T2 Income Fund Limited

Consolidated Interim Financial Statements

For the six month period ended 30 June 2009

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

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

The address of the Directors is the registered office.

Investment Manager:
T2 Advisers, LLC
8 Sound Shore Drive, Suite 255
Greenwich
Connecticut 06830
United States

Broker:
Singer Capital Markets
1 Hanover Street
London W1S 1YZ
United Kingdom

Administrator:
Butterfield Fulcrum Group (Guernsey) Limited
2nd Floor
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3NQ
Channel Islands

Custodian:
Butterfield Bank (Guernsey) Limited
P.O.Box 25
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY13AP
Channel Islands

Auditors :	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU United Kingdom	Nominated adviser:	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU United Kingdom

Legal Advisers:

In the Channel Islands:	Mourant du Feu &Jeune First Floor, Dorey Court Adminral Park St Peter Port Guernsey, GY1 6HJ Channel Islands	In the UK:	Stephenson Harwood One, St Paul's Churchyard London, EC4M 8SH United Kingdom

Registered office:
2nd Floor
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 3NQ

CHAIRMAN'S STATEMENT

Attached please find the unaudited Consolidated Interim Financial Statements of T2 Income Fund Limited (the "Company") for the six month period ended 30 June 2009.

The first six months of this year have been by far the most challenging the Company has faced in its four year history and the most challenging its invested asset class has ever faced. The Company's shares, already almost 90% down from their launch price at the beginning of the year were traded more than 90% down from this level by the middle of February. Thankfully, conditions in both equity and credit markets have improved from that point and, combined with the actions taken to improve communications with the market, have helped the Company's share price to recover. The shares now trade substantially higher than their lows and comfortably higher than at the beginning of the year. However, the Board remains cognisant that shareholders since launch are still a long way from seeing a return to their original investment and we will continue to look at every option available to enhance shareholder value.

In this regard an important step forward was the recent announcement of the return to paying a dividend for the first time in a year. There remains little visibility as to the probability of receiving further interest payments from the CLO, but if the visibility improves the outlook for the dividend payments from the Company would be far healthier.

Another area in which progress was made in the first half of the year was the purchase of a small amount of the CLO notes. This increased the income generated by the Company outside of its CLO subsidiary, reduced the Company's consolidated gearing level and increased the Company's Net Asset Value, on the basis that the notes were bought at a discount to par.

However, the Company's scope to influence the probability of interest receipts from the CLO and its ability to fund further purchases of the CLO notes are restricted by the paucity of cash held outside of the CLO. The cash within the CLO can only be used for reinvestment, in accordance with the indenture, which sets out the rules governing the way in which the CLO operates.

We hope to take further steps towards bringing the Company back into the mainstream of investment companies in the months to come. Amongst these steps is potentially a move to the Main Market of the London Stock Exchange. The Board announces today that it will review the AIM traded status of the Company and will consider with the Company's advisers whether a move to the Main Market is appropriate in due course.

As of 30 June 2009, the Company had invested assets with a fair value of £121.7 million, and cash of £23.3 million, of which £120.9 million of the investments and £20.2 million of cash are within the CLO structure, within which capital is retained until 2019. The portfolio is comprised of variable rate investments and, on a weighted average basis, carried a spread of 429 basis points over LIBOR. The Company's unaudited Net Asset Value per Share as of 30 June 2009 was £1.44. For the six months ended 30 June 2009 the Company recorded a profit, including the combination of net unrealized gains on investments and liabilities, of £13.2 million. Basic earnings per share for the period were approximately 30p.

As we have previously described to shareholders, under International Financial Reporting Standards, the consolidated results of operations for the Company include the impact of carrying its investments and its liabilities at fair value. Shareholders should be aware that the Company's realization of the full Net Asset Value is unlikely. It should also be noted that because both the investment portfolio and the CLO loan notes are denominated in US dollars, the weakening of the US dollar versus the sterling during the first six months of the year has created substantial unrealized foreign exchange losses on the investment portfolio, and similar unrealized foreign exchange gains on the CLO loan notes. The net result of all these fair value and foreign exchange related changes is reflected in the consolidated financial results.

As at the end of the second quarter of 2009, the CLO met all of the collateral coverage tests necessary for full interest payments to be made to the Company. Having received a full payment for the first time since the third quarter of 2008, the Board has declared a dividend of 0.5p per share, balancing the desire to return capital to shareholders with the cash needs of the business.

The investment manager remains cautious on the short term outlook for the syndicated corporate loan market in which our Company invests and expects continued volatility. In these difficult times the Company's investment manager has sought opportunities to acquire better quality assets at attractive prices in order to improve the overall creditworthiness of the portfolio. Opportunities to buy better-rated securities at discounts to their par values help to not only improve the quality of the portfolio but can also improve the CLO's collateral test coverage ratios under a variety of scenarios. The investment manager has focused on its general

CHAIRMAN'S STATEMENT (continued)

strategy of investing in lower-levered loans, and continues to track a large number of loans and the performance of their various issuers. The Company has recently made a number of selective purchases, favouring lower-levered companies where issuers stand to benefit from long-tailed revenue streams attached to lower-risk counterparties. The investment manager believes that, especially in the case of less liquid middle-market loans, supply and demand issues will likely continue to outweigh issuer operating fundamentals. In view of the current cash position within the CLO and therefore earmarked for reinvestment, we regard that as a potentially beneficial dynamic.

I believe that there are inherent strengths in the Company's business. It has a very cheap debt facility, the assets in which the Company is invested have shown their resilience in very testing times and the investment manager has a good track record in managing those assets. If the Company can overcome its short term challenges represented by a relatively small amount of unencumbered cash available to take advantage of potential opportunities to add value for shareholders and continuing uncertain market conditions, the strengths of the business can underpin a more positive outlook over the longer term.

There have been a number of changes to the Company's advisers since my appointment. I would like to take this opportunity to thank all of the advisers, past and present, for working constructively through this period of transition and for all of their efforts to assist in putting the Company on the road to recovery.

As stated at the AGM, my primary objectives as Chairman are to improve transparency and communication, maintain disciplined cash flow management and position the Company so that it is able to take advantage of market opportunities in order to maximise long-term shareholder value. Thus far I believe that we have taken some significant steps forward in transparency and communication, and the Board and its advisers are working strenuously to both optimise the cash flow of the business and to ensure the Company can take advantage of market opportunities.

Geoffrey Miller
Chairman
2 September 2009

CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Period to 30 June 2009 GBP	Unaudited Period to 30 June 2008 GBP	Audited Year to 31 December 2008 GBP
Revenue				
Interest income	2	5,137,664	5,849,943	12,528,242
Other income	2	-	21,725	32,588
Investment Income				
Gain/(loss) on financial assets and liabilities at fair value through profit or loss	6			
- Realised		2,336,902	(201,817)	(896,251)
- Unrealised		12,773,405	6,774,223	16,765,411
(Loss)/gain on foreign currency transactions				
- Realised		(1,250)	(131,171)	(1,256,063)
- Unrealised		(2,740,129)	122,274	(74,727)
Total Income		17,506,592	12,435,177	27,099,200
Expenses				
Management fees	4	1,415,927	1,464,936	2,969,672
Administration and secretarial fees	4	25,581	20,000	40,000
Custodian fees	4	7,469	7,510	15,010
Legal and professional fees		3,316	88,322	99,887
Directors' remuneration	4	32,500	32,429	64,929
Directors' and officers' insurance		24,476	20,352	44,236
Audit fees		20,050	17,500	45,730
Finance costs	4	2,034,584	2,819,178	6,235,227
Other expenses		764,838	635,606	1,166,170
Total Expenses		4,328,741	5,105,833	10,680,861
Profit for the period/year		13,177,851	7,329,344	16,418,339
Basic earnings per share	5	0.3065	0.1704	0.3818
Diluted earnings per share	5	0.3026	0.1589	0.3662

All of the profit for the period relates to the equity holders of the parent

The accompanying notes on pages 11 to 26 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Period to 30 June 2009 GBP	Unaudited Period to 30 June 2008 GBP	Audited Year to 31 December 2008 GBP
Profit for the period/year	13,177,851	7,329,344	16,418,339
Other comprehensive income			
Foreign exchange on consolidation	(5,147,476)	2,673,599	2,604,447
Total comprehensive income for the period/year	8,030,375	10,002,943	19,022,786
Attributable to:			
Equity holders of the parent	8,030,375	10,002,943	19,022,786
	8,030,375	10,002,943	19,022,786

The accompanying notes on pages 11 to 26 form an integral part of these financial statements.

T2 Income Fund Limited
As at 30 June 2009

CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 June 2009 GBP	Unaudited 30 June 2008 GBP	Audited 31 December 2008 GBP
ASSETS				
Non-current assets				
Financial assets at fair value through profit or loss	6	121,697,909	136,465,262	126,644,228
Note receivable	7	-	500,000	-
		121,697,909	136,965,262	126,644,228
Current assets				
Note receivable	7	500,000	-	500,000
Trade and other receivables	7	761,248	741,111	1,417,933
Cash and cash equivalents	8	23,288,691	6,582,868	16,158,356
		24,549,939	7,323,979	18,076,289
Total assets		146,247,848	144,289,241	144,720,517
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share premium	10	5,619,040	5,619,040	5,619,040
Distributable reserve		34,800,000	34,800,000	34,800,000
Foreign exchange reserve		(2,404,035)	69,842	2,743,441
Retained earnings		23,865,253	2,673,407	10,687,402
Total equity		61,880,258	43,162,289	53,849,883
LIABILITIES				
Non-current liabilities				
Loan notes	9	83,171,177	99,863,083	88,538,096
Current liabilities				
Trade and other payables	9	1,196,413	1,263,869	2,332,538
Total liabilities		84,367,590	101,126,952	90,870,634
Total equity and liabilities		146,247,848	144,289,241	144,720,517
Net Asset Value per Share		£1.44	£1.00	£1.25

The accompanying notes on pages 11 to 26 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Group	Share Capital GBP	Share Premium GBP	Other Reserve** GBP	Foreign Exchange Reserve GBP	Retained Earnings** GBP	Total Equity GBP
Balance at 31 December 2007	-	5,619,040	36,200,000	138,994	(2,505,937)	39,452,097
Profit for the period	-	-	-	-	7,329,344	7,329,344
Foreign exchange on consolidation	-	-	-	(69,152)	-	(69,152)
Total income & expense for the period	-	-	-	(69,152)	7,329,344	7,260,192
Settlement of share options	-	-	(1,400,000)	-	-	(1,400,000)
Dividends paid	-	-	-	-	(2,150,000)	(2,150,000)
Balance at 30 June 2008	-	5,619,040	34,800,000	69,842	2,673,407	43,162,289
Net proceeds from share issue	-	-	-	-	-	-
Transfer to distributable reserve	-	-	-	-	-	-
Profit for the year	-	-	-	-	11,238,995	11,238,995
Foreign exchange on consolidation	-	-	-	2,673,599	-	2,673,599
Total income & expense for the year	-	-	-	2,673,599	11,238,995	13,912,594
Amortisation of fair value of options	-	-	-	-	-	-
Dividends paid	-	-	-	-	(3,225,000)	(3,225,000)
Balance at 31 December 2008	-	5,619,040	34,800,000	2,743,441	10,687,402	53,849,883
Profit for the period	-	-	-	-	13,177,851	13,177,851
Foreign exchange on consolidation	-	-	-	(5,147,476)	-	(5,147,476)
Total income & expense for the period	-	-	-	(5,147,476)	13,177,851	8,030,375
Settlement of share options	-	-	-	-	-	-
Dividends paid*	-	-	-	-	-	-
Balance at 30 June 2009	-	5,619,040	34,800,000	(2,404,035)	23,865,253	61,880,258

* During the period the Company made no dividend payments

** Distributable reserves.

The accompanying notes on pages 11 to 26 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

	Notes	Unaudited Period to 30 June 2009 GBP	Unaudited Period to 30 June 2008 GBP	Audited Year to 31 December 2008 GBP
Cash flows from operating activities				
Cash used in operations	12	(2,411,896)	(1,572,771)	(1,388,683)
Purchase of investments	6	(4,434,695)	(12,257,068)	(21,723,644)
Sale of investments	6	4,746,054	2,759,830	7,244,591
Net cash outflow from operating activities		(2,100,537)	(11,070,009)	(15,867,736)
Cashflows from investing activities				
Principal received	6	14,378,348	5,193,166	17,967,782
Net cash inflow from investing activities		14,378,348	5,193,166	17,967,782
Cashflows from financing activities				
Settlement of share options		-	(1,400,000)	(1,400,000)
Dividends paid		-	(2,150,000)	(3,225,000)
Net cash outflow from financing activities		-	(3,550,000)	(4,625,000)
Net increase/(decrease) in cash and cash equivalents		12,277,811	(9,426,843)	(2,524,954)
Cash and cash equivalents at beginning of period/year		16,158,356	16,078,863	16,078,863
Foreign exchange on consolidation		(5,147,476)	(69,152)	2,604,447
Cash and cash equivalents at end of period/year		23,288,691	6,582,868	16,158,356

The accompanying notes on pages 11 to 26 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Consolidated Interim Financial Statements for the six month period ended 30 June 2009

1. GENERAL INFORMATION

T2 Income Fund Limited (the "Company") was incorporated and domiciled in Guernsey, Channel Islands, as a company limited by shares and with limited liability on 9 June 2005. The address of the registered office is 2nd Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3NQ.

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

Investing Policy

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

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

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

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

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

2. ACCOUNTING POLICIES

(a) Basis of preparation

The interim financial information as at and for the six month periods ended 30 June 2009 and 30 June 2008 is unaudited and does not constitute statutory accounts for the purposes of the Companies (Guernsey) Law, 2008. The figures for the year ended 31 December 2008 have been extracted from the statutory accounts. The auditors' report on those financial statements was unmodified. The Group has chosen to prepare full consolidated interim financial statements. The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2008, as described in those financial statements.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 period/year, except for the adoption of IFRS "Financial Instruments: Disclosures", and are set out below. Comparative information is given for 31 December 2008. The Board does not consider it necessary to provide comparative information for the period to 30 June 2008.

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

2. ACCOUNTING POLICIES (continued)

(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 Dollars the functional currency of the subsidiary. Therefore the books and records are maintained in Sterling and Dollars respectively and for the purpose of the financial statements the results and financial position of the Group are presented in Sterling, which is the presentation currency of the Group.

(ii) Transactions and balances

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

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

(iii) Subsidiary company

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

1. assets and liabilities of the Balance Sheet presented are translated at the closing rate at the date of the balance sheet;

2. income and expenses for the Income Statement are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

3. all resulting exchange differences are recognised as a separate component of shareholders' equity.

(d) Revenue recognition

Revenue is recognised as follows:

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

Other income - relates to note receivable interest which is recognised under the effective interest rate method.

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.

2. ACCOUNTING POLICIES (continued)

(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 and loan notes

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

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

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

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

For broadly syndicated loans T2 receives market quotes from agent banks on a quarterly basis. In addition, because of the generally limited trading activity in the syndicated loan market, the Investment Manager prepares an analysis of the portfolio companies' recent and projected financial performance as well as other relevant business developments. In those instances where the Investment Manager believes additional analysis is necessary, for example due to a significant change in the market quote without related transaction volume, an outside valuation firm will provide a valuation estimate based upon their proprietary methodologies and techniques. Factors considered in these independent valuation analyses include discounted cash flows, comparable company and comparable transaction analysis, and credit spread analysis based upon the independent valuation firms' view of the implied credit rating of the investment and the corresponding required spread in the marketplace. The Board considers all the information presented to it, including indicative bids, internal analysis, and independent valuations, in order reach, in good faith, their fair value determination.

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.
- 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.
- The company's capital structure.
- Recent business events disclosed by the Company.
- Potential requirement for additional funding.

2. ACCOUNTING POLICIES (continued)
(l) Investments and loan notes (continued)
(i) Financial assets and liabilities at fair value through profit or loss (continued)
As of June 2009, there were no bi-lateral loans in the Group's portfolio.

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

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

(ii) Derivative Financial Instruments
Derivatives are categorised as financial assets or liabilities held for trading and valued at fair value through profit or loss.

(iii) Subsidiary
Investment in subsidiary is initially recorded at cost. After initial recognition, the investment in subsidiary is measured at fair value, with movements in the unrealised gains and losses recognised in the Company Income Statement. Through its ownership of 100% of the preferred shares of T2 Income Fund CLO I Ltd the Directors consider the CLO to be a wholly owned subsidiary and the operating results are consolidated in these financial statements.

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

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 independent valuation firm specifically engaged by the Group to carry out the valuations. Changes in assumptions could affect the reported fair value of financial instruments. See note 6 for carrying amount at the period end.

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

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

(n) Share based payments
Share options are valued in accordance with IFRS2. In accordance with IFRS2, the value of the options is based upon an estimate of the fair value of the services received. See note 10.

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.

Capital Risk Management

The Group will seek to achieve a high level of current income by investing in debt securities, consisting primarily of senior debt across multiple industries.

The Group intends to invest primarily in companies located in the United States, Europe and the United Kingdom. The Group will target 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 capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders, comprising share premium, distributable reserves and retained earnings. The Group does not have any externally imposed capital requirements. At 30 June 2009 the Group had total equity of GBP61,880,258 (30 June 2008: GBP43,162,289, 31 December 2008: GBP53,849,883).

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 Investment Manager ensures that not more than 15% of the Group's gross assets are invested in any one investment. Consistent with shareholder approval obtained in December 2006, the Group may apply leverage up to 500%, or five times, the net asset value of the Group. Leverage is the ability to incur indebtedness for the purpose of making investments. The Group has incurred indebtedness (approximately US$244.7 million (31 December 2008: US$249.2 million)) through its CLO subsidiary in the form of long-term notes.

(a) Market risk

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

At 30 June 2009, the Group's market risk is affected by three main components: changes in actual market prices, interest rate and foreign currency movements. Interest rates and foreign currency movements are covered at (b) and (c) below.

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

If market prices had increased by 5% with all other variables held constant, this would have increased net assets attributable to holders of equity shares by approximately GBP 1,926,336 (31 December 2008: GBP 1,905,306), due to the increase in the fair value of financial assets at fair value through profit or loss by GBP 6,084,895 (31 December 2008: GBP 6,332,211) offset by the increase in the fair value of the financial liabilities at fair value through profit or loss by GBP 4,158,559 (31 December 2008: GBP 4,426,905). Conversely, if market prices had decreased by 5%, this would have decreased net assets attributable to holders of equity shares by approximately GBP 1,926,336 (31 December 2008: GBP 1,905,306), due to the decrease in the fair value of financial assets at fair value through profit or loss by GBP 6,084,895 (31 December 2008: GBP 6,332,211) offset by the decrease in the fair value of the financial liabilities at fair value through profit or loss by GBP 1,926,336 (31 December 2008: GBP 4,426,905).

3. FINANCIAL RISK MANAGEMENT (continued)
(b) Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group has exposure to interest rate risk because it has borrowed to fund investments. The exposure arises on the difference between the rate of interest the Group is required to pay on borrowed funds and the rate of interest which it receives on the debt securities in which it invests.

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

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

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

At 30 June 2009	Floating rate Financial Assets GBP	Fixed rate Financial Assets GBP	Non- interest Bearing Financial Assets GBP	Total GBP
Assets				
Financial assets at fair value through profit or loss	121,697,909	-	-	121,697,909
Note receivable	-	500,000	-	500,000
Trade and other receivables	-	-	761,248	761,248
Cash and cash equivalents	23,288,691	-	-	23,288,691
Total assets	144,986,600	500,000	761,248	146,247,848
Liabilities				
Loan notes	83,171,177	-	-	83,171,177
Trade and other payables	-	-	1,196,413	1,196,413
Total liabilities	83,171,177	-	1,196,413	84,367,590
Total interest sensitivity gap	61,815,423	500,000	(435,165)	61,880,258

At 31 December 2008	Floating rate Financial Assets GBP	Fixed rate Financial Assets GBP	Non- interest Bearing Financial Assets GBP	Total GBP
Assets				
Financial assets at fair value through profit or loss	126,644,228	-	-	126,644,228
Note receivable	-	500,000	-	500,000
Trade and other receivables	-	-	1,417,933	1,417,933
Cash and cash equivalents	16,158,356	-	-	16,158,356
Total assets	142,802,584	500,000	1,417,933	144,720,517
Liabilities				
Loan notes	88,538,096	-	-	88,538,096
Trade and other payables	-	-	2,332,538	2,332,538
Total liabilities	88,538,096	-	2,332,538	90,870,634
Total interest sensitivity gap	54,264,488	500,000	(914,605)	53,849,883

3. FINANCIAL RISK MANAGEMENT (continued)
(b) Interest rate risk (continued)
A 200 basis point increase or decrease is used when reporting interest spread risk internally and represents management's assessment of the possible change in interest spreads, and 50 basis points is used when reporting interest rate risk.

At 30 June 2009, should the interest spread have lowered by 200 basis points with all other variables remaining constant, the decrease in net assets attributable to holders of equity for the year would amount to approximately GBP3,694,298 (31 December 2008: GBP4,648,060). If the interest spread had risen by 200 basis points, the increase in net assets attributable to holders of equity would amount to approximately GBP3,694,298 (31 December 2008: GBP4,648,060).

At 30 June 2009, should interest rates have lowered by 50 basis points with all other variables remaining constant, the increase in net assets attributable to holders of equity for the year would amount to approximately GBP27,200 (31 December 2008: GBP302,970). If the interest rate had risen by 50 basis points, the decrease in net assets attributable to holders of equity would amount to approximately GBP27,200 (31 December 2008: GBP302,970).

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

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

30 June 2009			
Assets	USD	GBP	Total
Financial assets at fair value through profit or loss	121,697,909	-	121,697,909
Cash and cash equivalents	23,288,677	14	23,288,691
Trade and other receivables	669,875	591,373	1,261,248
Total assets	145,656,461	591,387	146,247,848
Liabilities			
Trade and other payables	84,288,016	79,574	84,367,590
Total currency sensitivity gap	61,368,445	511,813	61,880,258

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

At 30 June 2009, had the exchange rate between the US dollar and GBP increased or decreased by 5%, with all other variables held constant, the increase or decrease respectively in net assets attributable to holders of equity shares would amount to approximately GBP 1,733,738 (31 December 2008: GBP2,156,562).

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

3. FINANCIAL RISK MANAGEMENT (continued)

(d) Credit risk

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

The 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.

Portfolio by rating category	30 June 2009	31 December 2008
1	12%	22%
2	37%	50%
3	46%	28%
4	0%	0%
5	5%	0%
Total	100%	100%

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

(1) These are guidelines and when determining a Credit Ratings Level other facts and circumstances may be considered.
(2) An estimate of the potential amount of principal loss will be determined on a quarterly basis.

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

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

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

(e) Liquidity risk

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

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

3. FINANCIAL RISK MANAGEMENT (continued)
(e) Liquidity risk (continued)

	Current		Non-Current		
	within 6 months	6 to 12 months	1 to 5 years	later than 5 years	No stated maturity
At June 2009					
Loan notes	1,380,856	1,380,856	11,046,849	162,589,133	-
Trade and other payables	1,196,413	-	-	-	-
Total financial liabilities	2,577,269	1,380,856	11,046,849	162,589,133	-
At December 2008					
Loan notes	4,704,711	4,704,711	37,637,684	223,163,401	-
Trade and other payables	2,332,538	-	-	-	-
Total financial liabilities	7,037,249	4,704,711	37,637,684	223,163,401	-

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

4. FUND EXPENSES
Management fee
The Investment Manager, T2 Advisers, LLC, is entitled to receive an annual fee payable quarterly in advance. The management fee is calculated based on 2% of the average value of the Company's gross assets at the most recently completed calendar quarter and the projected gross assets as of the end of the current calendar quarter.

Total fees charged for the period ended 30 June 2009 amounted to GBP1,415,927 (30 June 2008: GBP1,464,936, 31 December 2008: GBP2,969,672). The total amount due and payable at the period end amounted to GBPnil (30 June 2008: GBP(82,580), 31 December 2008: GBP nil).

Administration and secretarial fees
The Administrator and Secretary, Butterfield Fulcrum Group (Guernsey) Limited, is entitled to an annual fee for its services, as administrator and secretary, of 0.075% of the Net Asset Value of the Group, calculated on the last business day of each quarter and payable quarterly in arrears. The fee is subject to a minimum of 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 2009 amounted to GBP25,581 (30 June 2008: GBP20,000, 31 December 2008: GBP40,000). The total amount due and payable at the period end amounted to GBP11,574 (30 June 2008: GBP10,000, 31 December 2008: GBP10,000).

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 2009 amounted to GBP7,469 (30 June 2008: GBP7,510, 31 December 2008: GBP15,010). The total amount due and payable at the period end amounted to GBP3,750 (30 June 2008: GBP3,750, 31 December 2008: GBP7,520).

Directors fees
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.

4. FUND EXPENSES (continued)

Directors fees (continued)

Total fees charged to the Group for the period ended 30 June 2009 amounted to GBP32,500 (30 June 2008: GBP32,429, 31 December 2008: GBP64,929). The total amount due and payable at the period end amounted to GBP16,250 (30 June 2008: GBP6,250, 31 December 2008: GBP16,250).

Finance costs

Total finance costs for the period to 30 June 2009 was GBP2,034,584 (30 June 2008: GBP2,819,178, 31 December 2008: GBP6,235,227). These finance costs are for interest due to the loan note holders. Long-term notes outstanding at 30 June 2009 GBP83,171,177 (30 June 2008: GBP99,863,083, 31 December 2008: GBP88,538,096).

5. EARNINGS PER SHARE

Earnings per share has been calculated by dividing the profit attributable to ordinary share holders of GBP13,177,851 (30 June 2008: GBP7,329,344, 31 December 2008: GBP16,418,339) by the weighted average number of ordinary shares outstanding during the period 43,000,000 (30 June 2008:43,000,000, 31 December 2008:43,000,000). Fully diluted profit per share has been calculated by dividing the profit attributable to ordinary share holders of GBP13,177,851 (30 June 2008: GBP7,329,344, 31 December 2008: GBP16,418,339), by the weighted average number of ordinary shares outstanding during the period adjusted for the effects of all dilutive potential ordinary shares 43,555,555 (30 June 2008: 46,130,647, 31 December 2008: 44,836,065).

Basic earnings per share

Date	No. of shares	No. of days	Weighted average no. of shares
01/01/09 & 30/06/09	43,000,000	181	43,000,000
01/01/08 & 30/06/08	43,000,000	182	43,000,000

Diluted earnings per share

Date	No. of shares	No. of days	Weighted average no. of shares
01/01/09 & 30/06/09	43,555,555	181	43,555,555
01/01/08	47,777,777	111	29,139,194
21/04/08	43,555,555	71	16,991,453
		182	46,130,647

	30 June 2009 No. of shares	30 June 2008 No. of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	43,000,000	43,000,000
Effect of dilutive potential ordinary shares:		
Share options	555,555	3,130,647
Weighted average number of ordinary shares for the purposes of diluted earnings per share	43,555,555	46,130,647

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited Period to 30 June 2009 GBP	Unaudited Period to 30 June 2008 GBP	Audited Year to 31 December 2008 GBP
Listed debt securities	23,556,415	32,506,014	28,102,380
Unlisted debt securities	98,141,494	103,959,248	98,541,848
	121,697,909	136,465,262	126,644,228
Realised gain/(loss) recognised on financial assets and liabilities at fair value through profit or loss (1)			
- Realised gain/(loss) on investments	878,681	(201,817)	(896,251)
- Realised gain on financial liabilities	1,458,221	-	-
	2,336,902	(201,817)	(896,251)
Unrealised gains recognised on financial assets and liabilities at fair value through profit or loss (2)			
- Unrealised gain/(loss) on financial assets	8,864,707	(7,952,874)	(9,286,677)
- Unrealised gain on financial liabilities	3,908,698	14,727,097	26,052,088
	12,773,405	6,774,223	16,765,411

	Unaudited Period to 30 June 2009 GBP	Unaudited Period to 30 June 2008 GBP	Audited Year to 31 December 2008 GBP
Opening value of financial assets	144,552,846	148,937,826	148,937,826
Purchases	4,434,695	12,257,068	21,723,644
Sales	(4,746,054)	(2,759,830)	(7,244,591)
Realised (gain)/loss on sale of investments	878,681	(201,817)	(896,251)
Capital repayments	(14,378,348)	(5,193,166)	(17,967,782)
Cost of investments at period/year end	130,741,820	153,040,081	144,552,846
Unrealised loss at period/year end	(9,043,911)	(16,574,819)	(17,908,618)
Closing value at period/year end	121,697,909	136,465,262	126,644,228

(1) For the six months to 30 June 2009 the Group had a realised gain of GBP2,336,902 (30 June 2008: realised loss of GBP201,817, 31 December 2008: realised loss of GBP896,251) which comprised a realised gain on investments of GBP878,681 (30 June 2008: realised loss of GBP201,817 , 31 December 2008: realised loss of GBP896,251) and a realised gain on financial liabilities of GBP1,458,221 (30 June 2008: GBPnil, 31 December 2008: GBPnil).

(2) For the six months to 30 June 2009 the Group had an unrealised gain on financial assets and liabilities at fair value through the profit and loss of GBP12,773,405 (30 June 2008: GBP6,774,223, 31 December 2008: GBP16,765,411). This is comprised of an unrealised gain on financial assets of GBP8,864,707 (30 June 2008: unrealised loss GBP7,952,874, 31 December 2008: unrealised loss GBP9,286,677) and an unrealised gain on liabilities of GBP 3,908,698 (30 June 2008:GBP14,727,097, 31 December 2008: GBP26,052,088).

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7. TRADE AND OTHER RECEIVABLES

	Unaudited Period to 30 June 2009 GBP	Unaudited Period to 30 June 2008 GBP	Audited Year to 31 December 2008 GBP
Accrued bank interest	7,664	6,230	118
Loan interest receivable	741,206	642,997	1,384,117
Prepaid expenses	12,378	91,884	33,698
	761,248	741,111	1,417,933
Current assets			
Note receivable	500,000	-	500,000
Non current assets			
Note receivable	-	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.

8. CASH AND CASH EQUIVALENTS

	Unaudited Period to 30 June 2009 GBP	Unaudited Period to 30 June 2008 GBP	Audited Year to 31 December 2008 GBP
Call account	14	5,278,559	16,158,356
Foreign currency accounts	23,288,677	1,304,309	-
	23,288,691	6,582,868	16,158,356

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

9. TRADE AND OTHER PAYABLES

	Unaudited Period to 30 June 2009 GBP	Unaudited Period to 30 June 2008 GBP	Audited Year to 31 December 2008 GBP
Current liabilities			
Administrator's fees	11,574	10,000	10,000
Custodian's fees	3,750	3,750	7,520
Audit fees	30,000	11,770	40,000
Directors' fees	16,250	16,250	16,250
Finance cost (1)	599,558	927,314	2,038,708
Due to broker	273,345	-	-
Other accruals	261,936	294,785	220,060
	1,196,413	1,263,869	2,332,538
Non current liabilities			
Loan notes	83,171,177	99,863,083	88,538,096

9. TRADE AND OTHER PAYABLES (continued)

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 was US$200,000,000. Interest due to Merrill Lynch was calculated daily on the total amount at 1 month LIBOR plus 50 basis points. Merrill Lynch provided funding of 80% of the par value of loans assigned to T2 Income Fund CLO I Ltd.

On 19 July 2007 the Warehouse facility was repaid and loan-notes were issued in the amount of US$309,050,000 with a twelve year term. The "Indenture" dated 19 July 2007 is among T2 Income Fund CLO I Ltd as the "Issuer", T2 Income Fund CLO I LLC as the "Co-Issuer" and The Bank of New York Mellon as the "Trustee".

During June 2009, T2 Income Fund Limited, the Company, purchased from third parties some of the loan notes of its subsidiary, T2 Income Fund CLO 1 Ltd. Class B loan notes of par value US$1,137,000 and Class D loan notes of par value US$3,000,000 were purchased at a price of 0.435 and 0.1425 respectively. The internally purchased loan notes have been eliminated within the consolidated financial statements for consolidation purposes only and a realised gain of GBP1,458,221 recognised.

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

10. 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 2007 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 distributable reserve may be applied in any manner in which the Company's profits available for distribution are able to be applied, including the purchase of the Company's own shares and the payment of dividend.

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 vested and became exercisable in respect of 50 per cent immediately on conclusion of the first three month period during which the Company paid dividends on the Shares in an aggregate amount during that three month period equal to or exceeding 8 per cent of the Initial Offer Price on an annualised basis (the hurdle rate). The remaining 50 per cent 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 vested on 31 March 2008.

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

10. SHARE CAPITAL (continued)

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 ending 30 June 2009 the Company charged £nil (31 December 2008: £nil) 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.

	Unaudited	Unaudited	Audited
Share Capital	30 June 2009	30 June 2008	31 December 2008
Ordinary shares - nil par value	Shares in issue	Shares in issue	Shares in issue
Balance at start period/year	43,000,000	43,000,000	43,000,000
Issued during the period/year	-	-	-
Balance at end period/year	43,000,000	43,000,000	43,000,000

	Unaudited Period to 30 June 2009	Unaudited Period to 30 June 2008	Audited Year to 31 December 2008
Share Premium	GBP	GBP	GBP
Balance at start period/year	5,619,040	5,619,040	5,619,040
Issued during the period/year	-	-	-
Balance at end period/year	5,619,040	5,619,040	5,619,040

11. NET ASSET VALUE PER SHARE

The net asset value per Ordinary Share is calculated by dividing the net assets at the period end of GBP61,880,258 (30 June 2008:GBP43,162,289, 31 December 2008:GBP53,849,883) by the Ordinary Shares in issue at the end of the period being 43,000,000 (30 June 2008:43,000,000, 31 December 2008:43,000,000).

12. CASH GENERATED FROM OPERATIONS

	Unaudited Period to 30 June 2009	Unaudited Period to 30 June 2008	Audited Year to 31 December 2008
	GBP	GBP	GBP
Profit for the period/year	13,177,851	7,329,344	16,418,339
Adjustments for:			
Realised (gain)/loss arising on adjustment to financial assets and liabilities	(2,336,902)	201,817	896,251
Unrealised gain arising on adjustment to financial assets and liabilities	(12,773,405)	(6,774,223)	(16,765,411)
Amortisation of fair value of options	-	-	-
Changes in working capital:			
Trade and other receivables	656,685	378,002	(298,820)
Trade and other payables	(1,136,125)	(2,707,711)	(1,639,042)
Cash outflow from operations	(2,411,896)	(1,572,771)	(1,388,683)

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Consolidated Interim Financial Statements for the six month period ended 30 June 2009

13. 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%

14. RELATED PARTY TRANSACTIONS
Saul Rosenthal is a member of BDC Partners which owns T2 Advisers, LLC., the Investment Manager.

Saul Rosenthal and Patrick Conroy are officers of T2 Advisers, LLC., the Investment Manager.

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

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

	Unaudited Period to 30 June 2009	Unaudited Period to 30 June 2008	Audited Year to 31 December 2008
	GBP	GBP	GBP
Amounts incurred during the period to related parties			
Fees due to P Conroy as Chief Financial Officer to the Company	37,500	31,387	75,137
Fees due to the Investment Manager, T2 Advisers, LLC	1,415,927	1,547,516	2,969,672
Reimbursement due to BDC Partners, LLC	45,578	128,128	185,720
Amounts due to related parties at the period end			
Fees due to P Conroy as Chief Financial Officer to the Company	6,250	6,250	6,250
Fees due to the Investment Manager, T2 Advisers, LLC	-	(82,580)	-
Amounts due from related parties at the period end			
Note receivable from the Investment Manager, T2 Advisers, LLC	500,000	500,000	500,000

Directors shareholdings in Company
Saul Rosenthal has a beneficial interest in 752,778 ordinary shares (30 June 2008: 263,889, 31 December 2008: 263,889) in the Company as at 30 June 2009. Through his ownership interest in T2 Advisers, LLC, the Investment Manager, Mr Rosenthal has an interest of 277,778 shares (30 June 2008: 138,889, 31 December 2008: 138,889) shares related to the share option plan (re note 10), 125,000 (30 June 2008: 125,000, 31 December 2008: 125,000) shares related to a purchase of shares during 2007 for his own account, and, through his interest in Privet Acquisition LLC, Mr Rosenthal has an interest of 350,000 shares related to a purchase made in February 2009. This is equal to a beneficial interest of 1.8% of the total voting rights of the Company as at 30 June 2009 and 1.7% of the Share Capital as at that date when diluted by the number of Ordinary Shares subject to the option. Geoffrey Miller, the Chairman of the Company, holds 250,000 shares in the Company, representing 0.6% of the total voting rights of the Company.

15. POST BALANCE SHEET EVENTS
On 17 July 2009, Geoff Miller was granted options over 250,000 shares exercisable at a price of GBP10 pence per share at any time up to the second anniversary of the passing of the relevant resolution.

On 17 July 2009, Frederick Forni and Patrick Firth were each granted options over 50,000 shares exercisable at a price of GBP10 pence per share at any time up to the second anniversary of the passing of the relevant resolution.

15. POST BALANCE SHEET EVENTS (continued)

Since the period end the Group has made 8 new investment purchases, these are detailed below:

Date	Par Amount		Purchase Price
6 July 2009	USD4,000,000	Superval	95.50
6 July 2009	USD2,000,000	Network Solutions	88.00
24 July 2009	USD5,000,000	Cablevision	96.25
3 August 2009	USD500,000	Misys	94.50
6 August 2009	USD4,000,000	Quebecor	100.00
12 August 2009	USD4,000,000	MediaCom term loan C	94.25
12 August 2009	USD2,000,000	MediaCom term loan D	98.50
13 August 2009	USD5,000,000	Boise	100.00

Since the period end the Group made the following sales:

Closing Date	Par Amount		Realised loss
4 August 2009	USD4,712,337	Express Energy	(1,225,146)
7 August 2009	USD3,000,000	Realogy	(432,801)

T2 Income Fund Limited

Portfolio Statement of the Group
As at 30 June 2009

	Fair Value GBP	% of net assets
4437667 Canada Inc. (Mold Master)	1,459,114	2.36%
Aramark	2,238,892	3.62%
Atlantic Inertial	2,075,837	3.35%
Attachmate	4,279,564	6.92%
Broadlane Intermediate Holdings Inc	1,573,435	2.54%
Cavalier Telephone	3,818,514	6.17%
CHS Community Health Inc	2,183,350	3.53%
Conner Steel	2,137,950	3.45%
Corel	5,144,754	8.31%
CPM Holdings	1,756,557	2.84%
DTN	2,254,368	3.64%
Emdeon Business Services LLC	3,449,460	5.57%
Express Energy	858,688	1.39%
First Data Corp B1 Term Loan	4,014,802	6.49%
Ford	3,867,533	6.25%
Georgia Pacific LLC	2,505,372	4.05%
Getty Images	3,252,680	5.26%
HCA	2,258,301	3.65%
Houghton	2,321,411	3.75%
Hudson Products Holdings Inc.	2,712,819	4.38%
Inverness Medical	2,776,632	4.49%
InfoNXX	3,772,436	6.10%
Infor Global	2,892,957	4.68%
Koosharem Corp 1st Lien Credit	761,492	1.23%
Koosharem (Select Remedy) 2nd	546,664	0.88%
Lyondell	1,303,452	2.11%
Macrovision	1,127,866	1.82%
Merrill Corp	300,665	0.49%
MR Default	1,390,911	2.25%
NameMedia, Inc.	2,791,479	4.51%
NPC 1st lien	1,529,288	2.47%
NPC 2nd lien	1,020,439	1.65%
Navisite	1,531,174	2.47%
Network Solutions LLC	2,036,498	3.29%
Nuvox	3,776,156	6.10%
Oshkosh Trucks	2,844,855	4.60%
PAETEC Holding Corp.	1,333,665	2.16%
Peacock Engineering	1,520,864	2.46%
Pegasus	4,084,173	6.60%
Prodigy Health 1st lien	2,807,132	4.54%
Prodigy Health 2nd lien	607,404	0.98%
Proquest	4,407,477	7.12%
QA Direct Holdings, LLC	1,330,610	2.15%
Realogy	5,129,656	8.29%
SkillSoft	1,565,892	2.53%
Stratus Technologies	647,487	1.05%
Sun Products Corporation (Huish)	2,261,864	3.66%
Sunquest Holdings (Misys)	2,086,057	3.37%
Topps Co. Inc.	1,967,990	3.18%
TravelCLICK Acquisition Co	1,907,808	3.08%
TVC	1,977,657	3.20%
UI Holdings (CBA Group)	1,175,316	1.90%
Workflow	1,139,798	1.84%
X-rite 1st Lien	1,180,694	1.90%
Total financial assets at fair value through profit or loss	121,697,909	196.67%
Cash balances	23,288,691	37.63%
Other net liabilities	(83,106,342)	(134.30)%
Net Assets	61,880,258	100.00%