



THE SME LOAN FUND PLC

(formerly GLI Alternative Finance plc)

(Registered number 09682883)

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the period from 13 July 2015
(date of incorporation) to 30 June 2016

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HIGHLIGHTS

30 JUNE 2016

£53,400,000

Net assets^[1]

4.95p

Dividend per share declared in respect of the period^[2]

101.31p

NAV per Ordinary Share

+7.1%

Total return per Ordinary Share (based on NAV)

89.75p

Share price at 30 June 2016

-6.5%

Total return per Ordinary Share (based on share price)

11.4%

Discount to NAV

52,660,350

Ordinary Shares in issue

£3,655,000

Profit for the period

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

^[2] Only 3.75p of the 4.95p per Ordinary Share dividends declared out of the profits for the period ended 30 June 2016 had been deducted from the 30 June 2016 NAV as the eighth and ninth dividends of 0.6p per Ordinary Share each had not been provided for at 30 June 2016 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date. On 24 August 2016, the Company declared a tenth dividend of 0.6p per Ordinary Share for the period from 1 July 2016 to 31 July 2016. This dividend will be paid on 23 September 2016.

OVERVIEW AND INVESTMENT STRATEGY

General information

The SME Loan Fund plc (the "Company", "Group" or "SMEF") was incorporated in England and Wales under the Companies Act 2006 on 13 July 2015 with registered number 09682883 and its shares were listed on the London Stock Exchange Specialist Fund Segment (formerly the Specialist Fund Market) on 23 September 2015 ("Admission"). On 31 August 2016, the Company changed its name from GLI Alternative Finance plc.

The Company commenced operations, following admission, as an investment company as defined in s833 of the Companies Act 2006.

Investment objective

The investment objective of the Company, together with its subsidiary, GLI Alternative Finance Guernsey Limited (together the "Group"), 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 Group 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, Amberton Asset Management Limited, in accordance with the Group's investment policy.

Investment policy

The Group intends to achieve its investment objective by investing in a range of loans originated principally through the Investee Platforms. The Group may also make investments through other third party alternative lending Platforms that present suitable investment opportunities by the Investment Manager.

The Group seeks to ensure that diversification of its portfolio is maintained, with the aim of spreading investment risk.

Geography – The Group seeks investments in SME loan assets in a broad range of jurisdictions (although weighted towards the UK) in order to build a global portfolio of loan assets.

Asset classes – The Group invests in a wide range of SME loan assets including short-term lending such as invoice and supply chain financing; mid-term lending such as trade or short-term bridge finance; and long-term lending such as the provision of fixed term loans with standard covenants and subject to monthly interest payments.

Duration – The Group holds a portfolio of loans with broad terms of duration to maturity. However, the Group's loan portfolio is weighted towards short-term financing to ensure an adequate degree of liquidity. This is intended to provide the Group with both a liquid pool of assets ready for realisation, as well as a reliable stream of longer-term income.

Security – The Group will seek to invest in loan assets with a range of different types of security. Funds invested by the Group are secured, as and when required, over a range of assets including property, intellectual property or other specific assets, personal guarantees or via credit insurance. Loans are unsecured only in the case of short-term, low ticket size lending, where the perceived level of risk in respect of the particular asset is low.

The Group is indifferent to sector when allocating funds via the Investee Platforms, alternative third party lending Platforms and in respect of any direct loan investments. It instead adheres to the investment restrictions which apply to the Group's loan portfolio as a whole.

Note: Words and expressions defined in the prospectus relating to the Company dated 1 September 2015 (a copy of which is available on the Company's website) have the same meanings when used in the "Investment objective" and "Investment policy" sections above.

CHAIRMAN'S STATEMENT

Welcome to my first Chairman's statement covering the period from the launch of The SME Loan Fund plc to its year end, 30 June 2016.

The Group was formed to provide Shareholders with a high income of circa 8% per annum, derived primarily from a portfolio of loans to SMEs and arranged through a number of specialist platforms acting as intermediaries between the Group and the ultimate borrower.

The Company was listed on the Specialist Fund Segment of the London Stock Exchange on 23 September 2015 raising gross proceeds of £52.7 million (£51.7 million net of issue costs). The initial assets comprised of cash of £12.4 million and a seed portfolio of loans valued at £40.3 million which were provided by GLI Finance Limited ("GLIF") in exchange for Ordinary Shares of the Company. At launch the Company raised around half of the anticipated proceeds, this was in part due to our being at the end of the queue following three successful launches in the sector which in total absorbed a considerable proportion of available demand for this type of product. Stock markets at the time of our launch were also going through a volatile phase that hindered fund raising too.

Nevertheless, post the launch the general trend remains very positive and the Alternative Finance ("AltFi") sector has continued to grow apace. New loans origination in UK, as measured by Liberum AltFi, for the period 31 December 2015 to 30 June 2016 rose from £5.5 billion to £7.3 billion.

Performance and markets

Since launch the Investment Manager has performed credibly, and a detailed insight into the management of the Group's portfolio and market influences is provided on pages 8 to 9.

The Group has produced a net profit after tax for the period ended 30 June 2016 of £3.7 million, representing earnings per Ordinary Share of 6.94p. The Group's NAV at 30 June 2016 was £53.4 million (101.31p per Ordinary Share) compared to £51.7 million (98.15p per Ordinary Share) at launch. The total return for the Group for the period was 7.1% on the opening NAV.

The Group's portfolio is fairly liquid with approximately 18% realisable within 90 days in normal market conditions. The Group's non-Sterling investments are fully-hedged and any liquidity risks arising from the hedging policy are considered to be low.

Growth and Corporate Activity

The Board aims to establish the Company as one of the leading funds in the AltFi sector and to grow current assets significantly in the years ahead. In the short term this is likely to be achieved by small, ongoing issues of shares to new or existing investors. Once the Fund has added to its existing performance record and demonstrated the ability of the Investment Manager to generate a consistently high yield on the shares, a larger fund raise may be possible. At all times the Board will take into account the interests of existing Shareholders before increasing the share capital of the Company.

The Company came into existence largely as a result of a spin-out of GLIF. This company held a portfolio of investments in platforms that match borrowers and lenders together, with a portfolio of loans that had been arranged through these platforms. Your Group's portfolio was seeded with a significant number, but not all, of these loans. Hence the two companies now have clearly different investment strategies. GLIF invests primarily into the equity of the platforms and seeks to achieve capital growth as the value of these platforms rises while SMEF aims to produce a high ongoing yield for its investors with limited capital growth.

In March 2016 the Somerston Group made a significant investment into SMEF by buying 15 million Ordinary Shares from GLIF. It is the wish of the Boards of SMEF, GLIF and Somerston that SMEF is a truly independent company. Recent name changes, referred to in more detail below, seek to reinforce this evolution.

SMEF is investing in loans originated by platforms that our Investment Manager considers to have a high level of credit experience, that undertake significant due diligence and originate loans that are amply secured and attractively priced. We also require these platforms to be open and transparent with us in all their dealings. The platforms we use are constantly reviewed and the Board believes that it is in Shareholders' interests to contain the number of platforms used, by concentrating investments in loans originated via platforms that come up to our expectations. At a general meeting held on 3 August 2016, the investment policy of the Group was amended to allow greater exposure to high quality, alternative finance loans.

CHAIRMAN'S STATEMENT (CONTINUED)

Earnings and Dividends

Total earnings per Ordinary Share from listing to 30 June 2016 were 6.94p.

The Company elected to designate all of the dividends for the period ended 30 June 2016 as interest distributions to its Shareholders. In doing so, the Company took 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.

As set out in the Prospectus, the Company intends to distribute at least 85% of its distributable income by way of dividends on a monthly basis. During any year the Company may retain some of the distributable income and use these to smooth future dividend flows.

The Company announced dividends of 4.95p per Ordinary Share for the period ended 30 June 2016, of which 3.75p per Ordinary Share were provided for in these financial statements. 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 £1,975,000 was incurred in respect of dividends, none of which was outstanding at the reporting date, but the eighth and ninth dividends of £316,000 each had not been provided for at 30 June 2016 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date.

In the Prospectus we advised that we were targeting a net dividend yield of 8% per annum. Although it is still early in the Company's life, if we were to continue to pay dividends of 0.6p per month, the Company would meet this target, based on the 30 June 2016 share price of 89.75p. On a par share price of 100.00p the yield would be 7.2p.

Discount

During the recent period the Company's Ordinary Shares traded at an average price of 98.42p and at 89.75p at 30 June 2016 – a discount of 11.4% to its NAV. At 30 September 2016, the NAV and share price had risen to 101.30p and 96.00p respectively – a discount of 5.2% to NAV.

The Board would ideally wish the Company's share to trade closer to par and will consider any means at its disposal so that the discount does not remain at an inappropriate level. One of the mechanisms for managing this process is the periodic tender offers. In March 2017 the first tender offer becomes available where Shareholders may tender all or part of their shareholding at the Dealing Value. Moreover, SMEF's maturity profile is short and cash is constantly being generated to allow the Directors latitude to exercise other means to close the discount if the Board deems it appropriate and in shareholders' best interest.

Change of names

As part of the process of formally splitting the historic links between SMEF, GLIF and GLI Asset Management Limited (which manages the assets of SMEF), in March 2016, the Investment Manager changed its name from GLI Asset Management Limited to Amberton Asset Management Limited ("Amberton" or the "Investment Manager").

With effect from 31 August 2016, the Board decided to change the name of the Company from GLI Alternative Finance plc to The SME Loan Fund plc. The ticker for the Ordinary Shares changed from GLAF:LN to SMEF:LN on 31 August 2016.

Equity shareholdings in SMEF (GLAF), GLIF and Amberton

The following information is shown to allow Shareholders of SMEF to understand the shareholding structure of the above entities as at 30 June 2016.

SMEF – GLIF holds 47.99% and the Somerston Group (through its wholly owned subsidiary Somerston Golf GP Limited ("GOLF")) holds 28.48% of the Ordinary Share capital.

GLIF – Somerston/GOLF own 22.2% of the ordinary share capital of GLIF.

Amberton – GLIF and GOLF each own 50% of the ordinary share capital of Amberton.

SMEF has no equity or loan interest in either GLIF or Amberton.

CHAIRMAN'S STATEMENT (CONTINUED)

Board of Directors

During the period two Directors who were appointed on incorporation resigned from the Board, Norman Crighton and Nick Brind, on 21 June and 22 July 2016 respectively. I would like to thank Norman and Nick for their hard work during the challenging early life of the Company. Both dedicated a considerable amount of time and effort to ensure that the Company was put on a firm footing for which the Board is grateful. Following Norman's resignation, I was appointed Chairman and Ken Hillen, who was appointed a Director on 21 June 2016, took over my responsibilities as chairman of the Audit Committee. Ken has considerable banking experience having held senior positions at the Royal Bank of Scotland, Anglo Irish Bank and Bank of Ireland and his skills will be very useful as we continue to augment our control procedures. In due course it is likely that we shall add another Director to the Board but for now we have a dedicated and hard working Board with the necessary experience to drive the Company forward.

Outlook

The Company is well positioned with a solid track record and an attractive dividend yield. The Board will attempt to increase the Company's assets over the coming year against a background of a sector that is growing at an extraordinary rate. Returns to Shareholders, as always, are the most important metric but we believe that a larger investment portfolio would lead to better risk adjusted returns and a lower expense ratio. The Board is confident that further progress can and will be made in the year ahead.

RICHARD HILLS

Chairman

14 October 2016

INVESTMENT MANAGER'S REPORT

The SME Loan Fund plc was established in September 2015 with a portfolio of 25% cash and 75% loans. A series of investments into quality loans took place during October reducing the cash levels down to 13% by the end of the month. Investments were made into a variety of sectors including renewable energy loans which offered good cashflow characteristics. The reduction in cash continued throughout November with a focus on non-UK based lending. This resulted in cash levels falling to 8.7% and the portfolio's gross yield rising to 8.7% by the end of the month. Solar energy projects were a focus for investment during December, taking renewable energy exposure from 13.8% to 14.6%, whilst the allocation to property was also increased, taking exposure from 14.2% to 15.9%. Cash levels stood at 4.4% by the calendar year end with a gross indicated fund yield of 9.7%.

Loan origination around the new year was seasonally weak but with the Company already well established, a low cash level of 5% ensured that the Fund's gross yield remained close to 10%. The yield fell slightly during February as mainstream investment markets suffered from considerable volatility, leading investors to seek out the relative safety of Alternative Finance markets, pushing yields lower. New loan origination then picked up significantly and we increased exposure to Spanish SME loans and property based loans resulting in cash levels declining from 5.6% to 4%.

Investment activity within the Group continued during March 2016 as exposure to the BMS Group was increased via an allocation to their Irish investment structure, itself part funded by the Irish Strategic Investment Fund. With extremely high quality credit analysis work being carried out by BMS on these loans, the Company was delighted to be invited to be a 10% holder of the structure. Due to some refinancing of loans within the Group, cash levels closed Q1 at 8.9%, increasing to 11.7% by the end of April. A strong pipeline of loan origination was forecast for the remaining two months of the quarter resulting in cash falling to 4.7% by the end of June 2016.

The defensive qualities of the Company were severely tested during May as evidence of poor management control at the largest AltFi platform, Lending Club, in the U.S. came to light which saw the CEO Renaud Laplanche leave the company that he created. Investment trusts were hit particularly hard with share prices falling to, in some cases, substantial discounts to net asset values. The Company suffered a fall in its share price which saw the discount register a low level of 12.0% by month end; this had recovered somewhat to a discount of 11.4% as at 30 June 2016.

Income production within the Company has been in line with expectations with monthly dividend equating to a yield of 7.48% as at the end of the reporting period. The first half of 2016 will be remembered for significant market volatility, particularly within the AltFi sector, exacerbated by the shock decision of the UK electorate to leave the European Union. The Group has weathered these storms well and continues to provide a low risk strategy within the sector, exactly in keeping with its objectives. It remains unleveraged and this stance is likely to continue for the foreseeable future. Throughout the period the Company has pursued a policy of hedging all non-sterling exposure back into sterling as outlined in the Prospectus.

Post the end of the reporting period, the Board of GLI Alternative Finance plc proposed a name change to The SME Loan Fund plc to better identify its core investment allocation; this became effective on 31 August 2016 and the ticker also changed from GLAF:LN to SMEF:LN. A new website was also launched, www.thesmeloanfund.com to provide investors, and potential investors with detailed information about the Company. An EGM in August adjusted the investment restrictions slightly, allowing the Investment Manager to allocate capital more efficiently to investment into loans originated through Alternative Finance platforms.

Outlook

The Company was launched in September 2015 during a period of significant equity market volatility. Whilst the initial launch proceeds were disappointing, the proof of concept has been established with the NAV performance being impressive without resorting to leverage. As the appointed investment manager, Amberton is focussing on SME lending and the impairment rate is one of the lowest within the asset class. This is a reflection of the due diligence carried out, not only on the Platforms, but also our strict manual underwriting processes on credit.

It is clear that the past six months have seen testing times for Alternative Finance investment trusts. The NAV performance of the Company has been in line with expectations and the share price, although having risen from its lows, offers a discount to the NAV. With the flexibility offered to shareholders to request a redemption of 20% of their holding at a price equal to NAV less ½% in March 2017, we feel that the investment attraction of the Company is at a high level. Your Company is in a prime position, continuing to benefit from high quality loan origination from its many platform relationships. We remain focused on providing an unleveraged exposure to SME AltFi loans whilst maintaining low impairment rates. There is no doubt that the Brexit vote caused upset within investment markets but since then, equity markets have powered on to new highs and global government bond yields are now at unattractive new lows. In contrast the high, single digit yield produced by the Group has now become an attractive option for a wide variety of investors.

GRAHAM GLASS

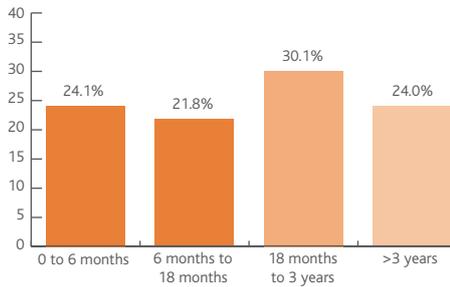
Amberton Asset Management Limited

14 October 2016

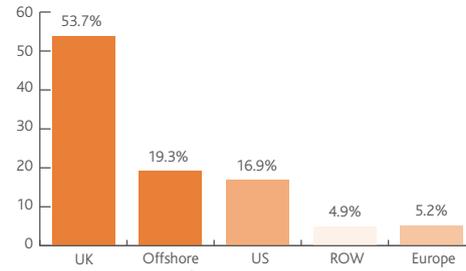
COMPANY ANALYTICS

as at 30 June 2016

PORTFOLIO BY MATURITY BAND

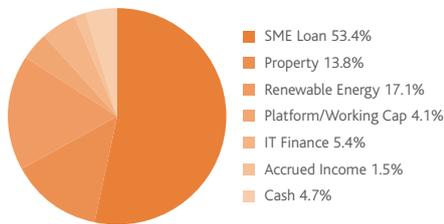


PORTFOLIO BY GEOGRAPHY

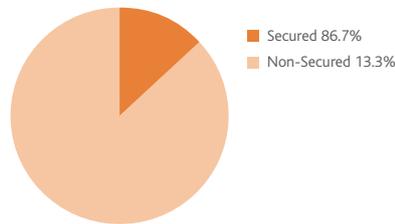


*Offshore Britain, Channel Islands, Gibraltar & Isle of Man

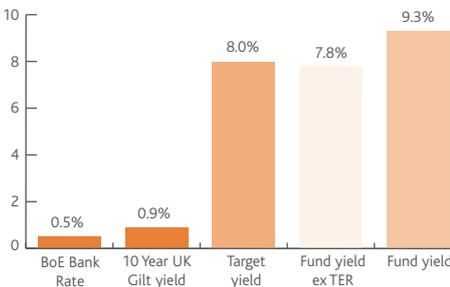
ASSET ALLOCATION



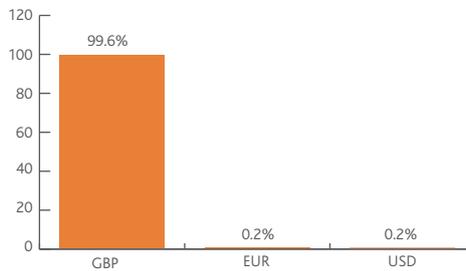
SECURED VS NON-SECURED



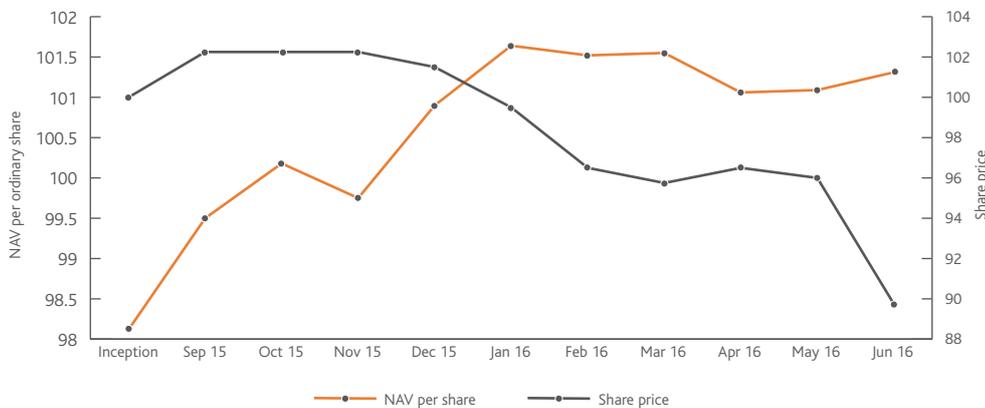
FUND YIELD VS BENCHMARK INTEREST RATES



PORTFOLIO BY CURRENCY ALLOCATION



NAV PER ORDINARY SHARE V SHARE PRICE



All data source: Amberton Asset Management Limited

PRINCIPAL RISKS

Risk is inherent in the Group's activities, but it is managed through an ongoing process of identifying and assessing risks and ensuring that appropriate controls are in place. The key risks faced by the Group, along with controls employed to mitigate those risks, are set out below.

Macroeconomic risk

Adverse macroeconomic conditions may have a material adverse effect on the Group's yield on investments, default rate and cash flows. The Board and the Investment Manager keep abreast of market trends and information to try to prepare for any adverse impact.

The Group's assets are diversified by geography, asset class, and duration, thereby reducing the impact that macroeconomic risk may have on the overall portfolio.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows and/or fair values of the Group's investments. Exposure to interest rate risk is limited by the use of fixed rate interest on the majority of the Group's loans, thereby giving security over future loan interest cash flows.

Currency risk is the risk that changes in foreign exchange rates will impact future profits and net assets. Currency risk is mitigated to a certain extent through the use of forward foreign exchange contracts to hedge movements in foreign currency exchange rates.

Credit risk

The Group invests in a range of loans originated principally through Alternative Finance Platforms with which the Investment Manager is familiar. The Group has investment restrictions in place. Therefore, as mentioned above, the Group's assets are diversified by geography, asset class, and duration, thereby reducing the impact that investment risk may have on the overall portfolio.

The credit risk associated with the investments is reduced not only by diversification but also by the use of security. Despite the use of security, credit risk is not reduced entirely and so the Investment Manager monitors the recoverability of the loans (on an individual loan basis) each month and impairs loans where appropriate.

Platform risk

The Group is dependent on Platforms to operate the loan portfolio (to bring new loans to the Group's attention; to effectively monitor those loans; and to pay and receive monies as necessary). If a Platform were no longer able to operate effectively this could put at risk loans made with/through such a Platform and increase credit risk.

The Investment Manager undertakes due diligence on all the Platforms and part of this work is to confirm that the Platforms have disaster recovery policies in place whereby a third party administrator would step in to manage the loans in the event the Platform could no longer do so. If such an event were to occur, the Group's approach would vary depending on the Platform and the circumstances, and would be determined by the Board after discussion with the Investment Manager and other advisers. Graham Glass (the managing director of the Investment Manager and, as of 21 March 2016, Lead Investment Manager to the Group) has close contacts with the Platform owners and Andy Whelan/Emma Stubbs (directors of the Investment Manager) are on the boards of most of the Platforms themselves.

Regulatory risk

The Group's operations are subject to wide ranging regulations, which continue to evolve and change. Failure to comply with these regulations could result in losses and damage to the Group's reputation.

The Group employs third party service providers to ensure that regulations are complied with.

Reputational risk

The Company has been incorporated with an unlimited life. However, in the event that the Ordinary Shares have been trading at a discount to NAV of greater than 10% for three consecutive months (calculated on a rolling three monthly average of daily numbers), the Company shall convene a general meeting to propose a continuation resolution. If such a continuation resolution is not passed, the Board will draw up proposals for the winding-up or reconstruction of the Company for submission to Shareholders. Any adverse impact on the Company's reputation would likely result in a fall in its share price, thereby increasing the possibility of a continuation vote being proposed.

Brexit

Brexit may, in time, lead to divergence in regulatory regimes between the UK and the European Union and may create additional investment and trading opportunities. However, in a process which is yet to start, it is too early to say precisely what these opportunities will be or when they will present themselves.

ENVIRONMENT, EMPLOYEE, SOCIAL AND COMMUNITY ISSUES

As an investment company, the Company does not have any employees or physical property, and most of its activities are performed by other organisations. Therefore, the Company does not combust fuel and does not have any greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The Board believes that the Company does not have a direct impact on the community or environment and, as a result, does not maintain policies in relation to these matters.

GENDER DIVERSITY

The Board of Directors of the Company currently comprises three male Directors. Further information in relation to the Board's policy on diversity can be found in the Directors' Remuneration Report on page 25.

KEY PERFORMANCE INDICATORS

The Board uses the following key performance indicators ("KPIs") to help to assess the Group's performance against its objectives. Further information on the Group's performance is provided in the Chairman's Statement and the Investment Manager's Report.

Dividend yield

As set out in the Prospectus, the Company intends to distribute at least 85% of its distributable income by way of dividends on a monthly basis. During any year the Company may retain some of the distributable income and use these to smooth future dividend flows. The target is for the Ordinary Shares to yield an 8% dividend.

The Company announced dividends of £2,607,000 (4.95p per Ordinary Share) for the period ended 30 June 2016, being 87.25% of distributable income for the period (see notes 5 and 22 for further details).

NAV and total return

The Directors regard the Company's NAV as a key component to delivering value to Shareholders, but believe that total return (which includes dividends) is the best measure for shareholder value.

Premium/discount of share price to NAV

The Board regularly monitors the premium/discount of the price of the Ordinary Shares to the NAV per share. As mentioned in Principal Risks above, in the event that the Ordinary Shares have been trading at a discount to NAV of greater than 10% for three consecutive months (calculated on a rolling three monthly average of daily numbers), the Company shall convene a general meeting to propose a continuation resolution. If such a continuation resolution is not passed, the Board will draw up proposals for the winding-up or reconstruction of the Company for submission to Shareholders.

At 30 June 2016 the shares were trading at 89.75p, an 11.4% discount to NAV. However, the three month average share price is a 6.4% discount to NAV.

RICHARD HILLS

Chairman

14 October 2016

BOARD OF DIRECTORS

Richard Hills (Chairman)

Richard has substantial investment experience, having held senior positions at major fund management houses and a number of non-executive directorships at investment companies, both public and private, covering all the major asset classes with significant experience within the natural resources sector including shale gas, forestry and potash. Richard has also built and successfully sold his own investment management company and has been involved in a number of start-up situations including FairFX, the innovative prepaid currency card provider. He chairs the Aztec Group Ltd, which is one of the largest Channel Islands private equity fund administrators. He is currently Chairman of Strategic Equity Capital plc and a director of JP Morgan Income & Capital Trust plc and Henderson International Income Trust plc.

David Stevenson

David is a financial journalist and commentator for a number of leading publications including The Financial Times (the Adventurous Investor), Investment Week (The Contrarian), Money Week and the Investors Chronicle. He is also executive director of the world's leading alternative finance news and events services www.altfi.com, which focuses on covering major trends in marketplace lending, crowd funding and working capital provision for small to medium sized enterprises. David is also the author of a number of books on investment including the bestselling book on ETFs and their use within portfolios in Europe for the Financial Times. Before founding www.altfi.com, David was a director at successful corporate communications business The Rocket Science Group and before that a senior producer in business and science in BBC TV.

Ken Hillen

Ken has held a number of senior banking roles throughout his career; including senior corporate director at RBS, managing director for Scotland and Northern Ireland at Anglo Irish Bank and, until 2009, head of commercial and corporate banking for Scotland at Bank of Ireland. Ken has a broad experience of non-executive and consultancy roles within financial services and other sectors, including director and chairman of a financial services business which specialises in the provision of bridging loans.

DIRECTORS' REPORT

The Directors of the Company are pleased to present their report and audited Financial Statements for the period ended 30 June 2016.

The Company was incorporated on 13 July 2015 and was launched on 23 September 2015, following a successful listing on the Specialist Fund Segment (*formerly 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.

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

Principal activity

The principal activity of the Group 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.

Change of name

In March 2016, the Investment Manager of the Group underwent a rebranding exercise from GLI Asset Management Limited to Amberton Asset Management Limited. Furthermore, the investment policy of the Group was being amended to allow greater exposure to high quality alternative finance loans, with such changes voted upon at the General Meeting held on 3 August 2016. In order to reflect this change in strategy, the Board decided to change the name of the Company from GLI Alternative Finance plc to The SME Loan Fund plc with effect from 31 August 2016. The ticker for the Ordinary Shares was also changed to SMEF:LN.

Results and Dividends

The results of the Group for the period are shown on page 28.

As set out in the Prospectus, the Company intends to distribute at least 85% of its distributable income by way of dividends on a monthly basis. During any year the Company may retain some of the distributable income in a subsequent month to that in which it arises in order to smooth dividend amounts or for the purposes of efficient cash management.

The Company elected to designate all of the dividends for the period ended 30 June 2016 as interest distributions to its Shareholders. In doing so, the Company took 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 announced dividends of 4.95p per Ordinary Share for the period ended 30 June 2016, of which 3.75p per Ordinary Share were provided for in these financial statements. 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 £1,975,000 was incurred in respect of dividends, none of which was outstanding at the reporting date, but the eighth and ninth dividends of £316,000 each had not been provided for at 30 June 2016 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date.

The Directors do not recommend the payment of a final dividend for the financial period.

Net Assets

At 30 June 2016, the Group had net assets of £53,400,000.

Going Concern

After undertaking prudent and robust enquiries, and assessing all data relating to the Group's liquidity, the Directors have a reasonable expectation that the Group 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 Group. For this reason, they have adopted the going concern basis in preparing the Consolidated Financial Statements.

Viability statement

The Directors have assessed the prospects of the Company over the three year period to 30 June 2019. The Directors believe this period to be appropriate as any forecast beyond three years would likely produce figures that were too uncertain to be meaningful.

In their assessment of the viability of the Company, the Directors have considered the Company's principal risks and uncertainties together with the Company's income and expenditure projections. The Directors also noted the relatively liquid nature of the Company's portfolio which could be utilised to meet funding requirements, if necessary.

The Company has processes for monitoring operating costs, share price discount, the Investment Manager's compliance with the investment objective and policy, asset allocation, the portfolio risk profile, counterparty exposure, liquidity risk, foreign exchange risk and financial controls.

Based on the above evaluation, the Directors concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 30 June 2019.

DIRECTORS' REPORT (CONTINUED)

Litigation

So far as the Directors are aware, no litigation or claim of material importance is pending or threatened against the Group.

Internal Control and Financial Reporting

The Board is responsible for establishing and maintaining the Group's system of internal control. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures which have been established to provide effective internal controls are as follows:

- The Administrator is responsible for the provision of administration and company secretarial duties;
- The duties of investment management and accounting are segregated. The procedures are designed to complement one another;
- The Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts; and
- The Board reviews financial information produced by the Company's Investment Manager and the Administrator on a regular basis.

The Company does not have an internal audit department. All of the Company's management functions are delegated to third parties and it is therefore felt that there is no need for the Company to have an internal audit function.

The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and, by their nature, can only provide reasonable and not absolute assurance against misstatement and loss.

The Board has considered the FRC guidance on risk management, internal control and related financial and business reporting dated September 2014 that applies from 1 October 2014. The Board is responsible for ensuring the maintenance of a robust system of internal control and risk management and for reviewing the effectiveness of the Group's overall internal control arrangements and processes following recommendations from the Audit and Valuation Committee.

The appointment of the Investment Manager as the Alternative Investment Fund Manager under the Alternative Investment Fund Managers Directive means that it is responsible for operating the Group's internal system of control and for initially reviewing its effectiveness. Such systems are however designed to minimise the risk and not entirely eliminate risk; they can provide only reasonable and not absolute assurance against material misstatement or loss.

Financial Risk Profile

The Group's financial instruments comprise loans, investments at fair value through profit or loss, cash and cash equivalents, other receivables and other payables that arise directly from the Group's operations.

The main risks are market risk (comprising price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. Further details are given in note 24 to the financial statements. The principal risks faced by the Group are outlined on page 10.

Material Contracts

The Group's material contracts are with:

- Amberton Asset Management Limited, which acts as Investment Manager and AIFM;
- Elysium Fund Management Limited, which acts as Administrator and Company Secretary; and
- Capita Asset Services, which acts as Registrar.

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 has elected 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".

Capital structure and share issues

During the period, 52,660,350 Ordinary Shares (of 1 pence each) were issued at £1 each, together with 50,000 Management Shares (of £1 each) at £1 each. The gross proceeds raised of £52.7 million (£51.7 million net of issue costs) comprised the initial seed portfolio of £40.3 million and cash of £12.4 million. Further details are provided in note 21 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

Substantial shareholdings

As at 30 June 2016, the Company had been informed of the following notifiable interests of 3% or more in the Company's voting rights in accordance with Disclosure and Transparency Rule 5.1.2:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage holding</i>
GLI Finance Limited	25,270,763	47.99
Somerston Golf GP Limited	15,000,000	28.48

There were no changes to any of the above holdings between 30 June 2016 and the date of this report.

Letters of appointment and election of Directors

Biographies of the Directors are set out on page 12 and demonstrate the wide range of skills and experience each brings to the Board. The Directors were identified and interviewed prior to their appointments and advice was taken in respect of their appointment from the Company's other relevant advisers.

During the period and to date, the following served as Directors of the Company:

	<i>Date of appointment</i>	<i>Date of resignation</i>
Richard Hills (<i>Chairman</i>)	13 July 2015	–
David Stevenson	13 July 2015	–
Ken Hillen	21 June 2016	–
Norman Crighton	13 July 2015	21 June 2016
Nick Brind	13 July 2015	22 July 2016

Each Director signed a letter of appointment to formalise the terms of their engagement as a Director. The terms of those letters of appointment specify that independent non-executive Directors are typically expected to serve an initial three year term, subject to retirement by rotation in accordance with the Company's Articles of Association. Continuation beyond the initial three year term will be subject to re-election by the Shareholders. Copies of the letters of appointment are available on request from the Company Secretary and will be available at the Annual General Meeting ("AGM").

Directors' interests

At 30 June 2016, the Directors' interests in the shares of the Company were as follows:

	<i>Ordinary Shares</i>
David Stevenson	10,000

During the period, no Director had a material interest in a contract to which the Company was a party (other than their own letter of appointment), requiring disclosure under the Companies Act 2006.

There were no changes in the interests of Directors between 30 June 2016 and 14 October 2016.

Political donations

The Company made no political donations during the period to organisations either within or outside of the EU.

Corporate Governance

The Corporate Governance Report can be found on pages 17 to 19.

Auditor

RSM UK Audit LLP was appointed as the Group's first auditor and has expressed its willingness to continue in office.

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware and each Director has taken all steps that he ought to have taken as a Director to establish that the Group's auditor is aware of that information.

On behalf of the Board

RICHARD HILLS

Chairman
14 October 2016

KEN HILLEN

Director
14 October 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report, Strategic Report, Directors' Remuneration Report and Group and Company Financial Statements in accordance with applicable laws and regulations.

Company Law requires the Directors to prepare Group and Company Financial Statements for each financial period. The Directors have prepared Group Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under Company Law to prepare the Company Financial Statements in accordance with IFRS as adopted by the EU.

The Financial Statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and Company and of the financial performance of the Group and Company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing the Group and Company Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the Directors Report confirm that, to the best of each person's knowledge:

- the Financial Statements, prepared in accordance with IFRS as adopted by the EU give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on The SME Loan Fund plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RICHARD HILLS

Chairman

14 October 2016

KEN HILLEN

Director

14 October 2016

CORPORATE GOVERNANCE REPORT

Companies with a standard listing are not required to comply with the UK Corporate Governance Code 2014 (the "Code"). The Company is committed to high standards of corporate governance and has sought to comply with those aspects of the Code that are considered by the Board to be practical and appropriate for an organisation of its size and nature and where, in the Board's opinion, are of material benefit to the Company and/or its stakeholders. The Disclosure and Transparency Rules require the Company to, amongst other things: (i) make a corporate governance statement in its annual report and accounts based on the code to which it is subject, or with which it voluntarily complies; and (ii) describe its internal control and risk management arrangements.

In applying the main principles set out in the UK Corporate Governance Code, the Directors have considered the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide") (which is available at www.theaic.co.uk). The AIC Code, as explained in the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code 2014, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. The Board considers that reporting against the principles and recommendations of the AIC Code, which incorporates the main principles of the UK Corporate Governance Code, and by reference to the AIC Guide provides better information to Shareholders.

The Directors recognise the value of the AIC Code and have taken appropriate measures to ensure that from Admission, the Company has complied and continues to comply, as far as possible given the Company's size and nature of business, with the AIC Code, except as set out below:

Senior independent director – The Directors have determined that the size of the Company's Board, which is comprised solely of independent Directors, does not warrant the appointment of a senior independent director.

Portfolio – The Company does not provide a complete portfolio listing, as the Board has determined that to provide a complete listing would not be in the best interests of the Company.

Internal audit function – Due to the current size and nature of the Company's operations, no internal audit function is considered necessary. Details of the Company's principal outsourced service providers are detailed in note 7.

Chairman – The Chairman of the Company is a member of the Audit and Valuation Committee, but does not chair it. Following Nick Brind's resignation from the Board, Richard Hills was also appointed as chairman of the Remuneration and Nominations Committee. However, on 14 October 2016, David Stevenson was appointed as chairman of the Remuneration and Nominations Committee and Richard Hills was appointed as chairman of the Management Engagement Committee. His membership of the Audit and Valuation Committee and Remuneration and Nominations Committee and chairing of the Management Engagement Committee are considered appropriate due to: the lack of perceived conflict; the small size of the Board; and because the Directors believe that he continues to be independent.

Board evaluation – The Board has not yet undertaken a performance evaluation, as this is the Company's first year of operation. Further details can be found on page 19.

The Board and its committees

The Board has delegated certain responsibilities to its Audit and Valuation, Management Engagement, and Remuneration and Nominations Committees. Given the size and nature of the Board it was felt appropriate that all independent Directors are members of the committees.

The roles and responsibilities of the committees are set out in the appropriate terms of reference and summarised below.

Items are discussed and, as appropriate, matters are endorsed, approved or recommended to the Board by the committees. The chairman of each committee provides the Board with a summary of the main discussion points at the committee meeting, and any decisions made by the committee along with any recommendations which require Board approval.

The Board may also delegate certain functions to other parties; in particular the Directors may delegate to the Investment Manager. However, the Directors retain responsibility for exercising overall control and supervision of the Investment Manager. Matters reserved for the Board include, amongst others, approval and oversight of the Group's investment activities by ensuring that the Company has complied with its investment restrictions. The Board also reviews the performance of the Group against its target return (as defined in the Prospectus) and, in light of the current market condition, considers the strategy taken by the Investment Manager. Approval of the half-yearly report and financial statements, announcements, dividends and annual report and financial statements are also reserved for the Board.

Audit and Valuation Committee

The Company's Audit and Valuation Committee, comprising all the independent Directors of the Company, meets at least twice a year. Richard Hills was chairman of the Audit and Valuation Committee until 21 June 2016, when he was appointed Chairman of the Board and Ken Hillen was appointed as chairman of the Audit and Valuation Committee.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Audit and Valuation Committee (continued)

The Audit and Valuation Committee:

- Monitors the financial reporting process;
- Monitors the effectiveness of the Company's internal control and risk management systems;
- Monitors the annual statutory audit process;
- Reviews and monitors the independence of the Company's auditors in particular in relation to the auditor's provision of additional services to the Company;
- Reviews the whistleblowing procedures of the Investment Manager; and
- Is responsible for recommending valuations of the Company's investments to the Board.

Management Engagement Committee

The Company's Management Engagement Committee, comprising all the independent Directors of the Company, meets at least once a year. David Stevenson was the chairman of the Management Engagement Committee, until 14 October 2016, when he was appointed as chairman of Remuneration and Nominations Committee. Richard Hills was appointed as chairman of the Management Engagement Committee on 14 October 2016.

The Management Engagement Committee, shall, amongst other things, review the actions and judgements of the Investment Manager and also the terms of the Investment Management Agreement. It will also review the performance of and agreements with other service providers.

The Board did not perform a formal review of the Investment Manager and other service providers during the period. However, the Board receives regular updates from the Investment Manager regarding the performance of the Portfolio, and was in regular contact with the other service providers throughout the period.

The Board intends to perform a formal review of the Investment Manager and other service providers during the second half of 2016.

Remuneration and Nominations Committee

The Company's Remuneration and Nominations Committee, comprising all the independent Directors of the Company, meets at least once a year. Nick Brind was the chairman of the Remuneration and Nominations Committee until his resignation on 22 July 2016, when Richard Hills was appointed as chairman. This was not in accordance with the AIC Code, but was considered to be appropriate given the lack of perceived conflict; the small size of the Board; and because the Directors believe that he continues to be independent. On 14 October 2016, David Stevenson was appointed as chairman of the Remuneration and Nominations Committee in place of Richard Hills.

The Remuneration and Nominations Committee shall, amongst other things, consider the framework and policy for the remuneration of the Directors and to review the structure, size and composition of the Board. No Director shall be involved in any decisions as to their own remuneration.

Board meeting attendance

During the period, the Company held fifteen Board meetings, two Committee meetings, three Audit and Valuation Committees meetings, one Management Engagement Committee meeting and one Remuneration and Nominations Committee meeting. Attendance at these Board and Committee meetings is detailed below:

	<i>Number of meetings</i>				<i>Remuneration and Nominations Committee</i>
	<i>Board</i>	<i>Committees of the Board</i>	<i>Audit and Valuation Committee</i>	<i>Management Engagement Committee</i>	
Richard Hills	14/15	2/2	2/3	0/1	0/1
Ken Hillen	0/1	0/0	0/0	0/0	0/0
David Stevenson	12/15	1/2	3/3	1/1	1/1
Nick Brind	13/15	0/2	3/3	1/1	1/1
Norman Crighton	13/14	1/2	3/3	1/1	1/1

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board's performance evaluation

Since the Company listed on 23 September 2015, to date the Board's focus has been primarily on investment policies and procedures of the Company, together with monitoring investment performance and investment restrictions. The Company intends to complete its first Board evaluation in late 2016, which the Board considers a reasonable time for the Board, and its Committees, to be fully established and therefore benefit from the review.

As part of the evaluation, the Chairman will meet the individual Directors for the purpose of a formal and rigorous performance appraisal and consideration of each Director's independence. In due course, the Directors will meet, without advisers present, to appraise the Chairman's performance. Any training needs identified as part of the evaluation process will be added to the agenda of the next Board meeting.

Relations with Shareholders and Annual General Meeting

The Company encourages two-way communication with both its institutional and private investors and intends to respond quickly to queries raised. All Shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM, which will be held at 12:00pm on 9 December 2016. The notice of the AGM, which will be circulated to all registered Shareholders with at least twenty-one days' notice, sets out the business of the meeting and an explanation of each proposed resolution. Separate resolutions are proposed in respect of each substantive issue.

Shareholders are encouraged to attend the AGM and to participate in the proceedings. The Chairman of the Board and other members of the Board, together with representatives of the Investment Manager, will be available to answer Shareholders' questions at the AGM. Proxy voting figures will be available to Shareholders at the AGM.

The Investment Manager holds regular discussions with major Shareholders, the feedback from which is provided to, and greatly valued by, the Board. The Directors are available to enter into dialogue and correspondence with Shareholders regarding the progress and performance of the Company.

On behalf of the Board

RICHARD HILLS

Chairman

14 October 2016

AUDIT AND VALUATION COMMITTEE REPORT

Composition

The Audit and Valuation Committee, comprises all the independent Directors of the Company and is chaired by Ken Hillen. Richard Hills was Chairman of the Audit and Valuation Committee until 21 June 2016, when he was appointed Chairman of the Board and Ken Hillen was appointed as chairman of the Audit and Valuation Committee. Ken Hillen has substantial business experience together with the necessary experience in accounting and auditing.

Responsibilities

The Audit and Valuation Committee monitors the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcements relating to its financial performance and review significant financial reporting issues and judgement which they contain, having regards to matters communicated by the auditor.

The Audit and Valuation Committee monitors potential changes to, the UK Corporate Governance Code, AIC Code and EU legislation relating to appointment of auditors, restrictions on the non-audit services provided by external auditors and the fees they receive.

The key responsibilities and principal activities of the Audit and Valuation Committee, as identified in its terms of reference and other than as mentioned above, are as follows:

- to review, and challenge where necessary, the consistency of, and any changes to, significant accounting policies on a year on year basis across the Company;
- to review and monitor the Company's financial reporting processes and consider the effectiveness of the Company's internal financial control policies and procedures;
- to review and challenge the going concern assumption;
- to review the content of the Annual Report and Financial Statements and decide on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy;
- to review and approve the annual audit plan with the external auditor and ensure that it is consistent with the scope of the audit engagement (after prior review by the Audit and Valuation Committee chairman), having regard to the seniority, expertise and experience of the audit team;
- to view the findings of the audit with the external auditor, including discussing the major issues that arise during the audit, the key accounting and audit judgements, the levels of errors identified during the audit and the effectiveness of the audit process;
- to review any representation letters requested by the external auditor (and/or responses from the management) before they are signed by the Board;
- to assess annually the external auditor's independence and objectivity and the effectiveness of the audit process taking into account relevant UK law, professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
- to review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems and review and approve the statements to be included in the annual report concerning internal controls and risk management;
- to monitor the integrity of the recommended valuations and any impairment of loans made by the Investment Manager and to recommend valuations/impairment of the Company's investments to the Board; and
- to arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary.

As the Company has no employees, the Company does not have whistleblowing policy and procedures in place. However, the Audit and Valuation Committee reviews the whistleblowing procedures of the Investment Manager and the external service providers to ensure that the concerns of its staff may be raised in a confidential manner.

AUDIT AND VALUATION COMMITTEE REPORT (CONTINUED)

Meetings

The Audit and Valuation Committee meets at least twice a year at appropriate intervals in the financial reporting and audit cycle. Further meetings will take place should the chairman of the Audit and Valuation Committee or other members require. Only the Audit and Valuation Committee members have the right to attend and vote on these meetings. However, other individuals, such as representatives of the Investment Manager, other representatives from the finance function of the Company and the external auditor may be invited to attend all or part of any meeting.

Primary areas of judgement in relation to the Annual report and financial statements

The Audit and Valuation Committee has considered the significant judgements made in the Annual report and financial statements and receives reports from the external service providers and the external auditor on those judgements. The Audit and Valuation Committee pays particular attention to the matters it considers to be important by virtue of size, potential impact, complexity and level of judgement.

The internal controls over financial reporting were considered, together with feedback from the Company's Investment Manager, Company Secretary and the Company's external auditor.

The Audit and Valuation Committee has considered the valuation of unquoted investments. It is satisfied that the valuations are in accordance with the Company's accounting policies and that the carrying values used in these financial statements represent an appropriate fair value.

The Audit and Valuation Committee has considered the valuation of the loans and the associated impairment. It has reviewed the assessments of impairment from the Investment Manager and Platforms and is satisfied that the level of impairment of loans and associated interest in these financial statements is appropriate.

The Audit and Valuation Committee has met with the audit team and has assessed RSM UK Audit LLP's performance to date. The Audit and Valuation Committee received a report and supporting presentation from RSM UK Audit LLP on its audit of the financial statements for the period. The Audit and Valuation Committee read and discussed the Annual Report, with special attention to the considerations included above and concluded that it is fair, balanced and understandable.

Internal audit

The Audit and Valuation Committee and the Board have considered the need for an internal audit function and they have decided that the procedures employed by the Investment Manager and Administrator give sufficient assurance that a sound system of internal control is maintained. Therefore, an internal audit function is not considered to be necessary. However, in accordance with the Audit and Valuation Committee's terms of reference, the requirement will be re-visited annually.

External audit

In accordance with the requirements of the AIC Code and recent changes to the EU regulatory framework, the Company will ensure that the external audit contract is put out to tender at least every 10 years from the appointment date of the current auditor.

RSM UK Audit LLP presented the detailed audit plan to the Audit and Valuation Committee on 26 July 2016. The plan sets out the audit scope, the significant audit risks the Company faces, RSM UK Audit LLP's position on audit independence, materiality, proposed timetable and audit fee. Following the completion of the audit, the Audit and Valuation Committee will review RSM UK Audit LLP's effectiveness by:

- discussing the overall risk-based audit process and the audit procedures taken to address the identified significant audit risks;
- considering the feedback on the audit provided by the Investment Manager and the Administrator; and
- considering the experience, involvement of specialists and continuity of the audit team, including the audit partner.

The feedback provided by the Investment Manager and by the Administrator regarding the audit team's performance was positive. The Audit and Valuation Committee acknowledged that the audit team, including the audit partner, comprised staff with appropriate levels of knowledge and experience. Accordingly, the Audit and Valuation Committee has recommended to the Board that RSM UK Audit LLP be appointed as Auditor at the forthcoming AGM. RSM UK Audit LLP has confirmed its willingness to continue in office.

AUDIT AND VALUATION COMMITTEE REPORT (CONTINUED)

External audit *(continued)*

Certain non-audit services may be provided by the external auditor, subject to the level of fees involved, which are not considered to impair the external auditor's independence or objectivity. The Audit and Valuation Committee considered the safeguards in place to protect the external auditor's independence by taking into account RSM UK Audit LLP's report to the Audit and Valuation Committee that its objectivity has not been compromised. The Audit and Valuation Committee agreed that the following services are prohibited from being provided by the external auditor: bookkeeping, payroll, administration services, management functions, executive recruiting and human resource services, broker-dealer services, expert services unrelated to their audit function and actuarial services. This list may also include any service the Audit and Valuation Committee determines is not permissible.

For the period ended 30 June 2016, total fees, plus VAT, charged by RSM UK Audit LLP, together with amounts accrued at 30 June 2016, amounted to £121,000, of which £44,000 related to audit services, £15,000 was in respect of tax services, and £62,000 related to reporting accountant and tax work on the IPO.

On behalf of the Audit and Valuation Committee

KEN HILLEN

Chairman of the Audit and Valuation Committee

14 October 2016

DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report for the period ended 30 June 2016 has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

Composition

The Remuneration and Nominations Committee comprises all of the Directors of the Company and, until his resignation on 22 July 2016, was chaired by Nick Brind. From 22 July 2016 to 14 October 2016, the Remuneration and Nominations Committee was chaired by Richard Hills. On 14 October 2016, David Stevenson was appointed as chairman of the Remuneration and Nominations Committee in place of Richard Hills.

The Directors, all of whom are independent non-executive Directors, are the only officers of the Company. Copies of the Directors' letters of appointment are available upon request from the Company Secretary and will be available for inspection at the AGM.

Under the terms of their appointment, each of the independent Directors are typically expected to serve an initial three year term, subject to retirement by rotation in accordance with the Company's Articles of Association. Continuation beyond the initial three year term will be subject to re-election by the Shareholders.

Termination policy

Should a Director not be re-elected by Shareholders, or is retired from office under the Articles of Association, the appointment shall be terminated with immediate effect and without compensation.

A Director may resign at any time by notice in writing to the Board in accordance with the provisions of the Articles of Association.

The Company may terminate a Directors appointment with immediate effect should the Director have:

- committed any serious breach or (after warning in writing) any repeated or continued material breach of their obligations to the Company; or
- been guilty of any act of dishonesty, fraud or serious misconduct or any conduct which (in the reasonable opinion of the Board) tends to bring the Director or Company into disrepute.

Remuneration policy

The Directors shall be paid such remuneration for their services as determined by the Remuneration and Nominations Committee, save that, unless otherwise determined by the Company by ordinary resolution, the Directors' combined remuneration shall not exceed £500,000 per annum.

In setting the level of each non-executive Director's fees, the Company had regard to: the time commitments expected; the level of skill and experience of each Director; and the current market and levels of companies of similar size and complexity. Following this evaluation, the Remuneration and Nominations Committee determined that the fees as set out in this remuneration policy were appropriate.

Under the terms of their appointments as non-executive Directors, the Directors are entitled to the following annual fees:

Current Directors

Richard Hills – Chairman and chairman of the Management Engagement Committee	£35,000
Ken Hillen – Chairman of the Audit and Valuation Committee	£30,000
David Stevenson – Chairman of the Remuneration and Nominations Committee	£25,000

Former Directors

Norman Crighton (resigned on 21 June 2016)	£35,000
Nick Brind (resigned on 22 July 2016)	£25,000

All of the Directors are also entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company. The Directors do not participate in any discussions relating to their own fee, which is determined by the other Directors.

The Company does not pay any remuneration to the Directors for loss of office.

On termination of the appointment, Directors shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred prior to that date.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Remuneration policy (continued)

Changes in remuneration

To reflect the increase in workload for each remaining Director as a result of the reduction in the size of the Board from four Directors to three Directors, with effect from 1 July 2016, Richard Hills' remuneration was increased from £35,000 per annum to £37,500 per annum, and Ken Hillen's remuneration was increased from £30,000 per annum to £31,250 per annum.

David Stevenson's remuneration has been increased from £25,000 per annum to £27,500 per annum in recognition of his increased time commitment and additional responsibilities arising from taking over the chair of the Remuneration and Nominations Committee.

With effect from 1 July 2016, the non-executive Directors' remuneration per annum changed to the following:

Richard Hills – Chairman and chairman of the Management Engagement Committee	£37,500
Ken Hillen – Chairman of the Audit and Valuation Committee	£31,250
David Stevenson – Chairman of the Remuneration and Nominations Committee	£27,500

During the period your Directors were called upon to undertake a number of additional responsibilities relating to the Company and its operations as evidenced, in part, by the 15 Board meetings which took place during the period. As with any new company, but particularly one operating in a nascent financial area, there is always extra work to be undertaken in the early stages of its life. In the case of SMEF the workload was well above that expected. In recognition of this the Board has awarded both Richard Hills and David Stevenson an additional £10,000 remuneration for the period, payable in Ordinary Shares of the Company.

Ken Hillen has been asked by the Board to perform additional duties relating specifically to the loans held within the Company's portfolio. These duties will involve monitoring the risk profile of the portfolio in greater detail and attending regular meetings with Amberton to review the composition of the loan portfolio. He may also attend, as an observer only, Credit Committee meetings of the Investment Manager. The Board believes that this increased level of oversight by the Board will be to Shareholders' benefit. To reflect the extra time commitment required of Ken Hillen the Board has awarded him an additional £10,000 per annum compensation, for as long as this situation continues.

Annual report on remuneration

Service contracts obligations and payment on loss of office

No Director has a service contract with the Company and, as such, no Director is entitled to compensation payments upon termination of their appointment or loss of office.

Total remuneration paid to each Director

The total remuneration of the Directors for the period ended 30 June 2016 was:

Richard Hills	£23,253
Nick Brind	£19,298
David Stevenson	£19,298
Norman Crighton (<i>resigned on 21 June 2016</i>)	£26,013
Ken Hillen (<i>appointed on 21 June 2016</i>)	£820
Total	£88,682

All of the above remuneration relates to salary and fees.

Directors are not eligible for bonuses, share options or long-term incentive schemes or other performance-related benefits. There are no pension arrangements in place for the Directors of the Company. Accordingly, there were no other items in the nature of remuneration, pension entitlements or incentive scheme arrangements which were paid or accrued to the Directors during the period.

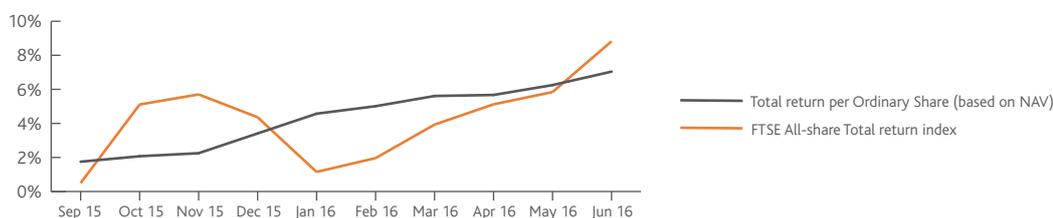
During the period, no payments were made to persons who had previously been directors of the Company.

Share price total return

The following graph compares the total return on the Company's Ordinary Shares to that of the FTSE All-Share Total Return Index ("ASX Total Return Index") from the IPO to 30 June 2016.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Share price total return (continued)



Relative importance of spend on pay

The table below shows the proportion of the Company's income spent on pay.

	<i>Period ended 30 June 2016</i>
	£
Total Directors' remuneration	88,682
Total dividend payments ^[1]	2,606,687

^[1] Total dividend payments includes the interim dividends which were paid from the profits of the Company for the period ended 30 June 2016, including the dividends paid on 29 July 2016 and 26 August 2016 of £315,962 each, which were not provided for at 30 June 2016 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date.

Directors' shareholdings in the Company

Directors are not required under the Company's Articles of Association or letters of appointment to hold shares in the Company. However, as at 30 June 2016, and at the date of this report, Directors' shareholdings in the Company were as follows:

David Stevenson	10,000 Ordinary Shares
Norman Crighton (<i>resigned on 21 June 2016</i>)	20,000 Ordinary Shares

Board diversity

Currently the Board has three male Directors. The Remuneration and Nominations Committee considers the current structure, size and composition required of the Board, taking into account the challenges and opportunities facing the Company. In considering future candidates, appointments will be made with regard to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skills, experience and expertise.

The Remuneration and Nominations Committee, and the Board, are committed to diversity at Board level and are supportive of increased gender diversity but recognises that it may not always be in the best interests of Shareholders to prioritise this above other factors. The Remuneration and Nominations Committee will consider gender diversity, along with all other relevant factors, when making future recommendations.

Implementation of Remuneration Policy

Period ended 30 June 2016

During the financial year ended 30 June 2016, the major decisions on Directors' remuneration have been restricted to formally outlining the Remuneration Policy. All other matters relating to Directors' remuneration have been decided in accordance with the Company's Prospectus. Accordingly, there were no substantial changes to Directors' remuneration during the period ended 30 June 2016.

Year ending 30 June 2017

The Company intends to implement the Directors' Remuneration Policy, subject to it receiving Shareholder approval at the forthcoming AGM, in the next financial year in line with the approach taken to Directors' remuneration during the period under review. This may include a review of fees against peer companies and in light of the time commitment and skills of the Directors. However, it is not expected that the Remuneration and Nomination Committee will recommend any change to those noted in the Remuneration Policy.

On behalf of the Board

DAVID STEVENSON

Chairman of the Remuneration and Nominations Committee

14 October 2016

REGULATORY DISCLOSURES

AIFMD disclosures

In accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company is classified as an Alternative Investment Fund ("AIF") and has appointed the Investment Manager as its Alternative Investment Fund Manager ("AIFM") to provide portfolio management and risk management services to the Company in accordance with the investment management agreement.

The Company is categorised as an externally managed European Economic Area ("EEA") domiciled AIF for the purposes of the AIFMD. As the Investment Manager in a non-EEA AIFM, the Investment Manager is only subject to the AIFMD to the extent that it markets an EEA AIF in the EEA. Therefore, the Investment Manager is required to make certain financial and non-financial disclosures.

Report on remuneration

The AIFMD requires certain disclosures to be made with regard to the remuneration policy of the Company's AIFM. The total remuneration of the staff of the Investment Manager during the period was £244,000, comprising £221,000 fixed and £23,000 variable remuneration. There were five beneficiaries. The aggregate amount of remuneration of senior management and members of staff of the AIFM whose actions have a material impact on the risk profile of the Company during the period was £244,000. All of the Investment Manager's activities, and therefore the salaries, in the period related to the Company.

Risk disclosures

The financial risk disclosures relating to the risk framework and liquidity risk, as required by the AIFMD, are set out in note 24.

Pre-investment disclosures

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information to be disclosed in the annual report of each AIF. The Company's Prospectus, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and Shareholder information, is available on the Company's website (www.thesmeloanfund.com). Except for the changes to the investment restrictions, which were approved by Shareholders at the general meeting held on 3 August 2016, there have been no changes to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SME LOAN FUND PLC

We have audited the group and parent company financial statements ("the financial statements") on pages 28 to 47. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 16, the 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 law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2016 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;

MALCOLM PIROUET (*Senior Statutory Auditor*)

For and on behalf of
RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street, London EC4A 4AB
14 October 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 13 July 2015 (incorporation) to 30 June 2016

	Note	Period from 13 July 2015 (incorporation) to 30 June 2016 £'000
Revenue		
Investment income		3,764
Other income		1
Total revenue		3,765
Operating expenses		
Management fees	7a	(295)
Administration fees	7b	(129)
Directors' remuneration	8	(89)
Legal and professional fees		(71)
Other expenses	11	(69)
Broker fee		(61)
Audit fees	10	(44)
Custodian fee		(19)
Registrar fees		(17)
Auditors' non-audit and taxation fees	10	(15)
Total operating expenses		(809)
Investment gains and losses		
Movement in unrealised gains on loans	15	1,551
Movement in unrealised gain on investments at fair value through profit or loss	16	307
Movement in unrealised gain on derivative financial instruments	18	23
Realised loss on derivatives	18	(1,214)
Total investment gains and losses		667
Net profit from operating activities before gain on foreign currency exchange		3,623
Net foreign exchange gain		34
Net profit before taxation		3,657
Taxation		
Withholding tax	12	(2)
Profit and total comprehensive income for the period attributable to the owners of the parent		3,655
Earnings per Ordinary Share (basic and diluted)	13	6.94p

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

There were no other comprehensive income items in the period.

Except for investment gains and losses, all of the Company's profit and loss items are distributable.

The accompanying notes on pages 32 to 47 form an integral part of the consolidated financial statements.

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

for the period from 13 July 2015 (incorporation) to 30 June 2016

<i>Consolidated and Parent Company</i>	<i>Note</i>	<i>Called up share capital £'000</i>	<i>Share premium account £'000</i>	<i>Distributable reserves £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
Opening balance at 13 July 2015		–	–	–	–	–
Profit for the period	22	–	–	–	3,655	3,655
<i>Transactions with Owners in their capacity as owners:</i>						
Share capital issued	21	577	52,133	–	–	52,710
Share issue costs	22	–	(990)	–	–	(990)
Dividends paid	5,22	–	–	–	(1,975)	(1,975)
Cancellation of share premium account	22	–	(51,143)	51,143	–	–
Total transactions with Owners in their capacity as owners		577	–	51,143	(1,975)	49,745
At 30 June 2016		577	–	51,143	1,680	53,400

There were no other comprehensive income items in the period.

The above amounts are all attributable to the owners of the Parent Company.

The accompanying notes on pages 32 to 47 form an integral part of the consolidated financial statements.

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

as at 30 June 2016

	Note	Consolidated 30 June 2016 £'000	Parent Company 30 June 2016 £'000
Non-current assets			
Loans	15	28,449	28,449
Investments at fair value through profit or loss	16	1,981	1,981
Total non-current assets		30,430	30,430
Current assets			
Loans	15	17,625	17,625
Cash held on client accounts with Platforms	15	359	359
Investment in subsidiary	14	–	41,088
Derivative financial instruments	18	23	23
Other receivables and prepayments	19	3,163	3,163
Cash and cash equivalents		2,192	2,192
Total current assets		23,362	64,450
Total assets		53,792	94,880
Current liabilities			
Amount due to subsidiary	14	–	(41,088)
Other payables and accruals	20	(392)	(392)
Total liabilities		(392)	(41,480)
Net assets		53,400	53,400
Capital and reserves attributable to owners of the Company			
Called up share capital	21	577	577
Distributable reserve	22	51,143	51,143
Profit and loss account	22	1,680	1,680
Equity attributable to the owners of the Parent Company		53,400	53,400
Net asset value per Ordinary Share	23	101.31p	101.31p

These consolidated and Parent Company financial statements of The SME Loan Fund plc (registered number 09682883) were approved by the Board of Directors on 14 October 2016 and were signed on its behalf by:

RICHARD HILLS

Chairman

14 October 2016

KEN HILLEN

Director

14 October 2016

The accompanying notes on pages 32 to 47 form an integral part of the consolidated financial statements.

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CASH FLOWS

for the period from 13 July 2015 (incorporation) to 30 June 2016

	<i>Consolidated Period from 13 July 2015 (incorporation) to 30 June 2016 £'000</i>	<i>Parent Company Period from 13 July 2015 (incorporation) to 30 June 2016 £'000</i>
Cash flows from operating activities		
Net profit before taxation	3,657	3,655
<i>Adjustments for:</i>		
Movement in unrealised gains on loans	(1,551)	(939)
Movement in unrealised gain on investment at fair value through profit or loss	(307)	(919)
Movement in unrealised gain on derivatives	(23)	(23)
Realised loss on derivatives	1,214	1,214
Interest received and reinvested by Platforms	(1,505)	(1,505)
Capitalised interest	(23)	(23)
Increase in investments	(9,439)	(9,439)
Net cash outflow from operating activities before working capital changes	(7,977)	(7,979)
Increase in other receivables and prepayments	(624)	(624)
Increase in other payables and accruals	260	260
Net cash outflow from operating activities	(8,341)	(8,343)
Cash flows from financing activities		
Proceeds from issue of Management Shares	50	50
Proceeds from issue of Ordinary Shares	12,801	12,801
Share issue costs paid	(473)	(473)
Dividend paid	(1,843)	(1,843)
Net cash inflow from financing activities	10,535	10,535
Taxation paid	(2)	-
Increase in cash and cash equivalents in the period	2,192	2,192
Cash and cash equivalents at the beginning of the period	-	-
Cash and cash equivalents at 30 June 2016	2,192	2,192
Supplemental cash flow information		
Non-cash transaction – receipt of seed portfolio for issue of Ordinary Shares	40,271	40,271
Non-cash transaction – interest received and reinvested by Platforms	1,505	1,505

The accompanying notes on pages 32 to 47 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016

1. GENERAL INFORMATION

The Company was incorporated in England and Wales under the Companies Act 2006 on 13 July 2015 with registered number 09682883 and its shares were listed on the London Stock Exchange Specialist Fund Segment 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, together with its subsidiary (the "Group"), 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 Group 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 Amberton Asset Management Limited (the "Investment Manager") in accordance with the Group's investment policy.

Investment policy

The Group intends to achieve its investment objective by investing in a range of loans originated principally through the Investee Platforms. The Group may also make investments through other third party alternative lending Platforms that are identified as suitable investment opportunities by Amberton Asset Management Limited.

Note: Words and expressions defined in the prospectus relating to the Company dated 1 September 2015 (a copy of which is available on the Company's website) have the same meanings when used in the "Investment objective" and "Investment policy" sections above.

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

Change of name

In March 2016, the investment manager of the Group underwent a rebranding exercise from GLI Asset Management Limited to Amberton Asset Management Limited. Furthermore, the investment policy of the Group was being amended to bring greater exposure to high quality alternative finance loans, with such changes due to be voted upon at the General Meeting to be held on 3 August 2016. In order to reflect this change in strategy, the Board decided to change the name of the Company from GLI Alternative Finance plc to The SME Loan Fund plc with effect from 31 August 2016. The ticker for the Ordinary Shares was also changed to SMEF:LN.

2. STATEMENT OF COMPLIANCE

a) Basis of preparation

These financial statements present the results of the Company and its subsidiary (together the "Group") for the period from 13 July 2015 (incorporation) to 30 June 2016. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

These financial statements have not been prepared in full accordance with the Statement of Recommended Practice ("SORP") for investment trusts issued by the AIC in January 2009, as the main driver of the SORP is to disclose the allocation of expenses between revenue and capital, thereby enabling a user of the financial statements to determine distributable reserves. However, with the exception of investment gains and losses, all of the Group's and Company's profit and loss items are of a revenue nature as it does not allocate any expenses to capital. Therefore, the Directors believe that full compliance with the SORP would not be of benefit to users of the financial statements. Further details on the distributable reserves are provided in note 22.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial assets (including derivative instruments), which are measured at fair value through profit or loss. The financial statements have been prepared on a going concern basis (note 4i).

c) Segmental reporting

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

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

2. STATEMENT OF COMPLIANCE (continued)

d) Use of estimates and judgements

The preparation of financial statements in conformity with 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 expenses. 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 financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

e) Basis of consolidation

The 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.

A separate income statement for the Parent Company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

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 Consolidated Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities are recognised in the Consolidated Statement of Comprehensive Income.

b) Financial assets and liabilities

The financial assets and liabilities of the Group are defined as loans, bonds with loan type characteristics, investments at fair value through profit or loss, cash and cash equivalents, other receivables and other payables.

Recognition

The Group 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 Group 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 Consolidated Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial liabilities not designated as at fair value through profit or loss, such as loans, are initially recognised at fair value, being the amount issued less transaction costs.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

After initial measurement, the Group measures financial assets designated as loans and receivables, and financial liabilities not designated as at fair value through profit or loss, at amortised cost using the effective interest rate method, less impairment allowance. Gains and losses are recognised in the Consolidated Statement of Comprehensive Income when the asset or liability is derecognised or impaired. Interest earned on these instruments is recorded separately as interest income.

After initial measurement, the Group 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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group's continuing involvement in the asset.

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

Impairment

A financial asset is impaired when the recoverable amount is estimated to be less than its carrying amount.

An impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation decrease.

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 Group 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 Group's expenses (with the exception of share issue costs, which are charged directly to the distributable reserve) are charged through the 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 has elected 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".

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**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 financial statements. Any standards that are not deemed relevant to the operations of the Group 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 Group'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.

		<i>Effective date</i>
IFRS 7	Financial Instruments: Disclosures	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IAS 1	Presentation of Financial Statements	1 January 2016
IAS 7	Statement of Cash Flows	1 January 2017
IAS 27	Separate Financial Statements	1 January 2016
	Annual improvements to IFRSs 2012-2014 Cycle	1 January 2016

4. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the 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 Group's accounting policies, management has made the following judgements, which have had the most significant effects on the amounts recognised in the financial statements:

i) Going concern

After making reasonable enquiries, and assessing all data relating to the Group's liquidity, the Directors have a reasonable expectation that the Group 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 or Group. Therefore, financial statements have been prepared on a going concern basis.

Estimates and assumptions

The Group based its assumptions and estimates on parameters available when the 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 Group. Such changes are reflected in the assumptions when they occur.

i) Recoverability of loans and other receivables

The Directors assess the recoverability of the Group's loans to determine whether any impairment provision is required. A loan is impaired when the borrower has failed to make a payment, either capital or interest, when contractually due. The Group 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 30 June 2016, the Group's financial instruments at fair value through profit or loss comprised unlisted preference shares, unlisted equity shares and derivative financial instruments. See note 17 for details of the bases of valuation.

ii) Valuation of unlisted preference shares

The Directors assess the fair value of the Group's unlisted preference shares, making estimates and assumptions regarding future interest and/or capital payment defaults and cost of capital in formulating Present Value calculations.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

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 is targeting a net dividend yield of 8% per annum of the Issue Price per Ordinary Share as at Admission. The Company intends to continue to pay monthly dividends to Shareholders.

As stated in the Company's Prospectus, the Company has elected to designate all of the dividends for the period ended 30 June 2016 as interest distributions 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 30 June 2016:

<i>Announcement date</i>	<i>Pay date</i>	<i>Total dividend declared in respect of earnings in the period £'000</i>	<i>Amount per Ordinary Share</i>
25 November 2015	30 December 2015	316	0.60p
24 December 2015	29 January 2016	210	0.40p
25 January 2016	26 February 2016	290	0.55p
16 February 2016	30 March 2016	290	0.55p
15 March 2016	26 April 2016	290	0.55p
22 April 2016	27 May 2016	290	0.55p
25 May 2016	24 June 2016	290	0.55p
28 June 2016	29 July 2016	316	0.60p
14 July 2016	26 August 2016	316	0.60p
		2,608	4.95p

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 £1,975,000 was incurred in respect of dividends, none of which was outstanding at the reporting date. The eighth and ninth dividends of £316,000 each had not been provided for at 30 June 2016 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date.

All dividends in the period were paid out of revenue (and not capital) profits.

On 23 August 2016, the Company declared a dividend of 0.60 pence per share for the period from 1 July 2016 to 31 July 2016. This dividend will be paid on 23 September 2016.

On 21 September 2016, the Company declared a dividend of 0.60 pence per share for the period from 1 July 2016 to 31 August 2016. This dividend will be paid on 28 October 2016.

6. RELATED PARTIES

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.

Transactions with GLIF

The Company purchased the subsidiary (see note 14) from GLIF, a significant shareholder of the Company and a 50% shareholder of the Investment Manager, on Admission, in return for 40,270,763 Ordinary Shares in the Company. In addition, during the period the Group purchased loans and associated interest of £4,675,000 from GLIF.

The Group also purchased a loan from Sancus Limited (a subsidiary of GLIF) of £1,250,000 as part of a co-investment agreement, for which GLIF was the borrowing party of the original loan. As at 30 June 2016, the outstanding balance of the loan was £1,250,000 and during the period ended 30 June 2016, the Group earned interest on the loan of £84,000, of which £4,000 was outstanding as at 30 June 2016.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

6. RELATED PARTIES (continued)

Transactions with GLIF (continued)

Further, on 23 December 2015, GLIF agreed to buy back a loan and associated accrued interest from the Group. GLIF agreed that interest would continue to accrue to the Group, on the same terms, until such time that GLIF repaid the loan.

As at 30 June 2016, GLIF owed the Group £2,392,000, which related solely to the above mentioned loan and accrued interest.

On 30 June 2016, GLIF guaranteed 100% of the outstanding principal of a £1,200,000 loan from the Group to one of the Platforms and all of the associated interest. 85% of the principal, plus all associated interest to 30 September 2016, was paid to the Group by GLIF, as part of a larger transaction, on 30 September 2016.

Transactions with subsidiary undertaking

Details of the transactions with the Company's subsidiary undertaking are disclosed in note 14.

7. KEY CONTRACTS

a) Investment Manager

The Group 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.

During the period, a total of £295,000 was incurred in respect of management fees, of which £93,000 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 work on investment transactions. During the period, a total of £129,000 was incurred in respect of administration fees, of which £35,000 was payable at the reporting date.

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

8. DIRECTORS' REMUNERATION

The Directors are paid such remuneration for their services as determined by the Board. Under the terms of their appointments, the Chairman of the Company receives £35,000 per annum, the chairman of the Audit and Valuation Committee receives £30,000 per annum and other non-executive Directors receive £25,000 per annum.

During the period, a total of £89,000 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.

9. KEY MANAGEMENT AND EMPLOYEES

The Group had no employees during the period. Therefore, there were no key management (except for the Directors) or employee costs during the period.

10. AUDITOR'S REMUNERATION

For the period ended 30 June 2016, total fees, plus VAT, charged by RSM UK Audit LLP, together with amounts accrued at 30 June 2016, amounted to £121,000, of which £44,000 related to audit services, £15,000 was in respect of tax services, and £62,000 (included in Share issue costs) related to reporting accountant and tax work on the IPO. As at 30 June 2016, £23,000 was due to RSM UK Audit LLP.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

11. OTHER EXPENSES

*Period from 13 July 2015
(incorporation)
to 30 June 2016
£'000*

Website costs	18
Other expenses	15
Listing fees	14
Travel costs	13
Directors' liability insurance	6
Printing costs	3
	69

12. 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 has elected 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.

13. EARNINGS PER ORDINARY SHARE

The earnings per Ordinary Share of 6.94p is based on a profit attributable to the owners of the Company of £3,655,000 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.

14. INVESTMENT IN SUBSIDIARY UNDERTAKING

Details of the subsidiary undertaking held by the Company at 30 June 2016 were as follows:

<i>Name of subsidiary undertaking</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>% of ordinary shares held</i>
GLI Alternative Finance Guernsey Limited	Guernsey	Dormant (previously lending)	100%

During the period, loans and associated interest of £41,178,000 were novated from the subsidiary undertaking to the Company. As at 30 June 2016, the investment in the subsidiary, designated as an investment at fair value through profit or loss, was held at £41,088,000. As at 30 June 2016, the Company owed £41,088,000 to the subsidiary.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

15. LOANS

	<i>Consolidated Period from 13 July 2015 (incorporation) to 30 June 2016 £'000</i>	<i>Parent Company Period from 13 July 2015 (incorporation) to 30 June 2016 £'000</i>
Amortised cost	44,882	45,494
Unrealised gain*	1,551	939
Balance at period end	46,433	46,433
Loans: Current	17,625	17,625
Non-current	28,449	28,449
Cash held on client accounts with Platforms	359	359
	46,433	46,433
*Unrealised gain		
Foreign exchange on non-Sterling loans	1,946	1,334
Impairments	(395)	(395)
Unrealised gain	1,551	939

The weighted average interest rate of the loans as at 30 June 2016 was 9.49%.

A loan is impaired when the borrower has failed to make a payment, either capital or interest, when contractually due. The Group 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 30 June 2016, repayments of £181,000 were past due but not impaired, aged as follows:

	<i>£'000</i>
Less than 30 days overdue	16
More than 30 days but less than 90 days overdue	165
	181

At 30 June 2016, the Board considered £395,000 of loans to be impaired as, following routine investigation of loan performance, Amberton received evidence of delayed and missed interest payments in respect of the below loans. This evidence indicated that the loans' recoverability would be less than their carrying value and by liaising directly with the platforms to establish a recovery rate, Amberton had estimated a recoverable amount as at 30 June 2016.

	<i>£'000</i>
Funding Knight	285
Liftforward	110
Total impairment	395

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

16. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Consolidated and Parent Company Period from 13 July 2015 (incorporation) to 30 June 2016 £'000</i>
Additions in the period	1,674
Unrealised gain	307
Balance at period end	1,981

For further information on the investments at fair value through profit or loss, see note 17.

17. 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 30 June 2016, the financial instruments designated at fair value through profit or loss were as follows:

<i>Financial assets</i>	<i>30 June 2016</i>			<i>Total £'000</i>
	<i>Level 1 £'000</i>	<i>Level 2 £'000</i>	<i>Level 3 £'000</i>	
Unlisted preference shares	–	–	1,940	1,940
Unlisted equity shares	–	–	41	41
Derivative financial instruments (<i>note 18</i>)	–	23	–	23
Total financial assets designated as at fair value through profit or loss	–	23	1,981	2,004

The Group holds unlisted 25% preference shares, unlisted equity shares and derivative financial instruments. The fair value of the unlisted preference shares has been calculated using a Present Value formula, based on estimates and assumptions regarding future interest and/or capital payment defaults and cost of capital. The unlisted equity shares are carried at the net asset value of the underlying entity, and derivative financial instruments, being foreign currency forward contracts, are valued at the exchange rate at the reporting date.

The Group's holding of unlisted 25% preference shares is categorised as Level 3. The valuation of investment is subject to certain unobservable inputs used in the fair value measurement and valuation process. At 30 June 2016, the unobservable input and sensitivity of this input was as follows:

- *Impairment of investment's underlying loan portfolio*
If the impairment of the investment's underlying loan portfolio, which directly affects the return of the 25% preference shares and was applied in the valuation, increased from 4% per annum to 8% per annum, the valuation of the investment would decrease by £38,793. A 4% decrease in the impairment would increase the valuation by £38,793.

Level 2 financial instruments include foreign currency forward contracts. They are valued using observable inputs (in this case foreign currency spot rates).

Transfers between levels

There were no transfers between levels in the period.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

18. DERIVATIVE FINANCIAL INSTRUMENTS

During the period, the Group entered into foreign currency forward contracts to hedge against foreign exchange fluctuations. The Group realised a loss of £1,214,000 on forward foreign exchange contracts that settled during the period.

As at 30 June 2016, the open forward foreign exchange contracts were valued at £23,000.

19. OTHER RECEIVABLES AND PREPAYMENTS

	<i>Consolidated and Parent Company 30 June 2016 £'000</i>
Due from GLI Finance Limited (<i>note 6</i>)	2,392
Accrued interest	651
Other receivables	102
Prepayments	18
	3,163

20. OTHER PAYABLES AND ACCRUALS

	<i>Consolidated and Parent Company 30 June 2016 £'000</i>
Withholding taxation on dividends	131
Management fee	93
Deferred investment income	62
Administration fee	35
Audit fee	23
Broker fee	23
Travel costs	13
Other payables and accruals	12
	392

21. SHARE CAPITAL

	<i>Consolidated and Parent Company 30 June 2016 £'000</i>
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

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

21. SHARE CAPITAL (continued)

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

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.

22. RESERVES

The Profit and loss account is made up as follows:

	<i>Consolidated and Parent Company 30 June 2016 £'000</i>
Realised revenue profit	2,988
Investment gains and losses	667
Dividends paid	(1,975)
	1,680
Distributable reserves	1,013
Non-distributable reserves	667
	1,680

With the exception of investment gains and losses, all of the Group's and Company's profit and loss items are of a revenue nature as it does not allocate any expenses to capital.

The two £316,000 dividends (see note 5), which were declared on 28 June 2016 and 14 July 2016 respectively, will be paid out of the £1,013,000 remaining realised revenue profit.

During the period, and following the approval of the Court, the Company cancelled the share premium account and transferred £51,143,000 to a special distributable reserve, being premium on issue of shares of £52,133,000 less share issue costs of £990,000.

23. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary Share is based on the net assets attributable to the owners of the Parent Company of £53,400,000, less £50,000, being amounts owed in respect of Management Shares, and on 52,660,350 Ordinary Shares in issue at the period end.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Investment Manager manages the Group'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 majority shareholder of the Investment Manager (GLIF) holds a strategic equity investment. The Group also makes investments through other third party alternative lending Platforms that are identified as suitable investment opportunities by the Investment Manager.

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

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring. The Group 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 Group's exposure to these financial risks, in order to create and protect Shareholder value.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 Group.

The Group 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 Group.

The market in which the Group 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.

Risk concentration

Concentration indicates the relative sensitivity of the Group'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 Group 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 Group has established the following investment restrictions in respect of the general deployment of assets.

Geographical

The Group makes loans to SMEs in a broad spread of jurisdictions, but weighted towards the UK. The Group 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 Group 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 Group 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 Group 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 Group's top ten investments (measured by Gross Assets), the Group 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 Group 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 Group's top ten investments, and not more than 1% of Gross Assets (calculated at the time of investment) outside the Group'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 Group's portfolio complies with the investment restrictions going forward. In particular, the Group's largest loan to a single issuer was in excess of the 2.5% limit, but this breach was rectified in the period, and ten positions outside of the top ten were in excess of the 1% limit. By 30 June 2016, only four positions outside of the top ten were in breach of the 1% limit.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 Group may suffer through holding market positions in the face of price movements. The investments at fair value through profit or loss (see notes 16 and 17) are exposed to price risk and it is not the intention to mitigate the price risk.

At 30 June 2016, if the valuation of the investments 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 +/- £99,000. The maximum price risk resulting from financial instruments is equal to the £1,981,000 carrying value of the investments 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 currency exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group invests in securities and other investments that are denominated in currencies other than Sterling. Accordingly, the value of the Group's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Group will necessarily be subject to foreign exchange risks.

As at 30 June 2016 a proportion of the net financial assets of the Group, excluding the foreign currency forward contracts, were denominated in currencies other than Sterling as follows:

	<i>Investments at fair value through profit or loss 30 June 2016 £'000</i>	<i>Loans and receivables 30 June 2016 £'000</i>	<i>Cash and cash equivalents 30 June 2016 £'000</i>	<i>Net exposure 30 June 2016 £'000</i>
US Dollars	1,940	7,144	318	9,402
Euros	25	5,467	10	5,502
	1,965	12,611	328	14,904

In order to limit the exposure to foreign currency risk, the Group entered into hedging contracts during the period. At 30 June 2016, the Group held foreign currency forward contracts to sell US\$12,100,000 and €6,300,000 with a settlement date of 15 July 2016.

Other future foreign exchange hedging contracts may be employed, such as currency swap agreements, futures contracts and options. There can be no certainty as to the efficacy of any hedging transactions.

At 30 June 2016, 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 30 June 2016 would have decreased/increased by £(27,000)/£29,000.

(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 Group 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 £2,192,000 and loans of £1,700,000 through two Platforms were the only interest bearing financial instruments subject to variable interest rates at 30 June 2016. 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 £19,000.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

	<i>Fixed interest £'000</i>	<i>Variable interest £'000</i>	<i>Non-interest bearing £'000</i>	<i>Total £'000</i>
Financial Assets				
Loans	44,374	1,700	–	46,074
Cash held on client accounts with Platforms	–	–	359	359
Investments at fair value through profit or loss	–	–	1,981	1,981
Derivative financial instruments	–	–	23	23
Other receivables	2,317	–	828	3,145
Cash and cash equivalents	–	2,192	–	2,192
Total financial assets	46,691	3,892	3,191	53,774
Financial Liabilities				
Other payables	–	–	(330)	(330)
Total financial liabilities	–	–	(330)	(330)
Total interest sensitivity gap	46,691	3,892	2,861	53,444

The Investment Manager manages the Group'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 Group 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 Group. The Group 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.

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 Group, resulting in a financial loss to the Group.

At 30 June 2016, credit risk arose principally from cash and cash equivalents of £2,192,000 and balances due from the Platforms of £46,433,000. The Group seeks to trade only with reputable counterparties that the Investment Manager believes to be creditworthy.

The Group's credit risks principally arise through exposure to loans provided by the Group to/through Platforms. These loans are subject to the risk of borrower default. Where a loan has been made by the Group through a Platform, the Group 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 Group 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 Group. The Group 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.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is defined as the risk that the Group 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 30 June 2016 was low since the ratio of cash and cash equivalents to unmatched liabilities was 6:1.

The Investment Manager manages the Group'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, as detailed in the Investment Manager's Report, is as follows:

	<i>Percentage</i>
0 to 6 months	24.1
6 months to 18 months	21.8
18 months to 3 years	30.1
Greater than 3 years	24.0
	100.0

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group. The Company's capital comprises issued share capital, retained earnings and a distributable reserve created from the cancellation of the Company's share premium account.

To maintain or adjust the capital structure, the Company may issue new Ordinary Shares and/or C Shares, buy back shares for cancellation or buy back shares to be held in treasury. During the period ended 30 June 2016, the Company did not issue any new Ordinary or C shares, other than those shares issued at launch, nor did it buy back any shares for cancellation or to be held in treasury.

The Company is subject to externally imposed capital requirements in relation to its statutory requirement relating to dividend distributions to Shareholders.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

26. EVENTS AFTER THE REPORTING PERIOD

Two dividends of 0.6p per Ordinary Share, which (in accordance with IFRS) were not provided for at 30 June 2016, have been declared out of the profits for the period ended 30 June 2016 (see note 5).

On 23 August 2016, the Company declared a dividend of 0.6p per Ordinary Share for the period from 1 July 2016 to 31 July 2016. This dividend will be paid on 23 September 2016. On 21 September 2016, the Company declared a dividend of 0.6p per Ordinary Share for the period from 1 July 2016 to 31 August 2016. This dividend will be paid on 28 October 2016.

On 22 July 2016, the Company announced a change of name from GLI Alternative Finance plc to The SME Loan Fund plc, to take effect from 31 August 2016.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

for the period from 13 July 2015 (incorporation) to 30 June 2016 (continued)

26. EVENTS AFTER THE REPORTING PERIOD (continued)

On 3 August 2016, the Group changed its investment restrictions, following a General Meeting, as per the Circular dated 7 July 2016. In summary, the changes were that:

- No more than 70% of the Company's gross assets will be invested in UK loan assets, with at least 30 per cent, of gross assets being invested in loan assets from other jurisdictions around the world;
- The Group will invest at least 20% of gross assets in loan assets where the duration to maturity of the loan asset is less than six months. The Group will invest no more than 40% of gross assets in loan assets where the duration to maturity of the loan asset is between six months and 18 months. The Group will invest no more than 40% of gross assets in loan assets where the duration to maturity is greater than 18 months but less than 36 months. The Group will invest no more than 40% of gross assets in loan assets where the duration to maturity is 36 months or longer;
- No more than 50% of gross assets will be held in unsecured loan assets;
- At any time, the total amount of working capital loans will be limited to 5% of gross assets in aggregate;
- The Group will invest no more than 2.5% of gross assets into an individual credit risk for the Group's top ten investments and no more than 2% of gross assets for investments outside the top ten;
- The Group may employ borrowings of up to 150% of net asset value; and
- The Group's un-invested or surplus capital or assets may be invested in cash instruments for cash management purposes.

There were no other significant events after the reporting period.

27. PARENT AND ULTIMATE PARENT COMPANY

The Directors do not believe that the Company has an individual Parent or Ultimate Parent.

NOTICE OF ANNUAL GENERAL MEETING

(incorporated in England and Wales with registered number 09682883 and registered as an investment company under section 833 of the Companies Act 2006) (the "Company")

NOTICE is hereby given that the first annual general meeting of the Company (the "AGM") will be held at the offices of Elysium Fund Management Limited, 1st Floor, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey GY1 3JX on 9 December 2016 at 12:00 pm to consider and, if thought fit, to pass the following resolutions, resolutions 1 – 9 which are proposed as ordinary resolutions and resolutions 10 and 11 which are proposed as special resolutions:

ORDINARY BUSINESS

1. To receive the Company's audited consolidated financial statements for the period from the date of incorporation (being 13 July 2015) to 30 June 2016, together with the Directors' Report and the Independent Auditors' Report on those statements.
2. To approve the Directors' Remuneration Policy.
3. To approve the Remuneration Report for the period from the date of incorporation (being 13 July 2015) to 30 June 2016.
4. To re-elect RSM UK Audit LLP as auditor of the Company until the conclusion of the next annual general meeting.
5. To authorise the Company's Audit and Valuation Committee to determine the remuneration of the auditors.
6. To re-elect Kenneth James Gribben Hillen as a Director of the Company.
7. To re-elect Richard John Hills as a Director of the Company.
8. To re-elect David Clive Stevenson as a Director of the Company.

SPECIAL BUSINESS

9. That the Directors of the Company be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to exercise all the powers of the Company to shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £526,603.50 (or, if less, the number representing 10% of the issued Ordinary Share capital of the Company as at the date of the passing of this Resolution), such authority to replace any existing authorities granted to the Directors in respect of the allotment of shares pursuant to section 551 of the Companies Act 2006, which are hereby revoked, and (ii) to expire at the conclusion of the Company's next annual general meeting to be held in 2017, save that the Company may, before such expiry make offers or agreements which would or might require shares to be allotted after such expiry and the Directors may allot Ordinary Shares in pursuance of such offers or agreements as if the authority conferred by this Resolution had not expired.

Explanatory note: This authority will allow the Directors to allot new shares and to grant rights to subscribe for or convert other securities into shares up to a nominal value of £526,603.50, which is equivalent to 10% of the issued share capital of the Company at the date of this Notice.

The purpose of Resolution 9 is to give the Board flexibility to respond to market developments and to enable allotments to take place to finance business opportunities as they arise. However, no shares will be issued at a price less than the prevailing net asset value per Ordinary Share at the time of issue.

The authority conferred by Resolution 9 shall expire at the conclusion of the Company's next annual general meeting in 2017. The Directors intend to seek renewal of this authority at each annual general meeting thereafter.

10. That, subject to and conditional upon the passing of Resolution 9 and in substitution for any existing authority under sections 570 and 573 of the Companies Act 2006 but without prejudice to the exercise of any such authority prior to the date of the passing of this Resolution, the Directors of the Company be and are hereby empowered pursuant to section 570 and section 573 of the Companies Act 2006 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash pursuant to the authority conferred on the Directors by Resolution 9 and to sell Ordinary Shares from treasury for cash, as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, up to an aggregate nominal amount of £526,603.50 (or, if less, the number representing 10% of the issued Ordinary Share capital of the Company as at the date of the passing of this Resolution) and at a price of not less than net asset value per share as close as practicable to the allotment or sale, such power to expire at the conclusion of the Company's next annual general meeting in 2017 (unless previously renewed, varied or revoked by the Company in general meeting) save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require Ordinary Shares to be allotted or sold from treasury after the expiry of such power and the Directors may allot or sell Ordinary Shares from treasury in pursuance of such an offer or agreement as if such power had not expired.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

SPECIAL BUSINESS (continued)

10. (continued)

Explanatory note: The Directors require specific authority from shareholders before allotting new Ordinary Shares (or selling Ordinary Shares held by the Company in treasury) for cash (pursuant to the authority proposed at Resolution 9 above) without first offering them to existing shareholders in proportion to their holdings. Resolution 10 empowers the Directors to allot new Ordinary Shares (or to sell Ordinary Shares held by the Company in treasury) for cash, otherwise than to existing shareholders on a pro rata basis, up to such number of Ordinary Shares as is equal to 10% of the Ordinary Shares in issue on the date Resolution 10 is passed. No issue of new Ordinary Shares (or sale of Ordinary Shares held by the Company in treasury) will be made on a non-pre-emptive basis pursuant to Resolution 10 at a price less than the prevailing net asset value per Ordinary Share at the time of issue (or sale).

The authority conferred by Resolution 10 will expire at the conclusion of the Company's next annual general meeting in 2017, unless previously renewed, varied or revoked by the Company in general meeting.

11. That the Company be and is hereby generally authorised, in accordance with section 701 of the Companies Act 2006, to make market purchases (within the meaning of section 693(4) the Companies Act 2006) of Ordinary Shares in the capital of the Company, provided that:

- a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 7,893,790 (or, if less, the number representing 14.99% of the issued Ordinary Share capital of the Company as at the date of the passing of this Resolution);
- b) the minimum price which may be paid for an Ordinary Share shall be £0.01;
- c) the maximum price, exclusive of expenses, which may be paid for an Ordinary Share shall be the higher of an amount equal to:
 - (i) 105% of the average of the middle market quotations on the relevant market where the repurchase is carried out for an Ordinary Share for the five business days immediately preceding the date of a purchase; and
 - (ii) the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share;
- d) such authority shall expire at the conclusion of the next annual general meeting of the Company to be held in 2017; and
- e) the Company may, before the expiry of this authority, make a contract to purchase Ordinary Shares under such authority which will or may be executed wholly or partly after its expiration and the Company may make a purchase of Ordinary Shares pursuant to any such contract.

Explanatory note: The Board monitors the level of the Ordinary Share price compared to the NAV per Ordinary Share. Where appropriate on investment grounds, the Company may from time to time repurchase its Ordinary Shares, but the Board recognises that movements in the Ordinary Share price, premium or discount, are driven by numerous factors, including investment performance, gearing and market sentiment. Accordingly, it focuses its efforts principally on addressing sources of risk and return as the most effective way of producing long term value for shareholders. Any repurchase of Ordinary Shares will be made subject to applicable laws and regulations and within any guidelines established from time to time by the Board. The making and timing of any repurchases will be at the absolute discretion of the Board, although the Board will have regard to the effects of any such repurchase on long-term shareholders in exercising its discretion.

Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing NAV of the Ordinary Shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with applicable provisions of the Companies Act 2006 and the Listing Rules. Any Ordinary Shares purchased under this authority will be cancelled or may be held in treasury.

The authority conferred by Resolution 11 will expire at the conclusion of the Company's next annual general meeting in 2017.

By order of the Board
THE SME LOAN FUND PLC
14 October 2016

Registered Office:
1 Finsbury Circus
London
EC2M 7SH

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Notes to the Notice of Annual General Meeting

1. A member entitled to attend and vote at the AGM may appoint a proxy or proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company. A Form of Proxy is enclosed which, if used, must be lodged at the Company's Registrars, **Capita Asset Services, at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF** not less than 48 hours before the AGM (ignoring any part of a day that is not a working day). To appoint more than one proxy you may photocopy the Form of Proxy. You may appoint a person other than the Chairman as your proxy. Please indicate the proxy holder's name and the number of Shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by looking at the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first being the most senior). The completion and return of the Form of Proxy will not preclude a member from attending the AGM and voting in person.
2. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's Register of Members at close of business on 7 December 2016. If the AGM is adjourned then, to be so entitled, members must be entered on the Company's Register of Members at the time which is 48 hours before the time fixed for the adjourned AGM or, if the Company gives notice of the adjourned AGM, at the time specified in that notice.
3. As at 13 October 2016 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 52,660,350 ordinary shares, carrying one vote each. There are no shares held in treasury. Therefore, as at 13 October 2016, the total number of voting rights in the Company is 52,660,350.
4. The vote "Withheld" is provided to enable you to abstain on any particular resolution. However, it should be noted that a "Withheld" vote is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent ID ([RA10]) by the latest time(s) for receipt of proxy appointments specified in this notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. Any person to whom this notice of AGM is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

7. Corporate representatives are entitled to attend and vote on behalf of a corporate member in accordance with section 323 of the Companies Act 2006. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporate member) the same powers as the corporate member could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.
8. Members have a right under section 319A of the Companies Act 2006 to require the Company to answer any question raised by a member at the AGM, which relates to the business being dealt with at the meeting, although no answer need be given: (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) it is undesirable in the best interests of the Company or the good order of the meeting.
9. A copy of this notice of AGM and other information required by section 311A of the Companies Act 2006, can be found at www.thesmeloanfund.com.
10. To be passed, an ordinary resolution requires a simple majority of the votes cast by those members voting in person or by proxy at the AGM (excluding any votes to be withheld) to be voted in favour of the resolution.
11. To be passed a special resolution requires a majority of at least 75 per cent. of the votes cast by those members voting in person or by proxy at the AGM (excluding any votes which are withheld) to be voted in favour of the resolution.

DIRECTORS

Richard Hills (*non-executive Chairman*)
Ken Hillen (*non-executive Director*)
David Stevenson (*non-executive Director*)

ADVISERS

Registered Office

1 Finsbury Circus
London
EC2M 7SH

Investment Manager and AIFM

Amberton Asset Management Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey
GY1 4NA

Administrator and Secretary

Elysium Fund Management Limited
PO Box 650
1st Floor
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey
GY1 3JX

English Legal Adviser

Stephenson Harwood LLP
1 Finsbury Circus
London
EC2M 7SH

Guernsey Legal Adviser

Carey Olsen
PO Box 98
Carey House
Les Banques
St Peter Port
Guernsey
GY1 4BZ

Registrar

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Bankers

Butterfield Bank (Guernsey) Limited
Regency Court
Gategny Esplanade
St Peter Port
Guernsey
GY1 3AP

Auditors

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Broker

Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London
E14 5RD

www.thesmeloanfund.com

