Greenwich Loan Income Fund Limited

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ANNUAL REPORT AND AUDITED CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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OFFICERS AND PROFESSIONAL ADVISERS

Directors:

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

The address of the Directors is the registered office.

** appointed Chairman 28 April 2011*
*** became an Executive Director effective 31 March 2011*
**** appointed as a Director 17 May 2011*

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(until 12 March 2012)

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INVESTMENT OBJECTIVE

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

INVESTMENT POLICY

General

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

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

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

Investment Policy (as amended 11 January 2011)

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

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

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

I am pleased to report the results of Greenwich Loan Income Fund Limited ("GLIF" or the "Company") for the year ended 31 December 2011.

Building on the solid progress of the previous year, 2011 was a year of significant developments, both internally for the Company and externally in the recognition of the Company in the wider market, which have been reflected in the current healthier share price.

During the year, we made significant progress: we completed the acquisition of Asset Management Investment Company plc ("AMIC"); listed on the Channel Islands Stock Exchange ("CISX"); amended our investment policy; strengthened the Board; agreed a significant reduction in management fees and for the first time, acquired holdings within two CLOs not run by our manager.

Our income generation has improved over the year and since the year-end, we have announced a rise in the Company's quarterly dividend for the first time in eight quarters, to 1.15p per share. This is a 15 per cent increase over the 1p paid for the previous eight quarters.

The significant reduction in management fees in 2012, as well as the stronger income flows expected from the underlying investments, should ensure a significant increase in net income to the Company this year. As detailed in the Manager's Report, the income generation from the portfolio is as strong as it has ever been and the Board believes that this bodes well for the Company's ability to continue its progressive dividend policy for the medium term.

However we do not anticipate reflecting the increase in revenue fully in quarterly dividends in 2012, as the Board believes that a sustainable and progressive dividend is more valuable to long-term shareholders than achieving the highest possible dividend in any one period.

The continuing shortage of capital available to finance medium sized businesses globally should ensure attractive returns from loan markets. This underpins our confidence in the long-term prospects to provide shareholders with further growth in income and capital.

The Company and its advisers are currently exploring the possibility for an issue of equity. A further announcement will be made in due course.

Performance

The strong operational performance of the Company was reflected in a share price increase of 46.2% from 29.25p to 42.75p during the year and the Company paid 4p in dividends, producing a total shareholder return of 59.8% for the year. This compares to a total shareholder return of 25.5% in 2010.

Since the changes to the Board in the middle of 2009, the total shareholder return has been 392.9%. The S & P LSTA All Loans Index, which the Company's managers believe to be the most relevant index against which to judge the performance, produced a 1.5% total return in 2011, compared to a 10.1% total return in 2010, 51.6% in 2009 and 28.2% since the changes to the Board. The market value return of the S & P LSTA All Loans Index for 2011 was -3.1%.

As the unprecedented market volatility created by the financial crisis abates, the Company is focused not only on maintaining the momentum of progress of the past two years, but also on achieving a more consistent and predictable return. The Company has seen a significant recovery in its share price but this should be put into perspective against prior year performance. Shareholders who subscribed at launch and increased their holdings through the share issue in 2009 are still some way from breaking even.

AMIC acquisition

The Company completed the acquisition of AMIC at the end of January 2011. By the end of June, the debt taken on to finance the acquisition had been repaid and by the end of the year the investments acquired had produced a 59.8% return on the equity issued as part of the transaction.

The loan to International Foreign Exchange Concepts was repaid as scheduled, we have received the expected deferred consideration from Hillview and the holding in IFDC was revalued with reference to its Net Asset Value, resulting in the recognition of a £1.3m uplift in value. The remaining position, a convertible and equity stake in Lombardia Capital Partners, valued at £1.5m on acquisition was restructured into a loan and a penny warrant with a value at year end of £2.0m (including £0.3m early repayment of the loan received in December). Both the holding in IFDC and the Lombardia loan are expected to contribute to the income generated by the portfolio in 2012.

We will continue to seek other opportunities to make value accretive acquisitions, but will only do so where the risk profile of GLIF is not adversely affected.

CISX listing

The listing on the CISX at the close of the AMIC transaction gave GLIF a listing on a Recognised Investment Exchange, which allowed our stock, for the first time, to be held by UK individuals in their Individual Savings Accounts. Given the high level of income produced by GLIF, it made sense to ensure that UK individuals could hold the Company's shares in as tax efficient a fashion as possible. Since the CISX listing we have seen a dramatic increase in the volume of transactions in the Company's shares on behalf of individuals.

Amended investment policy

Shareholders unanimously approved an amended investment policy at the time of the AMIC acquisition. This amended policy set out more extensively and quantifiably how the Company's assets were to be invested in future.

The core focus of the Company will continue to be investments in loans, directly or indirectly, and these are to represent at least 80% of net assets. Geographically the Company will at all times be more than 50% invested in the US.

These core principles will provide investors with comfort that the Company will not suffer from a strategic drift away from the loan market and at the same time will have the flexibility to take advantage of opportunities to add value, as we saw with the AMIC transaction, without being constrained by an overly prescriptive investment policy. The Company's equity and warrant portfolios, £8.7m at the year end, have the potential to add to performance in their own right, as well as providing further potential capital to be reinvested in the Company's core assets.

Changes in the Board

The changes made to the Board in June 2009 left GLIF with three Directors. Geoff Miller, as Non-Executive Chairman, steered the Company through its recovery from the extremes of 2009. During this time, having a small Board both kept costs down and allowed rapid decision-making at a time when both were necessary. However, by the early part of 2011 it was clear to the Board that a new structure would be needed to reflect the roles played by its members and to equip the business for the next step of the Company's evolution.

To reflect his hands-on involvement in the business, Geoff became an Executive Director of the Company, and I became Non-Executive Chairman. We also welcomed James Carthew to the Board. James brings extensive knowledge of the investment company market, as well as GLIF itself, having been a shareholder in his previous role of fund manager at Progressive Asset Management.

Investment Manager

We are fortunate to have one of the few investment managers with a successful and long-term track record of investing directing in loans, managing CLOs and managing portfolios of CLO paper.

This is particularly important as their diverse experience puts them in a strong position to take advantage of the flexibility of GLIF's investment policy and look at a potential universe of assets that is wider than our peers. It also allows them to bring a perspective that other managers may not have, particularly being a CLO manager themselves, when investing in third party CLO paper.

The managers have continued to provide an excellent service to the Company and their management has enabled GLIF to come through the aftermath of the financial crisis in good shape. However, the Total Expense Ratio* ("TER") remains high and growth of the business will remain important in driving the TER lower.

**The Total Expense Ratio ("TER") is the annual percentage reduction in investor returns that would result from annual operating costs (including investment management, administration, custody, audit and legal fees) assuming a steady state for the assets of the business.*

To bring the Company more in line with the market, the Company's managers have agreed to future fees being calculated on the value of assets less the fair value of the Company's debt, rather than on gross assets. As at 31 December 2011 the value of the debt was £135.3m, and therefore, were the value of debt to remain constant, the annualised reduction in the fees would be 1.75% of this value, or £2.4m, versus a total management fee of £4.0m charged in 2011. We will see the benefit of this change from the end of the first quarter of 2012.

Review of T2 CLO I Ltd

The Company's largest investment is 100% of the income notes of T2 CLO I Ltd, ("T2 CLO equity"). These notes are entitled to the residual economics of T2 CLO I Ltd ("T2 CLO") that was set up as a funding vehicle for the Company in 2007. During the last year, the Company undertook a strategic review to potentially sell all or part of its holding. However, during the process, it became obvious that the extent to which the CLO equity market is driven by immediate income flows, and therefore more highly leveraged (and therefore more risky) CLOs are deemed by many market participants to be worth more than the less levered T2 CLO.

Given the perception of pricing by others, were we to have reduced our exposure to T2 CLO equity to invest in other CLO equity, we would have increased the risk profile of the business for no appreciable benefit.

We therefore took the decision not to sell any of our holding of T2 CLO equity. As at the year end the value of its assets less the par value of its debt was US$47.8m, including loans and cash with a face value (after deducting debt at par) of US$59.1m and equity valued by a third party valuation firm at US$3.8m.

Unlike most CLOs issued pre-crisis, a model using standard market assumptions would suggest that the eventual capital value of T2 CLO equity will be above the current market value of its loans less par value of its debt. The vast majority of US CLOs are trading at a value in excess of their forecast capital return, due to the high level of income received in the meantime.

As well as the potential for T2 CLO to provide capital upside, the structure provides very cheap funding of 0.75% above LIBOR until 2019. We believe that this is a very valuable asset for the Company.

Financials

As of 31 December 2011, the Company and its subsidiaries T2 CLO I Ltd and Asset Management Investment Company Ltd (the "Group") had invested assets with a fair value of approximately £193.3m, and cash of £23.7m (including £18.2m required to be retained within the CLO structure, available for new investment opportunities). The portfolio is comprised of variable rate investments and, on a weighted average basis, carried a spread of approximately 505 basis points over LIBOR on performing assets. The Group's Net Asset Value per Share ("NAV") as of 31 December 2011 was 73.4p (31 December 2010: 79.2p). For the year ended 31 December 2011 the Group recorded a profit, including net unrealised gains on investments and liabilities, of approximately £3.22m (31 December 2010: £11.05m). Basic earnings per Share for the period were approximately 3.30p (31 December 2010: 12.66p), and the total dividends per Share in respect of the year 2011 were 4.0p, unchanged from the previous year.

Change to basis of published and audited net asset value calculation

The accounting policy since the setting up of T2 CLO has been to account for the net asset value ("NAV") on a consolidated basis. As the borrowing costs associated with T2 CLO are extremely low, the fair value ascribed to the debt of T2 CLO in the Statement of Financial Position (£135.3m as at 31 December 2011) remains below its face value (£160.1m as at 31 December 2011), which increases GLIF's NAV (broadly equivalent to 25 pence per Share as 31 December 2011).

This increase in NAV provides an accurate calculation of the net present value of the potential future cash flows resulting from the below average cost of debt enjoyed within T2 CLO. However, it does not reflect a value that could be realised from the assets, should they not be held to maturity. Each NAV announcement has therefore included a warning to investors that the realisation of the full NAV is highly unlikely.

Were we to hold less than 50% of T2 CLO equity, it would not be consolidated. Instead, we would value the holding as an individual investment, at the fair value of this discrete investment, rather than the fair value of the underlying assets less the fair value of its liabilities.

If we were to use a fair value of T2 CLO equity, rather than the fair value of the underlying assets and liabilities, the `NAV would be more representative of the immediate value within the portfolio, rather than the value over the life of the T2 CLO vehicle.

For this reason, the Board has decided that in future T2 CLO equity will be accounted for in the Statement of Financial Position as a discrete investment and it will be held at its fair value (the "Restated Basis"), rather than as currently its consolidated value based on the fair value of the underlying assets and liabilities, in order to provide investors with a better guide to the value of the assets held, were they not to be held to maturity.

The Board has concluded that the best approach to assess the fair value of the T2 CLO equity is to take the market value of the assets within the CLO, less the par value of the debt. As at the end of 2011 this would result in a value of £30.4m for the value of the T2 CLO equity, and £47.6m for the Company as a whole, or 48.3p per share.

Held directly by GLIF		**Market Value ($m)**		**Market Value (£m)**
Loan Assets				
Koosharem Corporation				
2nd Lien loan		3.8		2.5
Lombardia Capital Partners Loan		2.1		1.4
CLO Equity				
GSC 2007-8X CLO equity		2.9		1.9
Halcyon 2007-2A CLO equity		3.4		2.2
T2 CLO equity at fair value:				
Syndicated Loans and cash,				
less par value of debt	44.0		28.0	
Provo Craft equity	0.3		0.2	
CBA Group equity	3.5		2.2	
Total fair value for T2 CLO equity		47.8		30.4
Equity related				
Lombardia Capital Partners				
penny warrant		0.6		0.4
IFDC SA equity		7.9		5.0
Stratus Technologies equity		1.5		0.9
Koosharem Corp. warrants		–		–
Net Cash				2.9
Total				47.6
Per share (p)				48.3p

The Board believes that the Restated Basis is better understood by the market than the previously published NAV basis, and represents the "immediate" value within the portfolio. It will also make GLIF's NAV more comparable with other investment companies with similar investment policies, which do not hold a position within any particular CLO of more than 50% and therefore do not consolidate.

The Company has published the market value of assets and debt at par calculation as a basis for net asset value since the end of 2009. The table below gives the quarterly values of this basis of net asset value calculation since June 2007, and the six-month net asset value calculation for the periods since the Company's inception, the previously published NAV and the share price at the close of business on the last trading day in the relevant period:

	Restated NAV	Previous NAV	Share Price
Dec-2005	97.1p	97.1p	102.50p
Jun-2006	97.1p	97.1p	95.00p
Dec-2006	96.0p	96.0p	103.50p
Jun-2007	95.3p	95.3p	103.25p
Sep-2007	86.0p	99.4p	100.00p
Dec-2007	65.9p	91.7p	97.00p
Mar-2008	35.8p	93.2p	94.00p
Jun-2008	41.5p	100.4p	85.00p
Sep-2008	21.9p	111.0p	81.00p
Dec-2008	10.2p	125.2p	12.50p
Mar-2009	12.2p	171.4p	5.00p
Jun-2009	9.9p	143.9p	11.50p
Sep-2009	19.1p	131.1p	28.00p
Dec-2009	29.7p	70.2p	26.50p
Mar-2010	38.9p	75.9p	27.75p
Jun-2010	40.4p	81.1p	28.25p
Sep-2010	41.1p	77.6p	28.25p
Dec-2010	46.6p	79.2p	29.25p
Mar-2011	47.9p	71.2p	38.25p
Jun-2011	47.6p	70.6p	40.75p
Sep-2011	44.4p	71.6p	39.75p
Dec-2011	48.3p	73.4p	42.75p

The NAV of GLIF as at 31 March 2012, and all future NAV's will be calculated on the Restated Basis as will the Audited Financial Statements for the year ended 31 December 2012. There will therefore be a one off technical adjustment to the NAV in the audited financial Statements for the year ended 31 December 2012 to reflect this change.

Investor Communication

As well as the Company's published accounts and regulatory news feeds through both the London Stock Exchange and the Channel Islands Stock Exchange, we have also enhanced the information available online through our website www.glifund.com. Amongst other things, the current portfolio statistics, and those for the past three years, are available and investors can sign up for news updates. For the first time this year we have a separate report from our investment manager within the results, as part of our drive to provide as much information to the market as we possibly can.

Prospects

We continue to be confident that the loan market will present excellent opportunities to provide both capital and income performance for shareholders in the long term. Investors in London are increasingly aware of the differentiated nature of the asset class and this bodes well for the future. As the market develops it is hoped that GLIF's uniquely broad investment policy will be appreciated for the enhanced flexibility it gives to take advantage of whatever opportunities the changing market conditions present.

While the year ahead will not be without its challenges, GLIF is well positioned for further growth and to continue to deliver good returns to investors.

Patrick Firth

Non-Executive Chairman

23 March 2012

INVESTMENT MANAGER'S REPORT

In 2011 the Company's portfolio was broadened, partly as a result of the acquisition of AMIC, and partly due to the dynamics of the loan portfolio. The income increased whilst the credit quality of the portfolio was broadly maintained.

31 December 2011

Type of investment	Number of positions	Face Value (£m)	Market value (£m)
Syndicated Loans	67	193.4	179.1
Bilateral Loans	1	1.4	1.4
3rd party CLO Equity	2	5.4	4.1
Equity	4		8.4
Warrants	2		0.4
Cash, net of payables for unsettled trades at CLO			11.4
Cash in AMIC			1.8
Net cash in GLIF			1.1
Gross Assets			207.7
Debt at Par value			(160.1)
Market value of assets less par value of debt			47.6
Per share (p)			48.3p

31 December 2010

Type of investment	Number of positions	Face Value (£m)	Market value (£m)
Syndicated Loans	63	171.9	160.5
Equity	2		1.1
Warrants	1		–
Cash in CLO			30.4
Net cash and other liabilities at GLIF			8.1
Gross Assets			200.1
Debt at Par value			(159.4)
Market value of assets less par value of debt			40.7
Per share (p)			46.6p

Greenwich Loan Income Fund Limited's ("the Company") portfolio recorded a year of generally strong performance for 2011. The Company's CLO financing subsidiary T2 CLO I Ltd ("the CLO"), which holds the significant majority of the Company's portfolio assets, produced a strong performance during 2011 in both income and capital terms.

The CLO, which during the year represented the significant majority of the Company's revenue, generated income to the Company of US$10.8m for 2011, compared with income of US$9.6m for 2010. The fourth quarter's income, paid to the Company in January 2012, was US$3.3m, the highest level received by the Company from the CLO, as shown in the table below, of quarterly payments since inception of the CLO.

CLO Quarterly Income Payments Received By The Company

Quarterly Period	Received	Amount (US$)	%
Inception to end 2007	January – 2008	3,240,264	5.42
Q1 2008	April – 2008	3,078,521	5.15
Q2 2008	July – 2008	2,730,521	4.57
Q3 2008	October – 2008	2,542,084	4.25
Q4 2008	January – 2009	698,562	1.17
Q1 2009	April – 2009	1,109,531	1.86
Q2 2009	July – 2009	2,352,207	3.93
Q3 2009	October – 2009	2,327,633	3.89
Q4 2009	January – 2010	2,465,871	4.12
Q1 2010	April – 2010	2,302,650	3.85
Q2 2010	July – 2010	2,167,247	3.62
Q3 2010	October – 2010	2,685,599	4.49
Q4 2010	January – 2011	2,279,630	3.81
Q1 2011	April – 2011	2,476,012	4.14
Q2 2011	July – 2011	2,984,543	4.99
Q3 2011	October – 2011	3,064,756	4.13
Q4 2011	January – 2012	3,298,509	5.52
	Total income to date	41,804,140	

The level of activity within the CLO portfolio also rose during the year, as the level of prepayments continued to rise. To the extent the loans prepaid are purchased below par, this trend has a generally beneficial effect on the capital position of the Company. We were able to replace the loans being repaid at generally higher spreads, benefitting the income account. By contrast to the level of prepayments, the level of sales of loans remain relatively modest, at under 10% of the portfolio.

Year	Purchases (US$m)	Scheduled Amortisation / Company Prepayments (US$m)	Sales (US$m)
2008	44.5	34.1	10.9
2009	69.7	44.4	31.5
2010	111.8	106.2	24.8
2011	186.3	141.6	26.5

Whilst the income generated by the CLO increased over the year, so did the overcollaterization cushion. The level, which determines whether the Company receives the full amount of income due every quarter, increased during the year, from 4.0% as of 31 December 2010 to 4.7% as of 31 December 2011. To put the overcollaterization cushion into context, it would take a loss of US$11.8m in principal value of the underlying collateral (or 3.9% of the underlying collateral) to trigger a diversion of interest back into the CLO. Although this is a simplification of the way in which the calculation moves over time, it is illustrative of the magnitude of cover that the overcollateralization cushion that the CLO has. The overall market value of the CLO, less the par value of the CLO's debt increased from US$40.6m to US$45.8m, and the face value of loans, including cash, within the CLO increased from US$299.6m to US$303.4m.

The structure's weighted average spread increased from 4.20% as of 31 December 2010 to 5.05% as of 31 December 2011 as the Manager selectively invested in several additional second lien assets and some higher yielding first lien assets during 2011.

Year	First Lien Loans (%)	Second Lien Loans (%)
2008	92.1	7.9
2009	91.0	8.1
2010	93.2	6.8
2011	84.7	15.3

While this resulted in the CLO's Weighted Average Rating Factor ("WARF") score, which gives a measure of the overall credit rating of the portfolio, increasing slightly from 2803 to 2855, indicating a small reduction in the average credit rating of the portfolio during that same period, we believe that the 85bps increase in yield more than compensates us for the small increase in the WARF score. It should be noted that although the WARF score increased year over year, it is still lower than it was in September 2010 (2916) and significantly lower than in previous quarters. A WARF score of 2855 is the equivalent in ratings terms of between a B2 and B3 rating, unchanged from last year. At the height of the crisis, the WARF rose to 3691 which is the equivalent of a B3 rating.

Year	WARF Score	Equivalent rating
2008	3400	B3
2009	3052	B2/B3
2010	2803	B2/B3
2011	2855	B2/B3

The Company's Diversity Score has remained relatively stable at 31.0 as of 31 December 2011 compared to 31.6 as of 31 December 2010. Nothwithstanding a requirement to maintain a certain degree of diversity within the portfolio to comply with the CLO's parameters, we continue to ensure that a broader range of sectors are represented within the portfolio than would be absolutely necessary, albeit that there will likely tend to be a technology bias due to the particular expertise that the manager brings. The CLO's top 3 industries (as designated by Moody's Investors Service, Inc.) as of 31 December 2011 were (i) Healthcare, Education and Childcare (14.8%); (ii) Electronics (12.8%); and (iii) Telecommunications (10.3%).

All of the metrics referred to above are reported on a quarterly basis, and their change over the past thirteen quarters can be viewed at www.glifund. The trend towards a better rated, higher yielding, more diverse portfolio can be tracked through these metrics. In addition to the quarterly portfolio statistics release, the Company also publishes the headline results of the CLO interest diversion tests on a quarterly basis through the London Stock Exchange and the CISX to provide further background information. These releases can also be accessed on the website.

Top Ten Debt Position Holdings by Company (Fair Value basis)

As at 31 December 2011, the portfolio held investments in 68 debt obligations (31 December 2010: 65) with a fair value of GBP180.5m (31 December 2010: GBP160.5m). The top 10 debt positions represent 34.20% of the portfolio by Fair Value (31 December 2010: 27.25%) and 21.18% of the portfolio by Principal Amount (31 December 2010: 26.76%).

	Company	Fair Value	Principal Amount
1	Topps Company, Inc.	US$8,065,861	US$8,490,380
2	Decision Resources, Inc.	US$7,315,833	US$7,616,667
3	Pegasus Solutions, Inc.	US$7,298,195	US$7,536,888
4	First Data Corp.	US$7,139,792	US$7,871,183
5	kgb, Inc. (fka InfoNXX)	US$7,032,800	US$7,480,000
6	Corel Corp.	US$5,963,116	US$6,179,395
7	Vantiv, LLC (fka Fifth Third)	US$5,913,382	US$5,940,113
8	US FT Holdco Inc	US$5,882,695	US$6,000,000
9	DG Fastchannel, Inc.	US$5,840,630	US$5,970,000
10	Unitek Global Services, Inc.	US$5,776,350	US$5,955,000
	Aggregate	US$66,228,654	US$69,039,626

The Topps Company, Inc. ("Topps") is a leading creator and marketer of distinctive sports trading cards, entertainment games and collectibles and confectionery products. It is majority owned by private equity firms Madison Dearborn Partners and the Tornante Company. The company's product lines include trading cards, sticker album collections and strategy games featuring Star Wars, Halo, World Cup Soccer and World Wrestling Entertainment. Topps Confectionery brands include Ring Pop, Push Pop, Baby Bottle Pop, Juicy Drop Pop lollipops as well as Bazooka bubble gum.

Decision Resources, Inc. ("DRI") provides high value information services across the pharmaceutical, biotechnology, managed care and medical technology markets. It is majority owned by private equity firm Providence Equity Partners. DRI's research assists healthcare companies in strategic and tactical planning in areas such as R&D to sales and marketing. The company's clients comprise the top 20 and 49 of the top 50 global pharmaceutical companies, all the key medical device companies, consulting firms and financial services companies. DRI's top 20 customers have been clients for over 10 years.

Pegasus Solutions, Inc. ("Pegasus") provides mission-critical technology and services to hotels and travel distributors. It is majority owned by private equity firm Prides Capital. The company's services include (i) central reservation systems and call centers for hotel companies, (ii) distribution services that link hotel reservation systems to travel agent systems and travel websites, (iii) third-party hotel marketing services and (iv) commission processing services for hotels, travel agents and travel websites. The company serves more than 65,000 hotel properties around the globe, including major hotel brands such as Best Western International Inc., InterContinental Hotels Group PLC, Kimpton Hotel & Restaurant Group, LLC and Marriott International, Inc., as well as thousands of travel websites, including Expedia.com, Orbitz.com and their own Hotelbook.com and Utell.com.

First Data Corp. ("FDC") is a global provider of electronic commerce and payment solutions for merchants, financial institutions, and card issuers. It is majority owned by private equity firm KKR & Company. The company has operations in 38 countries, serving over 5 million merchant locations and 1,900 card issuers. FDC operates its business in three primary segments: Commercial Services, Financial Institution Services, and First Data International.

kgb, Inc. f/k/a InfoNXX, Inc. ("kgb") is a non-carrier provider of Directory Assistance ("DA") and enhanced information services in the world, providing its branded service to markets in the U.K., France, Ireland, Switzerland, Austria and Italy and serving the corporate markets in the U.S., the U.K. and Ireland. It is majority owned by the Tisch family. DA is a service for callers to retrieve information from directory listings, such as phone numbers and address listings for individuals and businesses, across multiple platforms including mobile, landline phone and the Internet.

Corel Corporation ("Corel") is a global packaged software company with an estimated installed base of 20 million users in over 75 countries. Corel's software products are generally value oriented digital media, productivity and PC utility software that are sold pre-packaged by PC manufacturers such as Dell Inc. Corel is majority owned by private equity firm Vector Capital.

Vantiv, LLC ("Vantiv") is an electronic payment processor offering a comprehensive range of processing services to both merchant customers and financial institutions (such as banks and credit unions). Vantiv is majority owned by private equity firm Advent International, and Fifth Third Bank. The company is the third largest merchant acquirer in the U.S. and the largest PIN debit acquirer in the U.S., supporting national retailers in the supermarket, drug store, restaurant and retail segments. Vantiv also provides products and services that allow financial institutions to outsource their debit card offering.

US FT Holdco Inc ("Fundtech") is a provider of bank-to-bank and bank-to-corporation payments and banking technology with a suite of SaaS and licensed solutions for small, medium, and large financial institutions and corporations globally. The Company was formed through the combination of legacy Fundtech (acquired by GTCR in September 2011) and BankServ (acquired by GTCR in August 2011), both of which provide similar products and services. Fundtech's products are designed to facilitate all aspects of the payments supply chain – from customer initiation through electronic payment and cash management solutions, to middle-office information reporting, to back-office payment transaction processing and financial messaging.

DG FastChannel, Inc. ("DG") is a leading provider of technology-based digital media services to the advertising, broadcast and publishing industries. DG is publicly traded on the NASDAQ with ticker symbol DGIT. DG's digital media solutions include content distribution, media production and duplication, online creative research and digital management of advertising, news and syndicated content. DG's core business is the delivery of TV and radio advertisements on behalf of advertising agencies to broadcast stations (TV, radio, print, Internet, and mobile) throughout North America via its proprietary network. In June 2011, DG acquired MediaMind Technologies, Inc. ("MediaMind"). MediaMind is a global provider of digital advertising campaign management solutions to advertising agencies and advertisers.

Top Ten Debt Position Holdings by Company (Fair Value basis) (continued)
UniTek Global Services, Inc. ("UniTek") is a full-service provider of permanently outsourced infrastructure services, offering an end-to-end suite of technical services to the wireless and wireline telecommunications, satellite television and broadband cable industries, operating throughout the U.S. and Canada. Unitek is publicly traded on the NASDAQ with ticker symbol UNTK. The company's services include network engineering and design, construction and project management, comprehensive installation and fulfillment, and wireless telecommunication infrastructure services. The company's primary client base consists of several telecom and satellite operators such as DirecTV, Comcast, and Verizon.

Equity & other holdings
In addition to those debt positions noted above, the Company's portfolio currently includes several equity positions which are described below (Provo Craft and CBA Group are held in the CLO, the remaining positions are held directly by GLIF):

Provo Craft and Novelty, Inc. ("Provo") is the leading designer and marketer of electronic cutting systems ("ECS"), marketed primarily under the 'Cricut' brand name, and related craft products in the United States. Headquartered in Spanish Fork, Utah, the company has developed a unique product line, including a variety of electronic cutting and manual machines and branded consumables, such as cutting tool content cartridges and accessories.

Koosharem Inc. d/b/a SelectRemedy ("Select") is a privately-held, diversified staffing company headquartered in Santa Barbara, California. Upon completion of the acquisition of RemedyTemp in June 2006, Select became the largest provider of temporary staffing in California by revenue and the twelfth largest staffing company in the U.S.

Stratus Technologies, Inc. ("Stratus") provides fault tolerant products, servers and services that achieve and sustain high levels of reliability for companies that need 99.999% up time (equivalent to less than 5 minutes down time annually in continuous operation) to run their mission critical businesses. These include platforms that run the 911 emergency systems in municipalities, ATM machines and telecom switches.

CBA Group ("CBA") is a company focused on the manufacturing of components and systems utilized in the assembly of printed circuit boards (PCB's) by original equipment manufacturers and contract electronics manufacturers. CBA group is comprised of two independent businesses, Universal Instruments and Hoover-Davies.

IFDC is an independent asset manager, which has specialised in investment management in the Japanese stock markets since 1984. Focused investment management during several economic cycles has contributed to an intimate knowledge of these markets. IFDC is the only Japan manager which has consistently received a AAA rating by Standard & Poor's each year for the past 10 years.

Lombardia Capital Partners is a Pasadena-based asset manager of value oriented equity strategies. The Company manages in excess of US$2bn in assets, primarily for large pension funds and other institutional funds. We acquired the holding as part of the acquisition of AMIC, and the position is held as a penny warrant, giving GLIF the right to subscribe for 2.65% of LCP's equity for a nominal sum.

The value of the equity investments at 31 December 2011 was US$8.4m (31 December 2010: US$1.1m). The main driver to this significant increase was the acquisition of AMIC.

Whilst the equity holdings provide the potential to provide returns, the core investment of GLIF will always remain its loan portfolio, and as equity positions are exited, the proceeds generated will be recycled into the loan portfolio. The equity positions are valued independently.

Outlook
The Company's investment manager believes that the portfolio is well-positioned to continue to generate productive returns, and the manager is focused on a wide range of opportunities which it believes the markets currently present.

We believe that the 2008/2009 credit crisis continues to represent a useful milestone against which to consider the current state of the market. Market stresses during that period caused (or reflected) a series of failures and restructurings among many financial institutions, which had participated in the origination and distribution of structured finance and syndicated loan credit products and/or invested in them. The debt and equity capital markets in the U.S. were dramatically impacted by significant write-offs in the financial services sector relating to these products and the re-pricing of credit risk in the loan market, among other things.

These events constrained the availability of capital for the market as a whole, and for the financial services sector in particular. During 2009, the syndicated corporate loan market experienced both unprecedented price declines and volatility. While prices remained relatively depressed across many sectors and ratings categories through most of 2009, we witnessed a strong upward move during the second half of 2009 which continued through 2010. During 2011, we saw ongoing price volatility for corporate loans and their derivatives (consistent with many other parts of the debt and equity markets), but with a generally stronger tone to the market and with notably improved liquidity.

We believe that the current state of the U.S. corporate credit market is generally sound, while noting that the structural challenges presented by the weakest elements of an increasingly interconnected global financial system (reflecting an inexorably linked global economy) continue to represent significant risk factors.

Although some corporate loan prices may still be below historical averages, our view is that certain, primarily larger-issuer, broadly syndicated corporate loans still may not adequately reflect the spreads necessary to compensate investors for the risks involved.

The investment manager's mandate with regards to the management of the Company's portfolio is to seek to produce the highest possible risk-adjusted rate of return within the parameters set out within the investment objective and the investing policy by focusing primarily on investments in corporate debt. Those investments may take a variety of forms, but, in general, have involved the purchase of first-lien, senior secured middle-market syndicated corporate loans (either directly or through the Company's CLO-based financing subsidiary). More recently, the investment manager has reviewed a significant number of secondary interests in third-party CLO structures (a strategy that an affiliate of the investment manager has employed since 2009) and in November of 2011 made two initial purchases within that asset class on behalf on GLIF.

Structurally, CLO vehicles are entities that were formed to originate and manage a portfolio of loans. The loans within the CLO vehicle are limited to loans which meet established credit criteria and are subject to concentration limitations in order to limit a CLO vehicle's exposure to a single credit. A CLO vehicle is formed by raising various classes or "tranches" of debt (with the most senior tranches being rated "AAA" to the most junior tranches typically being rated "BB") and equity. The CLO vehicles which we have focused on are collateralized primarily by Senior Loans, and generally have very little or no exposure to real estate, mortgage loans or to pools of consumer-based debt, such as credit card receivables or auto loans.

A CLO market report recently produced by RBS stated the following: "Given the above average performance of the loan market, combined with our positive corporate credit outlook, we expect distributions to equity investors will remain uninterrupted. With CLO equity trading at 17-22% yields at 2 CDR*, and averaging 31% annualised cash-on-cash returns, it remains our favorite part of the capital structure. Moreover, given the front-loaded nature of equity cash flows, we believe returns will remain attractive even if we go through another credit cycle with high defaults." (Source: RBS February 2012 CLO Report dated 14 February 2012).

As of 29 February 2012, Citibank's structured credit trading desk reports that CLO equity is trading at 14%-20% yields and junior-most debt tranches are trading at yields of 11.5% - 12.5%. (Source: Citibank structured credit trading desk run dated 29 February 2012). This compares to GLIF's stated target return of 10-15% return from its portfolio.

From a broader perspective, we believe that the Senior Loan market has and continues to represent an attractive area for investment. We believe that the CLO equity and junior debt investments we have recently focused on currently represent, as a class, an opportunity to obtain attractive risk-adjusted investment returns. We believe that a number of factors support this conclusion, including:

- The long-term and relatively low-cost of capital that many CLO vehicles have secured, compared with the increasing asset spreads and the introduction of more LIBOR floors, have created opportunities to purchase certain CLO equity and junior debt instruments that may produce attractive risk-adjusted returns.
- CLO equity and junior debt have generally become more liquid since mid-2009. From late 2007 through mid-2009, these assets traded only very infrequently. We believe that greater recent liquidity in this market has created an opportunity to better analyze and compare various equity and debt instruments from among a large number of different structures.
- Although Senior Loan asset prices have risen since mid-2010, CLO equity and junior debt instruments still offer attractive risk-adjusted returns.

**2CDR refers to a constant default rate assumption of 2% per annum.*

Outlook (continued)

- Larger institutional investors with sufficient resources to source, analyze and negotiate the purchase of these assets may refrain from purchasing assets of the size that we are targeting, thereby potentially reducing the competition for our target investments.
- Investing in CLO securities and CLO equity instruments in particular, requires a high level of research and analysis. We believe that typically this analysis can only be adequately conducted by knowledgeable market participants with a history of operating in this sector, as the nature of that analysis tends to be highly specialised.
- A stronger credit market for Senior Loans has substantially reduced the risk of collateral coverage test violations across many CLO structures, thereby reducing the risk that current cash distributions otherwise payable to junior debt tranches and/or equity will be diverted under the priority of payments to pay down the more senior obligations in various CLO structures.
- The US CLO market is relatively large with a total par value of approximately US$250 billion invested in over 500 different CLO vehicles. We estimate the size of the junior-most debt tranches (specifically the tranches originally rated "BB") is approximately US$9.0 billion (of which "turbo BB" tranches are an attractive sub-segment), and the size of the equity tranches is approximately US$20 billion.

In summary, we believe that the Company's investment strategy offers the potential for strong risk-adjusted returns and will continue to monitor ongoing opportunities for the purchase of CLO-related assets, in addition to those opportunities available to us in the primary and secondary syndicated corporate loan markets.

T2 Advisers, LLC
Investment Manager

23 March 2012

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated and Company financial statements (the "financial statements") for the year ended 31 December 2011.

The Directors submit their Report together with the Consolidated and Company Income Statements, Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Shareholders' Equity, the Consolidated and Company Statements of Cash Flows and the related notes for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards, in accordance with any relevant enactment for the time being in force, and are in agreement with the accounting records, which comply with Section 238 of the Companies (Guernsey) Law, 2008.

Principal Activities

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

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

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

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

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

The Group is comprised of the Company, CLO and AMIC.

Directors

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

Results and Dividends

The Group and Company results for the year are set out on page 21. Dividends of GBP3,832,008 were paid during the year (31 December 2010: GBP3,492,000).

CORPORATE GOVERNANCE

Compliance

As a Guernsey incorporated company and under the AIM Rules for Companies, it is not a requirement for the Company to comply with The UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 (formerly the Combined Code) and applicable for accounting periods beginning on or after 29 June 2010 (the "new Code"). However, the Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and have considered the principles and recommendations of the new Code. Furthermore, the Directors have considered the provisions of the Finance Sector Code of Corporate Governance published by the Guernsey Financial Services Commission ("GFSC") in September 2011 (the "Guernsey Code"), and the AIC Code of Corporate Governance (the "AIC Code").

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

CORPORATE GOVERNANCE (continued)

Compliance (continued)
As at 31 December 2011, the Company complied substantially with the relevant provisions of the new Code and the AIC Code and it is the intention of the Board that the Company will comply with those provisions (save with regard to the following provisions listed below) throughout the year ending 31 December 2012:

- *The role of the chief executive:* The Board considers that the post of chief executive officer is not relevant for the Company as this role has effectively been delegated to the Investment Manager under the terms of the Investment Management Agreement.
- *The appointment of a Senior Independent Director:* Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and Senior Independent Director. The Board considers that all the independent Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.
- *Establishment of nomination committee:* The Board does not consider it necessary to establish a nomination committee. The Board as a whole monitors performance and plans for succession of the Board, either through Board meetings or, if appropriate, through the use of an appropriately constituted committee.
- *Establishment of management engagement committee:* The Board does not consider it necessary to establish a management engagement committee. The Board as a whole monitors the performance of the Company's service providers, either through Board meetings or, if appropriate, through the use of an appropriately constituted committee.
- *Internal audit function:* The Board has reviewed the need for an internal audit function, as recommended by the Code. Due to the size of the Company and the delegation of day-to-day operations to regulated service providers, an internal audit function is not considered necessary. The Directors will continue to monitor the systems of internal controls in place in order to provide assurance that they operate as intended.

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

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

Each Director will retire, and seek reappointment at every third annual general meeting ("AGM"). At the AGM, to be held on 30 April 2012, an Ordinary Resolution will be proposed for Mr Miller to retire by rotation, under the articles of association, and seek reappointment.

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

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

Board Committees

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

Remuneration Committee

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

Management Engagement and Nomination Committees

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

Meetings

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

	Board*			
	Management	Ad hoc	Remuneration Committee**	Audit Committee***
Patrick Firth *(Chairman)*	4	7	–	3
Geoffrey Miller	4	8	–	–
Frederick Forni	4	6	–	3
James Carthew *(appointed 17 May 2011)*	3	3	–	2

** 12 Board meetings have been held during the year ended 31 December 2011*

*** no Remuneration Committee meetings have been held during the year ended 31 December 2011 (first meeting held on 22 March 2012)*

**** 3 Audit Committee meetings have been held during the year ended 31 December 2011*

Internal Controls

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

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

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

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

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

Anti-bribery and Corruption

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

Shareholder Views

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

Substantial Shareholdings

As at 31 December 2011, the Company was aware of the following substantial shareholders who held more than 3 per cent. of issued share capital of the Company:

	Number of ordinary shares held*	Percentage of total ordinary shares issued held
Artemis Investment Managers	17,707,954	17.95%
Henderson Global Investors (UK)	14,400,000	14.60%
AXA Framlington Investment Management	13,813,000	14.00%
J O Hambros Investment Management	12,336,500	12.51%
Philip J Milton & Company Plc**	9,190,989	9.32%
Reliance Mutual Insurance Society	4,315,720	4.38%
HSBC Private Bank Suisse (SW)	3,775,000	3.83%

** Based on the share register as at 31 December 2011*
***For or on behalf of Philip J Milton & Company Plc or its discretionary clients*

Directors Interests

As at 31 December 2011, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2011		31 December 2010	
	No. of Ordinary Shares Held	% of total issued Ordinary Shares	No. of Ordinary Shares Held	% of total issued Ordinary Shares
Patrick Firth *(Chairman)*	100,000	0.10	50,000	0.06
Geoff Miller	812,627	0.82	500,000	0.57
Frederick Forni	–	–	–	–
James Carthew *(appointed 17 May 2011)*	175,000	0.18	N/A	N/A

At 31 December 2011, there were no unexercised share options for Ordinary Shares of the Company (31 December 2010: 50,000 Ordinary Shares). The share options held as at 31 December 2010 by Frederick Forni expired unexercised on 17 July 2011.

Statement of Directors' Responsibilities

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

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

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

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

Directors Statement

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

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

A resolution for the reappointment of Grant Thornton Limited will be proposed at the forthcoming Annual General Meeting.

Approved and signed on behalf of the Board of Directors on 23 March 2012.

Director: Patrick Firth

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

We have audited the consolidated and Company financial statements (the "financial statements") of Greenwich Loan Income Fund Limited (the "Company") for the year ended 31 December 2011 which comprise Consolidated and Company Income Statements, Consolidated and Company Statements of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities on page 19 the Company's Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's and Group's affairs as at 31 December 2011 and of the Company's and Group's profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following where The Companies (Guernsey) Law, 2008 requires us to report to you, if in our opinion:

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

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey, Channel Islands
Date: 23 March 2012

CONSOLIDATED AND COMPANY INCOME STATEMENTS

	NOTES	Group Year to 31 December 2011 GBP	Group Year to 31 December 2010 GBP	Company Year to 31 December 2011 GBP	Company Year to 31 December 2010 GBP
Revenue					
Interest income on fair value through profit or loss assets	2	**10,934,279**	9,756,442	**7,408,074**	7,223,838
Dividend income		**484,706**	–	**8,606,597**	–
		11,418,985	9,756,442	**16,014,671**	7,223,838
Investment Income					
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss					
– Realised	6	**57,392**	1,209,950	**279,411**	7,049
– Net movement in unrealised	6 & 7	**(1,109,389)**	7,456,803	**(6,262,373)**	8,653,060
		(1,051,997)	8,666,753	**(5,982,962)**	8,660,109
Net gain/(loss) on financial assets and liabilities at amortised cost					
– Realised	6	**1,489,252**	–	**1,489,252**	–
– Net movement in unrealised foreign currency (loss)/gains	6	**(116,499)**	80,746	**(116,499)**	80,746
		1,372,753	80,746	**1,372,753**	80,746
Other income	2	**800,930**	5,168	**78,283**	5,166
(Loss)/gain on foreign currency transactions	2	**(198,610)**	295,642	**67,361**	295,642
Total Income		**12,342,061**	18,804,751	**11,550,106**	16,265,501
Expenses					
Management fees	4	**4,002,524**	3,990,969	**4,002,524**	3,990,969
Administration and secretarial fees	4	**181,655**	113,274	**127,129**	113,274
Custodian fees	4	**18,600**	15,154	**18,600**	15,154
Legal and professional fees		**273,156**	127,504	**273,156**	127,504
Directors' remuneration	4	**85,659**	110,000	**85,659**	110,000
Directors' and officers' insurance		**62,482**	61,095	**62,482**	61,095
Audit fees		**47,000**	61,000	**47,000**	61,000
Executive Directors' remuneration	4	**444,295**	–	**444,295**	–
Other expenses	4	**1,638,409**	1,555,739	**775,794**	621,016
Operating expenses before finance costs		**6,753,780**	6,034,735	**5,836,639**	5,100,012
Net profit from operations before finance costs		**5,588,281**	12,770,016	**5,713,467**	11,165,489
Finance costs		**(2,363,289)**	(1,716,936)	**(702,508)**	–
Profit for the year after finance costs		**3,224,992**	11,053,080	**5,010,959**	11,165,489
Basic earnings per Ordinary Share (p)	5	**3.30**	12.66	**5.13**	12.79
Diluted earnings per Ordinary Share (p)	5	**3.30**	12.64	**5.13**	12.76

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

The accompanying notes on pages 28 to 48 form an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Group Year to 31 December 2011 GBP	Group Year to 31 December 2010 GBP	**Company Year to 31 December 2011 GBP**	Company Year to 31 December 2010 GBP
Profit for the year	**3,224,992**	11,053,080	**5,010,959**	11,165,489
Other comprehensive income				
Foreign exchange on consolidation	**681,013**	342,922	**–**	–
Total comprehensive income for the year	**3,906,005**	11,396,002	**5,010,959**	11,165,489
Attributable to:				
Equity holders of the parent	**3,906,005**	11,396,002	**5,010,959**	11,165,489
	3,906,005	11,396,002	**5,010,959**	11,165,489

The accompanying notes on pages 28 to 48 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**31 December 2011 GBP**	31 December 2010 GBP
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	*6*	**193,264,197**	161,545,339
		193,264,197	161,545,339
Current assets			
Note receivable	*8*	**–**	375,268
Trade and other receivables	*8*	**944,699**	409,794
Cash and cash equivalents	*9*	**23,703,514**	36,668,950
		24,648,213	37,454,012
Total assets		**217,912,410**	198,999,351
EQUITY			
Capital and reserves attributable to the Group's equity holders			
Share premium	*11*	**19,289,035**	16,087,290
Distributable reserve		**34,802,740**	34,802,740
Foreign exchange reserve		**(910,908)**	(1,591,921)
Retained earnings		**19,246,630**	19,853,646
Total equity		**72,427,497**	69,151,755
LIABILITIES			
Non-current liabilities			
Loan notes at fair value through profit or loss	*10*	**135,309,055**	129,207,450
Current liabilities			
Trade and other payables	*10*	**10,175,858**	640,146
Total liabilities		**145,484,913**	129,847,596
Total equity and liabilities		**217,912,410**	198,999,351
Net Asset Value per Ordinary Share (p)	*12*	**73.43p**	79.21p

The financial statements were approved by the Board of Directors on 23 March 2012 and were signed on its behalf by:

Director: Patrick Firth

The accompanying notes on pages 28 to 48 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

	NOTES	31 December 2011 GBP	31 December 2010 GBP
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	6	**9,209,927**	4,415,857
Investment in subsidiary	7	**61,888,602**	56,455,264
Loan notes held at amortised cost	8	**–**	675,243
		71,098,529	61,546,364
Current assets			
Note receivable	8	**–**	375,268
Trade and other receivables	8	**67,876**	127,812
Cash and cash equivalents	9	**1,755,529**	6,220,976
		1,823,405	6,724,056
Total assets		**72,921,934**	68,270,420
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share premium	11	**19,289,035**	16,087,290
Distributable reserve		**34,802,740**	34,802,740
Retained earnings		**18,335,722**	17,156,771
Total equity		**72,427,497**	68,046,801
LIABILITIES			
Current liabilities			
Trade and other payables	10	**494,437**	223,619
Total liabilities		**494,437**	223,619
Total equity and liabilities		**72,921,934**	68,270,420
Net Asset Value per Ordinary Share (p)		**73.43p**	77.95p

The financial statements were approved by the Board of Directors on 23 March 2012 and were signed on its behalf by:

Director: Patrick Firth

The accompanying notes on pages 28 to 48 form an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Group	Share Capital GBP	Share Premium GBP	Distributable Reserve GBP	Foreign Exchange Reserve GBP	Retained Earnings GBP	**Total Equity GBP**
Balance at 31 December 2009	–	16,087,290	34,802,740	(1,934,843)	12,292,566	**61,247,753**
Net proceeds from share issue	–	–	–	–	–	**–**
Dividends paid*	–	–	–	–	(3,492,000)	**(3,492,000)**
Transactions with owners	–	–	–	–	(3,492,000)	**(3,492,000)**
Profit for the year	–	–	–	–	11,053,080	**11,053,080**
Other comprehensive income:						
Foreign exchange on consolidation	–	–	–	342,922	–	**342,922**
Total comprehensive income for the year	–	–	–	342,922	11,053,080	**11,396,002**
Balance at 31 December 2010	–	16,087,290	34,802,740	(1,591,921)	19,853,646	**69,151,755**
Net proceeds from share issue	–	3,201,745	–	–	–	**3,201,745**
Dividends paid*	–	–	–	–	(3,832,008)	**(3,832,008)**
Transactions with owners	–	3,201,745	–	–	(3,832,008)	**(630,263)**
Profit for the year	–	–	–	–	3,224,992	**3,224,992**
Other comprehensive income:						
Foreign exchange on consolidation	–	–	–	681,013	–	**681,013**
Total comprehensive income for the year	–	–	–	681,013	3,224,992	**3,906,005**
Balance at 31 December 2011	–	19,289,035	34,802,740	(910,908)	19,246,630	**72,427,497**

*During the year the Company made four dividend payments of 1p per Ordinary Share, 4p per Ordinary Share in total.

The accompanying notes on pages 28 to 48 form an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY CONTINUED

Company	Share Capital GBP	Share Premium GBP	Distributable Reserve GBP	Foreign Exchange Reserve GBP	Retained Earnings GBP	**Total Equity GBP**
Balance at 31 December 2009	–	16,087,290	34,802,740	–	9,483,282	**60,373,312**
Net proceeds from share issue	–	–	–	–	–	**–**
Dividends paid*	–	–	–	–	(3,492,000)	**(3,492,000)**
Transactions with owners	–	–	–	–	(3,492,000)	**(3,492,000)**
Profit for the year	–	–	–	–	11,165,489	**11,165,489**
Other comprehensive income:	–	–	–	–	–	**–**
Total comprehensive income for the year	–	–	–	–	11,165,489	**11,165,489**
Balance at 31 December 2010	–	16,087,290	34,802,740	–	17,156,771	**68,046,801**
Net proceeds from share issue	–	3,201,745	–	–	–	**3,201,745**
Dividends paid*	–	–	–	–	(3,832,008)	**(3,832,008)**
Transactions with owners	–	3,201,745	–	–	(3,832,008)	**(630,263)**
Profit for the year	–	–	–	–	5,010,959	**5,010,959**
Other comprehensive income:	–	–	–	–	–	**–**
Total comprehensive income for the year	–	–	–	–	5,010,959	**5,010,959**
Balance at 31 December 2011	–	19,289,035	34,802,740	–	18,335,722	**72,427,497**

*During the year the Company made four dividend payments of 1p per Ordinary Share, 4p per Ordinary Share in total.

The accompanying notes on pages 28 to 48 form an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

	NOTES	Group 31 December 2011 GBP	Group 31 December 2010 GBP	Company 31 December 2011 GBP	Company 31 December 2010 GBP
Cash flows from/(used in) operating activities					
Cash generated from operations	*13*	**3,165,618**	3,252,800	**8,838,021**	2,615,850
Purchase of investments		**(128,186,141)**	(80,166,361)	**(13,358,301)**	(1,711,000)
Sale of investments		**14,809,435**	23,754,633	**2,047,999**	–
Principal received	*6*	**100,396,647**	68,723,343	**1,838,842**	25,155
Net cash (outflow)/inflow from operating activities		**(9,814,441)**	15,564,415	**(633,439)**	930,005
Cash flows from/(used in) financing activities					
Bank loan received		**12,000,000**	–	**12,000,000**	–
Bank loan repaid		**(12,000,000)**	–	**(12,000,000)**	–
Dividends paid		**(3,832,008)**	(3,492,000)	**(3,832,008)**	(3,492,000)
Net cash outflow from financing activities		**(3,832,008)**	(3,492,000)	**(3,832,008)**	(3,492,000)
Net (decrease)/increase in cash and cash equivalents		**(13,646,449)**	12,072,415	**(4,465,447)**	(2,561,995)
Cash and cash equivalents at beginning of year		**36,668,950**	24,253,613	**6,220,976**	8,782,971
Effect of foreign exchange rate changes during the year		**681,013**	342,922	**–**	–
Cash and cash equivalents at end of year	*9*	**23,703,514**	36,668,950	**1,755,529**	6,220,976

The accompanying notes on pages 28 to 48 form an integral part of these financial statements.

1. GENERAL INFORMATION

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

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

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

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

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

The Group is comprised of the Company, T2 CLO and AMIC.

Investing Policy

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

2. ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements (the "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, apart from the inclusion of non-current asset investments, foreign currency derivatives and non-current liabilities at fair value through profit or loss. The principal accounting policies of the Group have remained unchanged from the previous year and are set out below. Comparative information is given for the year ended 31 December 2010.

(b) Basis of consolidation

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

The Company carries its investment in the T2 CLO and AMIC subsidiaries at fair value through profit or loss. This is based upon the fair value of the assets and liabilities held by the T2 CLO and AMIC, which the Directors consider to be indicative of fair value for financial reporting purposes; however, the disparity between the Company's NAV per Ordinary Share, as determined under IFRS, and share price is acknowledged by the Directors and in their opinion it is reflective of significant dislocations in the global credit markets, practical limitations on the Company's ability to realise the discount reflected in the fair value of the CLO loan notes and disparity between valuations of portfolio investments and the likely sales price of such investments.

(c) Business combination

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

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

2. ACCOUNTING POLICIES CONTINUED

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Subsidiary companies

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

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

(e) Revenue recognition

Revenue is recognised as follows:

– Other income - relates to interest income received and bargain purchase gains on the acquisition of AMIC. Interest income is recognised on a time-proportionate basis using the effective interest method and includes interest income from cash and cash equivalents. Bargain purchase gains represent the excess of the fair values of the assets received and liabilities assumed over the consideration paid in acquiring a subsidiary.
– Dividend income - dividend income is recognised when the right to receive payment is established.
– Interest income on fair value through profit or loss assets - interest income on fair value through profit or loss assets is recognised on a time-proportionate basis using the effective interest method.

(f) Expenditure

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

(g) 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.

(h) 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.

(i) Dividends

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

(j) Cash and cash equivalents

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

2. ACCOUNTING POLICIES CONTINUED

(k) Trade and other receivables

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

(l) Trade and other payables

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

(m) Investments and loan notes

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

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

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

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

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

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

For bi-lateral loans, an independent third party performs portfolio company evaluations. As at 31 December 2011, the Group held 1 bi-lateral loan (31 December 2010: none).

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

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

Income from financial instruments at fair value through profit or loss

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

Total finance costs for the year were GBP2,363,289 (31 December 2010: GBP1,716,936). These finance costs are for interest due to the loan note holders, loan facility fees and loan interest paid. Fair value of long-term notes outstanding at 31 December 2011 were GBP135,309,055 (31 December 2010: GBP129,207,450).

2. ACCOUNTING POLICIES CONTINUED

(m) Investments and loan notes continued

(ii) Derivative Financial Instruments

Derivatives are categorised as financial assets or liabilities held for trading and valued at fair value through profit or loss. There were no derivatives held by the Group as at 31 December 2011 (31 December 2010: none).

(iii) Subsidiaries

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

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

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

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

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

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

Unlisted Debt Securities and Unlisted Equity Securities

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

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

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

(o) New accounting policies effective and adopted

The Company has adopted the following new and amended standards and interpretations, which are applicable to the Company's operations, for the accounting period commencing 1 January 2011:

- Improvements to IFRSs 2010 – various standards (effective 1 January 2011)
- IAS 24 - Related Party Disclosures (Revised 2009) (effective 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity - addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability (effective 1 July 2010).

None of these new and amended standards and interpretations have had a material effect on the financial statements of the Group or Company.

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

2. ACCOUNTING POLICIES CONTINUED

(o) New accounting policies effective and adopted continued

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Group's financial position or performance, as it is expected that the Fund will continue to classify its financial assets and financial liabilities as being at fair value through profit or loss.
- IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not expected to have any impact on the Group's financial position or performance.
- IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard is not expected to have any impact on the Group's financial position or performance.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012.

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

None of these will have a material effect on the financial statements of the Company, with the exception of IFRS 9 "Financial Instruments – Classification and Measurement" which is not expected to effect the financial position of the Group but may require additional disclosure in future financial statements.

(p) Share based payments

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

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

Significant accounting policies

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

Categories of financial instruments

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

3. FINANCIAL RISK MANAGEMENT CONTINUED

Significant accounting policies continued

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

Capital Risk Management

The Group's capital is represented by the net assets attributable to shareholders and the objective when managing capital is to enable the Group to continue as a going concern in order to provide a consistent appropriate risk-adjusted return to shareholders, and to maintain a strong capital base to support the continued development of its investment activities. The Group manages its capital to ensure that its objective is met. It does this by investing available cash whilst maintaining sufficient liquidity to meet on-going expenses and dividend payments. The Group considers its capital to include share capital, distributable reserves, foreign exchange reserves and retained earnings. The Group is not subject to regulatory or industry specific limitations on its capital, other than the legal requirements for Guernsey incorporated entities. The Group considers the amount and composition of its capital in proportion to risk. Adjustments to the capital structure will be taken in response to economic conditions, the cost of debt, the ability to raise share capital, and other opportunities and factors which the Board may consider.
At 31 December 2011, the Group had total equity of GBP72,427,497 (31 December 2010: GBP69,151,755).

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

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

The Investment Manager ensures that not more than 15% of the Group's gross assets are invested in any one investment. Consistent with shareholder approval obtained in December 2006, the Group may apply leverage up to 500%, or five times, the net asset value of the Group. Leverage is the ability to incur indebtedness for the purpose of making investments. The Group has incurred net indebtedness (approximately US$248.9 million; GBP154.1 million at cost, US$210.3 million; GBP135.3 million at fair value as at the year end) through its CLO subsidiary in the form of long-term notes.

Concentration Risk

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

(a) Market risk

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

At 31 December 2011, the Group's market risk is affected by three main components: changes in actual market prices, interest rates and foreign currency movements. Interest rates and foreign currency movements are covered at (b) and (c) below.

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

3. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

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 GBP2,897,757 (31 December 2010: GBP1,616,894), due to the increase in the fair value of financial assets at fair value through profit or loss by GBP9,663,210 (31 December 2010: GBP8,077,267) offset by the increase in the fair value of the financial liabilities at fair value through profit or loss by GBP6,765,453 (31 December 2010: GBP6,460,373). Conversely, if market prices had decreased by 5%, this would have decreased net assets attributable to holders of equity shares by approximately GBP2,897,757 (31 December 2010: GBP1,616,894), due to the decrease in the fair value of financial assets at fair value through profit or loss by GBP9,663,210 (31 December 2010: GBP8,077,267) offset by the decrease in the fair value of the financial liabilities at fair value through profit or loss by GBP6,765,453 (31 December 2010: GBP6,460,373).

(b) Interest rate risk

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT CONTINUED

(b) Interest rate risk continued

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

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

At 31 December 2011, should the interest spread have lowered by 200 basis points with all other variables remaining constant, the decrease in profit and equity attributable to holders of equity for the year would amount to approximately GBP3,897,904 (31 December 2010: GBP3,437,414). If the interest spread had risen by 200 basis points, the increase in profit and equity attributable to holders of equity would amount to approximately GBP3,897,904 (31 December 2010: GBP3,437,414).

At 31 December 2011, should interest rates have lowered by 25 basis points with all other variables remaining constant, the increase in profit and equity attributable to holders of equity for the year would amount to approximately GBP161,201 (31 December 2010: GBP139,233). If the interest rate had risen by 25 basis points, the decrease in profit and equity attributable to holders of equity would amount to approximately 161,201 (31 December 2010: GBP139,233).

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

(c) Currency risk

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

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

31 December 2011	USD	GBP	EUR	Total
Assets				
Financial assets at fair value through profit or loss account	**188,264,197**	**–**	**5,000,000**	**193,264,197**
Cash and cash equivalents	**23,352,023**	**351,491**	**–**	**23,703,514**
Trade and other receivables	**528,513**	**20,812**	**395,374**	**944,699**
Total assets	**212,144,733**	**372,303**	**5,395,374**	**217,912,410**
Liabilities				
Loan notes at fair value through profit or loss	**135,309,055**	**–**	**–**	**135,309,055**
Trade and other payables	**9,719,579**	**456,279**	**–**	**10,175,858**
	145,028,634	**456,279**	**–**	**145,484,913**
Total currency sensitivity gap	**67,116,099**	**(83,976)**	**5,395,374**	**72,427,497**

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

3. FINANCIAL RISK MANAGEMENT CONTINUED

(c) Currency risk continued

The majority of the Group's financial assets and liabilities are also denominated in US Dollars and therefore the Group is exposed to fluctuations in the GBP:US Dollar foreign exchange rate. There is also some exposure to Euro.

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

At 31 December 2011, if GBP had weakened or strengthened by 5% against the US Dollar and the Euro, with all other variables held constant, the increase or decrease respectively in profit and equity attributable to holders of equity shares during the year would amount to approximately GBP3,625,574 (year ended 31 December 2010: GBP3,239,648).

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

(d) Credit risk

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

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

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

The following amounts on debt instruments were considered impaired:

	31 December 2011 US$	31 December 2010 US$
Principal (including PIK interest)	**14.1m**	–

As at the year end, there is no accrued interest which is considered uncollectable (31 December 2010: US$nil).

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

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

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

Portfolio by rating category	**31 December 2011**	31 December 2010
1	**1%**	9%
2	**85%**	73%
3	**12%**	18%
4	**0%**	0%
5	**2%**	0%
Total	**100%**	100%

3. FINANCIAL RISK MANAGEMENT CONTINUED

(d) Credit risk continued

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

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

(2) An estimate of the potential amount of principal loss will be determined on a quarterly basis.

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

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

(e) Liquidity risk

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

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

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

	CURRENT		NON-CURRENT		
	Within 6 months GBP	6 to 12 months GBP	1 to 5 years GBP	5 years to maturity* GBP	No stated maturity GBP
At 31 December 2011					
Loan notes	**607,435**	**614,110**	**4,876,171**	**163,207,755**	**–**
Trade and other payables	**10,175,858**	**–**	**–**	**–**	**–**
Total financial liabilities	**10,783,293**	**614,110**	**4,876,171**	**163,207,755**	**–**
At 31 December 2010					
Loan notes	800,486	813,753	6,461,378	162,473,589	–
Trade and other payables	640,146	–	–	–	–
Total financial liabilities	1,440,632	813,753	6,461,378	162,473,589	–

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

Fair value estimation

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

3. FINANCIAL RISK MANAGEMENT CONTINUED

(e) Liquidity risk continued

Financial instruments measured at fair value

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

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

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

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

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

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

Measurement of fair value

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

(a) Broadly syndicated loans

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

3. FINANCIAL RISK MANAGEMENT CONTINUED

Measurement of fair value continued

(b) Equity securities & CLO equity securities

With the exception of a single equity holding which is denominated in GBP, all the equity securities are denominated in USD. The equity securities have significant unobservable inputs, as they trade infrequently or unlisted. As observable prices are not available for these securities, the Investment Manager has used valuation techniques to assist the Board in its determining of the fair value.

(c) Warrant security

The warrant security is denominated in GBP. The warrant security has unobservable inputs, as it is unlisted. As observable prices are not available for this security, the Investment Manager has used valuation techniques to assist the Board in its determining of the fair value.

(d) CLO loan notes

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

Level 3 fair value measurements

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

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

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

** On acquisition of AMIC subsidiary*

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

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

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

4. FUND EXPENSES

Management fee

The Investment Manager, T2 Advisers, LLC, is entitled to receive an annual fee payable quarterly in advance. The management fee is calculated based on the average value of the Company's gross assets at the most recently completed calendar quarter and the projected gross assets as of the end of the current calendar quarter. With effect from 1 July 2010, the management fee payable was reduced by 25 basis points from 2.00% of gross assets to 1.75% of gross assets. With effect from 30 June 2011 to 31 March 2012, the management fee will be fixed at the payment for the previous quarter of £911, 272. Thereafter, from the management fee payable at the end of the first quarter of 2012, the management fee will be calculated on the Company's gross assets, less the fair value of the liabilities within the CLO, to the extent that the CLO remains consolidated by the Company. The new fee will be subject to a minimum fee of £155,000 per quarter. As announced on 18 May 2011, the Board and the Company's then nominated adviser considered the aforementioned amendments to the investment management agreement to be fair and reasonable insofar as the Company's shareholders are concerned.

Total fees charged for the year ended 31 December 2011 amounted to GBP4,002,524 (31 December 2010: GBP3,990,969). The total amount due and payable at the year end amounted to GBPnil (31 December 2010: GBPnil).

Administration and secretarial fees

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

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

For the period 1 January 2010 to 24 July 2010, the former Administrator and Secretary, Butterfield Fulcrum Group (Guernsey) Limited, was entitled to an annual fee for its services, as administrator and secretary, of 0.075% of the Net Asset Value of the Group, calculated on the last business day of each quarter and payable quarterly in arrears. The fee was subject to a minimum of GBP40,000 per annum. They were 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 charged for the year ended 31 December 2011 amounted to GBP181,655 (31 December 2010: GBP113,274). The total amount due and payable at the year end amounted to GBP48,240 (31 December 2010: GBP39,609).

Custodian fees

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

Total fees charged for the year ended 31 December 2011 amounted to GBP18,600 (31 December 2010: GBP15,154). The total amount due and payable at the year end amounted to GBP3,750 (31 December 2010: GBP3,750).

Other expenses

For the year ended 31 December 2011, other expenses include those of the CLO and AMIC. For the year ended 31 December 2010: CLO only. The table below details other charges during the year:

Other expenses:	**Group 2011 GBP**	Group 2010 GBP	**Company 2011 GBP**	Company 2010 GBP
Directors' expenses	**97,031**	118,526	**97,031**	118,526
Portfolio analysis fees	**131,133**	–	**131,133**	–
NOMAD fees	**20,000**	20,482	**20,000**	20,482
Listing fees	**7,867**	8,408	**7,867**	8,408
Broker fees	**198,331**	205,134	**198,331**	205,134
CFO fees	**125,000**	125,000	**125,000**	125,000
Marketing expenses	**105,032**	42,952	**105,032**	42,952
AIC fees	**4,492**	1,477	**4,492**	1,477
Registrar fees	**28,381**	25,230	**28,381**	25,230
Other AMIC expenses	**145,519**	–	**–**	–
Other T2 CLO expenses	**721,250**	928,984	**–**	–
Sundry	**54,373**	79,546	**58,527**	73,807
	1,638,409	1,555,739	**775,794**	621,016

4. FUND EXPENSES CONTINUED

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

As at 31 December 2011, each of the non-executive Directors had entered into an agreement with the Company providing for them to act as a Director of the Company.

As at 31 December 2011, the non-executive Directors' annual fees, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company, were as detailed in the table below:

Non-executive Directors	**31 December 2011 GBP**	31 December 2010 GBP
Patrick Firth *(Chairman)*	**40,000***	25,000
Frederick Forni	**25,000**	25,000
James Carthew *(appointed 17 May 2011)*	**25,000**	N/A
Geoff Miller *(only non-executive until 31 March 2011)*	**N/A**	40,000

**Mr Firth's Director's fee increased from GBP25,000 per annum to GBP40,000 per annum on 28 April 2011 when he was elected as Chairman of the Board. Total Director's fee paid to Mr Firth during the year ended 31 December 2011 was GBP35,137.*

For the period to 31 March 2011, Mr Miller acted as non-executive Chairman of the Board and was entitled to an annual fee of GBP40,000. Total Directors fees charged to the Group for the year ended 31 December 2011 amounted to GBP85,659 (31 December 2010: GBP110,000). The total amount due and payable at the year end amounted to GBPnil (31 December 2010: GBPnil). During the comparative year ended 31 December 2010, an additional one off payment of GBP20,000 was made to Mr Miller in recognition of special services provided to the Company.

Under an employment contract (the "Employment Contract"), effective from 31 March 2011, Mr Miller became an Executive Director of the Company and is entitled to a fixed salary of GBP150,000 per annum (less applicable tax and social security contributions). Mr Miller's salary cost is included in the Consolidated Income Statement. The total salary cost for the year ended 31 December 2011 relating to Mr Miller amounted to GBP118,394. In addition to the fixed salary referred to above, Mr Miller shall be entitled to a contractual bonus, details of which are available on the Company's website (www.glifund.com). In accordance with the Employment Contract the actual bonus amount paid to Mr Miller for any financial period is capped at a maximum of 0.3 per cent of the Company's net Asset Value (adjusted pro rata for period less or more than one year) (the "Cap"). Any excess contractual bonus payable above this Cap shall be deferred and added to any contractual bonus payable (if any) in the next financial year. For the year ended 31 December 2011, the total contractual bonus cost relating to Mr Miller amounted to GBP325,901, of which £217,282 was physically paid and £108,619 deferred to the next financial year.

5. EARNINGS PER ORDINARY SHARE

Earnings per Ordinary Share has been calculated by dividing the profit attributable to Ordinary Shareholders of GBP3,224,992 (31 December 2010: GBP11,053,080) by the weighted average number of Ordinary Shares outstanding during the year of 97,671,029 (31 December 2010: 87,300,000). Fully diluted earnings per Ordinary Share has been calculated by dividing the profit attributable to Ordinary Share holders of GBP3,224,992 (31 December 2010: GBP11,053,080), by the weighted average number of Ordinary Shares outstanding during the year adjusted for the effects of all dilutive potential Ordinary Shares of 97,721,029 (31 December 2010: 87,479,376).

Basic earnings per Ordinary Share

Date	No. of shares	No. of days	Weighted average no. of shares
01/01/2011	87,300,000	31	7,414,520
31/01/2011	98,633,610	334	90,256,509
31/12/2011		365	97,671,029
01/01/10 & 31/12/10	87,300,000	365	87,300,000

5. EARNINGS PER ORDINARY SHARE CONTINUED

Diluted earnings per Ordinary Share

Date	No. of shares	No. of days	Weighted average no. of shares
01/01/2011	87,350,000	31	7,418,767
31/01/2011	98,683,610	334	90,302,262
31/12/2011		365	97,721,029
01/01/2010	87,905,555	85	20,471,157
26/03/2010	87,350,000	280	67,008,219
31/12/2010		365	87,479,376

	31 December 2011 No. of shares	31 December 2010 No. of shares
Weighted average number of Ordinary Shares for the purposes of basic earnings per Ordinary Share	**97,671,029**	87,300,000
Effect of dilutive potential Ordinary Shares:		
Share options	**50,000**	179,376
Weighted average number of Ordinary Shares for the purposes of diluted earnings per Ordinary Share	**97,721,029**	87,479,376

6. FINANCIAL ASSETS AND LIABILITIES

	Group 2011 GBP	Group 2010 GBP	**Company 2011 GBP**	Company 2010 GBP
Debt securities of listed companies	**27,134,616**	46,648,497	**–**	–
Debt securities of unlisted companies	**153,318,147**	113,807,936	**3,811,155**	3,326,951
Unlisted equity securities	**8,351,992**	1,088,906	**939,330**	1,088,906
Unlisted CLO equity securities	**4,070,015**	–	**4,070,015**	–
Unlisted warrant securities	**389,427**	–	**389,427**	–
Investment in subsidiary	**–**	–	**61,888,602**	56,455,264
	193,264,197	161,545,339	**71,098,529**	60,871,121
Realised gains/(loss) recognised on financial assets and liabilities(1)				
Realised gain on investments at fair value through profit or loss	**57,392**	1,209,950	**279,411**	7,049
Realised gain on financial liabilities at amortised cost	**1,489,252**	–	**1,489,252**	–
	1,546,644	1,209,950	**1,768,663**	7,049
Unrealised gains/(losses) recognised on financial assets and liabilities at fair value through profit or loss (2)				
Unrealised gain/(loss) on financial assets investments at fair value through profit or loss	**3,624,063**	19,390,006	**557,558**	(368,485)
Unrealised loss on financial liabilities investments at fair value through profit or loss	**(4,733,452)**	(11,933,203)	**–**	–
Unrealised loss on financial liabilities at amortised cost	**(116,499)**	80,746	**(116,499)**	80,746
	(1,225,888)	7,537,549	**441,059**	(287,739)

6. FINANCIAL ASSETS AND LIABILITIES CONTINUED

	Group 2011 GBP	Group 2010 GBP	Company 2011 GBP	Company 2010 GBP
Opening cost of financial assets	**126,552,111**	137,653,776	**8,332,912**	6,640,018
Purchases	**133,614,799**	80,166,361	**5,483,983**	1,711,000
Transfers in*	**9,628,687**	–	**311,960**	–
Sales	**(14,809,436)**	(23,754,633)	**(1,838,842)**	–
Realised gain/(loss) of investments	**57,392**	1,209,950	**279,411**	7,049
Capital repayments	**(100,396,647)**	(68,723,343)	**–**	(25,155)
Cost of investments at year end	**154,646,906**	126,552,111	**12,569,424**	8,332,912
Unrealised gain/(loss) at year end	**38,617,291**	34,993,228	**(3,359,497)**	(3,917,055)
Closing value at year end	**193,264,197**	161,545,339	**9,209,927**	4,415,857

** On acquisition of AMIC subsidiary*

(1) For the year to 31 December 2011, the Group had a realised gain of GBP1,546,644 (31 December 2010: GBP1,209,950) which comprised a realised gain on investments of GBP57,392 (31 December 2010: realised gain of GBP1,209,950) and a realised gain on the sale of some of the CLO loan notes by the parent company, Greenwich Loan Income Fund Limited, of GBP1,489,252 (31 December 2010: realised gain of GBPnil).

(2) For the year to 31 December 2011, the Group had an unrealised loss on financial assets and liabilities of GBP1,225,888 (31 December 2010: GBP7,537,549 gain). This is comprised of an unrealised gain on financial assets of GBP3,624,063 (31 December 2010: GBP19,390,006) and an unrealised loss on liabilities of GBP4,849,951 (31 December 2010: GBP11,852,457 loss).

7. INVESTMENT IN SUBSIDIARIES

	Company 31 December 2011 GBP	Company 31 December 2010 GBP
Opening cost of investment in Subsidiaries	**29,928,228**	29,928,228
Additions at cost	**12,253,269**	–
Cost of investment in Subsidiaries at year end	**42,181,497**	29,928,228
Unrealised gain	**19,707,105**	26,527,036
Closing fair value of investment in Subsidiaries	**61,888,602**	56,455,264
Movement in unrealised gain on Subsidiaries	**557,558**	(368,485)
Movement in unrealised gain/(loss) on financial assets	**(116,499)**	80,746
Movement in unrealised loss on financial liabilities	**(6,819,931)**	9,021,545
Total movement in unrealised (loss)/gain	**(6,378,872)**	8,733,806

On 31 January 2011, the Company acquired a wholly owned subsidiary, AMIC, for a total consideration of GBP12,253,262. At the date of acquisition the fair value of AMIC's net assets was GBP12,969,481, resulting in a bargain gain of GBP716,219. This bargain gain is included in other income in the Consolidated Income Statement. Post acquisition net profits of GBP2,880,211 (revenue: GBP5,194,752), relating to AMIC, have been included in the Consolidated Income Statement for the year ended 31 December 2011. AMIC's net profits for the full 12 months to 31 December 2011, including both pre acquisition and post acquisition profits, amounted to GBP1,419,249 (revenue: GBP4,462,237).

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

7. INVESTMENT IN SUBSIDIARIES CONTINUED

Company – year ended 31 December 2011 **Acquisition of AMIC by asset/liability class:**	**Net Assets Acquired GBP**	**Consideration GBP**	**Bargain Purchase Gain GBP**
Investments at fair value through profit or loss	8,475,107	8,007,083	468,024
Cash and cash equivalents	4,421,045	4,176,900	244,145
Trade and other receivables	123,266	116,459	6,807
Trade and other payables	(49,937)	(47,180)	(2,757)
Total	**12,969,481**	**12,253,262**	**716,219**

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

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

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

8. TRADE AND OTHER RECEIVABLES

	Group 2011 GBP	Group 2010 GBP	**Company 2011 GBP**	Company 2010 GBP
Accrued bank interest	**1,124**	147	**–**	147
Dividends receivable	**395,374**	–	**–**	–
Loan interest receivable	**434,508**	363,035	**18,163**	81,053
Security sales receivable	**53,692**	–	**–**	–
Prepaid expenses	**60,001**	46,612	**49,713**	46,612
	944,699	409,794	**67,876**	127,812
Current assets				
Note receivable (a)	**–**	375,268	**–**	375,268
Non current assets				
Loan notes held at amortised cost (b)	**–**	–	**–**	675,243

(a) The GBPnil (31 December 2010: GBP375,268) note receivable relates to a promissory note that was originally due for payment in 2009 from T2 Advisers, LLC, the Company's Investment Manager. This note, which was subject to certain conditions, was signed on 5 December 2006 and was subject to interest of 8% per annum, compounded annually. On 29 September 2009, it was agreed that payment on the promissory note be deferred (with interest ceasing to accrue from that date) until such time as the reduction in the aggregate fees paid by the Company to the Investment Manager, commencing 1 July 2010, is equal to the amount payable under the note, at which point the note will be cancelled. The note had been fully extinguished as at 31 December 2011.

(b) During the year to 31 December 2009, the Company purchased some of the CLO loan notes from its subsidiary T2 Income Fund CLO I Ltd. At a Company level, the loan notes were designated as receivables held at amortised cost. These loan notes were sold to a third party in an arms length transaction during the year ended 31 December 2011 resulting a realised gain of GBP1,489,252.

9. CASH AND CASH EQUIVALENTS

	Group 2011 GBP	Group 2010 GBP	Company 2011 GBP	Company 2010 GBP
Call account	**23,703,514**	36,668,950	**1,755,529**	6,220,976

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

10. TRADE AND OTHER PAYABLES

	Group 2011 GBP	Group 2010 GBP	Company 2011 GBP	Company 2010 GBP
Current liabilities				
Due to Subsidiary	**–**	–	**71,996**	71,678
Administrator's fees	**48,240**	39,609	**31,036**	39,609
Custodian's fees	**3,750**	3,750	**3,750**	3,750
Audit fees	**55,100**	50,000	**32,200**	50,000
Directors' fees	**–**	–	**–**	–
Executive Directors' remuneration payable	**336,292**	–	**336,292**	–
Finance cost (1)	**394,667**	340,538	**–**	–
Security purchases payable	**9,168,385**	–	**–**	–
Other accruals	**169,424**	206,249	**19,163**	58,582
	10,175,858	640,146	**494,437**	223,619
Non current liabilities				
CLO loan notes at fair value through profit of loss*	**135,309,055**	129,207,450	**–**	–

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

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

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

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

11. SHARE CAPITAL & SHARE PREMIUM

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

As at 31 December 2011, no share options remained unexercised. Under IFRS2, the share options granted are measured at fair value at the grant date based on market prices. On exercise of the share options the change in fair value is also recognised and expensed in the Consolidated Income Statement. There was no share option expense for the years ended 31 December 2011 and 31 December 2010.

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

Share Capital	31 December 2011 Shares in issue	31 December 2010 Shares in issue
Ordinary shares – nil par value		
Balance at start of the year	**87,300,000**	87,300,000
Issued during the year	**11,333,610**	–
Balance at end of the year	**98,633,610**	87,300,000

Share Premium	31 December 2011 GBP	31 December 2010 GBP
Balance at start of the year	**16,087,290**	16,087,290
Issued during the year	**3,201,745**	–
Balance at end of the year	**19,289,035**	16,087,290

12. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary Share is calculated by dividing the total net assets attributable to Ordinary Share holders at the year end of GBP72,427,497 (December 2010: GBP69,151,755) by the Ordinary Shares in issue at the end of the year being 98,633,610 (31 December 2010: 87,300,000).

13. CASH GENERATED FROM OPERATIONS

	Group 2011 GBP	Group 2010 GBP	Company 2011 GBP	Company 2010 GBP
Profit for the year	**3,224,992**	11,053,080	**5,010,959**	11,165,489
Adjustments for:				
Net losses/(gains) on financial assets and liabilities at fair value through profit or loss	**1,051,997**	(8,666,753)	**5,982,962**	(8,660,109)
Net gains on financial assets and liabilities at amortised cost	**(1,372,753)**	(80,746)	**(1,372,753)**	(80,746)
Dividend in specie	**–**	–	**(1,489,166)**	–
Changes in working capital:				
Trade and other receivables	**(105,946)**	915,504	**435,201**	171,307
Trade and other payables	**367,328**	31,715	**270,818**	19,909
Cash inflow from operations	**3,165,618**	3,252,800	**8,838,021**	2,615,850

14. CONSOLIDATED SUBSIDIARY UNDERTAKING

Through its 100% ownership of the residual economic interest in T2 CLO and the ownership of 100% of the equity shares of AMIC, the Directors consider the following entities as wholly owned subsidiaries of the Company and their results and financial positions are included within the consolidated results of the Group.

	Date of incorporation	Country of incorporation	Nature of holding	Percentage holding
T2 CLO	11 October 2006	Cayman Islands	Income Notes	100%
AMIC	13 April 1994	United Kingdom	Equity Shares	100%

15. SEGMENTAL REPORTING

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

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

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

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

16. RELATED PARTY TRANSACTIONS

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

	Group 2011 GBP	Group 2010 GBP	**Company 2011 GBP**	Company 2010 GBP
Amounts incurred during the year to related parties				
Fees due to P Conroy as Chief Financial Officer to the Company	**125,000**	125,000	**125,000**	125,000
Fees due to the Investment Manager, T2 Advisers, LLC*	**4,002,524**	3,990,696	**4,002,524**	3,990,696
Reimbursement due to BDC Partners, LLC	**58,775**	45,341	**58,775**	45,341
Amounts due to related parties at the year end				
Fees due to P Conroy as Chief Financial Officer to the Company	**10,417**	–	**10,417**	–
Due to subsidiary in relation to Wall Street Office system	**–**	–	**–**	58,375
Amounts due from related parties at the year end				
Note receivable from the Investment Manager, T2 Advisers, LLC	**–**	375,268	**–**	375,268

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

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

During the prior year, the Company acquired two investment holdings, both in Stratus Technologies Bermuda Limited, from the CLO for aggregated proceeds of US$1.70 million (GBP1.06 million). On a consolidated basis this transaction had no net impact on the Group's Consolidated Statement of Financial Position.

16. RELATED PARTY TRANSACTIONS CONTINUED

Directors shareholdings in the Company

As at 31 December 2011, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2011		31 December 2010	
	No. of Ordinary Shares Held	**% of total issued Ordinary Shares**	No. of Ordinary Shares Held	% of total issued Ordinary Shares
Patrick Firth *(Chairman)*	**100,000**	**0.10**	50,000	0.06
Geoff Miller	**812,627**	**0.82**	500,000	0.57
Frederick Forni	**–**	**–**	–	–
James Carthew *(appointed 17 May 2011)*	**175,000**	**0.18**	N/A	N/A

At 31 December 2011, there were no unexercised share options for Ordinary Shares of the Company (31 December 2010: 50,000 Ordinary Shares). The share options held as at 31 December 2010 by Frederick Forni expired unexercised on 17 July 2011.

17. COMMITMENTS AND CONTINGENCIES

There were no commitments or contingencies as at 31 December 2011 (31 December 2010: none).

18. POST YEAR END EVENTS

Significant Portfolio Movements

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

Closing Date	Par Amount US$		Purchase Price
10/02/2012	2,750,000	Sterling	98.00
21/02/2012	3,500,000	BlueCoat 1st Lien	98.00
07/03/2012	1,785,714	BlueCoat 2nd Lien	97.00
23/02/2012	2,000,000	Roundys	98.50
22/02/2012	1,000,000	BlueCoat	99.88
06/03/2012	1,000,000	Presidio	99.50
*	1,250,000	Fifth Third	99.50
*	7,000,000	Protection One	98.50
*	**	Grede	98.00
*	**	Rovi Corp	98.00

**At the date of release of these financial statements the closing date was not known.*
***At the date of release of these financial statements the par amount was unknown but a commitment had been made.*

Since the year end the Company made the following sales:

Closing Date	Par Amount US$		Purchase loss US$
03/02/2012	5,680,810	Infor Global	(142,020)
07/03/2012	2,884,199	RCN Cable	–

Dividend

On 19 January 2012, the Directors declared a dividend of 1.15p per Ordinary Share for the fourth quarter of 2011. The dividend was payable to shareholders on the register on the record date of 27 January 2012 and physically paid to these shareholders on 13 February 2012.

Nominated Adviser and Broker

As announced, on 12 March 2012, Investec Bank plc replaced Grant Thornton Corporate Finance as Nominated Adviser to the Company and also replaced Singer Capital Markets as Broker to the Company.

Change to basis of published and audited net asset value calculation

With effect from 1 January 2012, the Board has decided that the T2 CLO equity will be accounted for in the Statement of Financial Position as a discrete investment and it will be held at its fair value, rather than as currently at its consolidated value based on the fair value of the underlying assets and liabilities, in order to provide investors with a better guide to the value of the assets held, were they not to be held to maturity.

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

PORTFOLIO STATEMENT OF THE GROUP

AS AT 31 December 2011

US$ Loans - debt securities of listed companies	Principal Currency	Fair Value US$	Fair Value GBP	% of net assets
Alere US Holdings LLC	4,987,500.0000	4,877,077	3,137,796	4.33%
Community Health Extended	1,903,682.8600	1,835,874	1,181,158	1.63%
Community Health Non-Extended	3,990,638.3000	3,860,943	2,484,039	3.43%
Dean Foods	5,879,692.2800	5,666,553	3,645,727	5.03%
DG Fastchannel Inc	5,970,000.0100	5,840,630	3,757,724	5.19%
National Cinemedia	3,793,103.4500	3,646,121	2,345,828	3.24%
Neustar Inc	2,992,500.0000	2,992,500	1,925,304	2.66%
Sally	4,033,403.7100	4,019,287	2,585,914	3.57%
UniTek Global Services	5,955,000.0000	5,776,350	3,716,367	5.13%
Web.com Group Inc	4,000,000.0000	3,660,000	2,354,759	3.25%
			27,134,616	37.46%

US$ Loans – debt securities of unlisted companies	Principal Currency	Fair Value US$	Fair Value GBP	% of net assets
4437667 Canada Inc. (Mold Masters)	5,205,153.7300	5,029,480	3,235,849	4.47%
Airvana Network Solutions Inc	3,285,714.2600	3,279,570	2,109,998	2.91%
Anchor Glass	3,680,516.1900	3,662,114	2,356,118	3.25%
Aramark Corp LC-1 US Term Loan Non-Extending	1,754,112.8300	1,719,662	1,106,390	1.53%
Aramark Corp LC-2 Term Loan B Extended	3,701,754.6300	3,606,138	2,320,104	3.20%
Atlantic Broadband Finance LLC	3,413,993.2300	3,337,895	2,147,523	2.96%
AVG Holding Cooperatief UA	6,000,000.0000	5,610,000	3,609,342	4.98%
Biomet Inc	4,961,139.9000	4,829,670	3,107,296	4.29%
BNY ConvergEx Group LLC	1,125,000.0000	1,068,750	687,609	0.95%
CCC Information Services Inc	2,970,000.0000	2,962,575	1,906,051	2.63%
Corel	6,179,394.6000	5,963,116	3,836,528	5.30%
Decision Resources LLC	7,616,666.6800	7,315,833	4,706,835	6.50%
Diversified Machine	5,000,000.0000	4,987,500	3,208,840	4.43%
EIG Investor Corp	5,940,000.0000	5,940,000	3,821,656	5.28%
Embanet - Compass Knowledge Group Inc	3,980,000.0000	3,860,600	2,483,818	3.43%
Emdeon Business Solutions	1,050,000.0000	1,057,875	680,612	0.94%
First Data Corporation B-1	7,871,182.7000	7,139,792	4,593,574	6.34%
Getty Images	4,903,444.8800	4,903,445	3,154,761	4.36%
Global Tel Link Corp	5,181,818.1800	5,107,118	3,285,800	4.54%
Goodman Global Inc	5,598,997.5000	5,584,216	3,592,753	4.96%
GRD Holdings III Corporation Loan	4,000,000.0000	3,520,000	2,264,685	3.13%
HHI Holding LLC	4,466,250.0100	4,393,673	2,826,786	3.90%
Immucor Inc	4,488,750.0000	4,508,949	2,900,952	4.01%
Infor Global	4,999,112.8300	4,699,166	3,023,332	4.17%
Infor Global European Finance SARL	681,697.2200	640,795	412,273	0.57%
Kgb, Inc.(fka InfoNXX)	7,480,000.0000	7,032,800	4,524,738	6.25%
Mediacom TL-C	3,897,435.9000	3,655,795	2,352,052	3.25%
Mediacom TL-D	1,955,000.0000	1,933,827	1,244,179	1.72%
Mercury Payment Systems	1,990,000.0000	1,980,050	1,273,918	1.76%
Merrill Corp 2nd Lien	1,054,210.8100	994,469	639,818	0.88%
National Healing Corporation	5,500,000.0000	5,245,000	3,374,509	4.66%
Nextag Inc	5,383,333.3500	5,208,375	3,350,946	4.63%
Petco Animal Supplies	5,000,000.000	4,862,725	3,128,563	4.32%
Pegasus	7,536,888.3500	7,298,195	4,695,487	6.48%
Philips Plastics Corporation	2,992,500.0000	2,955,094	1,901,237	2.62%
Presidio Inc.	4,625,000.0000	4,555,625	2,930,982	4.05%
Proquest	4,068,469.5000	3,854,875	2,480,136	3.42%
Provo Craft	3,198,786.6500	1,279,515	823,210	1.14%
RBS Holding Company LLC	5,955,000.0000	4,644,900	2,988,418	4.13%
Renaissance Learning Inc	3,000,000.0000	2,962,500	1,906,003	2.63%
Securus Technologies 1st Lien	1,990,000.0000	1,950,200	1,254,713	1.73%
Securus Technologies Inc 2nd Lien	3,600,000.0000	3,546,000	2,281,413	3.15%
Shearer's Foods	3,930,000.0000	3,537,000	2,275,622	3.14%
Shield Finance Loan	4,815,000.0100	4,802,963	3,090,113	4.27%
Ship Luxco	5,000,000.0000	4,922,500	3,167,021	4.37%
Sub-total debt securities of unlisted companies carried forward			117,062,563	161.63%

US$ Loans – debt securities of unlisted companies continued	Principal Currency	Fair Value US$	Fair Value GBP	% of net assets
Sub-total debt securities of unlisted companies brought forward continued			117,062,563	161.63%
SkillSoft	2,935,158.9200	2,907,040	1,870,321	2.58%
SourceHov LLC	3,980,000.0000	3,293,450	2,118,928	2.93%
Stratus Technologies 2nd Lien	6,263,201.9700	3,413,445	2,196,130	3.03%
Sunquest Holdings (Misys)	3,980,000.0000	3,930,250	2,528,630	3.49%
Teleguam Holdings LLC	4,762,500.0000	4,662,375	2,999,662	4.14%
Topps	8,490,379.9400	8,065,861	5,189,385	7.16%
US FT Holdco Inc	6,000,000.0000	5,882,695	3,784,787	5.23%
US TelePacific Corp	3,973,092.7900	3,665,178	2,358,089	3.26%
Vantiv LLC	5,940,112.5000	5,913,382	3,804,531	5.25%
Vision Solutions	6,000,000.0000	5,760,000	3,705,848	5.12%
Yankee Cable Acquisition LLC	2,992,424.2400	2,934,700	1,888,117	2.61%
Koosharem (Select Remedy) 2nd lien	9,000,000.0000	3,150,000	2,026,636	2.80%
Koosharem (Select Remedy) 2nd lien PIK	1,912,638.5500	669,423	430,691	0.59%
Lombardia Capital Partners Inc	2,104,225.0000	2,104,255	1,353,829	1.87%
			153,318,147	211.69%
Total Loans			180,452,763	249.15%

CLO Equity	Principal Currency	Fair Value US$	Fair Value GBP	% of net assets
GSC Group CDO VII Ltd	3,790,000.0000	2,880,400	1,853,181	2.56%
Halcoyn Structured Asset Mgmt CLO	4,625,000.0000	3,445,625	2,216,834	3.06%
Total CLO Equity			4,070,015	5.62%
Equity				
Stratus Technologies Bermuda Holdings Limited Series B1 Ordinary Shares	775,631.8730	211,953	136,366	0.19%
Stratus Technologies Bermuda Holdings Limited Series B1 Preference Shares	176,648.8226	1,248,047	802,964	1.11%
Provo Craft Holdings LLC	1,160.3467	300,000	193,013	0.27%
UI Acquisition Holding Co Class A Voting Common Stock	10.6267	3,278,995	2,109,628	2.91%
UI Acquisition Holding Co Class B Non-Voting Common Stock	0.5542	171,005	110,021	0.15%
IFDC S.A. Group	1,034.0000	N/A	5,000,000	6.90%
Total Equity			8,351,992	11.53%
Warrants				
Koosharem – warrant	6,029.0000	–	–	–
Lombardia Capital Partners Inc – warrant to acquire 2.65% of common stock	1.0000	605,286	389,427	0.54%
Total warrants			389,427	0.54%
Total financial assets at fair value through profit or loss			193,264,197	266.84%
Cash balances			23,703,514	32.73%
Other net liabilities			(144,540,214)	(199.57%)
Net Assets Attributable to Equity Holders			72,427,497	100.00%

Greenwich Loan Income Fund Limited

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