T2 Income Fund Limited

Consolidated Financial Statements
For the six month period ended 30 June 2007

T2 Income Fund Limited
Interim Statement for the six month period ended 30 June 2007

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

Directors:

William Harley Tozier (Non - Executive Chairman)
Frederick Peter Forni (Non - Executive Director)
Patrick Anthony Seymour Firth (Non - Executive Director)
Saul Barak Rosenthal (Non - Independent Director)
Patrick Francis Conroy (Non-Independent Director)

The address of the Directors is the registered office.

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T2 Income Fund Limited
Interim Statement for the six month period ended 30 June 2007

CHAIRMAN'S STATEMENT

Attached please find the Accounts of T2 Income Fund Limited (the "Company") for the six-month period ended 30 June 2007.

I am pleased to report that, as of 30 June 2007, the Company had invested assets of approximately £103.2 million. The investments in the portfolio, on a weighted average basis, bear an interest rate of 9.3%, which is approximately 400 basis points over LIBOR.

The Company is fully invested and is leveraging its assets to make new investments. In 2006 the Company, through its subsidiary T2 Income Fund CLO I Ltd., established a credit facility of up to the equivalent of approximately £100 million (US$200 million) with Merrill Lynch Capital Corporation. With this credit facility, the Company was able to accelerate its rate of deploying capital. During the first and second quarters of 2007 the Company made approximately £73.5 million of new investments. As of 30 June 2007, the Company had drawn £80.0 million under the facility.

On 19 July 2007, T2 Income Fund CLO I Ltd. completed the sale of the equivalent of approximately £125 million (US$250 million) of long-term notes to refinance the credit facility that had been established with Merrill Lynch. The Notes have a twelve year term and a weighted average interest rate of LIBOR plus 75 basis points. The net proceeds of the Notes (after repayment of the Merrill Lynch credit facility) will be used to make new investments.

Following the very severe declines across global credit markets recently, and with the significant widening of credit spreads throughout our transaction pipeline, T2 Advisers, LLC (the "Adviser") believes that the current credit environment represents a very strong opportunity to invest the Company's capital. The Adviser notes that those expanded spreads have not, thus far, been accompanied by any apparent diminishment in credit quality across those markets in which we invest. At the same time, continued volatility in those markets (especially in terms of secondary market values) represents an additional challenge that the Adviser is considering as it continues to build the portfolio.

Following our Shareholders' vote in favour of the proposal, on 15 June 2007 approval was received from the Royal Court of Guernsey to reduce the issued share premium of the Company by an amount of £0.95 per share, and that the aggregate of such reduction be credited as a distributable reserve.

On 25 June 2007, 5,000,000 Ordinary Shares of no par value were issued at £1.0175 per Share resulting in gross proceeds of approximately £5.1 million. Net proceeds of this placing were used to make new investments. During the period 1 July through 31 August, the Company deployed approximately £15.8 million of additional capital for new investments.

On 16 August 2007 the Directors declared a dividend of 2.5p per share in respect of the second quarter of 2007. This brings the total dividends paid from the period of inception in August 2005 through September 2007 to 9.5p per share.

The Company's dividend history is:

Month paid	Dividend Per share	For period ended
July 2006	1.0p	30 June 2006
October 2006	1.5p	30 September 2006
February 2007	2.0p	31 December 2006
May 2007	2.5p	31 March 2007
September 2007	2.5p	30 June 2007
Total	9.5p	

William Tozier
Chairman

T2 Income Fund Limited
Interim Statement for the six month period ended 30 June 2007

CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Period to 30 June 2007 GBP	Unaudited Period to 30 June 2006 GBP	Audited Year to 31 December 2006 GBP
Revenue				
Interest income	2	4,204,278	1,146,407	2,950,030
Other income	2	23,391	-	36,814
Investment Income				
(Loss)/gain on financial assets and liabilities at fair value through profit or loss	5			
- Realised		(694,334)	(99,505)	(248,633)
- Unrealised		84,813	(490,597)	(1,835,169)
Gain/(loss) on foreign currency transactions				
- Realised		118,084	9,131	295,151
- Unrealised		279,470	(1,529)	129,740
Total Income		4,015,702	563,907	1,327,933
Expenses				
Management fees	4	916,137	372,750	298,751
Administration and secretarial fees	4	20,000	19,835	40,000
Custodian fees	4	7,439	7,437	15,000
Legal and professional fees		19,543	9,477	25,455
Directors' remuneration	4	32,500	32,500	65,000
Directors' and officers' insurance		22,393	20,952	43,485
Audit fees		20,704	17,325	39,001
Finance costs	4	1,483,978	-	104,215
Other expenses		145,217	98,849	200,502
Total Expenses		2,667,911	579,125	831,409
Profit/(loss) for the period		1,347,791	(15,218)	496,524
Basic earnings per share	13	0.0353	(0.0004)	0.0131
Diluted earnings per share	13	0.0318	(0.0004)	0.0118

The accompanying notes form an integral part of these financial statements.

T2 Income Fund Limited
As at 30 June 2007

CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2007 GBP	Unaudited 30 June 2006 GBP	Audited 31 December 2006 GBP
ASSETS				
Non-current assets				
Financial assets at fair value through the profit or loss account	5	103,164,736	14,511,480	53,978,368
Note receivable	6	500,000	-	500,000
		103,664,736	14,511,480	54,478,368
Current assets				
Trade and other receivables	6	1,274,639	210,352	610,946
Cash and cash equivalents	7	16,473,978	22,279,321	4,929,513
		17,748,617	22,489,673	5,540,459
Total assets		**121,413,353**	**37,001,153**	**60,018,827**
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share premium	9	5,619,040	36,694,149	36,694,149
Other reserve		36,119,167	9,167	14,167
Foreign exchange reserve		(128,131)	-	35,421
Retained earnings		(613,729)	186,738	(251,520)
Total equity		**40,996,347**	**36,890,054**	**36,492,217**
LIABILITIES				
Non-current liabilities				
Warehouse facility	8	79,979,911	-	22,374,308
Current liabilities				
Trade and other payables	8	437,095	111,099	1,152,302
Total liabilities		80,417,006	111,099	23,526,610
Total equity and liabilities		**121,413,353**	**37,001,153**	**60,018,827**
Net Asset Value per Share		£0.95	£0.97	£0.96

The accompanying notes form an integral part of these financial statements.

T2 Income Fund Limited
Interim Statement for the six month period ended 30 June 2007

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital GBP	Share Premium GBP	Other Reserve GBP	Foreign exchange Reserve GBP	Retained Earnings GBP	Total Equity GBP
Balance at 31 December 2005	-	36,694,149	4,167	-	201,956	36,900,272
Loss for the period	-	-	-	-	(15,218)	(15,218)
Foreign exchange on consolidation	-	-	-	-	-	-
Total income & expense for the period	-	-	-	-	(15,218)	(15,218)
Amortisation of fair value of options	-	-	5,000	-	-	5,000
Balance at 30 June 2006	-	36,694,149	9,167	-	186,738	**36,890,054**
Profit for the period	-	-	-	-	511,742	511,742
Foreign exchange on consolidation	-	-	-	35,421	-	35,421
Total income & expense for the period	-	-	-	35,421	511,742	547,163
Amortisation of fair value of options	-	-	5,000	-	-	5,000
Dividends paid	-	-	-	-	(950,000)	(950,000)
Balance at 31 December 2006	-	36,694,149	14,167	35,421	(251,520)	**36,492,217**
Net proceeds from share issue	-	5,024,891	-	-	-	5,024,891
Transfer to distributable reserve	-	(36,100,000)	36,100,000	-	-	-
Profit for the period	-	-	-	-	1,347,791	1,347,791
Foreign exchange on consolidation	-	-	-	(163,552)	-	(163,552)
Total income & expense for the period	-	-	-	(163,552)	1,347,791	1,184,239
Amortisation of fair value of options	-	-	5,000	-	-	5,000
Dividends paid	-	-	-	-	(1,710,000)	(1,710,000)
Balance at 30 June 2007	-	5,619,040	36,119,167	(128,131)	(613,729)	**40,996,347**

The accompanying notes form an integral part of these financial statements.

T2 Income Fund Limited
Interim Statement for the six month period ended 30 June 2007

STATEMENT OF CASHFLOWS

	Notes	Unaudited Period to 30 June 2007 GBP	Unaudited Period to 30 June 2006 GBP	Audited Year to 31 December 2006 GBP
Cashflows from operating activities				
Cash generated from/(used in) operations	10	2,295,502	449,819	(2,014,562)
Net cash inflow/(outflow) from operating activities		2,295,502	449,819	(2,014,562)
Cashflows from investing activities				
Purchase of investments		(73,531,037)	(16,098,318)	(59,465,371)
Sale of investments		21,698,514	2,233,527	8,307,610
Principal received		160,992	-	983,235
Net cash outflow from investing activities		(51,671,531)	(13,864,791)	(50,174,526)
Cashflows from financing activities				
Net proceeds from issue of shares		5,024,891	-	-
Warehouse facility		57,605,603	-	22,374,308
Dividends paid		(1,710,000)	-	(950,000)
Net cash inflow from financing activities		60,920,494	-	21,424,308
Net increase/(decrease) in cash and cash equivalents		11,544,465	(13,414,972)	(30,764,780)
Cash and cash equivalents at beginning of period/year		4,929,513	35,694,293	35,694,293
Cash and cash equivalents at end of period/year		16,473,978	22,279,321	4,929,513

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Interim Statement for the six month period ended 30 June 2007

1. GENERAL INFORMATION

T2 Income Fund Limited (the "Company") was incorporated and domiciled in Guernsey, Channel Islands, as a company limited by shares on 9 June 2005. The address of the registered office is Regency Court, Glategny Esplanade, St Peter Port, Guernsey, Channel Islands, GY1 3NQ.

A new Cayman Islands registered subsidiary company, T2 Income Fund CLO I Ltd. (the "CLO"), was created on 11 October 2006. Through its ownership of 100% of the preferred shares of the CLO the Directors consider the CLO to be a wholly owned subsidiary and the operating results are consolidated in these financial statements. The consolidated financial statements are referred to in these financial statements as the Group. The Group is comprised of the "Company" and the "CLO".

2. ACCOUNTING POLICIES

(a) Basis of preparation

The interim financial information as at and for the six month periods ended 30 June 2007 and 30 June 2006 is unaudited and does not constitute statutory accounts for the purposes of the Companies (Guernsey) Law, 1994. The figures for the year ended 31 December 2006 have been extracted from the statutory accounts. The auditors' report on those financial statements was unmodified.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and all applicable requirements of Guernsey Company Law. The financial statements have been prepared under the historical cost convention as modified by the revaluation of investments at fair value through the Income Statement.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of T2 Income Fund Limited and its subsidiary T2 Income Fund CLO I Ltd. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Subsidiary company

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

1. assets and liabilities of the balance sheet presented are translated at the closing rate at the date of the balance sheet;
2. income and expenses for the income statement are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
3. all resulting exchange differences are recognised as a separate component of shareholders' equity.

2. ACCOUNTING POLICIES (Continued)

(d) Revenue recognition

Revenue is recognised as follows:

Interest income - recognised on an accruals basis as this relates to bank interest income and coupon interest.

Other income - relates to closing fees which are recognised when they fall due.

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

(e) Expenditure

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

(f) Taxation

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

(g) Share issue expenses

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

(h) Dividends

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

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments and bank overdrafts.

(j) Trade and other receivables

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

(k) Trade and other payables

Payables are recognised initially at fair value and subsequently stated at amortised cost.

(l) Investments

Financial assets and liabilities at fair value through profit or loss

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

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

For broadly syndicated loans, T2 receives market quotes from agent banks on a quarterly basis. This information is reviewed by T2 management and used to price the portfolio companies.

For bi-lateral loans, an independent third party performs portfolio company evaluations. As part of this independent third party's due diligence they review the following:

- Audited and/or unaudited historical financial information including the most recent fiscal year.
- Financial information for the most current period available.
- Financial forecast prepared by the Portfolio Company.
- Most current capitalisation table.

2. ACCOUNTING POLICIES(continued)

(l) Investments (continued)

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

- T2 Investment Committee Memorandum prepared prior to the date of investment.
- Documents relating to business operations, financial performance and corporate planning.
- Public filings by the Portfolio Companies.

In assessing the fair value of each investment, a third party valuation firm reviews the following:

- Recent financial performance including cash flow and profitability on an actual basis compared to plan.
- Funding history of the company, the implied valuation from the most recent funding and anticipated future funding transactions.
- Company's capital structure.
- Recent business events disclosed by the Company.
- Potential requirement for additional funding.

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

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

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group also makes assumptions on the classification of financial assets.

Unlisted Debt Securities

The Group can invest in financial instruments which are not quoted in active markets. Fair values are determined by using valuation techniques. Where valuation techniques, such as the Market Capitalization Approach, are used to determine fair values they are carried out by an independant valuation firm specifically engaged by the Group to carry out the valuations. Changes in assumptions could affect the reported fair value of financial instruments.

(n) New standards

New standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods and which the Group has not early adopted:

The Group has not early adopted the new standard IFRS 8 (Operating Segments), therefore no additional disclosures have been made.

(o) Share based payments

Share options are valued in accordance with IFRS2 on an estimate of the fair value of the services received.

3. FINANCIAL RISK MANAGEMENT

(1) Financial risk factors

The Group is exposed to interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. 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.

(a) 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 exposure arises on the difference between the rate of interest the Group is required to pay on borrowed funds and the rate of interest which it receives on the debt securities in which it invests.

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

The Group may, but is not required to, hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts.

T2 Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS
Interim Statement for the six month period ended 30 June 2007

3. FINANCIAL RISK MANAGEMENT (continued)

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

The Group has established a credit rating system. The purpose of the rating system is to monitor the credit quality of T2's investment portfolio on both an individual and portfolio basis and the future on-going monitoring required.

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

(d) Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group does make substantial investments in currencies other than Sterling (primarily in US Dollars). To the extent that it does, the Group will be exposed to a potentially adverse currency risk. Changes in the rate of exchange may affect the value of the Group's investments, and the level of income that it receives from those investments. The Group has entered into currency hedging transactions to minimise this risk (see note 14).

30 June 2007

Assets	**USD**	**EUR**	**GBP**	**Total**
Financial assets at fair value through p&l	100,466,773	2,697,963	-	103,164,736
Cash and cash equivalents	9,950,638	-	6,523,340	16,473,978
Trade and other receivables	1,328,408	(63,411)	509,642	1,774,639
Total assets	111,745,819	2,634,552	7,032,982	121,413,353
Liabilities				
Trade and other payables	80,324,626	-	92,380	80,417,006
Total Equity	31,421,193	2,634,552	6,940,602	40,996,347

30 June 2006

Assets	**USD**	**EUR**	**GBP**	**Total**
Financial assets at fair value through p&l	14,511,480	-	-	14,511,480
Cash and cash equivalents	123,269	692,185	21,463,867	22,279,321
Trade and other receivables	198,193	-	12,159	210,352
Total assets	14,832,942	692,185	21,476,026	37,001,153
Liabilities				
Trade and other payables	-	-	111,099	111,099
Total Equity	14,832,942	692,185	21,364,927	36,890,054

31 December 2006

Assets	**USD**	**EUR**	**GBP**	**Total**
Financial assets at fair value through p&l	49,060,856	4,917,512	-	53,978,368
Cash and cash equivalents	2,826,963	130,412	1,972,138	4,929,513
Trade and other receivables	574,186	35,675	501,085	1,110,946
Total assets	52,462,005	5,083,599	2,473,223	60,018,827
Liabilities				
Trade and other payables	23,270,769	-	255,841	23,526,610
Total Equity	29,191,236	5,083,599	2,217,382	36,492,217

3. FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk

The Group's exposure to market risk is based upon changes in the fair value of the Group's investments (see Note 2(l)). The investment portfolio is managed within parameters disclosed in the Group's offering memorandum.

(2) Fair value estimation

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

4. FUND EXPENSES

Management fee

The Investment Manager, T2 Advisers, LLC, is entitled to receive an annual fee payable quarterly in advance. For the period from the Company's admission to trading on AIM until the quarter end following six months from the date of admission, the management fee was calculated based on 2% of the initial value of the Company's gross assets upon admission. Thereafter, the management fee is calculated based on 2% of the average value of the Company's gross assets at the most recently completed calendar quarter and the projected gross assets as of the end of the current calendar quarter.

Total fees charged for the period ended 30 June 2007 amounted to GBP916,137, (June 2006:GBP372,750). The total amount due and payable at the period end amounted to GBP(1,756) (December 2006:GBP57,207).

Administration and secretarial fees

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

Total Administration and secretarial fees (excluding accounting and registrar fees) charged for the period ended 30 June 2007 amounted to GBP20,000 (June 2006:GBP19,835). The total amount due and payable at the period end amounted to GBP20,000 (December 2006:GBP20,000).

Custodian fees

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

Total fees charged for the period ended 30 June 2007 amounted to GBP7,439 (June 2006:GBP7,437). The total amount due and payable at the period end amounted to GBP5,588 (December 2006:GBP3,780).

Directors remuneration

The current level of fees for the Chairman of the Board of Directors of the Group is GBP25,000 per annum, and GBP20,000 each for non-executive directors.

Total fees charged to the Group for the period ended 30 June 2007 amounted to GBP32,500 (June 2006:GBP32,500). The total amount due and payable at the period end amounted to GBP16,250 (December 2006:GBP16,250).

Finance costs

Total finance costs for the period ended 30 June 2007 were GBP1,483,978 (June 2006:GBPnil). These finance costs are for interest paid to Merrill Lynch for the Warehouse facility. The liability of the warehouse facility as of 30 June 2007 was GBP79,979,911 (December 2006:GBP22,374,308).

NOTES TO THE FINANCIAL STATEMENTS
Interim Statement for the six month period ended 30 June 2007

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited Period to 30 June 2007 GBP	Unaudited Period to 30 June 2006 GBP	Audited Year to 31 December 2006 GBP
Listed debt securities	29,399,740	-	8,127,281
Unlisted debt securities	73,764,996	14,511,480	45,851,087
	103,164,736	14,511,480	53,978,368
(Loss)/Gains recognised in relation to financial assets at fair value through profit or loss			
- realised	(694,334)	(99,505)	(248,633)
- unrealised (1)	(1,790,829)	(490,597)	(1,835,169)
	(2,485,163)	(590,102)	(2,083,802)

	Unaudited Period to 30 June 2007 GBP	Unaudited Period to 30 June 2006 GBP	Audited Year to 31 December 2006 GBP
Opening value of financial assets	55,780,153	5,854,260	5,854,260
Purchases	73,531,037	11,447,467	59,465,371
Sales	(21,698,514)	(2,233,527)	(8,307,610)
Realised loss on sale of investments	(694,334)	(99,505)	(248,633)
Capital repayments	(160,992)	-	(983,235)
Cost of investments at period/year end	106,757,350	14,968,695	55,780,153
Unrealised (loss)/gain at period/year end (2)	(3,592,614)	(457,215)	(1,801,785)
Closing value at period/year end	103,164,736	14,511,480	53,978,368

(1) For the period to 30 June 2007 the Group had an unrealised gain on financial assets and liabilities at fair value through profit or loss of GBP84,813. This is comprised of an unrealised loss on financial assets of GBP1,790,829 and an unrealised gain on liabilities of GBP1,875,642.

(2) The Group hedges the risk of loss on investments from changes in foreign exchange rates through the use of forward exchange contracts, as well as the offsetting gain from current liabilities held in the same foreign currencies.

6. TRADE AND OTHER RECEIVABLES

	Unaudited Period to 30 June 2007	Unaudited Period to 30 June 2006	Audited Year to 31 December 2006
	GBP	GBP	GBP
Accrued bank interest	41,355	7,354	6,138
Loan interest receivable	513,343	194,141	444,417
Prepaid expenses	9,642	8,857	28,106
Unrealised gain on forward exchange contracts	710,299	-	132,285
	1,274,639	210,352	610,946
Non current assets			
Note receivable	500,000	-	500,000

The GBP500,000 note receivable relates to a promissory note due for payment in 2009 from T2 Advisers, LLC, the Company's Investment Manager. This note, which is subject to certain conditions, was signed on 5 December 2006 and is subject to interest of 8% per annum, compounded annually. The promissory note is recognised in the financial statements as the Directors, having reviewed the conditions pertaining to the promissory note, deem that receipt of payment is virtually certain.

The change in unrealised gain on forward exchange contracts of GBP578,014 from 31 December 2006 to 30 June 2007 is a component of the gain/(loss) on foreign currency transactions - unrealised of GBP279,470 on the consolidated income statement. The unrealised gain on forward exchange contracts is partially offset by an unrealised loss of GBP298,544 on foreign cash balances.

7. CASH AND CASH EQUIVALENTS

	Unaudited Period to 30 June 2007	Unaudited Period to 30 June 2006	Audited Year to 31 December 2006
	GBP	GBP	GBP
Call account	16,473,978	1,010,695	4,929,513
Fixed deposit	-	20,453,172	-
Foreign currency accounts	-	815,454	-
	16,473,978	22,279,321	4,929,513

For the purposes of the Cash Flow Statement, the above items represent the year end cash and cash equivalents. Cash and cash equivalents include an unrealised loss on foreign cash balances of GBP298,544 in the period to 30 June 2007.

8. TRADE AND OTHER PAYABLES

	Unaudited Period to 30 June 2007	Unaudited Period to 30 June 2006	Audited Year to 31 December 2006
Current liabilities	GBP	GBP	GBP
Due to RBC	-	-	896,461
Management fees	(1,756)	6,829	57,207
Administrator's fees	20,000	10,315	20,000
Custodian's fees	5,588	7,437	3,780
Audit fees	15,429	19,825	28,500
Directors' fees	16,250	16,250	16,250
Finance cost	344,715	-	86,788
Other accruals	36,869	50,443	43,316
	437,095	111,099	1,152,302
Non current liabilities			
Warehouse facility	79,979,911	-	22,374,308

On 21 November 2006 T2 Income Fund CLO I Ltd. entered into a credit and warehouse agreement (the "Agreement") by and among Merrill Lynch Capital Corp., T2 Income Fund CLO I Ltd. (as the Issuer), T2 Advisers, LLC (as the Collateral Manager) and T2 Income Fund Limited. The facility amount is US$200,000,000.

Merrill Lynch provides funding of 80% of the par value of loans assigned to T2 Income Fund CLO I Ltd. Interest due to Merrill Lynch is calculated daily on the total funded amount at 1 month LIBOR plus 50 basis points.

8. TRADE AND OTHER PAYABLES (continued)

Under the terms of the Agreement, the Issuer pledged to Merrill Lynch, as security for obligations of the Issuer and the Collateral Manager to Merrill Lynch, and grants to Merrill Lynch a first priority continuing security interest in, lien on and right of sell-off against all of the Issuer's assets including the Issuer's right, title and interest in the loans assigned. Such grants were made to Merrill Lynch to secure the payment of all amounts due to Merrill Lynch and compliance by the Issuer with the provision of the Agreement.

9. SHARE CAPITAL

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

On incorporation two Ordinary Shares were issued at 100p each to the subscribers to the Memorandum of Association of the Company. On Admission to the AIM on 5 August 2005 the Company repurchased these Ordinary Shares.

On Admission to the AIM on 5 August 2005 the Company allotted 38,000,000 fully paid Ordinary Shares.

During the period 5,000,000 Ordinary Shares of no par value were issued at 101.75p per Share.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax.

On 15 June 2007 Court approval was received to reduce the issued share premium of the Company by an amount of £0.95 per share and that the aggregate of such reduction be credited as a distributable reserve.

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

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

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

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

In accordance with IFRS2, the value of the options was based upon an estimate of the fair value of the services received. The Company believes that the fair value can be determined by a comparison to a performance-based incentive fee program, which arrangements are common practice in the industry, because the option program was similarly intended to compensate the Investment manager for achieving superior returns. The fair value estimate was based, in good faith, upon the present value of a hypothetical performance-based incentive fee. Assuming a fee of 20% of the excess return above an 8% hurdle rate over a ten-year period; the fair value of the options was determined to be £100,000. For the period 30 June 2007 the Company charged £5,000 (June 2006: £5,000) to expenses representing the amortisation of the fair value of the options.

The calculation of fair value is sensitive to a number of assumptions, including the average interest rate on investments, the pace of investment activity, the amount and cost of leverage, if any, and expenses. It should be noted that the actual value of the options may ultimately be substantially greater or less than the fair value calculated. If actual financial performance is significantly better than the assumptions used in the calculation of fair value, the options could be worth several million pounds; to the extent that the performance criteria is not achieved, the options would expire worthless.

Share Capital

Ordinary shares	**Shares in issue**	**GBP**
Shares in issue as at 30 June 2006 and 31 December 2006	38,000,000	-
Issued during the period	5,000,000	-
Shares in issue as at 30 June 2007	43,000,000	-

	Six months to 30 June 2007	**Six months to 30 June 2006**	**Year to 31 December 2006**
Share Premium	GBP	GBP	GBP
Balance at start period/year	36,694,149	36,694,149	36,694,149
Issued during period/year	5,087,500	-	-
Issue costs	(62,609)	-	-
Transfer to distributable reserves	(36,100,000)	-	-
Balance at end period/year	5,619,040	36,694,149	36,694,149

10. CASH GENERATED FROM OPERATIONS

	Unaudited Period to 30 June 2007	Unaudited Period to 30 June 2006	Audited Year to 31 December 2006
	GBP	GBP	GBP
Profit/(loss) for the period/year	1,347,791	(15,218)	496,524
Adjustments for:			
Realised/Unrealised loss arising on adjustment to fair value of investments	2,485,163	590,102	2,083,802
Amortisation of fair value of options	5,000	5,000	10,000
Foreign exchange on consolidation	(163,552)	-	35,421
Changes in working capital:			
Trade and other receivables	(663,693)	(169,912)	(1,070,506)
Trade and other payables	(715,207)	39,847	(3,569,803)
Cash inflow/(outflow) from operations	2,295,502	449,819	(2,014,562)

11. CONSOLIDATED SUBSIDIARY UNDERTAKING

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

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

12. RELATED PARTY TRANSACTIONS

Saul Rosenthal is a member of BDC Partners which owns T2 Advisers, LLC.
Saul Rosenthal and Patrick Conroy are officers of T2 Advisers, LLC.
Patrick Firth is a director of the Administrator, Butterfield Fund Services (Guernsey) Limited.

The following transactions were carried out with related parties:	Unaudited Period to 30 June 2007	Unaudited Period to 30 June 2006	Audited Year to 31 December 2006
	GBP	GBP	GBP
Amounts incurred during the year to related parties			
Fees due to P Conroy as Chief Financial Officer to the Company	25,000	25,000	50,000
Fees due to the Investment Manager, T2 Advisers, LLC	916,137	372,750	798,751
Fees due from the Investment Manager, T2 Advisers, LLC	-	-	(500,000)
Expense reimbursement due to BDC Partners, LLC	62,541	16,509	28,912
Amounts due to related parties			
Fees due to P Conroy as Chief Financial Officer to the Company	4,167	4,167	4,167
Fees due to the Investment Manager, T2 Advisers, LLC	(1,756)	6,829	57,207
Amounts due from related parties			
Fees due from the Investment Manager, T2 Advisers, LLC	500,000	-	500,000

The Investment manager has been granted options giving it the right to acquire 4,222,222 Ordinary Shares at the Placing Price (GBP1.00) as reduced by dividends paid per share, subject to the Company achieving certain performance criteria, refer note 9.

The Investment Manager has also been granted options giving it the right to acquire 555,555 Ordinary Shares at the price of GBP1.0175 per Share, based upon the 5,000,000 Ordinary Shares issued in June 2007, in accordance with the terms of the Investment Manager Agreement.

Directors shareholdings in Company

Saul Rosenthal has a beneficial interest in 1,319,445 ordinary shares (2006:1,055,556) in the Company as at 30 June 2007. 1,194,445 shares relate to share option plan (ref note 9) and 125,000 shares relate to a purchase of shares during the period. This is equal to a beneficial interest of 2.8% based on the Share Capital as at that date when diluted by the number of Ordinary Shares subject to the option.

T2 Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS
Interim Statement for the six month period ended 30 June 2007

13. EARNINGS PER SHARE

Earnings per share has been calculated by dividing the profit attributable to ordinary shareholders GBP1,347,791 (June 2006:GBP(15,218) December 2006:GBP496,524) by the weighted average number of ordinary shares outstanding during the period 38,138,121 (June 2006 and December 2006:38,000,000). Fully diluted profit per share has been calculated by dividing the profit attributable to ordinary share holders of GBP1,347,791 (June 2006: GBP(15,218) December 2006:GBP496,524), by the weighted average number of ordinary shares outstanding during the period adjusted for the effects of all dilutive potential ordinary shares 42,375,690 (June 2006 and December 2006:42,222,222).

14. COMMITMENTS

At the balance sheet date the following commitments in respect of forward foreign exchange contracts existed:

Contract amount - GBP	Buy	Sell	Unrealised (loss)/profit
7,785,920	EUR	GBP	(38,173)
186,918	EUR	GBP	1,433
186,918	EUR	GBP	1,433
(5,168,000)	EUR	GBP	(41,870)
(112,311)	EUR	GBP	(1,020)
(111,804)	EUR	GBP	(513)
27,632,791	USD	GBP	728,302
709,543	USD	GBP	12,020
709,543	USD	GBP	12,020
4,511,504	USD	GBP	27,422
700,525	USD	GBP	3,001
1,002,707	USD	GBP	6,244
			710,299

15. POST BALANCE SHEET EVENTS

On 16 August 2007 a dividend of GBP 1,075,000 (2.5p per share), relating to the period 1 April 2007 to 30 June 2007, was announced with a payment date of 24 September 2007.

On 19 July 2007 the Company's subsidiary, T2 Income Fund CLO I Ltd., completed the sale of approximately GBP 125 million of long-term notes ('Notes') to refinance the credit facility that had been established with Merrill Lynch. The net proceeds of the Notes (after repayment of the Merrill Lynch credit facility) will be used to make new investments.

Since the period end on 30 June 2007 the Group has made a number of new investment purchases, these are detailed below:

24-7-2007	$9,000,000	SelectRemedy
25-7-2007	$4,500,000	Nuvox
3-8-2007	$5,000,000	Connor Steel
14-8-2007	$1,000,000	SkillSoft
15-8-2007	$2,000,000	Wimar Landco
20-8-2007	$3,000,000	Wimar Landco
21-8-2007	$1,000,000	Wimar Landco
21-8-2007	$4,000,000	CPM Holdings
24-8-2007	$2,000,000	Atlantic Inertial Systems
6-9-2007	$2,000,000	InfoNxx
19-9-2007	$5,000,000	Inverness Medical
20-9-2007	$3,000,000	Atlantic Inertial Systems

Paydown

13-7-2007	$4,987,500	Paetec

T2 Income Fund Limited

Portfolio Statement of the Group
As at 30 June 2007

	Fair Value GBP	% of net assets
Attachmate Corp	4,472,871	10.91%
Cavalier Telephone Inc	6,000,835	14.64%
CBA	3,331,374	8.13%
Corel Primary Corp	5,915,391	14.43%
DTN	2,484,929	6.06%
Express Energy	4,484,055	10.94%
Ford	4,478,435	10.92%
INFONXX Inc	2,478,701	6.05%
Infor Global Solutions Inc	2,980,941	7.27%
Investools	4,484,082	10.94%
Krispy Kreme	3,105,493	7.58%
Merrill Communications LLC	4,528,922	11.05%
Metrologic instruments Inc	3,000,584	7.32%
MR Default	1,003,911	2.45%
Nova	2,697,963	6.58%
NPC Inc	3,968,007	9.68%
Navisite	2,005,381	4.89%
Nuvox	502,591	1.23%
One communications Corp	2,509,840	6.12%
Paetec	2,488,034	6.07%
Peacock Engineering	1,494,694	3.65%
Pegasus	5,466,843	13.33%
Prodigy Health Group Inc	3,975,867	9.70%
Proquest	4,461,689	10.88%
Realogy	5,918,988	14.44%
Sirsi Corp	894,574	2.18%
Skillsoft	2,497,384	6.09%
Stratus Technologies Inc	3,117,059	7.60%
TVC	1,997,906	4.87%
Tribune	2,422,650	5.91%
Workflow Management Inc	1,991,853	4.86%
X-rite Inc	2,002,889	4.88%
Total financial assets at fair value through profit or loss	103,164,736	251.65%
Cash balances	16,473,978	40.18%
Other net liabilities	(78,642,367)	-191.83%
Net Assets	40,996,347	100.00%