GLI Alternative Finance

GLI Alternative Finance plc

HALF-YEARLY REPORT AND UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 13 JULY 2015 (DATE OF INCORPORATION) TO 31 DECEMBER 2015

CONTENTS

HIGHLIGHTS

	31 December 2015 (unaudited)
Net assets attributable to Ordinary Shares [1]	£53,133,000
NAV per Ordinary Share	100.90p
Share price at 31 December 2015	101.50p
Premium to NAV	0.6%
Profit for the period	£1,779,000
Dividend per share declared in respect of the period [2]	1.55p
Total return per Ordinary Share *(based on NAV)*	3.4%
Total return per Ordinary Share *(based on share price)*	2.1%
Ordinary Shares issued prior to 23 September 2015 IPO	52,660,350

[1] In addition to the Ordinary Shares in issue, 50,000 Management Shares of £1 each are in issue.

[2] Only 0.6p of the 1.55p per Ordinary Share dividends declared out of the profits for the period ended 31 December 2015 had been deducted from the 31 December 2015 NAV as the dividends of 0.4p and 0.55p per Ordinary Share, which had not been paid as at 31 December 2015, were not provided for at 31 December 2015 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date.

On 16 February 2016, the Company declared a dividend of 0.55p per share for the period from inception to 31 January 2016. This dividend will be paid on 30 March 2016.

www.glialternativefinance.com

DIRECTORS AND ADVISERS

Directors
Norman Crighton *(non-executive Chairman)*
Richard Hills *(non-executive Director)*
David Stevenson *(non-executive Director)*
Nick Brind *(non-executive Director)*

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CHAIRMAN'S STATEMENT

Dear Shareholders,

Welcome to the first Chairman's Statement of GLI Alternative Finance plc ("GLI Alt Fi" or "the Company"). The Company was listed on the Specialist Fund Market on 23 September 2015 raising gross proceeds of £52.7 million (£51.7 million net of issue costs). This comprised of an initial seed portfolio of loans valued at £40.3 million (provided by GLI Finance Limited ("GLIF") in exchange for GLI Alt Fi shares) together with cash raised of £12.4 million.

Since inception the Company has declared dividends of 0.6p, 0.4p, 0.55p and 0.55p per Ordinary Share on 25 November 2015, 24 December 2015, 25 January 2016 and 16 February 2016 respectively. We are still in the early stages of the Company's life and we expect, as the year progresses, to see an increase in monthly dividend payments and a corresponding increase in yield, gradually approaching our target of 8.0% per annum.

In the short period since the launch, GLI Asset Management Limited, the investment manager ("the Investment Manager") has been busy optimising the portfolio of loan assets. This is against the backdrop of highly volatile debt and equity markets, with interest rates rising in the USA and stock markets experiencing their worse start to a calendar year in decades. From inception to the half-year end, the NAV (after fees and expenses of the IPO) rose by 2.8% to £53.2 million, the Company generated a total return of 3.4%, and the share price increased from 100.0p per share to 101.5p per share, a gain of 1.5%.

2015 did, however, see the Alternative Finance market continue to grow exponentially with £2.8 billion loaned out by UK based platforms in the 12 months to December 2015, compared to £1.6 billion in 2014. Over £1.5 billion was raised for UK listed closed end funds, including GLI Alt Fi. The international investment community is beginning to view this asset class as a true diversifier within balanced portfolios and funds raised in 2015 is a testament to that. In this environment the Investment Manager has worked hard to invest the cash and manage the portfolio in accordance with our investment policy and objectives.

The wider backdrop for the Company is that awareness of alternative sources of funding amongst small and medium sized enterprises ("SMEs") is growing steadily, helped along by the government's determination to increase choice as evidenced by the putative bank referral scheme which mandates that banks must offer a choice to rejected business clients looking for a loan. More institutional funding is also finding its way into both marketplace and direct balance sheet lending, which has had the effect in some cases of reducing the net cost of debt for SME borrowers.

The Board was obviously disappointed that the IPO was not more widely supported so it is our job, along with the Investment Manager and N+1 Singer (the Company's broker), to provide as much information as possible so that potential shareholders, as well as existing Shareholders, understand the portfolio, the Platforms through which we invest and the underlying companies that you as Shareholders lend to. The Board would hope that by doing so the Company can encourage further investment through a "C Share" Issue to increase secondary market liquidity, reduce the burden of fixed costs and provide an attractive return to Shareholders.

The Board is pleased to welcome Graham Glass as Managing Director of the Investment Manager. Graham has a wealth of experience in debt instruments and this will be important going forward.

2016 will no doubt continue to be challenging for both debt and equity markets but the Board and the Investment Manager will work hard to ensure that it is a positive year for our Shareholders. The Board is, as always, happy to meet with Shareholders or potential shareholders. Anyone who wishes to meet should contact either the Investment Manager or our broker.

Norman Crighton
Chairman

22 February 2016

INVESTMENT MANAGER'S REPORT

GLI Alternative Finance plc was launched on 23 September 2015, following a successful listing on the Specialist Fund Market of the LSE, with gross proceeds raised of £52.7 million (£51.7 million net of issue costs), the initial seed portfolio of £40.3 million was combined with cash raised of £12.4 million.

October was an active month within the Company as the cash was put to work efficiently. A number of new loans were purchased across a wide diversification of borrowers; including an automotive repair business, a construction company and also IT Software. Further investment into two wind turbine loans also increased the renewable energy allocation to 13.4%. The stable cash flow characteristics of the wind turbine businesses and a gross yield of approximately 10% with good over-collateralisation made these loans ideal diversifiers within the portfolio.

The task of investing the Company's cash holding continued during November where further investment was made into Africa via Ovamba. These loans, whilst some may perceive as "high risk", are actually extremely well collateralised. The Investment Manager has also focussed on Solar Energy projects originated in the United States via the Open Energy Group. These loans do require intensive research and due diligence, however with EBITDA / interest cover ratios in some cases exceeding five times and with purchase power agreements often stretching until the end of the expected life span of the plant, they are extremely attractive assets for the Company. By the end of the reporting period, renewable energy projects, including wind turbine loans, accounted for 14.6% of the Company's portfolio.

The deployment of cash into SME loans continued apace during December with the property sector being the prime beneficiary of the Company's capital; property exposure rose from 14.2% to 15.9% during the month. Cash* was reduced down to 4.4% and, as a result, the gross yield rose to 9.7%. Higher than expected costs have, however, had the effect of reducing the estimated net yield to 7.9%.

Whilst investing in a relatively illiquid asset class, the Company has successfully participated in secondary market trading of loans. The outright exposure sold has been small as a percentage of the total NAV, the creation of a secondary market is welcomed. With more interest being shown in this asset class by global investors, we expect this healthy trend to continue. With equity and fixed income markets experiencing a significant spike in volatility as we head into 2016, the low volatile, steady return profile of the Fund's SME loan book is providing a welcome haven for our investors.

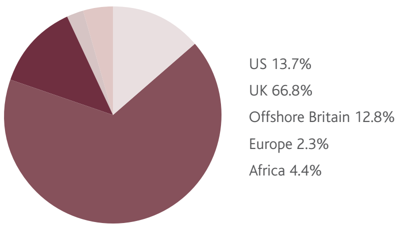
Since the Company's launch the NAV of 98.15 pence per share has risen to close the year at 100.90 pence per share, a gain of 2.8%. Part of this gain arose from management of the currency exposure. This exposure was unhedged as Sterling initially declined against the US Dollar and Euro but during January 2016, we fully hedged all currency exposure back to Sterling, the Company's base currency, locking in the earlier gains. The Investment Manager's Investment Committee has since taken a decision to maintain these hedges for the foreseeable future.

Loan impairments within the Company are running at extremely low levels; as at 31 December 2015 loans in default stood at 1.27%. Given the high level of security on these loans, the current estimated recovery rate is 100% and therefore no loss provisioning has been necessary. The Company is extremely well diversified with in excess of 230 loans being made to SMEs with an average loan duration of two years. In keeping with the investment objective, strict diversification across sectors, geographic regions and maturities should ensure that the Company continues to provide investors with a balanced exposure to global SME loan markets.

*Cash is deemed to be liquid cash that is readily available for use. This differs to the IFRS definition of cash which has been used in the financial statements. The calculation is based on gross financial assets.

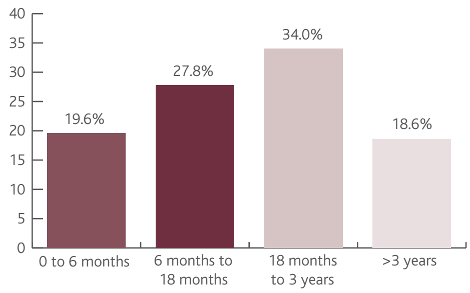
Company analytics as at 31/12/2015

GEOGRAPHICAL ALLOCATION



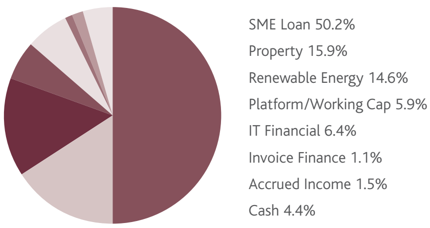
Source: GLI Asset Management Limited

MATURITY PROFILE



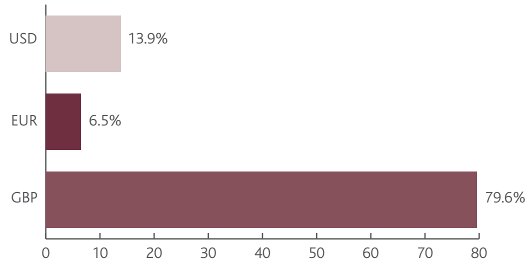
Source: GLI Asset Management Limited

ASSET ALLOCATION



Source: GLI Asset Management Limited

CURRENCY ALLOCATION



Source: GLI Asset Management Limited

Graham Glass
GLI Asset Management Limited

22 February 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the half-yearly report and condensed consolidated financial statements, which have not been audited or reviewed by an independent auditor, and are required to:

- prepare the condensed consolidated half-yearly financial statements in accordance with International Accounting Standard 34: *Interim Financial Reporting*, as adopted by the European Union, which give a true and fair view of the assets, liabilities, financial position and profit for the period of the Group, as required by Disclosure and Transparency Rules ("DTR") 4.2.4 R;
- include a fair review of the information required by DTR 4.2.7 R, being important events that have occurred during the period and their impact on the half-yearly report and condensed consolidated financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- include a fair review of information required by DTR 4.2.8 R, being related party transactions that have taken place during the period which have had a material effect on the financial position or performance of the Company.

The Directors confirm that the half-yearly report and condensed consolidated financial statements comply with the above requirements.

On behalf of the Board.

Norman Crighton

Chairman

22 February 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM INCORPORATION TO 31 DECEMBER 2015

	NOTE	*Period from incorporation to 31 December 2015 (unaudited) £'000*
Income		
Investment income		1,226
Total income		**1,226**
Operating expenses		
Management fees	*6a*	(105)
Administration fees	*6b*	(51)
Audit fees		(40)
Directors' remuneration	*6c*	(31)
Other expenses	*7*	(82)
Total operating expenses		**(309)**
Investment gains and losses		
Movement in unrealised gains on loans		744
Movement in unrealised gain on investment at fair value through profit or loss	*12*	107
Total investment gains and losses		**851**
Net profit from operating activities before gain on foreign currency exchange		**1,768**
Net foreign exchange gain		13
Net profit before taxation		**1,781**
Taxation		
Withholding tax	*8*	(2)
Profit for the period		**1,779**
Earnings per Ordinary Share *(basic and diluted)*	*9*	**3.38p**

All of the items in the above statement are derived from continuing operations.

There was no other comprehensive income in the period.

The accompanying notes on pages 12 to 22 form an integral part of the unaudited condensed consolidated half-yearly financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM INCORPORATION TO 31 DECEMBER 2015

	NOTE	*Called up share capital (unaudited) £'000*	*Share premium account (unaudited) £'000*	*Profit and loss account (unaudited) £'000*	*Total (unaudited) £'000*
Opening balance at 13 July 2015		–	–	–	–
Share capital issued	*15*	577	52,133	–	52,710
Share issue costs		–	(990)	–	(990)
Profit for the period	*16*	–	–	1,779	1,779
Dividends paid	*5, 16*	–	–	(316)	(316)
At 31 December 2015		**577**	**51,143**	**1,463**	**53,183**

There was no other comprehensive income in the period.

The accompanying notes on pages 12 to 22 form an integral part of the unaudited condensed consolidated half-yearly financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	NOTE	31 December 2015 (unaudited) £'000
Non-current assets		
Loans	11	31,123
Investments at fair value through profit or loss	12	1,730
Total non-current assets		**32,853**
Current assets		
Loans	11	12,126
Other receivables and prepayments	14	5,849
Cash held on client accounts with Platforms		1,899
Cash and cash equivalents		723
Total current assets		**20,597**
Total assets		**53,450**
Current liabilities		
Other payables and accruals		(267)
Total liabilities		**(267)**
Net assets		**53,183**
Capital and reserves attributable to owners of the Company		
Called up share capital	15	577
Share premium account		51,143
Profit and loss account	16	1,463
Net assets		**53,183**
NAV per Ordinary Share		**100.90p**

These unaudited condensed consolidated half-yearly financial statements of GLI Alternative Finance plc (registered number 9682883) were approved by the Board of Directors on 22 February 2016 and were signed on its behalf by:

NORMAN CRIGHTON
Chairman
22 February 2016

RICHARD HILLS
Director
22 February 2016

The accompanying notes on pages 12 to 22 form an integral part of the unaudited condensed consolidated half-yearly financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM INCORPORATION TO 31 DECEMBER 2015

	Period from incorporation to 31 December 2015 (unaudited) £'000
Cash flows from operating activities	
Net profit before taxation	1,781
Adjustments for:	
Movement in unrealised gains on loans	(744)
Movement in unrealised gain on investment at fair value through profit or loss	(107)
Non-cash interest received	(464)
Increase in investments	(11,793)
Net cash outflow from operating activities before working capital changes	(11,327)
Increase in other receivables and prepayments	(278)
Increase in other payables and accruals	253
Net cash outflow from operating activities	**(11,352)**
Cash flows from financing activities	
Proceeds from issue of Management Shares	50
Proceeds from issue of Ordinary Shares	12,801
Share issue costs paid	(473)
Dividend paid	(301)
Net cash inflow from financing activities	**12,077**
Taxation paid	**(2)**
Increase in cash and cash equivalents in the period	**723**
Cash and cash equivalents at the beginning of the period	–
Increase in cash and cash equivalents in the period	723
Cash and cash equivalents at 31 December 2015	**723**
Supplemental cash flow information	
Cash received from interest on loans during the period	199
Non-cash transaction – receipt of seed portfolio for issue of Ordinary Shares	40,271
Non-cash transaction – interest received and reinvested by Platforms	464

The accompanying notes on pages 12 to 22 form an integral part of the unaudited condensed consolidated half-yearly financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION TO 31 DECEMBER 2015

1. GENERAL INFORMATION

The Company was incorporated in England and Wales under the Companies Act 2006 on 13 July 2015 with registered number 9682883 and its shares were listed on the London Stock Exchange Specialist Fund Market on 23 September 2015 ("Admission").

The Company is an investment company as defined in s833 of the Companies Act 2006.

Investment objective

The investment objective of the Company is to provide Shareholders with attractive risk adjusted returns through investment, principally via a portfolio of Investee Platforms, in a range of SME loan assets, diversified by way of asset class, geography and duration. The Company may invest directly or indirectly into available opportunities, including by making investments in, or acquiring interests held by, third party alternative lending Platforms and other lending related opportunities as identified by the Investment Manager in accordance with the Company's investment policy.

Investment policy

The Company intends to achieve its investment objective by investing in a range of loans originated principally through the investee Platforms in which GLIF holds strategic equity investments. The Company may also make investments through other third party alternative lending Platforms that are identified as suitable investment opportunities by the Investment Manager.

The Company will seek to ensure that diversification of its portfolio is maintained, with the aim of spreading investment risk.

2. STATEMENT OF COMPLIANCE

a) Basis of preparation

These unaudited condensed consolidated half-yearly financial statements present the results of the Company and its subsidiary for the period from 13 July 2015 (incorporation) to 31 December 2015. These unaudited condensed consolidated half-yearly financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*, as adopted by the European Union.

The unaudited condensed consolidated half-yearly financial statements for the period ended 31 December 2015 have not been audited or reviewed by the Company's auditors and do not constitute statutory financial statements, as defined in section 434 of the Companies Act 2006. The unaudited condensed consolidated half-yearly financial statements have been prepared on the same basis as will be used to prepare the Company's annual financial statements.

b) Basis of measurement

The unaudited condensed consolidated half-yearly financial statements have been prepared on a historical cost basis, except for loans and receivables which were initially valued at fair value plus any directly attributable transaction costs, and subsequently valued at amortised cost using the effective interest rate method, and investments, which are measured at fair value. The unaudited condensed consolidated half-yearly financial statements have been prepared on a going concern basis (note 4i).

c) Functional and presentation currency

The unaudited condensed consolidated half-yearly financial statements are presented in Sterling, which is also the Company's functional currency as this is the currency of the primary economic environment within which the Company operates. All financial information presented in Sterling has been rounded to the nearest thousand except when otherwise indicated.

d) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single economic segment of business, being investment in a range of SME loan assets.

e) Use of estimates and judgements

The preparation of unaudited condensed consolidated half-yearly financial statements in conformity with International Financial Reporting Standards ("IFRSs") requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the unaudited condensed consolidated half-yearly financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

2. STATEMENT OF COMPLIANCE (CONTINUED)

f) Basis of consolidation

The unaudited condensed consolidated half-yearly financial statements incorporate the financial statements of the Company and its wholly-owned subsidiary. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are those entities, including special purpose entities, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commenced to the date that control ceases. The accounting policies of the subsidiary are aligned with the policies adopted by the Company.

All intercompany balances and transactions are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency

Foreign currency transactions are translated into Sterling 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 Unaudited Condensed Consolidated Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities are recognised in the Unaudited Condensed Consolidated Statement of Comprehensive Income.

b) Financial assets and liabilities

The financial assets and liabilities of the Company are defined as loans, investments at fair value through profit or loss, cash and cash equivalents, other receivables and other payables.

Recognition
The Company recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Initial measurement
Financial assets and financial liabilities at fair value through profit or loss are recorded in the Unaudited Condensed Consolidated Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Subsequent measurement
After initial measurement, the Company measures financial assets designated as loans and receivables at amortised cost using the effective interest rate method, less impairment allowance. Gains and losses will be recognised in the Unaudited Condensed Statement of Comprehensive Income when the asset is derecognised or impaired. Interest earned or paid on these instruments will be recorded separately as interest income.

After initial measurement, the Company measures financial instruments which are classified at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at fair value through profit or loss. Interest and dividend earned or paid on these instruments are recorded separately in interest income or expense and dividend income or expense.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- Either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

d) Receivables and prepayments

Receivables are carried at the original invoice amount, less allowance for doubtful receivables. Provision is made when there is objective evidence that the Company will be unable to recover balances in full. Balances are written-off when the probability of recovery is assessed as being remote.

e) Transaction costs

Transaction costs incurred on the acquisition of loans are capitalised upon recognition of the financial asset.

f) Income and expenses

Bank interest and loan interest are recognised on a time-proportionate basis using the effective interest rate method.

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

All expenses are recognised on an accruals basis. All of the Company's expenses (with the exception of share issue costs, which are charged directly to the distributable reserve) are charged through the Unaudited Condensed Consolidated Statement of Comprehensive Income in the period in which they are incurred.

g) Taxation

The Company is exempt from UK corporation tax on its chargeable gains as it satisfies the conditions for approval as an investment trust. The Company is, however, liable to UK corporation tax on its income. However, the Company intends to elect to take advantage of modified UK tax treatment in respect of its "qualifying interest income" in order to deduct all, or part, of the amount it distributes to Shareholders as dividends as an "interest distribution".

h) Accounting standards issued but not yet effective

The International Accounting Standards Board ("IASB") has issued/revised a number of relevant standards with an effective date after the date of these unaudited condensed consolidated half-yearly financial statements. Any standards that are not deemed relevant to the operations of the Company have been excluded. The Directors have chosen not to early adopt these standards and interpretations and they do not anticipate that they, with the exception of IFRS 9, would have a material impact on the Company's financial statements in the period of initial application. A full assessment of the impact of IFRS 9 and IFRS 15 has not yet been performed.

	Effective date
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018

4. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the Company's unaudited condensed consolidated half-yearly financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the unaudited condensed consolidated half-yearly financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have had the most significant effects on the amounts recognised in the unaudited condensed consolidated half-yearly financial statements:

i) Going concern

After making reasonable enquiries, and assessing all data relating to the Company's liquidity, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. Therefore, the unaudited condensed consolidated half-yearly financial statements have been prepared on a going concern basis.

4. USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimates and assumptions

The Company based its assumptions and estimates on parameters available when the unaudited condensed consolidated half-yearly financial statements were approved. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

i) Determination of functional currency

The performance of the Company is measured and reported to investors in Sterling. The Directors consider Sterling to be the currency that most accurately represents the economic effects of the underlying transactions, events and conditions.

ii) Recoverability of loans and other receivables

The Directors assess the recoverability of the Company's loans to determine whether any impairment provision is required. At the period end, there were no loans included in the Company's portfolio which the Directors considered were in default or were impaired. In addition, there was no accrued interest which the Directors considered to be uncollectable.

5. DIVIDENDS

The Company intends to distribute at least 85% of its distributable income earned in each financial year by way of dividends. The Company will target a net dividend yield of 8% per annum of the Issue Price per Ordinary Share as at Admission. The Company intends to pay monthly dividends to Shareholders.

As stated in the Company's Prospectus, the Company has elected to designate all of the first dividend for the period ended 31 December 2015 as an interest distribution to its Shareholders. In doing so, the Company is taking advantage of UK tax treatment by "streaming" income from interest-bearing investments into dividends that will be taxed in the hands of shareholders as interest income.

The Company has declared the following dividends in respect of earnings for the period from incorporation to 31 December 2015:

Announcement date	*Pay date*	*Total dividend declared in respect of earnings in the period £'000*	*Amount per Ordinary Share*
25 November 2015	30 December 2015	316	0.60p
24 December 2015	29 January 2016	211	0.40p
25 January 2016	26 February 2016	290	0.55p
		817	

In accordance with IFRS, dividends are only provided for when they become a contractual liability of the Company. Therefore, during the period, a total of £316,000 was incurred in respect of dividends, none of which was outstanding at the reporting date. The second and third dividends of £211,000 and £290,000 respectively had not been provided for at 31 December 2015 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date.

On 16 February 2016, the Company declared a fourth dividend of 0.55 pence per share for the period from inception to 31 January 2016. This dividend will be paid on 30 March 2016.

6. RELATED PARTIES AND KEY CONTRACTS

a) Investment Manager

The Company pays the Investment Manager a fee at the below rates expressed as a percentage of the Company Value, where the Company Value shall mean the lower of Net Asset Value and Market Capitalisation:

- 0.75% per annum of the Company Value up to £100 million; and
- 0.50% per annum of the Excess, being such part of the Company Value in excess of £100 million.

For the period from Admission until 6 November 2015 (the date on which the Investment Manager confirmed in writing that 90% of the net proceeds of the Issue had been invested or committed for investment), any cash instruments were excluded from the calculation of the Net Asset Value for the purposes of determining the management fee.

6. RELATED PARTIES AND KEY CONTRACTS (CONTINUED)

During the period, a total of £105,000 was incurred in respect of management fees, of which £105,000 was payable at the reporting date.

b) Administration fees

Elysium is entitled to an administration fee of £100,000 per annum in respect of the services provided in relation to the administration of the Company, together with time based fees in relation to investment transactions. During the period, a total of £51,000 was incurred in respect of administration fees, of which £48,000 was payable at the reporting date.

A set-up fee of £25,000 was also paid to Elysium.

c) Directors' remuneration

Norman Crighton receives £35,000 per annum as remuneration for his role as Chairman, Richard Hills receives £30,000 per annum as remuneration for his role as chairman of the Audit and Valuation Committee and Nick Brind and David Stevenson receive £25,000 each per annum as remuneration for their roles as non-executive Directors.

During the period, a total of £31,000 was incurred in respect of Directors' remuneration, none of which was payable at the reporting date. No bonus or pension contributions were paid or payable on behalf of the Directors.

d) Transactions with GLI Finance Limited ("GLIF")

The Company purchased the subsidiary (see note 10) from GLIF on Admission, in return for the 40,270,763 Ordinary Shares. In addition, during the period the Company purchased loans and associated interest of £4,675,000 from GLIF and £1,250,000 from Sancus Limited (a subsidiary of GLIF). Further, on 23 December 2015, GLIF agreed to buy back a loan and associated accrued interest from the Company. GLIF agreed that interest would continue to accrue to the Company, on the same terms, until such time that GLIF repaid the loan.

As at 31 December 2015, GLIF owed the Company £5,252,000, which was made up of £5,310,000 relating to the above mentioned loan and £(58,000) made up of various smaller items.

As a matter of best practice and good corporate governance, the Company has adopted a related party policy which applies to any transaction which it may enter into with any Director, the Investment Manager, or any of their affiliates which would constitute a "related party transaction" as defined in, and to which would apply, Chapter 11 of the Listing Rules. In accordance with its related party policy, the Company obtained: (i) the approval of a majority of the Directors; and (ii) a third-party valuation in respect of these transactions from an appropriately qualified independent adviser.

e) Transactions with subsidiary undertaking

Details of the transactions with the Company's subsidiary undertaking are disclosed in note 10.

7. OTHER EXPENSES

	Period from incorporation to 31 December 2015 (unaudited) £'000
Broker fees	16
Tax and accountancy fees	14
Custodian fees	7
Legal and professional fees	7
Other expenses	38
	82

8. TAXATION

The Company is exempt from UK corporation tax on its chargeable gains as it satisfies the conditions for approval as an investment trust. The Company is, however, liable to UK corporation tax on its income. However, the Company intends to elect to take advantage of modified UK tax treatment in respect of its "qualifying interest income" in order to deduct all, or part, of the amount it distributes to Shareholders as dividends as an "interest distribution".

Withholding tax of £2,000 was incurred by the Company's Guernsey subsidiary as a result of interest on certain loans to UK individuals/entities. The Company only owned the Guernsey subsidiary from Admission and all loans made by the subsidiary were transferred to the Company on 1 October, so withholding tax only arose for a short period of time. It is intended that all future loans in the UK will be made by the Company and therefore, unless tax laws change, it is not expected that UK withholding tax will be suffered by the Company in the future.

9. EARNINGS PER ORDINARY SHARE

The earnings per Ordinary Share is based on a profit of £1,779,000 and on a weighted average number of 52,660,350 Ordinary Shares in issue since Admission. There is no difference between the basic and diluted earnings per share.

10. INVESTMENT IN SUBSIDIARY UNDERTAKING

Details of the subsidiary undertaking held by the Company at 31 December 2015 were as follows:

Name of subsidiary undertaking	*Country of incorporation*	*Principal activity*	*% of ordinary shares held*
GLI Alternative Finance Guernsey Limited	Guernsey	Lending	100%

During the period, loans and associated interest of £41,178,000 were novated from the subsidiary undertaking to the Company. As at 31 December 2015, the investment in the subsidiary comprised an investment at fair value through profit or loss of £41,089,000 less an amount of £41,089,000 due by the Company to the subsidiary.

11. LOANS

		Period from incorporation to 31 December 2015 (unaudited) £'000
Amortised cost:	Current	12,126
	Non-current	31,123
		43,249
Impairments*		–
Balance at period end		43,249

A loan is impaired when the borrower has failed to make a payment, either capital or interest, when contractually due. The Company assesses at each reporting date (and at least on a monthly basis) whether there is objective evidence that a loan or group of loans, classified as loans at amortised cost, is impaired. As part of this process:

- Platforms are contacted to determine default and delinquency levels of individual loans; and
- Recovery rates are estimated.

At 31 December 2015, it was determined that none of the loans of the Company were impaired.

*Impairments are equal to loans in default or delinquency where their expected recovery rate is less than 100%.

12. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Period from incorporation to 31 December 2015 (unaudited) £'000
Balance brought forward at 13 July 2015	–
Additions in the period	1,623
Movement in unrealised gain in the period	107
Balance at period end	**1,730**

13. FAIR VALUE OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

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

At 31 December 2015, the financial assets designated at fair value through profit or loss were as follows:

	31 December 2015 (unaudited)			
	Level 1	*Level 2*	*Level 3*	*Total*
	£'000	*£'000*	*£'000*	*£'000*
Unlisted preference shares	–	–	1,730	1,730
Total financial assets designated as at fair value through profit or loss	**–**	**–**	**1,730**	**1,730**

The Company holds unlisted 25% preference shares. The nominal value of these shares has been deemed to be the fair value, as the shares are not actively traded and it is expected that the nominal value would be received if sold. No unobservable inputs were included in determining the fair value of this investment and, as such, alternative carrying values for ranges of unobservable inputs have not been provided.

Transfers between levels

There were no investments classified as Level 1 or Level 2 during the period, and no transfers between levels in the period. See note 12 for movements in instruments held at fair value through profit or loss.

14. OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2015 (unaudited) £'000
Due from GLI Finance Limited (note 6)	5,252
Accrued interest	489
Other receivables	74
Prepayments	34
	5,849

15. SHARE CAPITAL

	31 December 2015 (unaudited) £'000
Authorised share capital:	
Unlimited number of Ordinary Shares of 1 pence each	–
Unlimited C Shares of 10 pence each	–
Unlimited Deferred Shares of 1 pence each	–
50,000 Management Shares of £1 each	50
Called up share capital:	
52,660,350 Ordinary Shares of 1 pence each	527
50,000 Management Shares of £1 each	50
	577

During the period, 52,660,350 Ordinary Shares were issued at £1 each, together with 50,000 Management Shares at £1 each.

15. SHARE CAPITAL (CONTINUED)

The Management Shares, which are held by the Investment Manager, are entitled (in priority to any payment of dividend of any other class of share) to a fixed cumulative preferential dividend of 0.01% per annum on the nominal amount of the Management Shares.

The Management Shares do not carry any right to receive notice of nor to attend or vote at any general meeting of the Company unless no other shares are in issue at that time. The Management Shares do not confer the right to participate in any surplus of assets of the Company on winding-up, other than the repayment of the nominal amount of capital.

16. RESERVES

The Profit and Loss Account at 31 December 2015 comprised £928,000 of realised revenue profit, £851,000 of investment gains and losses and £(316,000) of dividends paid. The £211,000 and £290,000 dividends (see note 5), which were declared on 24 December 2015 and 25 January 2016 respectively, will be paid out of the £612,000 remaining realised revenue profit.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Investment Manager manages the Company's portfolio to provide Shareholders with attractive risk adjusted returns through investment, principally via a portfolio of Investee Platforms, in a range of SME loan assets, diversified by way of asset class, geography and duration. The Investment Manager seeks to achieve its investment objective by investing in a range of loans originated principally through the investee Platforms in which the parent of the Investment Manager (GLI Finance Limited) holds a strategic equity investment. The Company also makes investments through other third party alternative lending Platforms that are identified as suitable investment opportunities by the Investment Manager.

The Company will seek to ensure that diversification of its portfolio is maintained, with the aim of spreading investment risk.

Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring. The Company is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk from the financial instruments it holds. Risk management procedures are in place to minimise the Company's exposure to these financial risks, in order to create and protect Shareholder value.

Risk management structure

The Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management approach within the Company.

The Company has no employees and is reliant on the performance of third party service providers. Failure by the Investment Manager, Administrator, Custodian, Registrar or any other third party service provider to perform in accordance with the terms of its appointment could have a significant detrimental impact on the operation of the Company.

The market in which the Company participates is competitive and rapidly changing. The risks have not changed from those detailed on pages 20 to 30 in the Company's Prospectus, which is available on the Company's website (www.glialternativefinance.com).

Risk concentration

Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

With the aim of maintaining a diversified investment portfolio, and thus mitigating concentration risks, the Company has established the following investment restrictions in respect of the general deployment of assets.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Geographical
The Company makes loans to SMEs in a broad spread of jurisdictions, but weighted towards the UK. The Company intends to comply with the following restrictions on its percentage holdings of loan assets in the following jurisdictions:

- UK: no more than 70% of Gross Assets; and
- Rest of the World (being any jurisdiction outside the UK): at least 30% of Gross Assets.

Duration
The Company diversifies its risk portfolio by limiting the allocation of investments in terms of duration to maturity, although weighted towards short-term financing to ensure a degree of liquidity. The Company limits the investment of Gross Assets (based on the duration to maturity of the loans), as follows:

- Six months or less: between 10% and 40% of Gross Assets;
- Six to 18 months: between 10% and 40% of Gross Assets;
- 18 to 36 months: between 10% and 40% of Gross Assets; and
- 36 months or more: between 10% and 40% of Gross Assets.

Security
Loan assets have a range of different types of security. However, no more than 50% of Gross Assets will be held in unsecured loan assets.

Other restrictions
From time to time, the Company provides loans to the Platforms themselves, to fund the general working capital requirements of the Platform, rather than for onward deployment in SME loan assets. At any time, the provision of such working capital loans will be limited to 5% of Gross Assets in aggregate (calculated at the time of investment).

To avoid a concentration of risk, for the Company's top ten investments (measured by Gross Assets), the Company will invest no more than 2.5% of Gross Assets (calculated at the time of investment) into an individual credit risk. For investments outside the top ten, the Company will invest no more than 1% of Gross Assets (calculated at the time of investment) into an individual credit risk. Where a loan finances a basket of underlying credits, the exposure to any one underlying credit will not be more than 2.5% of Gross Assets (calculated at the time of investment) for the Company's top ten investments, and not more than 1% of Gross Assets (calculated at the time of investment) outside the Company's top ten investments.

A number of positions contained in the seed portfolio (as detailed in the Prospectus) breached these limits and the Investment Manager has been working to ensure that the Company's portfolio complies with the investment restrictions going forward. In particular, the Company's largest loan to a single issuer was in excess of the 2.5% limit, but this has now been reduced to 1.8%, and ten positions outside of the top ten were in excess of the 1% limit. At the time of writing this report, only four positions outside of the top ten were in breach of the 1% limit.

Market risk

(i) Price risk
Price risk exposure arises from the uncertainty about future prices of financial instruments held. It represents the potential loss that the Company may suffer through holding market positions in the face of price movements. The investment at fair value through profit or loss (see notes 12 and 13) is exposed to price risk and it is not the intention to mitigate the price risk.

At 31 December 2015, if the valuation of the investment at fair value through profit or loss had moved by 5% with all other variables remaining constant, the change in net assets would amount to approximately +/- £87,000. The maximum price risk resulting from financial instruments is equal to the £1,730,000 carrying value of the investment at fair value through profit or loss.

(ii) Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company invests in securities and other investments that are denominated in currencies other than Sterling. Accordingly, the value of the Company's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Company will necessarily be subject to foreign exchange risks.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

As at 31 December 2015 a proportion of the net financial assets/(liabilities) of the Company were denominated in currencies other than Sterling as follows:

	31 December 2015 (unaudited) £'000
US Dollars	5,810
Euros	3,561
	9,371

At 31 December 2015, if the exchange rates for US Dollars and Euros had strengthened/weakened by 5% against Sterling with all other variables remaining constant, net assets at 31 December 2015 would have increased/decreased by £493,000/£(446,000).

In order to limit the exposure to foreign exchange risk, in January 2016 the Company entered into its first hedging contracts. Future foreign exchange hedging contracts may be employed, such as currency swap agreements, futures contracts, options and forward currency exchange. There can be no certainty as to the efficacy of any hedging transactions.

(iii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial instruments and cash flow. However, due to the fixed rate nature of the majority of the loans, cash and cash equivalents of £723,000 and loans of £899,000 through one Platform were the only interest bearing financial instruments subject to variable interest rates at 31 December 2015. Therefore, if interest rates had increased/decreased by 50 basis points, with all other variables held constant, the change in value of interest cash flows of these assets in the period would have been £2,000.

	Fixed interest (unaudited) £'000	*Variable interest (unaudited) £'000*	*Non-interest bearing (unaudited) £'000*	*Total (unaudited) £'000*
Financial Assets				
Loans	42,350	899	–	43,249
Investments at fair value through profit or loss	–	–	1,730	1,730
Other receivables	4,870	–	945	5,815
Cash held on client accounts with Platforms	–	–	1,899	1,899
Cash and cash equivalents	–	723	–	723
Total financial assets	47,220	1,622	4,574	53,416
Financial Liabilities				
Other payables	–	–	(267)	(267)
Total financial liabilities	–	–	(267)	(267)
Total interest sensitivity gap	47,220	1,622	4,307	53,149

The Investment Manager manages the Company's exposure to interest rate risk, paying heed to prevailing interest rates and economic conditions, market expectations and its own views as to likely moves in interest rates.

Although it has not done so to date, the Company may implement hedging and derivative strategies designed to protect investment performance against material movements in interest rates. Such strategies may include (but are not limited to) interest rate swaps and will only be entered into when they are available in a timely manner and on terms acceptable to the Company. The Company may also bear risks that could otherwise be hedged where it is considered appropriate. There can be no certainty as to the efficacy of any hedging transactions.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company.

At 31 December 2015, credit risk arose principally from cash and cash equivalents and balances due from the Platforms. The Company seeks to trade only with reputable counterparties that the Investment Manager believes to be creditworthy.

The Company's credit risks principally arise through exposure to loans provided by the Company to/through Platforms. These loans are subject to the risk of borrower default. Where a loan has been made by the Company through a Platform, the Company will only receive payments on those loans if the corresponding borrower through that Platform makes payments on that loan. The Investment Manager has sought to reduce the credit risk by obtaining security on the majority of the loans and by investing across various Platforms, geographic areas and asset classes, thereby ensuring diversification and seeking to mitigate concentration risks, as stated in the "risk concentration" section earlier in this note.

The cash pending investment or held on deposit under the terms of an Investment Instrument may be held without limit with a financial institution with a credit rating of "single A" (or equivalent) or higher to protect against counterparty failure.

The Company may implement hedging and derivative strategies designed to protect against credit risk. Such strategies may include (but are not limited to) credit default swaps and will only be entered into when they are available in a timely manner and on terms acceptable to the Company. The Company may also bear risks that could otherwise be hedged where it is considered appropriate. There can be no certainty as to the efficacy of any hedging transactions.

Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The principal liquidity risk is contained in unmatched liabilities. The liquidity risk at 31 December 2015 was low since the ratio of cash and cash equivalents to unmatched liabilities was 3:1.

The Investment Manager manages the Company's liquidity risk by investing primarily in a diverse portfolio of loans, in line with the Prospectus and as stated in the "risk concentration" section earlier in this note. The maturity profile of the portfolio is disclosed in the Investment Manager's Report.

18. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets or contingent liabilities in existence at the period end.

19. EVENTS AFTER THE REPORTING PERIOD

Dividends of 0.4p and 0.55p per Ordinary Share which (in accordance with IFRS) were not provided for at 31 December 2015, have been declared out of the profits for the period ended 31 December 2015 (see note 5).

On 16 February 2016, the Company declared a fourth dividend of 0.55 pence per share for the period from inception to 31 January 2016. This dividend will be paid on 30 March 2016.

On 5 February 2016, GLIF consented to a conditional share sale and purchase agreement (the "SPA") between GLIF, Golf Investments and the Company. Pursuant to the terms of the SPA it was proposed that, amongst other matters, Golf Investments acquires 15,000,000 redeemable ordinary shares in the Company (the "Share Acquisition") from GLIF, at a price per share of £1 or the Company's prevailing NAV per share at the time of completion of the Share Acquisition.

Furthermore, under the terms of the SPA it is proposed that Golf Investments will acquire a 50% stake in GLI Asset Management Limited, following completion of which GLIF will work as a strategic partner with Golf Investments to expand the Company.

The SPA also contains a commitment by Golf Investments to subscribe or procure subscriptions for the lesser of: (a) 10 million C Shares in the Company (the "C Share Subscription"); and (b) such number of C Shares in the Company which when aggregated with Golf Investments' interests and the interests of persons acting in concert with it in the voting share capital of the Company will result in their aggregate interests being 29.9% of the voting share capital of the Company. The C Share Subscription is conditional, inter alia, on: (i) an issue of C Shares in the Company taking place within one year of the date of completion of the Company Share Acquisition; and (ii) Golf Investments' obligation to subscribe for C Shares forming part of a fundraise for the Company which raises net proceeds of not less than £20 million.

The Share Acquisition and any future C Share Subscription are conditional upon the shareholders of GLIF approving the issue of the warrants over 32 million new ordinary shares in GLIF to Golf Investments at a general meeting on 25 February 2016.

There were no other significant events after the reporting period.

GLI Alternative Finance

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