infrequently and unlisted. The fair value of the Subsidiaries is estimated primarily by using the methodologies disclosed in Note 2(m)(iii).

Level 3 fair value measurements

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

31 December 2013	Loans - Broadly Syndicated GBP	Loans - GLIF BMS GBP	Equity GBP	CLO Equity GBP	Warrants GBP	CLO Loan Notes GBP	Total GBP
Opening fair value	**169,868,266**	**8,112,084**	**3,335,241**	**4,479,376**	**410,146**	**(142,376,297)**	**43,828,816**
Purchases/loans advanced	**89,561,215**	**16,474,319**	**3,154,978**	**6,924,937**		**-**	**116,115,449**
Sales/loan notes repaid	**(3,607,680)**	**-**	**-**	**-**	**(1,063,344)**	**8,418,017**	**3,746,993**
Transfers out on consolidation	**-**	**(713,744)**	**-**	**-**	**-**	**-**	**(713,744)**
Capital repayments	**(91,264,677)**	**(3,994,235)**	**-**	**-**	**-**	**-**	**(95,258,912)**
Gains and losses recognised in profit and loss:							
- realised	**(46,132)**	**(12,000,936)**	**-**	**-**	**751,384**	**-**	**(11,295,684)**
- unrealised	**(2,050,249)**	**12,309,916**	**(756,456)**	**(1,051,673)**	**(98,186)**	**(3,808,805)**	**4,544,547**
Closing fair value	**162,460,743**	**20,187,404**	**5,733,763**	**10,352,640**	**-**	**(137,767,085)**	**60,967,465**

31 December 2012	Loans - Broadly Syndicated GBP	Loans - GLIF BMS GBP	Equity GBP	CLO Equity GBP	Warrants GBP	CLO Loan Notes GBP	Total GBP
Opening fair value	180,452,763	-	8,351,992	4,070,015	389,427	(135,309,055)	57,955,142
Purchases/loans advanced	110,671,460	350,000	-	-	427,674	-	111,449,134
Transfers in*	-	20,337,952	163,277	-	1	-	20,501,230
Sales	(12,937,952)	-	(2,735,688)	-	(818,158)	-	(16,491,798)
Capital repayments	(102,145,709)	(229,844)	-	-	-	-	(102,375,553)
Gains and losses recognised in profit and loss:							
- realised	2,157,222	(30,141)	1,201,957	-	390,484	-	3,719,522
- transfers in*	-	(12,350,525)	-	-	-	-	(12,350,525)
- unrealised	(8,329,518)	34,642	(3,646,297)	409,361	20,718	(7,067,242)	(18,578,336)
Closing fair value	169,868,266	8,112,084	3,335,241	4,479,376	410,146	(142,376,297)	43,828,816

** On acquisition of subsidiaries during the prior year.*

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. OTHER INCOME

The table below details other income during the year:

GROUP	**31 December 2013**	**31 December 2012**
Other income:	**GBP**	**GBP**
Net sales revenue	**678,402**	-
Assignment arrangement fees	**505,498**	97,597
Bank interest	**34,559**	18,045
Sundry income	**617,454**	463,797
	1,835,913	579,439

COMPANY	**31 December 2013**	**31 December 2012**
Other income:	**GBP**	**GBP**
Bank interest	**10,649**	9,328

5. FUND EXPENSES

Management Agreement

T2 Advisers, LLC

In April 2013, the Investment Management Agreement between the Company and T2 Advisers, LLC ("T2") was terminated by mutual consent. With effect from 12 April 2013, the parties agreed revised terms (the "T2 Agreement") whereby T2 is entitled to receive a quarterly fee payable of GBP10,000 per calendar quarter,. 0.25% of the gross assets of T2 CLO, and 20% of the return from T2 CLO to GLIF, over and above USD1,430,000 per quarter.

The T2 Agreement is terminable at the earlier of (a) the acquisition by T2 (or an affiliate) of all the Company's outstanding income notes, (b) the date on which the full liquidation and/or dissolution of T2 CLO is completed; and (c) 15 July 2019 at which time the T2 Agreement shall automatically terminate.

Prior to this, T2 was entitled to receive an annual fee payable quarterly in advance. The management fee was 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

GMB Partners LLP

During April 2013, the Company engaged GMB Partners LLP ("GMB") to advise on UK, European and US CLO paper and senior secured loans. In accordance with the Advisory Agreement dated 12 April 2013 (the "GMB Agreement"), GMB is entitled to a base advisory fee, a performance advisory fee, and a structuring advisory fee (GMB is entitled to a monthly retainer of USD50,000 per month, however shall be credited against and deducted from any and/or each advisory fee).

The base advisory fee is payable monthly in arrears equal to one twelfth of 0.75 per cent of the total net portfolio value invested by the Company in new CLOs on the relevant calculation day; and one twelfth of 0.75 per cent of the total net portfolio value invested by the Company in secondary CLOs on the relevant calculation day.

GMB is also entitled to a performance advisory fee and structuring advisory fee calculated as follows:

Performance fee - GMB

(a) 17.75 per cent of proceeds received by the Company from a New CLO in excess of the Company's original investment in that New CLO (including, for the avoidance of doubt, any proceeds from a disposal of an investment in such New CLOs) such fee to be payable within 14 days of receipt of such proceeds by the Company. For the avoidance of doubt the Performance Advisory Fee for New CLOs will be calculated separately for each New CLO; and

(b) 17.75 per cent of the amount by which the value of the financial year end Net Portfolio Value of Secondary US CLOs plus distributions received by the Company in the period of the relevant financial year from Secondary US CLOs (including, for the avoidance of doubt, any proceeds from a disposal of an investment in such Secondary US CLOs) exceeds the value of (a) the Net Portfolio Value of Secondary US CLOs as at the end of the most recent previously completed accounting period of the relevant CLO or, if greater, (b) the Net Portfolio Value of Secondary US CLOs as at the end of the previous completed accounting reference period in respect of which a Performance Advisory Fee was paid, such fee to be payable within 14 days of the publication of the relevant audited accounts of the Company. For the avoidance of doubt the Performance Advisory Fee for Secondary US CLOs will be calculated using the aggregated Net Portfolio Value for all Secondary US CLOs; and

(c) 17.75 per cent of the amount by which the value of the financial year end Net Portfolio Value of Secondary European CLOs plus distributions received by the Company in the period of the relevant financial year from Secondary European CLOs (including, for the avoidance of doubt, any proceeds from a disposal of an investment in such Secondary European CLOs) exceeds the value of (a) the Net Portfolio Value of Secondary European CLOs as at the end of the most recent previously completed accounting period of the relevant CLO or, if greater, (b) the Net Portfolio Value Secondary European CLOs as at the end of the previous completed accounting reference period in respect of which a Performance Advisory Fee was paid, such fee to be payable to GMB within 14 days of the publication of the relevant audited accounts of the Company. For the avoidance of doubt the Performance Advisory Fee for Secondary European CLOs will be calculated using the aggregated Net Portfolio Value for all Secondary European CLOs.

5. FUND EXPENSES CONTINUED

Management Agreement CONTINUED

Structuring fee – GMB

(a) 50 per cent of the surplus of i) the Company's proportionate share of the Total Initial Forecasted Expenses for each New CLO over and above ii) the Company's proportionate share of the actual expenses at closing for each New CLO (including, for the avoidance of doubt, the present value of any deferred amount as calculated by the relevant lead underwriter or as otherwise reasonably agreed prior to closing where in reasonable opinion such calculation leads to an unfair result); and

(b) 50 per cent of the surplus of i) the Base Collateral Manager Fees for each New US CLO as defined in Appendix 2 to this Agreement over and above and ii) the Company's proportionate share of the actual Collateral Manager Fees at closing for each New US CLO.

The GMB Agreement is terminable by either party for any reason upon giving ninety days' prior written notice, through the loss of key staff by GMB or by reasons of material breach.

Total fees charged for the year ended 31 December 2013 amounted to GBP2,090,615 (31 December 2012: GBP1,852,473). The total amount due at the year end amounted to GBP60,746, being GBPnil payable to T2 and GBP60,746 payable to GMB (31 December 2012: GBP343,110 prepaid to T2).

Administration and secretarial fees

Praxis Fund Services Limited is entitled to an annualised fee for its services, as administrator of 0.1% of the Net Asset Value of the Group, calculated on the last business day of each quarter and payable quarterly in arrears. The fee is subject to a minimum of GBP55,000 per annum. With regard to company secretarial services, the Administrator is compensated on a time cost basis. Total Company administration and secretarial fees charged in accordance with this agreement for the year ended 31 December 2013 amounted to GBP153,540 (31 December 2012: GBP111,665). The total amount due and payable by the Company at the year end amounted to GBP48,178 (31 December 2012: GBP29,379).

Custodian fees

The Custodian to the Company, 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 Company custodian fees charged for the year ended 31 December 2013 amounted to GBP15,572 (31 December 2012: GBP15,010). The total amount payable by the Company at the year end amounted to GBP3,750 (31 December 2012: GBP3,750).

Other expenses

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

GROUP	31 December 2013	31 December 2012
Other expenses:	**GBP**	**GBP**
Directors' expenses	**65,863**	70,280
T2 CLO investment management fees	**501,695**	478,991
Portfolio analysis fees	**-**	12,690
NOMAD fees	**58,059**	63,966
Listing fees	**16,967**	8,457
Broker fees	**33,588**	7,510
CFO fees	**125,000**	125,000
Marketing expenses	**63,020**	92,519
AIC fees	**3,903**	7,214
Registrar fees	**36,134**	25,745
Other AMIC expenses	**4,615**	76,724
Other T2 CLO expenses	**259,421**	261,259
Other BMS Group expenses	**2,125,364**	149,793
Amortisation	**52,767**	-
Sundry	**121,354**	74,707
Total other expenses	**3,467,750**	1,454,855

COMPANY	31 December 2013	31 December 2012
Other expenses:	**GBP**	**GBP**
Directors' expenses	**65,863**	70,280
Portfolio analysis fees	**-**	12,690
NOMAD fees	**58,059**	63,966
Listing fees	**16,967**	8,457
Broker fees	**33,588**	7,510
CFO fees	**125,000**	125,000
Marketing expenses	**63,020**	92,519
AIC fees	**3,903**	7,214
Registrar fees	**36,134**	25,745
Sundry	**137,274**	74,707
Total other expenses	**539,808**	488,088

5. FUND EXPENSES CONTINUED

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

As at 31 December 2013, each of the non-executive Directors had entered into an agreement with the Company providing for them to act as a Director of the Company.

As at 31 December 2013, the non-executive Directors' annual fees, excluding all reasonable expenses incurred in the course of their duties, which were reimbursed by the Company, were as detailed in the table below:

Non-executive Directors	**31 December 2013 GBP**	31 December 2012 GBP
Patrick Firth *(Chairman)*	**42,500**	40,000
Frederick Forni	**27,500**	25,000
James Carthew	**35,000**	25,000

The increase in Directors' fees noted above became effective 1 January 2013. Total Directors fees charged to the Group for the year ended 31 December 2013 amounted to GBP105,000 (31 December 2012: GBP90,000). The total amount due and payable at the year end amounted to GBPnil (31 December 2012: GBP22,500).

Under an employment contract (the "Employment Contract"), effective from 31 March 2011, Mr Miller became an Executive Director of the Company and is entitled to a fixed salary of GBP150,000 per annum (less applicable tax and employee social security contributions). Mr Miller's salary cost is included in the Consolidated Statement of Comprehensive Income. The total salary cost for the year ended 31 December 2013 relating to Mr Miller amounted to GBP150,000 (31 December 2012: GBP150,000).

Under an employment contract (the "Employment Contract"), effective from 18 November 2013, Mrs Stubbs became an Executive of the Company and is entitled to a fixed salary of GBP90,000 per annum (less applicable tax and employee social security contributions). Mrs Stubbs' salary cost is included in the Consolidated Statement of Comprehensive Income. The total salary cost for the year ended 31 December 2013 relating to Mrs Stubbs amounted to GBP10,962 (31 December 2012: GBPnil).

In addition to the fixed salary referred to above, the Executive Team is also entitled to a contractual bonus. Prior to 21 January 2013 when Mr Miller was the sole member of the Executive Team, in accordance with the Employment Contract the actual bonus amount paid to Mr Miller for any financial period was capped at a maximum of 0.3 per cent of the Company's Net Asset Value (adjusted pro rata for periods less or more than one year) (the "Cap"). Any excess contractual bonus payable above this Cap was deferred and added to any contractual bonus payable (if any) in the next financial year. For the year ended 31 December 2012, as the current sole member of the executive team, the total contractual bonus cost relating to Mr Miller amounted to GBP936,367, of which GBPnil was physically paid and GBP936,367 deferred to the next financial year). The total amount due and payable as at 31 December 2012 was GBP1,044,986. During the current year, the Remuneration Committee resolved to settle Mr Miller's deferred bonus accrual as at 31 December 2012, one half being paid in cash and one half in shares. This payment is subject to clawback, should the Company's share price fail to retain the level it was trading at as at the date of the bonus settlement.

With effect from 21 January 2013, the Remuneration Committee resolved to amend the current incentive structure, to an incentive pool ("Executive Bonus Scheme"), which is allocated at the Remuneration Committee's discretion. The total pool available is, as before, 10% of the total shareholder return in excess of 12%, with the amount to be actually paid out capped at 0.5% of net asset value (NAV) in any one year. To ensure that incentive payments are primarily long term in nature, all payments from the incentive pool will be made one third in cash and two-thirds in Company equity, the acquisition price of which for the individual will be the prevailing share price or NAV, whichever is higher. All executives will have to hold all of their Company equity for their entire period of employment by the Company.

For the year ended 31 December 2013, the total contractual bonus cost relating to the Executive Team amounted to GBPnil. Mrs Stubbs was eligible to participate in the Executive Bonus Scheme with effect from 1 December 2013.

In addition to participation in the Executive Bonus Scheme, Mrs Stubbs is entitled to a guaranteed cash bonus of GBP10,000 for the year 1 December 2013 to 30 November 2014. As at 31 December 2013, the accrued cash bonus recognised in the Consolidated Statement of Total Comprehensive Income was GBP821.

6. EARNINGS/(LOSS) PER ORDINARY SHARE

Consolidated earnings/(loss) per Ordinary Share has been calculated by dividing the consolidated profit attributable to Ordinary Shareholders of GBP1,116,837 (31 December 2012: GBP(7,699,034)) by the weighted average number of Ordinary Shares outstanding during the year of 132,471,555 (31 December 2012: 101,384,224). There was no dilutive effect for potential Ordinary Shares during the current or prior years, therefore fully diluted consolidated earnings/ (loss) per Ordinary Share is calculated in the same way as the undiluted consolidated earnings/(loss) per Ordinary Share described above.

Company earnings/(loss) per Ordinary Share has been calculated by dividing the Company profit attributable to Ordinary Shareholders of GBP7,955,966 (31 December 2012: GBP(19,183,542)) by the weighted average number of Ordinary Shares outstanding during the year of 132,471,555 (31 December 2012: 101,384,224). There was no dilutive effect for potential Ordinary Shares during the current or prior years, therefore fully diluted Company earnings/(loss) per Ordinary Share is calculated in the same way as the Company's undiluted earnings/(loss) per Ordinary Share described above.

6. EARNINGS/(LOSS) PER ORDINARY SHARE CONTINUED

Basic & Diluted (deficit)/earnings per Ordinary Share

GROUP & COMPANY

Date	No. of shares	No. of days	Weighted average no. of shares
01/01/2012	98,633,610	317	85,428,564
12/11/2012	119,179,010	49	15,955,660
31/12/2012		366	101,384,224
01/01/2013	119,179,010	28	9,142,500
28/01/2013	131,096,010	140	50,283,401
17/06/2013	131,127,617	94	33,769,852
19/09/2013	131,217,417	12	4,313,997
01/10/2013	140,217,417	65	24,970,225
05/12/2013	140,266,411	26	9,991,580
31/12/2013		365	132,471,555

There was no dilutive effect for potential Ordinary Shares during the current or prior years.

7. FIXED ASSETS – TANGIBLE

31 December 2013	Leasehold Improvements	Plant & Equipment	Fixtures & Fittings	Total
	GBP	GBP	GBP	GBP
Net book value 1 January	-	-	-	-
Additions - purchases	-	10,579	550	11,129
Net book value transferred in*	4,379	44,576	53,034	101,989
Depreciation charge for the year	(936)	(9,963)	4,966	(5,933)
Disposals	(142)	(9,672)	(53,204)	(63,018)
Net book value transferred out on disposal of subsidiary **	(3,301)	(35,144)	(5,346)	(43,791)
Net book value 31 December	–	376	-	376

*On acquisition of NVF Tech and HiWave HK subsidiaries.

**On disposal of HiWave HK subsidiary.

The Group did not hold any tangible fixed assets as at 31 December 2012.

8. FIXED ASSETS – INTANGIBLE INTELLECTUAL PROPERTY

31 December 2013	Acquisition Cost GBP	Intellectual Property Rights Amortisation and Impairment GBP	Net Book value GBP
Brought forward	-	-	-
Additions	1,663,073	-	1,663,073
Disposals	(101,894)	-	(101,894)
Charge for the year	-	(94,782)	(94,782)
Carried forward	1,561,179	(94,782)	1,466,397

The Group did not hold any intangible fixed assets as at 31 December 2012.

The intangible intellectual property was acquired as part of the purchase of the NVF Tech subsidiary. The acquisition of intangible intellectual property is not part of the Company's on going investment policy.

Impairment tests for intangible assets

The acquired intellectual property rights are amortised over the term of the licences acquired, and assessed for impairment annually.

The intangible intellectual property rights relate to a number of geographical patents in the domestic and consumer electronic user interface markets. The licences cover the period to April 2023. The acquisition of the licences includes minimum contractual amounts totalling GBP0.927 million, which have been paid in full. Further payments are dependent on future receipts from the commercial exploitation of the intellectual property.

9. FINANCIAL ASSETS AND LIABILITIES

GROUP	31 December 2013 GBP	31 December 2012 GBP
Debt securities of listed companies	**33,483,894**	29,744,756
Debt securities of unlisted companies	**149,164,253**	148,235,594
Unlisted equity securities	**5,733,763**	3,335,241
Available for sale unlisted equity securities*	**791,126**	-
Unlisted CLO equity securities	**10,352,640**	4,479,376
Unlisted warrant securities	**-**	410,146
Unlisted investments in Associate at equity method accounting	**5,001,161**	-
	204,526,837	186,205,113
Realised (loss)/gain on investments at fair value through profit or loss	**(11,295,684)**	3,719,522
Unrealised gain/(loss) recognised on financial assets and liabilities at fair value through profit or loss:	**8,353,352**	(11,511,093)
Unrealised gain/(loss) on financial assets investments at fair value through profit or loss	**(3,808,805)**	(7,067,243)
Unrealised loss on financial liabilities investments at fair value through profit or loss	**4,544,547**	(18,578,336)
Net losses on Associates	**(118,716)**	-

*During the current year, the Group acquired an investment in a private company whose shares are not actively traded on a recognised exchange or any other active market and fair value cannot be reliably measured. As such this investment has been designated as available for sale and, as at 31 December 2013, the carrying value was equal to the acquisition cost of the investment plus directly attributable financial cost relating to its acquisition. The Directors have no reason to believe the investments carrying amounts should be impaired as at the year end.

GROUP	31 December 2013 GBP	31 December 2012 GBP
Opening cost of investments	**172,512,937**	155,710,402
Purchases (1), (2) & (3)	**116,906,576**	111,449,134
Transfers in (4)	**-**	20,501,230
Sales (2)	**(4,671,024)**	(16,491,798)
Conversions (5)	**(713,744)**	-
Realised (loss)/gain of investments	**(11,295,684)**	3,719,522
Capital repayments (3)	**(95,258,913)**	(102,375,553)
Cost of investments at year end	**177,480,148**	172,512,937
Unrealised gain at year end (6)	**22,045,528**	13,692,176
Closing value of investments	**199,525,676**	186,205,113

(1) Included in purchases is an unsettled investment purchase of GBP2,725,000 (see note 13), there was also a non-cash purchase of £709,361 during the current year.
(2) Includes a non-cash restructuring of debt of GBP307,844 debt.
(3) Includes a non-cash restructuring of capital repayments of GBP611,141.
(4) On acquisition of subsidiaries during the prior year.
(5) GBP363,744 was converted into an equity stake within an Associate and GBP350,000 was transferred out on sale of subsidiary during the current year. Both conversions were non-cash transactions.
(6) GBP12,350,525 of unrealised losses on investments at fair value through profit or loss were transferred in with the acquisition of BMS Group during the prior year.

9. FINANCIAL ASSETS AND LIABILITIES CONTINUED

GROUP	31 December 2013 GBP	31 December 2012 GBP
Opening cost of Associates at equity method accounting	-	-
Purchases	4,756,133	-
Conversions*	363,744	-
Cost of investments at year end	5,119,877	-
Net losses on Associates	(118,716)	-
Closing value of Associates at equity method accounting	5,001,161	-

* On conversion of debt instrument.

COMPANY	31 December 2013 GBP	31 December 2012 GBP
Debt securities of unlisted companies	13,998,801	12,814,009
Unlisted equity securities	4,425,298	1,907,988
Unlisted CLO equity securities	10,352,640	4,479,376
Unlisted warrant securities	-	410,146
Other financial assets held at fair value through profit or loss	28,776,739	19,611,519
Subsidiaries held at fair value through profit or loss	34,285,809	34,053,889
Associates held at fair value through profit or loss	4,405,948	-
	67,468,496	53,665,408
Realised gain on other financial assets at fair value through profit or loss	282,205	56,950
Realised loss on Subsidiaries at fair value through profit or loss	(12,223,317)	-
	(11,941,112)	56,950
Unrealised loss on other financial assets at fair value through profit or loss	(1,306,768)	(1,918,783)
Unrealised gain/(loss) on Subsidiaries at fair value through profit or loss*	12,485,189	(28,501,380)
Unrealised loss on Associates at fair value through profit or loss	(16,321)	-
	11,162,100	(30,420,163)

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

COMPANY	31 December 2013 GBP	31 December 2012 GBP
Opening cost of other financial assets at fair value through profit or loss	24,889,799	12,569,424
Purchases	10,949,937	12,506,198
Sales	(474,285)	-
Realised gain on sales	282,205	56,950
Capital repayments	(285,869)	(242,773)
Cost of investments at year end	35,361,787	24,889,799
Unrealised loss at year end	(6,585,048)	(5,278,280)
Closing fair value of other financial assets at fair value through profit or loss	28,776,739	19,611,519

9. FINANCIAL ASSETS AND LIABILITIES CONTINUED

COMPANY	31 December 2013 GBP	31 December 2012 GBP
Opening cost of investment in Subsidiaries	**42,848,164**	42,181,497
Purchases	**-**	666,667
Sales	**(29,952)**	-
Realised loss on sales	**(12,223,317)**	-
Closing cost of investment in Subsidiaries	**30,594,895**	42,848,164
Unrealised gain/(loss)*	**3,690,914**	(8,794,275)
Closing fair value of investment in Subsidiaries at fair value through profit or loss	**34,285,809**	34,053,889

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

COMPANY	31 December 2013 GBP	31 December 2012 GBP
Opening cost of investment in Associates	**-**	-
Purchases	**4,422,269**	-
Closing cost of investment in Associates	**4,422,269**	-
Unrealised loss	**(16,321)**	-
Closing fair value of investment in Associates at fair value through profit or loss	**4,405,948**	-

10. SUBSIDIARIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

On 18 March 2013 (“transaction date”), the Company acquired 100% of the equity shares of NVF Tech (formerly Hiwave UK) and HiWave HK subsidiaries (the “HiWave Group”). The total consideration was GBP100,000 plus a recorded contingent consideration of GBP57,805. Post acquisition net losses of GBP223,117 (revenue: GBP691,185), relating to HiWave Group, were included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2013.

Hiwave HK was sold prior to the year end resulting in a loss on disposal of GBP3,881 which was recognised in Consolidated Statement of Comprehensive Income for the year ended 31 December 2013. As at 31 December 2013, Hiwave HK was no longer part of the Group.

31 December 2013	Net Assets Acquired	Consideration	Goodwill Gain/(Loss)
Acquisition of Hiwave Group by asset/liability class:	**GBP**	**GBP**	**GBP**
Fixed assets - intangible	735,092	-	735,092
Cash and cash equivalents	39,342	-	39,342
Trade and other receivable	761,943	-	761,943
Trade and other payables	(1,378,572)	-	(1,378,572)
Contingent consideration	-	(57,805)	(57,805)
Cash consideration	-	(100,000)	(100,000)
Total	157,805	(157,805)	-

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

Had the acquisition of HiWave Group occurred at the beginning of the year, the combined net revenues and net profits of the Group plus that of HiWave Group for the year ended 31 December 2013 would have been GBP15,310,317 and GBP740,502 respectively.

31 December 2013	**Net Assets Sold**	**Consideration**	**Loss on disposal**
Disposal of Hiwave HK by asset/liability class:	**GBP**	**GBP**	**GBP**
Fixed assets - tangible	**7,606**	**-**	**7,606**
Cash and cash equivalents	**1,250**	**-**	**1,250**
Trade and other receivable	**38,280**	**-**	**38,280**
Trade and other payables	**(43,254)**	**-**	**(43,254)**
Cash consideration	**-**	**(1)**	**(1)**
Total	**3,882**	**(1)**	**3,881**

On 12 November 2012 ("transaction date"), the Company acquired a partly owned subsidiary by acquiring 66.7% of the parent company of BMS Group. The total consideration was GBP11,459,483. At the date of acquisition the fair value of BMS Group's net assets was GBP11,672,078, resulting in a bargain gain of GBP212,595. The bargain gain on consolidation was as a result of the basic offer (based on the NAV of the BMS Group as at 30 September 2012 when the transaction was negotiated) being different to the fair value of the net assets acquired on the transaction date. This bargain gain was included in other income in the Consolidated Statement of Comprehensive Income for the year. Post acquisition net profits of GBP360,855 (revenue: GBP855,508), relating to BMS Group, were included in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2012.

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

In consideration for acquiring the net assets of BMS Group, the Company paid cash of GBP2,500,000 and issued 18,027,129 Consideration Shares for a total value of GBP8,959,483 or 49.70p per Consideration Share (please see Note 14).

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

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

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

Had the acquisition of BMS occurred at the beginning of the prior year, the combined net revenues and net loss of the Group plus that of BMS for the year ended 31 December 2012 would have been GBP15,735,655 and GBP8,376,893 respectively.

11. TRADE AND OTHER RECEIVABLES

GROUP	31 December 2013 GBP	31 December 2012 GBP
Balances held by Associates on behalf of the Group*	**1,404,986**	-
Accrued bank interest	**4,090**	6,150
Loan interest receivable	**767,548**	734,329
Security sales receivable	**-**	987,854
Other trade receivables and prepaid expenses**	**1,119,055**	387,908
	3,295,679	2,116,241

COMPANY		
Balances held by Associates on behalf of the Company*	**1,404,986**	-
Accrued bank interest	**4,090**	6,150
Loan interest receivable	**236,576**	127,026
Prepaid expenses**	**18,891**	382,594
	1,664,543	515,770

*Other short term loans held through platforms.

**31 December 2012 included prepaid investment management fees of GBP343,110.

12. CASH AND CASH EQUIVALENTS

GROUP	31 December 2013 GBP	31 December 2012 GBP
Call account	**18,106,171**	26,971,750

COMPANY		
Call account	**4,040,663**	6,047,250

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

13. TRADE AND OTHER PAYABLES

GROUP	31 December 2013	31 December 2012
Current liabilities	**GBP**	GBP
Management fees	**60,746**	-
Administrator's fees	**48,178**	29,379
Custodian's fees	**3,750**	3,750
Audit fees	**18,900**	44,100
Directors' fees	**-**	22,500
Executive Team's remuneration payable (see note 5)	**821**	175,500
Finance costs*	**310,452**	357,157
Deferred income**	**1,074,921**	-
Unsettled security investment purchases payable	**2,725,000**	-
Other payables	**1,353,438**	1,551,077
	5,596,206	2,183,463

Non current liabilities		
Executive Team's remuneration payable (see note 5)	**-**	869,486
Deferred income**	**8,971,204**	-
CLO loan notes at fair value through profit or loss***	**137,767,085**	142,376,297
	146,738,289	143,245,783

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

**The deferred income represents the non-refundable advance royalty payment received from the licensees. This is amortised on a straight-line basis over 10 years.

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

13. TRADE AND OTHER PAYABLES CONTINUED

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 originally issued in the total amount of USD309,050,000 with a twelve year term. During the current year, approximately USD13.2m, (GBP8.4m) 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".

Total finance costs for the year were GBP2,140,193 (31 December 2012: GBP2,289,159). These finance costs are for interest due to the loan note holders, loan facility fees and loan interest paid. The fair value of long-term notes outstanding at 31 December 2013 was GBP137,767,085 (31 December 2012: GBP142,376,297) (see note 3).

GROUP	31 December 2013	31 December 2012
Current liabilities	**GBP**	GBP
Due to Subsidiary	**67,587**	68,843
Management fees	**60,746**	-
Administrator's fees	**48,178**	29,379
Custodian's fees	**3,750**	3,750
Audit fees	**18,900**	44,100
Directors' fees	**-**	22,500
Executive Team's remuneration payable (see note 5)	**821**	175,500
Unsettled security investment purchases payable	**2,725,000**	-
Other payables	**136,085**	515,027
	3,061,067	859,099
Non current liabilities		
Executive Team's remuneration payable (see note 5)	**-**	869,486
	-	869,486

14. SHARE CAPITAL, SHARE PREMIUM & DISTRIBUTABLE RESERVE

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

On 5 December 2013, 48,994 new Ordinary Shares were issued for an aggregate value of GBP25,623 relating to shareholders who elected to take shares in lieu of cash from the Company's 2013 third interim dividend.

On 1 October 2013, the Company announced a placing whereby a further 9,000,000 new Ordinary Shares were issued at a price of 51 pence per Ordinary Share for an aggregate value of £4,590,000 less £183,600 issue costs paid to the Broker.

On 19 September 2013, 89,800 new Ordinary Shares were issued for an aggregate value of GBP44,541 relating to shareholders who elected to take shares in lieu of cash from the Company's 2013 second interim dividend.

On 3 June 2013, 31,607 new Ordinary Shares were issued for an aggregate value of GBP16,816 relating to shareholders who elected to take shares in lieu of cash from the Company's 2013 first interim dividend.

On 23 January 2013, the Company announced a placing whereby a further 11,917,000 new Ordinary Shares were issued at a price of 50 pence per Ordinary Share for an aggregate value of £5,958,500 less £238,340 issue costs paid to the Broker.

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

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

As at 31 December 2013, no share options remained unexercised (31 December 2012: nil). Under IFRS2, share options granted would be measured at fair value at the grant date based on market prices. On exercise of the share options the change in fair value would be recognised and expensed in the Consolidated Statement of Comprehensive Income. There was no share option expense for current or prior years.

14. SHARE CAPITAL, SHARE PREMIUM & DISTRIBUTABLE RESERVE CONTINUED

As at 31 December 2013 and 31 December 2012, the Distributable Reserve stood at GBP34,802,740.

Share Capital	**31 December 2013**	31 December 2012
Ordinary Shares - nil par value	**Shares in issue**	Shares in issue
Balance at start of the year	**119,179,010**	98,633,610
Issued during the year	**21,087,401**	20,545,400
Balance at end of the year	**140,266,411**	119,179,010

	31 December 2013	31 December 2012
Share Premium	**GBP**	GBP
Balance at start of the year	**29,437,520**	19,289,035
Issued during the year	**10,213,539**	10,148,485
Balance at end of the year	**39,651,059**	29,437,520

15. NET ASSET VALUE PER ORDINARY SHARE

GROUP

The Group net asset value per Ordinary Share is calculated by dividing the total consolidated net assets attributable to Ordinary Share holders at the year end of GBP74,068,621 (31December 2012: GBP69,228,917) by the Ordinary Shares in issue at the end of the year being 140,266,411 (31 December 2012: 119,179,010).

COMPANY

The Company net asset value per Ordinary Share is calculated by dividing the total Company net assets attributable to Ordinary Share holders at the year end of GBP70,112,635 (31December 2012: GBP58,499,843) by the Ordinary Shares in issue at the end of the year being 140,266,411 (31 December 2012: 119,179,010).

16. CASH GENERATED FROM OPERATIONS

	31 December 2013	31 December 2012
Group:	**GBP**	GBP
Profit/(loss) for the year	**1,766,738**	(7,397,426)
Adjustments for:		
Net losses on financial assets and liabilities at fair value through profit or loss	**6,751,137**	14,858,815
Net losses on Associates	**118,716**	-
Non-cash income	**(709,361)**	-
Amortisation/depreciation of fixed assets	**100,715**	-
Changes in working capital:		
Trade and other receivables	**(1,769,782)**	(237,378)
Trade and other payables	**7,803,226**	2,045,476
Cash inflow from operations	**14,061,389**	9,269,487

	31 December 2013	31 December 2012
Company:	**GBP**	GBP
Profit/(loss) for the year	**7,955,966**	(19,183,542)
Adjustments for:		
Net losses on financial assets and liabilities at fair value through profit or loss	**779,012**	30,363,213
Dividend in specie	**-**	(1,046,714)
Changes in working capital:		
Trade and other receivables	**(1,148,773)**	(447,895)
Trade and other payables	**(1,392,517)**	1,234,148
Cash inflow from operations	**6,193,688**	10,919,210

17. CONSOLIDATED SUBSIDIARY UNDERTAKINGS

The Directors consider the following entities as wholly and partly owned subsidiaries of the Company and their results and financial positions are included within the consolidated results of the Group.

Subsidiary entity	Date of incorporation	Country of incorporation	Nature of holding	Percentage holding
CLO	11 October 2006	Cayman Islands	Directly held - Income Notes	100% residual economic interest
GLIF BMS Holdings Limited ("BMS")	5 November 2012	United Kingdom	Directly held - Equity Shares	66.67%
Secured Loan Investments Limited ("SLI")	27 December 2013	Guernsey	Directly held - Equity Shares	100%
BMS Finance AB Limited ("BMS Finance AB")	24 November 2006	United Kingdom	Indirectly held - Equity Shares	100%**
Noble Venture II Nominees Limited ("NV2N")	30 May 2007	United Kingdom	Indirectly held - Equity Shares	70.75%**
NVF Tech Limited ("NVF Tech")*	7 December 1995	United Kingdom	Indirectly held - Equity Shares	95%**
Subsidiaries disposed of/liquidated during the year				
Asset Management Investment Company Limited ("AMIC")	13 April 1994	United Kingdom	Directly held - Equity Shares	100%
HiWave (Hong Kong) Limited ("Hiwave HK")	8 June 2001	Hong Kong	Indirectly held - Equity Shares	100%****

* Formerly Hiwave Technologies (UK) Limited
** Subsidiaries of BMS, percentage holding represents BMS's holding in the underlying subsidiaries.
*** Subsidiary of NVF Tech, percentage holding represents NVF Tech's holding in the underlying subsidiary.
**** Direct subsidiary of NVF Tech, percentage holding represents NVF Tech's holding in the underlying subsidiary.

18. ASSOCIATED UNDERTAKINGS

The Directors consider the following entities as material associated undertakings of the Group and Company as at 31 December 2013 (31 December 2012: no associated undertakings were held).

	Name of Associate			
Disclosure Requirement:	**FundingKnight Holdings Limited***	**Platform Black Limited**	**Raiseworks LLC**	**IKIVO**
Nature of holding	Directly held - Equity and Preference Shares	Directly held - Equity and Preference Shares	Directly held - Equity Shares	Indirectly held - Equity and Preference Shares
Country of incorporation	United Kingdom	United Kingdom	United Kingdom	Sweden
Percentage holding	20.0%	20.0%	43%	37.37%
Measurement – Group level	Equity Method	Equity Method	Equity Method	Equity Method
Measurement – Company level	Fair Value	Fair Value	Fair Value	N/A

*As at 31 December 2013, Mr Miller held 1,000 shares (representing 0.1% of share capital) in FundingKnight Holdings Limited.

All the Associates are individually immaterial. The table below details aggregated financial information for the associated undertakings:

	31 December 2013 Aggregated Total GBP
Aggregated dividends received from Associate during the year	-
Aggregated current assets	2,711,058
Aggregated non-currents assets	2,509,318
Aggregated current liabilities	(544,433)
Aggregated non-current liabilities	(5,000)
Aggregated total revenue	1,503,632
Aggregated net loss from continuing operations	(2,508,661)
Aggregated other comprehensive income	-
Aggregated total comprehensive loss*	(2,508,661)

* As would be expected in early stage companies, the Directors note that the associated undertakings are currently of an aggregated loss position, but are confident about the long-term profitability of these investments.

No significant restrictions exist on the ability of these Associates to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

The accounting period ends, of the Associates listed above, used for the equity method in the Group's consolidated financial statements, are the same date as the Group's year end date.

As at 31 December 2013, there is no unrecognised share in losses of any of the Associates when applying the equity method.

As at 31 December 2013, there are no unrecognised commitments from the Group that relate to any of its Associates.

19. SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the reporting of the executive management to the Board. The Executive Team 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 Executive Team is responsible for the entire portfolio, including assets held at the Company level, AMIC and BMS Group subsidiaries, and considers the business to have a single operating segment. Although T2 CLO and BMS Group are legally distinct entities, investment allocation decisions are based upon an integrated investment strategy and performance is evaluated on an overall basis and therefore the Group is considered to be a single operating segment.

The vast majority of the Group's investment income arises from investments in entities incorporated in the US. Approximately 82% (31 December 2012: 86%) of the Group's gross financial assets is based in the US with the remainder of investments being based in the UK and Europe. The Group has a highly diversified portfolio of investments and no single investment accounts for more than 10% of the Group's income.

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

20. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties in addition to the related party transactions already disclosed in note 5:

GROUP & COMPANY	**31 December 2013 GBP**	31 December 2012 GBP
Amounts incurred during the year to related parties		
Fees to P Conroy as Chief Financial Officer to the Company	**125,000**	125,000
Fees to T2 Advisers, LLC*	**1,792,467**	1,852,473
Amounts (prepaid)/due to related parties at the year end		
Fees due to P Conroy as Chief Financial Officer to the Company	**-**	10,413
Fees prepaid T2 Advisers, LLC	**-**	(343,110)

During the current year, BMS Finance AB held an assignment advance with BMI Healthcare Ltd. BMI Healthcare Ltd has an outsourcing arrangement with Sunstone Outsourcing LLP, a partnership who's designated members have directors common to those of with BMS Finance AB. As at the year end, the total outstanding assignment advance due was GBP2.36m.

The following significant inter-group company transactions took place during the year:

Entity	**Relationship**	**Nature of Transaction**	**Balance 31 December 2013 GBP**	**Amount year ended 31 December 2013 GBP**
T2 CLO 1 Limited	Subsidiary	Receipt of interest from the loan note	-	9,589,798
GLIF BMS Holdings Limited	Subsidiary	Loan payable to GLIF (and corresponding interest)	12,591,062	930,135
Funding Knight Holdings Limited	Associate	Amount held by the entity on behalf of the Company	1,291,000	-
Platform Black Limited	Associate	Amount held by the entity on behalf of the Company	163,057	-

During the prior year ended 31 December 2012, the Company acquired one investment holding, in IFDC Ordinary Shares 2012, from AMIC for aggregated proceeds of GBP1.05m.

There is no ultimate controlling party of the Company.

20. RELATED PARTY TRANSACTIONS CONTINUED

Directors' shareholdings in the Company

As at 31 December 2013, and for the year then ended, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2013		31 December 2012	
	No. of Ordinary Shares Held	% of total issued Ordinary Shares	No. of Ordinary Shares Held	% of total issued Ordinary Shares
Patrick Firth *(Chairman)*	134,292	0.10	125,000	0.11
Geoff Miller	1,525,223	1.09	850,000	0.71
Frederick Forni	-	-	-	-
James Carthew	200,000	0.14	200,000	0.17

At 31 December 2013, there were no unexercised share options for Ordinary Shares of the Company (31 December 2012: nil Ordinary Shares).

21. COMMITMENTS AND CONTINGENCIES

There were no commitments or contingencies as at 31 December 2013 (31 December 2012: none).

22. POST YEAR END EVENTS

Post year end platform purchases

Please refer to page 8 for details of platforms purchased since the Company's year end.

Directors Interests

At the date of these financial statements, the Directors beneficial interests in the Ordinary Shares of the Company were:

	No. of Ordinary Shares Held	% of total issued Ordinary Shares
Patrick Firth *(Chairman)*	214,458	0.15
Geoff Miller	1,612,878	1.15
Frederick Forni	-	-
James Carthew	235,000	0.17

Executive Team Shareholding

On 23 January 2014, Mrs Stubbs purchased 20,000 shares in the Company.

Dividend

On 21 January 2014, the Directors of the Company declared a dividend of 1.25p per Ordinary Share for the fourth quarter of 2013. The dividend was payable to shareholders on the register on the record date of 31 January 2014.

Scrip Dividend Shares – Additional Listing

On 19 March 2014, 452,080 new Ordinary Shares were issued relating to shareholders who elected to take shares in lieu of cash from the Company's 2013 fourth quarter dividend.

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

INVESTMENT OBJECTIVE

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

CHANGES TO THE INVESTMENT POLICY DURING THE YEAR

Reasons for Change in Investing Policy (taken from the Company's announcement dated 13 November 2013)

Following the termination of the investment management agreement between the Company and T2 Advisers, LLC in April 2013, the Company has made investments in two alternative lending platforms: Platform Black Limited and FundingKnight Limited which were announced in July and September of this year respectively. These investments complement the Company's earlier acquisition of certain assets of BMS Specialist Debt Fund Limited, including BMS Finance AB Limited which completed in November 2012.

All three platforms set out to provide an offering that is complementary to, rather than seeking to directly compete with, the mainstream banking sector. The Board believes that this will ensure a sustainable competitive advantage across the cycle, rather than just a cyclical play due to the weakness of many banks after the financial crisis. The Company therefore intends to continue its focus on providing finance to SMEs, and will look to exploit synergies between the complementary offerings of the platforms into which it has invested, whilst maintaining its focus on ROE-driven targets.

In light of this, the Board felt that the Company's previous investing policy required clarification in order properly to reflect the investing policy adopted by the Company. Accordingly, Shareholder approval was given at an Extraordinary General Meeting, held on 13 November 2013, to amend the Company's investing policy.

Change in Investing Policy

The key changes proposed to the Company's investing policy were as follows:

- to change the main focus of investment by the Company from investing principally in syndicated corporate loans issued primarily by United States middle-market companies to providing finance to SMEs across the world, but with particular focus on the United States and the United Kingdom;
- to enable investment in entities that will themselves provide finance to SMEs as well as in structured vehicles such as CLOs that are themselves invested in substantial part in SMEs;
- to remove the current limit on investment in equity or debt instruments (other than loans or CLOs) which is currently 20 per cent. of the Company's gross assets at the time of investment; and
- to permit investment in the United Kingdom at the same levels as are currently permitted in the United States, i.e. the Company's maximum exposure to both United States and United Kingdom issuers will be capped at 100 per cent. of the Company's gross assets.

INVESTING POLICY

The Company seeks to achieve its investing objective primarily through providing finance to SMEs across the world, but with particular focus on the United States and the United Kingdom.

Investment will be either direct or indirect. Indirect investment will be effected by investment in entities that will themselves provide finance to SMEs. This may be through investment in finance companies or in structured vehicles such as CLOs that are themselves invested in substantial part in SMEs.

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 geographic, industry and business sectors.

Subject to prior Board approval, where it is deemed appropriate and beneficial to do so, the Company may also invest in other investment funds.

Any investment in the equity or debt instrument (other than CLOs, finance companies and other business platforms) 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 United States and United Kingdom issuers is 100 per cent of gross assets. Investments outside of the United States and the United Kingdom are limited to a maximum 50 per cent of gross assets in aggregate 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 balance sheet 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 (for example, hedging interest rate, currency, or market exposure).

Any material change to the investing policy requires 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 Board by an announcement issued through a regulatory information service.

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

GLI Finance Limited

GLI Finance Limited
P.O. Box 296
Sarnia House
Le Truchot
St Peter Port
Guernsey, GY1 4NA
Channel Islands