GLOBAL INVESTMENTS

P2P GLOBAL INVESTMENTS PLC

INTERIM REPORT AND UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

CONTENTS

STRATEGIC REPORT

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	30 June 2018 Unaudited	30 June 2017 Unaudited[1]	31 December 2017 Audited[1]
NET ASSET VALUE			
NET ASSET VALUE (CUM INCOME) (£'000)[2]	741,976	824,682	789,855
NET ASSET VALUE (EX INCOME) (£'000)[3]	734,964	818,944	790,871
MARKET CAPITALISATION (£'000)[4]	624,648	727,089	650,660
PER SHARE METRICS			
SHARE PRICE (AT CLOSE)[5]	805.0p	888.0p	815.0p
NAV PER SHARE (CUM INCOME)	956.2p	1,006.6p	989.4p
NAV PER SHARE (EX INCOME)	947.2p	999.6p	990.6p
INTERIM DIVIDENDS PAID[6]	24.0p	23.0p	47.0p
SHARES IN ISSUE	77,596,082	81,925,532	79,835,549
SHARE BUYBACKS IN YEAR	2,239,467	2,600,271	4,690,254
KEY RATIOS			
PREMIUM / (DISCOUNT)[7]	(15.81%)	(11.83%)	(17.6%)
ANNUAL NAV PER SHARE RETURN[8]	1.66%	2.34%	3.0%
FUNDING SPREAD[9]	1.7	2.4%	1.9%

(1) PRIOR PERIOD COMPARATIVE: From 1 January 2018, the Group adopted IFRS 9 which replaces IAS 39. As permitted by transitional provisions of IFRS 9, the Group elected not to restate comparative figures.

(2) ET ASSET VALUE (CUM INCOME): will include all income not yet moved to reserves (both revenue and capital income), less the value of (i) any dividends paid in respect of that income and (ii) any dividends in respect of that income which have been declared and marked ex dividend but not yet paid.

(3) NET ASSET VALUE (EX INCOME): will be the NAV (Cum Income) excluding net income (both revenue and capital income) that is yet to be transferred to reserves as described below. For this purpose net income will comprise all income not yet moved to reserves (both revenue and capital income), less the value of (i) any dividends paid in respect of that income and (ii) any dividends in respect of that income which have been declared and marked ex dividend but not yet paid. Any income in respect of a financial year, which is intended to remain undistributed will be moved to reserves on the first business day of the immediately following year, meaning that each figure for NAV (Ex-Income) reported during a financial year will equate to the NAV (Cum Income) less undistributed income which has not been moved to reserves.

(4) MARKET CAPITALISATION: the closing mid-market share price multiplied by the number of shares outstanding at month end.

(5) SHARE PRICE (AT CLOSE): closing mid-market share price at month end (excluding dividends reinvested).

(6) INTERIM DIVIDENDS: dividends relating to 2017 financial year were paid in May 2017, August 2017, November 2017 and March 2018. Dividends relating to 6 month period up to June 2018 were paid in June 2018.

(7) PREMIUM/(DISCOUNT): the amount by which the price per share of an investment trust is either higher (at a premium) or lower (at a discount) than the net asset value per share (cum income), expressed as a percentage of the net asset value per share.

(8) TOTAL NAV PER SHARE RETURN: is calculated as Net Asset Value (Cum Income) at the end of the year, plus dividends declared during the year, divided by NAV (Cum Income) calculated on a per share basis at the start of the year.

(9) FUNDING SPREAD: the cost of leverage is the cost the Company pays to service its debt obligations. This is calculated by using the weighted average of the spreads that exceeds the prevailing applicable LIBOR on the individual underlying debt divided by the average debt exposure. The company funds itself via USD and GBP at their respective LIBORs.

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to present P2P Global Investments PLC's interim Financial Report, which covers the period from 1 January 2018 to 30 June 2018. This is the first set of results that will be reported under IFRS 9 "Financial Instruments" after the Company implemented and transitioned to this new accounting standard on 1 January 2018.

The first half of 2018 has been a period of transition and significant progress has been made in implementing the transition of the portfolio to the target profile of risk and return. As part of this the investment focus has shifted to more specialist asset classes and the legacy book has been placed into run off. There has been significant progress made in this transition with 70 per cent[1] of the portfolio at 30 June 2018 now invested in continuing assets and the run off portfolio, predominantly inherited US and UK consumer assets, down to 30 per cent. Despite this progress the target return was not achieved in June 2018 as previously highlighted in the November Strategy Update.

The below target return has been driven by lower than expected returns on the legacy portfolio with significantly below hurdle returns being generated in the first six months. Whilst the Company is reducing its exposure to these assets they continue to drag on overall returns and limit the ability to redeploy capital into more attractive assets. As the Company reduces its exposure to these assets, as they run off, the drag reduces every period and the Investment Manager is confident that performance will achieve target once these assets become insignificant to the performance of the overall portfolio. The continuing portfolio has delivered returns ahead of target. In the period the Company has also had to address several one-off legacy items, in particular the provisional liquidation of URICA Limited which resulted in a write down of £5.5 million of the equity position, as well as a write down of a small legacy US position which has further impacted returns.

During the period the Company introduced two new platforms one in consumer and one in property, and successfully securitised a £206.6 million portfolio of Funding Circle loans ("SBOLT-2018") which will lower the cost of debt.

INVESTMENT PERFORMANCE

The Company has delivered a NAV return of 1.66 per cent for the first 6 months of 2018 (June 2017: 2.34 per cent) and paid dividends of 24.0 pence (June 2017: 23.0 pence) per ordinary share in relation to the first 6 months of 2018. However, as with 2017, the dividend payments were not fully covered by earnings and the special distributable reserve was utilised. The dividend return was 4.8 per cent (2017: 4.8 per cent). A detailed assessment of the progress of the Company follows in the Investment Manager's review.

At 30 June 2018, the Company's net assets were £742 million (cumulative of income), with market capitalisation of £624.6 million. NAV per share (cumulative of income) was 956.2 pence, and total NAV return was 16.51 per cent since inception. This has however, been impacted by a 2.49 per cent reduction due to the initial recognition of the new expected credit loss model introduced by IFRS 9 on 1 January 2018.

SHARE PRICE AND BUYBACKS

The Company's share price (at close) was 805.0 pence, representing a discount of 15.81 per cent at 30 June 2018. The shares traded at discounts to NAV of between 13.7 per cent and 20.7 per cent during the first 6 months of the year. As part of its revised investment strategy, the Company has continued with its share buyback programme and during the first 6 months of 2018, 2,239,467 ordinary shares in issue were repurchased at an average price of 802.8 pence per ordinary share.

[1] Portfolio based on NAV exposure to continuing investments as a percentage of total NAV before deducting topco debt excluding cash, working capital and equity positions.

CHAIRMAN'S STATEMENT (CONTINUED)

OUTLOOK

The Board is optimistic that the changes initially put into place during 2017, have continued to gather traction and despite volatility within the inherited platforms, the Company is positioned to see improved performance in the second half of 2018. The Board will continue to be vigilant on the performance of the Company and will monitor the progress of the investment strategy and the migration to continuing assets.

The Board continue to pay close attention to the political and economic uncertainty created by Brexit. The longer-term economic outlook and impact of Brexit on our customers and wider markets remain uncertain. However with the clear strategy outlined by the Investment Manager we believe that the Company is in a strong position to continue to exercise discipline in assessing risk adjusted returns and is well positioned to manage a range of different market conditions, and to make the most of any opportunities which may arise.

Stuart Cruickshank
Chairman

5 September 2018

INVESTMENT MANAGER'S REPORT

The Company is a UK listed company dedicated to investing in credit assets originated by non-bank lending platforms and other originators of alternative credit assets globally. The Company provides investors with access to lending opportunities which PSC Eaglewood Europe LLP (the "Investment Manager") believes has potential to provide attractive and consistent risk-adjusted returns throughout the cycle. The Investment Manager is a member of the Pollen Street Capital group ("PSC"). PSC is an investment management group focussed on investing in financial and business services. The Investment Manager has also appointed a sub Investment Manager ("Sub-Manager"), Pollen Street Capital (US), LLP, an affiliate of the Investment Manager and an SEC registered investment adviser.

Attractive returns are delivered through the Investment Manager's focus on high-quality underwriting of borrowers in markets that are underserved by mainstream finance providers. The Company partners with specialist lenders who offer attractive products based upon understanding of particular sectors and target customer groups. These players are often better at servicing these markets based upon focus, expertise, efficiency and entrepreneurialism. In many cases, they also share risk by putting their own balance sheet capital at risk. The Investment Manager aims to partner with the highest quality originators in order to access exciting investment opportunities in direct lending assets and, where there is an aligned strategic opportunity, certain minority equity stakes.

The Investment Manager has significant experience in lending markets, providing the Company with both deep insight to high quality underwriting and access to the Investment Manager's established eco-system, enabling whole of market, high-quality origination flow and portfolio acquisition opportunities.

IFRS 9

On 1 January 2018 the Company transitioned to IFRS 9 and fully implemented a comprehensive program that focused on the key areas of impact, including financial reporting, data, systems and processes. As part of the implementation the Company has reviewed the classification and measurement of financial instruments under the requirements of IFRS 9, developed and validated a set of IFRS 9 models for calculating expected credit losses ("ECL") on the Company's loan portfolios and implemented appropriate internal governance processes.

Under IFRS 9 the recognition and measurement of expected credit losses differs from the approach under IAS 39. The new classification and measurement and impairment requirements have been recognised in retained earnings and reserves as at 1 January 2018, the date of initial application. The Company has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to financial information. As prior periods have not been restated, changes in impairment of financial assets in the comparative periods remain in accordance with IAS 39 and are therefore not necessarily comparable to ECL recorded for the current period. On initial recognition IFRS 9 had a 2.49 per cent impact on the NAV return.

The key initial impact on adoption of IFRS 9 was £19.4 million increase in provision driven by the introduction of stage 1 expected credit losses. This represented 1.78 per cent of performing loans and advances at 1 January 2018 and the key driver behind the increase was £8.4 million in relation to US SME lending and £5.8 million in relation to UK Consumer. This also saw the UK Real Estate lending take its first ECL allowance with a £2.3 million charge on implementation. Stage 3 loans as a proportion of total loans and advances to customers has reduced to 3.37 per cent (1 January 2018: 3.72 per cent). Stage 3 ECL allowance as a percentage of Stage 3 drawn balances has reduced to 84 per cent (1 January 2018: 86 per cent).

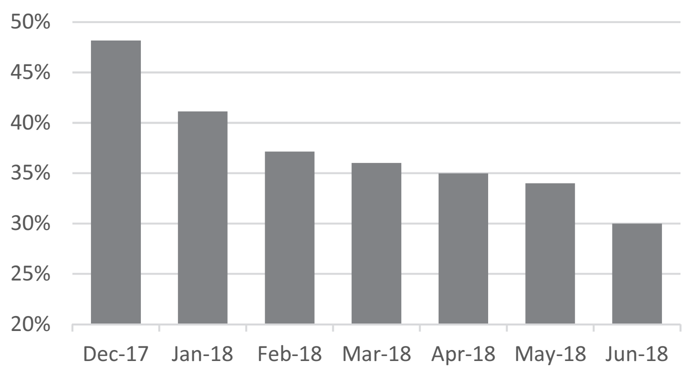
INVESTMENT MANAGER'S REPORT (CONTINUED)

H1 2018 HIGHLIGHTS

The result for the first 6 months of the year is disappointing, with the Company not achieving the target return at the end of Q2 2018 as initially highlighted in the November 2017 strategy update. However significant progress has been made in transitioning the portfolio to more attractive asset classes and reducing the exposure to the low yielding and volatile legacy assets which have shown continued underperformance.

Although the legacy portfolio continues to run off and has reduced from 48 per cent in December 2017 to 30 per cent[1] in June 2018, the returns on the portfolio have been lower than expected. This is driven predominately by the UK Consumer portfolio and the overall net yield is significantly below hurdle and has displayed monthly volatility. The total expected credit loss charge excluding stage 1 for the UK Consumer portfolio was £11.6 million and represents 59 per cent of the total charge for the period, this was predominately made up of stage 3 credit impaired assets. The Company is striving to improve the performance of these legacy assets and is optimising the run off. As part of this process the Company successfully sold a charged off portfolio of legacy consumer assets and a small low yielding consumer mortgage portfolio for a profit in May 2018. However this legacy portfolio remains a drag on the Company's overall profitability and, whilst still material, its impact is reducing month on month and the Manager continues to seek to improve performance and accelerate the run off through improving servicing and tactically disposing of loans where possible.

Run Off Portfolio[2]



Results in the period have also been significantly impacted by the previously announced write down of the £5.5 million URICA Limited equity position following the business being placed into provisional liquidation on 20th July 2018. The Company provides a revolving credit facility to URICA Europe Limited secured against English and French invoice finance receivables for which URICA Limited acts as servicer. URICA Europe Limited has not been placed into administration, and is not part of the URICA Limited group and so it, and its ownership of receivables, remain bankruptcy remote from the insolvency estate of URICA Limited. The receivables are short term in nature and credit insured.

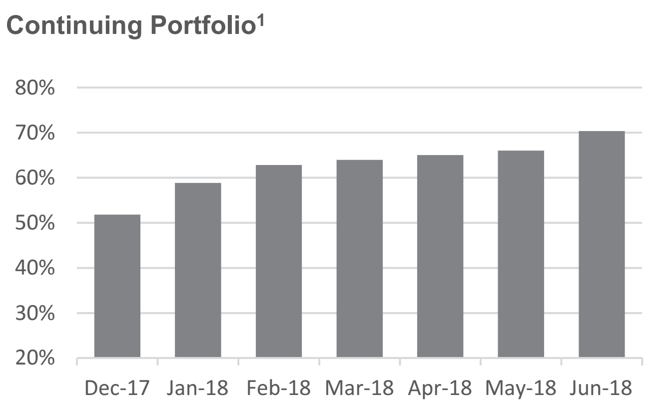
In addition to the above several one-off items were identified and taken as the Investment Manager has implemented new accounting control processes and the Company also incurred a charge for the write down of a small legacy US portfolio.

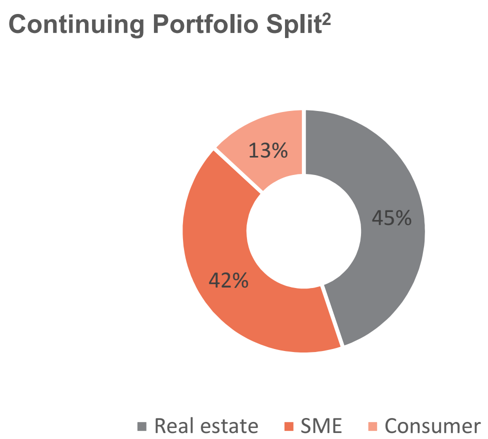
[1] Continuing portfolio based on NAV exposure to continuing investments as a percentage of total NAV before deducting topco debt excluding cash, working capital and equity positions.

[2] Run Off portfolio based on NAV exposure to run off investments as a percentage of total NAV before deducting topco debt excluding cash, working capital and equity positions.

INVESTMENT MANAGER'S REPORT (CONTINUED)

As the legacy portfolio amortises the Investment Manager has been reinvesting the available capital into more specialist and secured asset classes which exhibit lower volatility and a better coverage ratio of income to bad debts. The new originations are performing strongly and at the end of June 2018 70 per cent of the portfolio was in continuing assets, up from 52 per cent at the end of 2017. This continuing portfolio is delivering a net yield which is ahead of target. The continuing portfolio consists of SME loans 42 per cent, Real Estate 45 per cent, and Consumer 13 per cent.





Within the continuing portfolio the majority of the Consumer loan exposure is made up of structured loans where the originator has first loss equity ahead of the Company's exposure with the remainder unsecured loans in markets that have demonstrated consistent and attractive risk adjusted margins. This portfolio consists of UK, European, US and Australasian exposure. The SME portfolios are domestically focused and reflect the underlying performance of the UK economy and our credit risk appetite. Whilst performance on these loans have been above target there has been some recent deterioration which the Investment Manager is monitoring. Underwriting rules have been tightened to bring performance back in line with past performance. Within the Real Estate sector the credit quality remains good with minimal impairments/stressed loans, the impairment charge in the period was £0.8 million and represents only 3.9 per cent of the overall charge for the period even though real estate lending makes up 24.5 per cent of the total gross lending. Recognising this is a cyclical sector, appropriate caps are in place to control exposure and business propositions continue to be written in line with a prudent, through the cycle risk appetite with conservative LTVs, good underlying borrowers and proven management teams. Strong partnerships are continuing to develop across all sectors with exciting new partnerships being developed in the UK and US.

During the period the Company also successfully completed its fourth securitisation, Small Business Origination Loan Trust 2018-1 DAC ("SBOLT"). This was a £206.6 million transaction that was collateralised by unsecured loans to SMEs originated through the online lending platform operated by Funding Circle Limited ("Funding Circle"). The transaction reduced the cost of funding, with the senior tranche priced at a margin of 75bps over 1 month Libor and offered matched duration funding which will enhance the Company's returns.

The Investment Manager is working to build the accounting framework consistent with its other investment trusts to ensure a robust control environment. In the first half of 2018 an under accrual of servicing fees to UK platforms since 2016 and the incorrect application of provisioning on a purchased portfolio has been identified which has impacted returns. In addition, the Company's results continue to be impacted by the amortisation of legacy costs (0.03 per cent in month) which are expected to continue throughout 2018. The Investment Manager believes that it has identified all catch-up items from the portfolio but until it has completed the accounting re-build, it cannot be certain. This is due to be completed early in Q4 2018.

[1] Continuing portfolio based on NAV exposure to continuing investments as a percentage of total NAV before deducting topco debt excluding cash, working capital and equity positions.

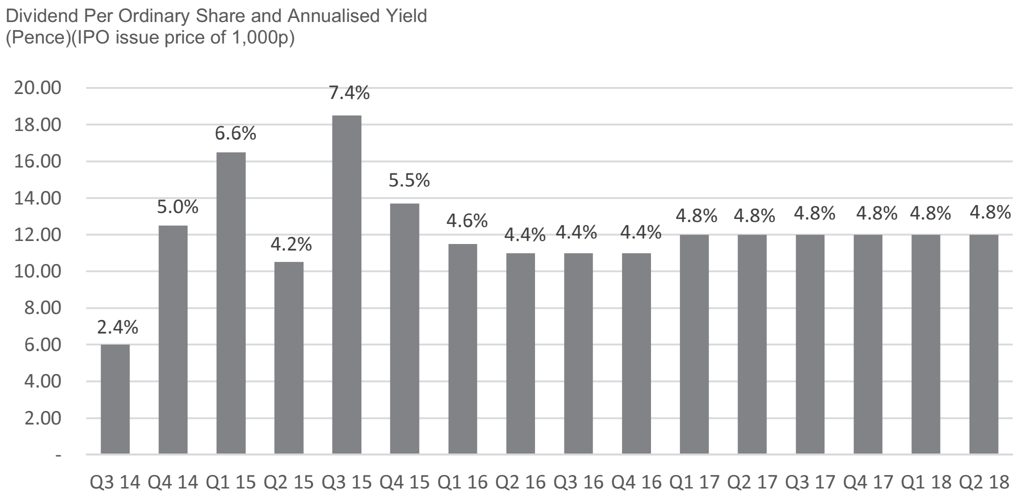
[2] Continuing Portfolio Split based on gross assets.

INVESTMENT MANAGER'S REPORT (CONTINUED)

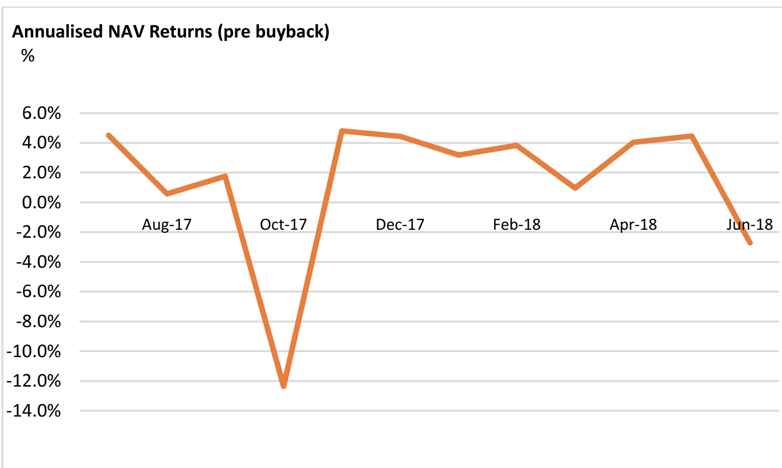
FINANCIAL PERFORMANCE

Earnings for the first half were £8.7 million (FY17 H1: £14.6 million), a decrease of 40 per cent on the same period last year which has been driven by the impact of the legacy portfolio and one-off items mentioned above as well as the decrease in the net assets of the Company. Total balances of net investment assets have decreased to £1,156 million at the period end (FY17 H1: £1,167 million). This translated into earnings per share of 11.2 pence (FY17 H1: 17.9 pence), and an underlying NAV return for the first 6 months of the year of 1.66 per cent.

In our initial guidance, we were targeting returns to cover a dividend of at least 15 pence per quarter by the end of Q2 2018 or a dividend yield of 6 per cent (based on issue price). As shown in the charts below, we have not met these expectations with dividends of 12 pence per quarter paid out in year to date through the utilisation of the special distributable reserve.



The NAV per share (cumulative of income) is 956.2 pence per ordinary share at 30 June 2018, which, including dividends declared or paid, is equivalent to a NAV return of 16.51 per cent since inception (taking into account 2.49 per cent reduction for the introduction of IFRS 9 on 1 January 2018). Additionally, the share price of the Company at 30 June 2018 was 805.0 pence per share, representing a 15.81 per cent discount to NAV (cumulative of income). We are disappointed that the Company is trading behind of its net asset position, and because of that during the first 6 months of 2018, 2,239,467 (2017: 2,600,271) ordinary shares in issue were repurchased at an average price of 832.8 pence per ordinary share which contributed 0.05 per cent to the NAV return. Performance and dividend history can be seen on the following page.



INVESTMENT MANAGER'S REPORT (CONTINUED)

OUTLOOK

The first half of 2018 has been a period of transition and whilst it is disappointing that the initial returns guidance was not met, a significant amount of progress has been made with 70 per cent of the portfolio now invested in assets that are delivering returns in excess of the target as well as a significant reduction in poorly performing assets. The Investment Manager believes that whilst there is still significant work to do, the rotation of assets has strong momentum with a robust pipeline of new high quality opportunities in which we can redeploy capital and a relatively consistent run off of the legacy assets giving good visibility to delivering the target returns over the short to medium term.

The performance from the inherited portfolio continues to be more volatile than expected. The Investment Manager expects this volatility to continue into H2 2018 but as the size of this portfolio reduces month on month the impact on the Company's performance should reduce.

To date, there has been minimal impact from the UK referendum vote to leave the European Union. However looking ahead uncertainty persists around the UK and global economic outlook, the situation will continue to be monitored to address the economic challenges and opportunities that may arise as the long-term effects of Brexit become clearer.

Internal and external key performance indicators are monitored closely to help identify early signs of any deterioration and portfolios remains subject to ongoing risk mitigation actions as appropriate. With household borrowing at high levels, and the regulatory framework remaining an ever present factor as consumer credit regulation continues to develop, it is intended to proceed with caution. The Group's business model, combined with its approach to risk, sets it in good stead to find suitable pockets of risk adjusted return. The focus on specialist markets allows us access to enhanced credit performance, and allows deployment of the Company's funds in assets which deliver strong returns.

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Inception to Date[1]
Total NAV Return	2014	-	-	-	-	-	0.16%	0.17%	0.22%	0.23%	0.48%	0.54%	0.50%	2.32%	16.51%
	2015	0.54%	0.59%	0.65%	0.41%	0.71%	1.31%[1]	0.50%	0.49%	0.43%	0.56%	0.52%	0.20%	7.14%	
	2016	0.41%	0.38%	0.48%	0.43%	0.48%	0.17%	0.37%	0.43%	0.23%	0.27%	0.27%	0.12%	4.10%	
	2017	0.24%	0.38%	0.55%	0.45%	0.41%	0.29%	0.44%	0.14%	0.19%	-1.03%	0.40%	0.55%	3.03%	
	2018	0.36%	0.43%	0.12%	0.41%	0.42%	-0.14%	-	-	-	-	-	-	1.66%	
Share Price Performance[2]	2014	-	-	-	-	-	7.25%	0.37%	-0.19%	0.05%	-0.93%	1.41%	9.26%	18.00%	-19.50%
	2015	-0.93%	0.09%	-1.79%	-0.17%	-5.41%	-2.03%	2.07%	-5.99%	3.24%	-6.46%	1.52%	0.70%	-14.66%	
	2016	-6.85%	-7.57%	0.35%	6.03%	-5.69%	-2.30%	-2.94%	1.52%	0.30%	-3.21%	-8.79%	7.75%	-20.66%	
	2017	-2.13%	1.66%	-3.14%	11.36%	2.74%	0.74%	-0.34%	-4.47%	-4.73%	-3.11%	1.03%	3.43%	2.00%	
	2018	1.23%	-3.88%	-3.78%	4.59%	0.13%	0.75%	-	-	-	-	-	-	-1.23%	
Dividend Per Share (Pence)	2014	-	-	-	-	-	-	-	-	-	-	6.0	-	6.0	182.2
	2015	-	12.5	-	-	16.5	10.5[3]	-	-	-	-	18.5	-	58.0	
	2016	13.7[4]	-	-	11.5	-	-	11.0	-	-	11.0	-	-	47.2	
	2017	11.0	-	-	12.0	-	-	12.0	-	-	12.0	-	-	47.0	
	2018	12.0	-	-	12.0	-	-	-	-	-	-	-	-	24.0	

TOP 10 HOLDINGS

Investment	Investment Type	Country	Sector	Value as at 30 June 2018	% of Net Assets
Zorin Real Estate Loan	Secured Loan	United Kingdom	Real Estate	30,174,277	4.07%
Urica Europe Limited	Fund	Jersey	Invoice Receivables	24,415,912	3.29%
Zorin Real Estate Loan	Secured Loan	United Kingdom	Real Estate	17,066,219	2.30%
Fontwell Securities Limited	Bond	United Kingdom	Mortgages	15,150,000	2.04%
Amigo Loans Limited	Bond	United Kingdom	Speciality Finance	14,126,456	1.90%
Evolution Lending Limited	Structured Note	United Kingdom	Consumer Loans	13,677,476	1.84%
Castlehaven Real Estate Loan	Secured Loan	Ireland	Real Estate	11,342,665	1.53%
Australia Auto Loans Trust	Structured Note	Australia	Consumer Loans	11,195,263	1.51%
Castlehaven Real Estate Loan	Secured Loan	Ireland	Real Estate	10,740,759	1.45%
Zorin Real Estate Loan	Secured Loan	United Kingdom	Real Estate	10,441,122	1.41%

RESPONSIBILITY STATEMENT OF THE DIRECTORS

For the Period from 1 January 2018 to 30 June 2018

The Directors, being the persons responsible, confirm that to the best of their knowledge:

a) the set of Unaudited Consolidated Financial Statements contained within the half-yearly financial report have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, as required by the Disclosure and Transparency Rule 4.2.4R, and gives a true and fair view of the assets, liabilities and financial position of the Group;

b) the Interim Management Report includes a fair review, as required by Disclosure and Transparency Rule 4.2.7 R, of important events that have occurred during the first six months of the financial year, their impact on the set of Consolidated Financial Statements, and a description of the principal risks and perceived uncertainties for the remaining six months of the financial year; and

c) the Interim Management Report includes a fair review of the information concerning related parties transactions as required by Disclosure and Transparency Rule 4.2.8 R.

Signed on behalf of the Board of Directors by:
Stuart Cruickshank
Chairman

5 September 2018

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	(Unaudited) 30 June 2018 £	(Unaudited) 30 June 2017 £	(Audited) 31 December 2017 £
Non current assets				
Investment assets designated as held at fair value through profit or loss	*5*	91,162,363	266,090,387	128,686,309
Loans at amortised cost	*5*	1,063,923,400	900,601,401	1,118,122,290
		1,155,085,763	**1,166,691,788**	**1,246,808,599**
Current assets				
Derivative financial instruments	*5*	1,195,544	2,401,387	1,821,193
Cash and cash equivalents		85,715,056	80,161,452	150,701,720
Cash pledged as collateral		9,553,324	18,131,438	4,772,022
Receivable for investments sold		–	2,384,974	–
Interest receivable		19,910,794	11,459,313	16,435,471
Other current assets and prepaid expenses		4,767,228	5,791,055	6,753,667
		121,141,946	**120,329,619**	**180,484,073**
Total assets		**1,276,227,709**	**1,287,021,407**	**1,427,292,672**
Current liabilities				
Amounts due to brokers		121,467	623,579	95,279
Payable for investments purchased		4,486,337	2,149,472	–
Derivative financial instruments	*5*	4,015,530	673,644	1,226,188
Interest payable		483,547	153,181	1,737,405
Investment management fees payable	*10*	1,246,024	689,912	3,347,065
Performance fees payable	*10*	1,865,886	1,496,577	3,914,430
Accrued expenses and other liabilities		4,800,674	3,354,862	4,016,918
		17,019,465	**9,141,227**	**14,337,285**
Total assets less current liabilities		**1,259,208,244**	**1,277,880,180**	**1,412,955,387**
Non current liabilities				
Borrowings	*11*	513,291,129	436,427,204	615,850,470
Other liabilities	*11*	3,941,342	16,771,099	7,249,872
Total non-current liabilities		**517,232,471**	**453,198,303**	**623,100,342**
Total net assets		**741,975,773**	**824,681,877**	**789,855,045**
Equity attributable to Shareholders of the Parent Company				
Called-up share capital	*16*	863,068	863,068	863,068
Share premium account		27,791,880	27,791,880	27,791,880
Capital reserves		(496,431)	4,654,011	3,417,384
Revenue reserve		(12,449,203)	5,858,622	(835,582)
Special distributable reserve	*16*	726,266,459	785,514,296	758,618,295
Total equity		**741,975,773**	**824,681,877**	**789,855,045**
Net Asset Value per Ordinary share	*15*	**956.20p**	**1,006.62p**	**989.35p**

See notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018 (UNAUDITED)

	Notes	Revenue £	Capital £	Total £
Revenue				
Net gains on investments		–	(3,917,079)	(3,917,079)
Income		56,379,673	–	56,379,673
Total return	*6*	**56,379,673**	**(3,917,079)**	**52,462,594**
Expenses				
Investment management fee	*10*	3,766,049	(3,264)	3,762,785
Performance fee	*10*	1,865,886	–	1,865,886
Administration fee		267,830	–	267,830
Allowance for expected credit losses	*9*	19,629,355	–	19,629,355
Other expenses		10,572,989	–	10,572,989
Total operating expenses		**36,102,109**	**(3,264)**	**36,098,845**
Net profit on ordinary activities before finance costs and taxation		20,277,564	(3,913,815)	16,363,749
Finance costs		7,665,032	–	7,665,032
Net profit on ordinary activities before taxation		12,612,532	(3,913,815)	8,698,717
Taxation on ordinary activities		–	–	–
Net profit on ordinary activities after taxation	*7*	12,612,532	(3,913,815)	8,698,717
Profit per Ordinary Share (basic and diluted)	*7*	16.25p	(5.04)p	11.21p

The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS"). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above Statement derive from continuing operations. There is no other comprehensive income.

See notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2017 (UNAUDITED)

	Notes	Revenue £	Capital £	Total £
Revenue				
Net gains on investments		–	2,123,508	2,123,508
Income		61,121,981	–	61,121,981
Total return	*6*	**61,121,981**	**2,123,508**	**63,245,489**
Expenses				
Investment management fee	*10*	4,189,444	1,704	4,191,148
Performance fee	*10*	1,496,577	–	1,496,577
Administration fee		293,339	–	293,339
Impairment of loans		27,695,889	–	27,695,889
Other expenses		7,983,725	–	7,983,725
Total operating expenses		**41,658,974**	**1,704**	**41,660,678**
Net profit on ordinary activities before finance costs and taxation		**19,463,007**	**2,121,804**	**21,584,811**
Finance costs		6,964,517	–	6,964,517
Net profit on ordinary activities before taxation		**12,498,490**	**2,121,804**	**14,620,294**
Taxation on ordinary activities		–	–	–
Net profit on ordinary activities after taxation	*7*	**12,498,490**	**2,121,804**	**14,620,294**
Profit per Ordinary Share (basic and diluted)	*7*	**15.26p**	**2.59p**	**17.85p**

The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS"). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above Statement derive from continuing operations. There is no other comprehensive income.

See notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017 (AUDITED)

	Notes	Revenue £	Capital £	Total £
Revenue				
Net gains on investments		–	1,419,362	1,419,362
Income		130,636,664	–	130,636,664
Total return	*6*	**130,636,664**	**1,419,362**	**132,056,026**
Expenses				
Investment management fee	*10*	8,154,749	58,707	8,213,456
Performance fee	*10*	3,914,430	–	3,914,430
Administration fee		580,805	–	580,805
Impairment of loans	*9*	67,191,370	–	67,191,370
Other expenses		20,586,863	475,478	21,062,341
Total operating expenses		**100,428,217**	**534,185**	**100,962,402**
Net profit on ordinary activities before finance costs and taxation		**30,208,447**	**885,177**	**31,093,624**
Finance costs		14,108,678	–	14,108,678
Net profit on ordinary activities before taxation		**16,099,769**	**885,177**	**16,984,946**
Taxation on ordinary activities		–	–	–
Net profit on ordinary activities after taxation	*7*	**16,099,769**	**885,177**	**16,984,946**
Profit per Ordinary Share (basic and diluted)	*7*	**20.16p**	**1.11p**	**21.27p**

The total column of this statement represents the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS"). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above Statement derive from continuing operations. There is no other comprehensive income.

See notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018 (UNAUDITED)

	Called up share capital £	Share premium £	Capital reserve £	Revenue reserve £	Special distributable reserve £	Total £
Net assets attributable to Shareholders at the beginning of the period	863,068	27,791,880	3,417,384	(835,582)	758,618,295	789,855,045
Changes on initial application of IFRS 9 (see note 2)	–	–	–	(19,640,731)	–	(19,640,731)
Restated balance at 1 January 2018	863,068	27,791,880	3,417,384	(20,476,313)	758,618,295	770,214,314
Amounts paid on buyback of Ordinary Shares	–	–	–	–	(18,078,462)	(18,078,462)
Return on ordinary activities after taxation	–	–	(3,913,815)	12,612,532	–	8,698,717
Dividends declared and paid	–	–	–	(4,585,422)	(14,273,374)	(18,858,796)
Net assets attributable to Shareholders at the end of the period	**863,068**	**27,791,880**	**(496,431)**	**(12,449,203)**	**726,266,459**	**741,975,773**

FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2017 (UNAUDITED)

	Called up share capital £	Share premium £	Capital reserve £	Revenue reserve £	Special distributable reserve £	Total £
Net assets attributable to Shareholders at the beginning of the period	863,068	27,791,880	2,532,207	4,505,276	815,049,542	850,741,973
Amounts paid on buyback of Ordinary Shares	–	–	–	–	(21,526,377)	(21,526,377)
Return on ordinary activities after taxation	–	–	2,121,804	12,498,490	–	14,620,294
Dividends declared and paid	–	–	–	(11,145,144)	(8,008,869)	(19,154,013)
Net assets attributable to Shareholders at the end of the period	**863,068**	**27,791,880**	**4,654,011**	**5,858,622**	**785,514,296**	**824,681,877**

See notes to the consolidated financial statements

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017 (AUDITED)

	Called up share capital £	Share premium £	Capital reserve £	Revenue reserve £	Special distributable reserve £	Total £
Net assets attributable to Shareholders at the beginning of the year	863,068	27,791,880	2,532,207	4,505,276	815,049,542	850,741,973
Amounts paid on buyback of Ordinary Shares	–	–	–	–	(39,269,058)	(39,269,058)
Return on ordinary activities after taxation	–	–	885,177	16,099,769	–	16,984,946
Dividends declared and paid	–	–	–	(21,440,627)	(17,162,189)	(38,602,816)
Net assets attributable to Shareholders at the end of the year	**863,068**	**27,791,880**	**3,417,384**	**(835,582)**	**758,618,295**	**789,855,045**

See notes to the consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018

	(Unaudited) 30 June 2018 £	(Unaudited) 30 June 2017 £	(Audited) 31 December 2017 £
Cash flows from operating activities:			
Net return on ordinary activities after taxation	8,698,717	14,620,294	16,984,946
Adjustments to reconcile net return on ordinary activities after taxation to net cash inflow from operating activities:			
Unrealised loss/(gain) on investment assets	6,543,784	(11,030,530)	(10,872,993)
Realised loss/(gain) on investment assets	115,406	(4,229,176)	(14,112,136)
(Increase)/decrease in cash pledged as collateral	(4,781,302)	21,880,636	35,240,052
(Increase) in receivable for investments sold	–	(2,384,974)	–
(Increase) in interest receivable	(3,475,323)	(3,667,141)	(8,643,299)
Decrease/(increase) in other assets and prepaid expenses	1,986,439	926,817	(35,795)
Increase/(decrease) in amounts due to brokers	26,188	293,133	(235,167)
Increase in payable for investments purchased	4,486,337	2,149,472	–
(Decrease)/increase in interest payable	(1,253,858)	153,181	1,492,360
(Decrease)/increase in trade and other payables	(3,365,829)	(623,178)	5,358,929
Impairment of loans	19,629,355	27,695,889	67,191,370
Net cash inflow/(outflow) from operating activities	**28,609,914**	**45,784,423**	**92,368,267**
Capital expenditure and financial investments			
Purchase of investments	(12,924,166)	(166,146,170)	(178,979,504)
Sale of investments	41,395,383	101,749,726	220,755,920
Net purchases and sales of money market funds	–	5,001,670	5,001,670
Net purchase of loans	–	45,692,405	(199,924,281)
Net sale of loans	17,428,804	–	–
Cash acquired on acquisition of subsidiary	–	–	7,248,873
Net cash inflow/(outflow) from capital expenditure and financial investments	**45,900,021**	**(13,702,369)**	**(145,897,322)**
Net cash inflow/(outflow) from investing activities	**74,509,935**	**32,082,054**	**(53,529,055)**
Cash flows from financing activities:			
Proceeds from debt issued	–	7,548,119	769,794,538
Payments for the debt issued	(264,608,230)	–	(568,903,558)
Acquisitions and drawdowns of the debt issued	162,048,889	–	–
Amounts paid on buyback of Ordinary Shares	(18,078,462)	(21,526,377)	(39,269,058)
Dividends declared and paid	(18,858,796)	(19,154,013)	(38,602,816)
Net cash (used in)/provided by financing activities	**(139,496,599)**	**(33,132,271)**	**123,019,106**
Net change in cash and cash equivalents	(64,986,664)	(1,050,217)	69,490,051
Cash and cash equivalents at the beginning of the period	150,701,720	81,211,669	81,211,669
Net cash and cash equivalents	**85,715,056**	**80,161,452**	**150,701,720**

See notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018

1. GENERAL INFORMATION

P2P Global Investments plc (the "Company") is a closed-ended investment company incorporated in England and Wales on 6 December 2013 with registered number 8805459. The Company commenced operations on 30 May 2014.

The investment objective of the Company is to provide shareholders with an attractive level of dividend income and capital growth through exposure to investments in alternative finance and related instruments.

The Company's investment manager is PSC Eaglewood Europe LLP (the "Investment Manager"). The Investment Manager changed its name from MW Eaglewood Europe LLP after the merger between MW Eaglewood and Pollen Street Capital Limited on 15 September 2017. PSC Eaglewood Americas LLC, an affiliate of the Investment Manager and an SEC registered investment adviser, was appointed as sub investment manager (the "Sub-Manager") to the Company. The Sub-Manager changed its name from MW Eaglewood Americas LLC, after the merger between MW Eaglewood and Pollen Street Capital Limited on 15 September 2017. On 15 May 2018, the Sub-Manager was replaced by Pollen Street Capital (US), LLP. The Investment Manager has, pursuant to the Sub-Management Agreement, delegated certain of its responsibilities and functions, including its discretionary management of the Company's portfolio of credit assets, to the Sub-Manager.

The Investment Manager is authorised as an Alternative Investment Fund Manager ("AIFM") under the Alternative Investment Fund Managers Directive ("AIFMD"). The Company is defined as an Alternative Investment Fund and is subject to the relevant articles of the AIFMD.

The Company invests, directly and indirectly, in consumer loans, small and medium sized enterprises ("SME") loans, advances against corporate trade receivables and/or purchases of corporate trade receivables ("Credit Assets") which have been originated via Platforms. The Company will typically seek to invest in Credit Assets with targeted net annualised returns of 5 to 15 per cent. The Company will seek to purchase Credit Assets directly (via Platforms or via other originators) and may also invest in such assets indirectly via funds, partnerships or special purpose vehicles (including those managed by the Investment Manager, the Sub-Manager or their affiliates) that it deems suitable with a view to enhancing Shareholder returns and providing diversification of the Company's assets.

As at 30 June 2018, the Company had total issued equity in the form of 86,306,803 ordinary shares (31 December 2017 and 30 June 2017: 86,306,803) of which 77,596,082 (31 December 2017: 79,835,549 and 30 June 2017: 81,925,532) were outstanding and 8,710,721 (31 December 2017: 6,471,254 and 30 June 2017: 4,381,271) were held as treasury shares. These shares are listed on the Premium listing segment of the Official List of the UK Listing Authority and trade on the London Stock Exchange's main market for listed securities.

Citco Fund Services (Ireland) Limited (the "Administrator") has been appointed as the Administrator of the Company. The Administrator is responsible for the Company's general administrative functions, such as the calculation and publication of the Net Asset Value ("NAV") and maintenance of the Company's accounting records.

2. CHANGES IN ACCOUNTING POLICIES

The Group (as defined in note 3(a)) has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which has resulted in changes to accounting policies. The Group did not early adopt IFRS 9 in previous periods. IFRS 9 replaces IAS 39 and addresses classification, measurement and derecognition of financial assets and liabilities, the impairment of financial assets measured at amortised cost or fair value through other comprehensive income and general hedge accounting.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. CHANGES IN ACCOUNTING POLICIES (continued)

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior period.

The adoption of IFRS 9 has resulted in changes in the Group's accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out on pages 19-21 are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 3(b).

(a) Classification and measurement of financial instruments

The Group has applied IFRS 9 which includes three principal classification categories for financial assets which must be designated at initial recognition. Financial assets are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortised cost based on the nature of the cash flows of the assets and an entity's business model. These categories replace the existing IAS 39 classifications of fair value through profit and loss ("FVTPL"), available for sale ("AFS"), loans and receivables, and held-to-maturity.

For financial liabilities, most of the pre-existing requirements for classification and measurement previously included in IAS 39 were carried forward unchanged into IFRS 9.

The measurement category and the carrying amount of financial assets and liabilities of the Group in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows, full accounting policy found on page 27.

	IAS 39		IFRS 9	
	Measurement category	**Carrying amount £**	**Measurement category**	**Carrying amount £**
Financial assets				
Investment assets designated as held at fair value through profit or loss	FVPL (Held for trading)	128,686,309	FVPL (Mandatory)	128,686,309
Loans at amortised cost	Amortised cost (Loans and receivables)	1,118,122,290	Amortised cost	1,098,481,559
Derivative financial instruments	FVPL (Held for trading)	1,821,193	FVPL (Mandatory)	1,821,193
Cash and cash equivalents	Amortised cost (Loans and receivables)	150,701,720	Amortised cost	150,701,720
Cash pledged as collateral	Amortised cost (Loans and receivables)	4,772,022	Amortised cost	4,772,022
Interest receivable	Amortised cost (Loans and receivables)	16,435,471	Amortised cost	16,435,471
Other current assets and prepaid expenses	Amortised cost (Loans and receivables)	6,753,667	Amortised cost	6,753,667
		1,427,292,672		**1,407,651,941**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The introduction of IFRS 9 has had no impact on the classification of financial instruments with no portfolios carried previously at amortised cost failing the cashflow or business model tests. Movements in carrying values are driven by changes in impairment policy.

There were no changes to the classification and measurement of financial liabilities.

(b) Reconciliation of Consolidated Statement of Financial Position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

Please refer to note 3(b) for more detailed information regarding the new classification requirements of IFRS 9.

There were no changes to any other asset or liability captions due to remeasurement or reclassification on initial adoption of IFRS 9.

The total remeasurement of £19,640,731 was recognised in opening reserves at 1 January 2018. The remeasurement relates to the changes due to the new expected credit loss model.

The incurred loss model under IAS 39 is replaced with a new expected loss model. Impairment provisions are driven by changes in credit risk of instruments, with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly since initial recognition. Risk of default and expected credit losses must incorporate forward-looking and macroeconomic information.

Under IFRS 9, credit loss allowances will be measured at each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months.
- Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset.
- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses will be recognised. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Stage 1 and Stage 2 effectively replace the collectively-assessed allowance for loans not yet identified as impaired recorded under IAS 39, while Stage 3 effectively replaces the individually and collectively assessed allowances for impaired loans. Under IFRS 9, the population of financial assets and corresponding allowances disclosed as Stage 3 will not necessarily correspond to the amounts of financial assets currently disclosed as impaired in accordance with IAS 39. Consistent with IAS 39, loans are written off when there is no realistic probability of recovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Given that all financial assets within the scope of the IFRS 9 impairment model will be assessed for at least 12-months of expected credit losses, and the population of financial assets to which full lifetime expected credit losses applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with IAS 39, loss allowances will be higher under IFRS 9 relative to IAS 39.

Changes in the required credit loss allowance, including the impact of movements between Stage 1 and Stage 2, will be recorded in the Consolidated Statement of Comprehensive Income. The impact of moving between 12 months and lifetime expected credit losses and the application of forward looking information, means provisions are expected to be more volatile under IFRS 9 than IAS 39.

The following table reconciles the Group's carrying amounts of financial assets at amortised cost, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Group	IAS 39 carrying amount 31 December 2017 £	Reclassification £	Remeasurements £	IFRS 9 carrying amounts 1 January 2018 £
Loans at amortised cost				
Opening balance under IAS 39	1,118,122,290	–	–	–
Remeasurement ECL allowance*	–	–	(19,640,731)	–
Closing balance under IFRS 9	–	–	–	1,098,481,559

* Refer to note 3(b) for definition of ECL

The drive in the remeasurement of assets between IAS 39 and IFRS 9 has been the recognition of stage 1 provision. This has been the provision to be taken on real estate lending for the first time and an increase in all other portfolios as the company recognises a 12-month expected credit loss.

(c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

	Loan loss allowance under IAS 39	Remeasurement	Loan loss allowance under IFRS 9
Real Estate (UK)	–	2,226,704	2,226,704
SME (UK)	6,911,904	2,836,527	9,748,431
SME (US)	3,556,899	64	3,556,963
Consumer (UK)	22,773,127	5,885,604	28,658,731
Consumer (US)	23,314,931	8,385,752	31,700,683
Consumer (Other)	1,657,254	306,080	1,963,334
Total	**58,214,115**	**19,640,731**	**77,854,846**

Further information on the measurement of the impairment allowance under IFRS 9 can be found in note 3(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and consolidation

The Consolidated Financial Statements have been prepared using the accounting policies adopted in the Audited Financial Statements for the year ended 31 December 2017 except where noted in note 2.

Consolidation

Subsidiaries are investees controlled by the Company. The Company controls an investee if it is exposed to, or has the rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reassesses whether it has control if there are changes to one or more elements of control. Subsidiaries are valued at fair value which is deemed to be net asset value. The Company does not consider itself to be an investment entity for the purposes of IFRS 10, as it does not hold substantially all of its investments at fair value. Consequently, it consolidates its subsidiaries rather than holding at fair value through profit or loss.

As at 30 June 2018, the Company controls eight legal entities listed below as well as eight Trusts which are subsidiaries that the Company controls (together "the Group").

Name of entity	Registered Office
Eaglewood SPV I LP	350 Park Avenue, 25th Floor, New York, NY 10022, USA
Eaglewood Income Fund I, LP	350 Park Avenue, 25th Floor, New York, NY 10022, USA
Marketplace Originated Consumer Assets 2016-1 PLC	35 Great St. Helen's, London EC3A 6AP, United Kingdom
P2P BL-2 Limited	35 Great St. Helen's, London EC3A 6AP, United Kingdom
P2P BL-3 Limited	Winchester House, 1 Great Winchester St, London, EC2N 2DB, United Kingdom
Marketplace Originated Consumer Assets 2017-1 PLC	35 Great St. Helen's, London EC3A 6AP, United Kingdom
Greenwood I Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom
EW-PFL Trust	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
SPV I Loan Trust	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
Payoff Consumer Loan Trust	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
BFCL Trust	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
Eaglewood Consumer Loan Trust 2014-1	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
Eaglewood LC Trust	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
PSC 1803 Autoloan Trust	1100 North Market Street Wilmington, DE 19801, USA
PSC Rocketloans Prime Consumer Loan Trust	1100 North Market Street Wilmington, DE 19801, USA
Small Business Origination Loan Trust 2018-1 DAC	1st Floor, 1-2 Victoria Buildings, Haddington Road, Dublin 4, Ireland

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company invests in a special purpose vehicle, Eaglewood SPV I LP (the "SPV" or the "Subsidiary") and at 30 June 2018 is the sole Limited Partner in that SPV. The principal activity of Eaglewood SPV I LP is to invest in alternative finance investments and related instruments, including marketplace loans, which is aligned with the Company's investment objective. The Company's position with regards to the SPV is that of an investor where its maximum loss is restricted to its investment in the vehicle and in return for this receives a quarterly income distribution.

The Company controls Eaglewood Income Fund I, LP (the "Eaglewood Fund"), a Delaware limited partnership established on 3 February 2012, through the control of the SPV. As at 30 June 2018, the SPV is the sole limited partner in the Eaglewood Fund. The Eaglewood Fund is an open ended private investment fund, offering monthly subscriptions and quarterly redemptions, with 90 days' notice. The Eaglewood Fund is managed by the Investment Manager, Pollen Street Capital (US), LLP. It employs a strategy that primarily involves leveraged investment in monthly amortising unsecured US consumer loans originated by a single Platform with terms of three to five years.

Prior to 31 December 2017, the Financial Statements of the Group did not consolidate the Eaglewood Fund as the Group did not exercise control over its activities, which were instead exercised by the GP of the Eaglewood Fund. It was the Directors' judgement that the GP had a significant exposure to the variable returns of the Eaglewood Fund through its performance fee arrangements. As the GP had the decision-making powers and in the Directors' judgement was acting as the principal, the Directors' determination was that the Group did not have control over the Eaglewood Fund and as a result did not consolidate it as at 30 June 2017. As at 30 June 2017, the SPV held 85% of the limited partner interests

During 2017, the GP has undertaken a complete review of the Eaglewood Fund investment strategy, in light of its continued underperformance. This review concluded that the structure of the Eaglewood Fund was no longer appropriate to meet the original objectives of the investors and it was considered to be in the best interest of the investors to make compulsory redemptions. It was determined that the Eaglewood Fund structure could continue to be utilised to purchase platform loans on behalf of the Company, and therefore, all investors other than the SPV were redeemed on 30 September 2017. As a result of the structural changes, the SPV became the sole investor in the Eaglewood Fund, effective as at 1 October 2017. By virtue of the Company being the sole limited partner of the SPV, these structural changes have been assessed to result in the Company gaining control of Eaglewood Fund. On this basis, the Eaglewood Fund has been consolidated from 1 October 2017. Further details of the impact of this consolidation can be found in note 4.

The Company controls Marketplace Originated Consumer Assets 2016-1 PLC ("MOCA 2016"), a public limited company incorporated under the Law of England and Wales. MOCA 2016 is a securitisation vehicle for UK consumer loans and operates in a pre-determined manner. The Company is considered to control MOCA 2016 by virtue of being its sponsor whilst having exposure to the variable returns of the vehicle through the holding of junior notes issued by it.

The Company also controls P2P BL-2 Limited ("P2P BL-2"), a private limited company incorporated with limited liability under the Law of England and Wales. The Company is considered to control P2P BL-2 by virtue of being its sponsor while having exposure to the variable returns of the vehicle through the holding of junior note issued by it. P2P BL-2 was incorporated in March 2017.

The Company also controls P2P BL-3 PLC ("P2P BL-3"), a public limited company incorporated with limited liability under the Law of England and Wales. The Company is considered to control P2P BL-3 by virtue of being its sponsor while having exposure to the variable returns of the vehicle through the holding of junior note issued by it. P2P BL-3 was incorporated in June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company also controls Marketplace Originated Consumer Assets 2017-1 PLC ("MOCA 2017") a public limited company incorporated under the Law of England and Wales. MOCA 2017 is a securitisation vehicle for UK consumer loans and operates in a pre-determined manner. The Company is considered to control MOCA 2017 by virtue of being its sponsor whilst having exposure to the variable returns of the vehicle through the holding of junior notes issued by it. MOCA 2017 was incorporated in November 2017.

The Company also controls Greenwood I Limited ("Greenwood") a limited company incorporated under the Law of England and Wales. The principal activity of Greenwood is to invest in secured consumer loans originated by a single platform. The Company employs Greenwood as a vehicle to invest indirectly in the loans originated through the platform, by providing financing to Greenwood. As at 30 June 2018, the Company is the sole investor of Greenwood.

The Company also controls Small Business Origination Loan Trust 2018-1 DAC ("SBOLT 2018") a public limited company incorporated in Ireland, SBOLT 2018 is a securitisation vehicle for unsecured loans made to small and medium-sized enterprises ("SMEs") incorporated in the UK and operates in a pre-determined manner. The Company is considered to control SBOLT 2018 by virtue of being its sponsor whilst having exposure to the variable returns of the vehicle through the holding of junior notes issued by it. SBOLT 2018 was incorporated in May 2018.

The Company also controls a number of trusts ("Trusts") through its control of the SPV and the Eaglewood Fund. The SPV and the Eaglewood Fund control a Trust if they are exposed to, or have the rights to, variable returns from their involvement with the Trust and have the ability to affect those returns through its power over the Trust. As at 30 June 2018, the SPV is the sole beneficial owner of EW-PFL Trust, SPV I Loan Trust, Payoff Consumer Loan Trust, PSC 1803 Autoloan Trust and PSC Rocketloans Prime Consumer Loan Trust while the Eaglewood Fund is the sole beneficial owner of Eaglewood Consumer Loan Trust 2014-1 and Eaglewood LC Trust. The SPV is also a beneficial owner and holds a controlling interest in BFCL Trust. During the period a certificate of cancellation of trusts was filed with the state of Delaware for EW-PFL Financing Trust, EW-PFL Security Trust and Certificated Loan Warehouse Trust which the SPV was previously the sole beneficial owner. During the period, P2PCL1 PLC, a limited liability company incorporated in England and Wales, was liquidated. The Company previously controlled this subsidiary through its ownership of one class A Share which conferred control of 100% of the voting rights in that entity.

All entities within the Group have co-terminous reporting dates.

Intra-group balances and transactions, and any unrealised income and expenses (except for currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

The Consolidated Financial Statements have been prepared under the historical cost convention, modified to include the revaluation of investments. All of the Group's operations are of a continuing nature.

The Group's presentational and functional currency is Pounds Sterling (£). Pounds Sterling is the denomination of the Company's share capital and the primary economic environment of its shareholders. Foreign currency exposures arising from its investments are hedged back into Pounds Sterling.

The financial information for the period ended 30 June 2018 has not been audited or reviewed by the Group's auditors and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial assets and financial liabilities

(i) Financial assets

Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 introduces a principal-based approach and applies one classification approach for all types of financial assets. For Debt Instruments, two criteria are used to determine how financial assets should be classified and measured: (a) the entity's business model (i.e. how an entity manages its financial assets in order to generate cash flows by collecting contractual cash flows, selling financial assets or both); and (b) the contractual cash flow characteristics of the financial asset (i.e. whether the contractual cash flows are solely payments of principal and interest).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL: (a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described further in this note.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through the Other Comprehensive Income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the investments amortised cost which is recognised in the Consolidated Statement of Comprehensive Income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the Consolidated Statement of Comprehensive Income and recognised in 'Income'. Interest income from these financial assets in included in 'Income' using the EIRM.

Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to the Consolidated Statement of Comprehensive Income. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. All equity positions are measured at FVTPL. Financial assets measured at FVTPL are recognised in the balance sheet at their fair value. Fair value gains and losses together with interest coupons and dividend income are recognised in the income statement within net trading income in the period in which they occur. The fair values of assets and liabilities traded in active markets are based on current bid and offer prices respectively. If the market is not active the Group establishes a fair value by using valuation techniques. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Refer to note 3(b)(ii) for further details on financial liabilities.

Business model assessment

The Company will make an assessment of the objective of the business model in which a financial asset is held at a portfolio level in order to generate cash flows because this best reflects the way the business is managed and information is provided to the Investment Manager. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable, then the financial assets are classified as part of the other business model and measured at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The information that will be considered by the Group in determining the business model includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice, including whether the strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- Past experience on how the cash flows for these assets were collected;
- How the performance of the portfolio is evaluated and reported to the Investment Manager;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Investment Manager's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a reasonable profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the contractual terms of the instrument will be considered to see if the contractual cash flows are consistent with a basic lending arrangement. In making the assessment, the following features will be considered:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets e.g. non-recourse asset arrangements; and
- Features that modify consideration for the time value of money, e.g. periodic reset of interest rates.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification that has taken place forms the start of the first reporting period following the change. Such changes are expected to be very infrequent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group measures all equity investments at FVTPL.

Gains and losses on equity investments at FVTPL are included in the 'Net gains on investments' line in the Consolidated Statement of Comprehensive Income.

Impairment

The impairment charge in the income statement includes the change in expected credit losses which are recognised for loans and advances to customers, other financial assets held at amortised cost and certain loan commitments.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

The measurement of expected credit losses will primarily be based on the product of the instrument's probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"), taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the effective interest rate ("EIR").

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12M PD"), or over the remaining lifetime ("Lifetime PD") of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months ("12M EAD") or over the remaining lifetime ("Lifetime EAD"). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The estimated credit loss ("ECL") is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

The main difference between Stage 1 and Stage 2 is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD, while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios.

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognised. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1.

In assessing whether a borrower has a significant increase in credit risk the following indicators will be considered:

- Consumer
  - Short-term forbearance; and
  - Extension of terms granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Wholesale/SME/Property
  - Significant increase in credit spread;
  - Significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
  - Actual or expected forbearance or restructuring;
  - Actual or expected significant adverse change in operating results of the borrower;
  - Significant change in collateral value (secured facilities only) which is expected to increase the risk of default; and
  - Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors.

However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39. Assets can move in both directions through the stages of the impairment model.

In assessing whether a borrower is credit impaired the following indicators will be considered:

- Qualitative;
  - Consumer
    - Long-term forbearance;
    - Borrower deceased; and
    - Borrower insolvent.
  - Wholesale/SME/Property
    - Borrower in breach of financial covenants;
    - Concessions have been made by the lender relating to the borrower's financial difficulty;
    - Significant adverse changes in business, financial or economic conditions on which the borrower operates; and
    - Long term forbearance or restructuring.
- Quantitative;
    - The remaining lifetime PD at the reporting date has increased, compared to the residual lifetime PD expected at the reporting date when the exposure was first recognised.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. The Company uses this 90 day backstop for all its non real estate lending as they typically show high core rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The criteria on the previous page have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss calculations.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Under IFRS 9, when determining whether the credit risk (i.e. the risk of default) on a financial instrument has increased significantly since initial recognition, reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on historical experience, credit assessment and forward-looking information is used.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forward-looking information. A 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecasts scenarios. The process will involve developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The base case will represent a most likely outcome and be aligned with information used for other purposes, such as strategic planning and budgeting. The Group uses three other scenarios to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 30 June 2018, all the portfolios of the Group use one positive, more optimistic and two downside, more pessimistic outcomes. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

The estimation and application of forward-looking information requires significant judgement. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances, are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. The Bank of England macroeconomic scenarios, as well as baseline upside and downside economic scenarios have been used in the expected credit loss calculation by the Group.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Collateral and other credit enhancements

The Group employs a range of policies to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies of the acceptability of specific classes of collateral or credit risk mitigation.

The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Mortgages over residential properties;
- Margin agreement for derivatives, for which the Group has also entered into master netting agreements;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Derivatives are also collaterised.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses.

Modification of financial assets

The Group sometimes modifies the terms or loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practice are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original assets. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2.

Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Change in the currency the loan is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'New' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amounts are also recognised in the Consolidated Statement of Comprehensive Income as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the Consolidated Statement of Comprehensive Income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchased agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

(ii) Financial liabilities

Classification and subsequent measurement

In both the current period and prior year, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to change in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the Consolidated Statement of Comprehensive Income;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iii) Derivatives

Derivatives are entered into to reduce exposures to fluctuations in interest rates, exchange rates, market indices and credit risk and are not used for speculative purposes.

Derivatives are carried at fair value with movements in fair values recorded in the Consolidated Statement of Comprehensive Income. Derivative financial instruments are valued using discounted cash flow models using yield curves that are based on observable market data or are based on valuations obtained from counterparties.

All derivatives are classified as assets where their fair value is positive and liabilities where their fair value is negative. Where there is the legal ability and intention to settle net, then the derivative is classified as a net asset or liability, as appropriate.

(iv) Prior year classification

The new classification, measurement and impairment requirements have been applied by adjusting the Consolidated Statement of Financial Position on 1 January 2018, the date of initial application, with no restatement of comparative period financial information. The Group has elected not to provide comparative information for periods before the date of initial application of the IFRS 9 and therefore all comparative information for the Group was based on the classification of its financial assets and financial liabilities at inception under IAS 39.

(c) Expected credit loss allowance for financial assets measured at amortised cost

The calculation of the Group's ECL allowances and provisions against loan commitments and guarantees under IFRS 9 is highly complex and involves the use of significant judgement and estimation. This includes the formulation and incorporation of multiple forward-looking economic conditions into ECL to meet the measurement objective of IFRS 9. The most significant are set out below.

Definition of default

The PD of an exposure, both over a 12-month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due. The definition of default adopted by the Group is described on page 27. Impairment of financial assets above. As noted in 3(b), the Group has rebutted the presumption in IFRS 9 that default occurs no later than when a payment is 90 days past due. The impact on the Group's ECL allowance of assuming a backstop of 180 days past due for Real estate is not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The lifetime of an exposure

To derive the PDs necessary to calculate the ECL allowance it is necessary to estimate the expected life of each financial instrument. A range of approaches has been adopted across different product groupings including the full contractual life and taking into account behavioural factors such as early repayments and refinancing. The Group has defined the lifetime for each product by analysing the time taken for all losses to be observed and for a material proportion of the assets to fully resolve through either closure or write-off.

Significant increase in credit risk (SICR)

Performing assets are classified as either Stage 1 or Stage 2. An ECL allowance equivalent to 12 months expected losses is established against assets in Stage 1; assets classified as Stage 2 carry an ECL allowance equivalent to lifetime expected losses. Assets are transferred from Stage 1 to Stage 2 when there has been an SICR since initial recognition. As described on page 29, the Group uses a quantitative test together with qualitative indicators and a backstop of 30 days past due for determining whether there has been a SICR. The setting of precise trigger points combined with risk indicators requires judgement. The use of different trigger points may have a material impact upon the size of the ECL allowance.

Forward looking information

The measurement of expected credit losses is required to reflect an unbiased probability-weighted range of possible future outcomes. In order to do this the Group uses a model to project a number of key variables to generate future economic scenarios. These are ranked according to severity of loss and three economic scenarios have been selected to represent an unbiased and full loss distribution. They represent a 'most likely outcome' (the Base case scenario) and two, less likely, 'outer' scenarios, referred to as the 'Upside' and 'Downside' scenarios. These scenarios are used to produce a weighted average PD for each product grouping which is used to determine stage allocation and calculate the related ECL allowance. This weighting scheme is deemed appropriate for the computation of unbiased ECL. Key scenario assumptions are set using the average of forecasts from external economists, helping to ensure the IFRS 9 scenarios are unbiased and maximise the use of independent information. Using externally available forecast distributions helps ensure independence in scenario construction. While key economic variables are set with reference to external distributional forecasts, we also align the overall narrative of the scenarios to the macroeconomic risks faced by the Group.

The choice of alternative scenarios and probability weighting is a combination of quantitative analysis and judgemental assessments, designed to ensure that the full range of possible outcomes and material non-linearity are captured. Paths for the two outer scenarios are benchmarked to the Base scenario and reflect the economic risk assessment. Scenario probabilities reflect management judgement and are informed by data analysis of past recessions, transitions in and out of recession, and the current economic outlook. The key assumptions made, and the accompanying paths, represent our 'best estimate' of a scenario at a specified probability. Suitable narratives are developed for the Central scenario and the paths of the two outer scenarios. Using three scenarios will be insufficient in certain economic environments. Additional analysis may be requested at management's discretion, including the production of extra scenarios. We anticipate there will be only limited instances when the standard approach will not apply. The Base case, Upside and Downside scenarios are generated at 1 January annually and are only updated during the year if economic conditions change significantly.

Valuation of unquoted investments

The valuation of unquoted investments and investments for which there is an inactive market is a key area of judgement and may cause material adjustment to the carrying value of those assets and liabilities. These are valued in accordance with the techniques set out in note 3(b). The unquoted equity assets are valued on periodic basis using techniques including a market approach, costs approach and/or income approach. The valuation process is collaborative, involving the finance and investment functions within the Investment Manager with the final valuations being reviewed by the Board's Audit and Valuation Committee. The specific techniques used typically include earnings multiples, discounted cash flow analysis, the value of recent transactions, and, where appropriate, industry rules of thumb. The valuations often reflect a synthesis of a number of different approaches in determining the final fair value estimate. The individual approach for each investment will vary depending on relevant factors that a market participant would take into account in pricing the asset. These might include the specific industry dynamics, the Company's stage

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

of development, profitability, growth prospects or risk as well as the rights associated with the particular security. Increases or decreases in any of the inputs in isolation may result in higher or lower fair value measurements. Changes in fair value of all investments held at fair value are recognised in the Consolidated Statement of Comprehensive Income as a capital item. On disposal, realised gains and losses are also recognised in the Consolidated Statement of Comprehensive Income as a capital item. Transaction costs are included within gains or losses on investments held at fair value, although any related interest income, dividend income and finance costs are disclosed separately in the Consolidated Financial Statements. Sensitivity analysis has been included in note 5.

Consolidation

Determining whether the Group has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances, this determination will involve significant judgement, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgement may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether the Group, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

(d) Going concern

The Directors consider that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Group's Consolidated Financial Statements.

(e) New standards and amendments to existing standards

Accounting standards effective

IFRS 9 "Financial Instruments", brings together the classification and measurement, impairment and hedge accounting phases of the IASB project to replace IAS 39, and is effective for annual periods beginning on or after 1 January 2018. Refer to note 2 for details of impact.

IFRS 15, 'Revenue from contracts with customers', effective 1 January 2018. This is the converged standard on revenue recognition and replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. The new standard's only impact is on the presentation of the financial results given that interest on fair value loans and derivatives will no longer be able to be presented through interest income but Fair Value Through Profit and Loss (FVTPL).

Accounting standards issued but not yet effective

At the date of this document, there were no standards in issue but not yet effective.

4. BUSINESS COMBINATION

As at 1 October 2017, the Company gained control of the Eaglewood Fund, by virtue of being the sole limited partner of the SPV and the SPV becoming the sole limited partner in the Eaglewood Fund. This control was gained after the SPV became the sole investor of the Eaglewood Fund following a structural review undertaken by the general partner. The Eaglewood Fund was consolidated as at 1 October 2017 following the compulsory redemption of the other investors, driven by the general partner, in light of the underperformance (see note 3(a) for further details).

The Consolidated Statement of Financial Position shows the underlying assets and liabilities of the Eaglewood Fund. The consolidation impacts the presentation of the Consolidated Statement of Financial Position. Previously the Financial Statements of the Group did not consolidate the Eaglewood Fund as the Group did not exercise control over its activities, which were instead exercised by the General Partner ("GP") of the Eaglewood Fund. It was the Directors' judgement that the GP had a significant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. BUSINESS COMBINATION (continued)

exposure to the variable returns of the Eaglewood Fund through its performance fee arrangements. As the GP had the decision making powers and in the Directors' judgement was acting as the principal, the Directors' determination was that the Group did not have control over the Eaglewood Fund and as a result did not consolidate it as at 31 December 2016. The consolidation of the Eaglewood Fund has had no impact on the Company Statement of Financial Position.

The fair value of the assets and liabilities of the Eaglewood Fund at the date control was gained was as follows:

	Carrying value as at 1 October 2017 US$	Carrying value as at 1 October 2017 £
Assets		
Financial assets at fair value through profit or loss	90,735,099	67,629,485
Investments at amortised cost	95,817,747	71,417,842
Cash and cash equivalents	7,397,969	5,514,083
Cash pledged as collateral	2,327,481	1,734,790
Interest receivable	861,618	642,208
Other current assets and prepaid expenses	1,810,428	1,349,404
Total assets	**198,950,342**	**148,287,812**
Liabilities		
Amounts due to brokers	20,920,776	15,593,318
Interest payable	130,308	97,125
Management fees payable	31,358	23,373
Administration fee payable	11,578	8,629
Professional fees payable	27,384	20,411
Notes payable	38,064,793	28,371,627
Accrued expenses and other liabilities	1,521,035	1,133,704
Total liabilities	**60,707,232**	**45,248,187**
Partners' Capital	**138,243,110**	**103,039,625**

On consolidation, all assets and liabilities are translated from USD to GBP at the closing rate of 30 September 2017. Given that the Company's investment was held at fair value through profit and loss, upon consolidation there was no impact to the net asset value of the Group and the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. BUSINESS COMBINATION (continued)

The net income of the Eaglewood Fund was consolidated from 1 October 2017. The Consolidated Statement of Comprehensive Income presents the underlying income and expenses of the Eaglewood Fund for the period from 1 October 2017 to 31 December 2017 as detailed below. There is no impact to the Company Statement of Comprehensive Income.

	For the period from 1 January 2017 to 30 September 2017 US$	For the period from 1 January 2017 to 30 September 2017 £	For the period from 1 October 2017 to 31 December 2017 US$	For the period from 1 October 2017 to 31 December 2017 £
Income				
Interest income	16,575,572	12,865,574	1,517,907	1,178,164
Income from investments	3,041,248	2,360,546	459,729	356,831
Total income	**19,616,820**	**15,226,120**	**1,977,636**	**1,534,995**
Expenses				
Interest expense	2,217,277	1,720,999	365,874	283,983
Management fees	219,788	170,594	–	–
Professional fees	200,321	155,485	109,571	85,046
Administration fees	62,834	48,770	6,444	5,002
Impairment of loans	13,402,071	10,402,376	11,941,522	9,268,733
Other expenses	3,573,638	2,773,775	1,265,695	982,402
Total expenses	**19,675,929**	**15,271,999**	**13,689,106**	**10,625,166**
Net decrease in Partners' Capital	**(59,109)**	**(45,879)**	**(11,711,470)**	**(9,090,171)**

On consolidation, all income and expenses are translated from USD to GBP at the average rate of the year.

At the start of 2017, the Eaglewood Fund was the primary beneficiary of EW-LC Trust ("LC Trust"), MW-EW Financing Trust I ("EW Financing Trust"), Eaglewood Warehouse Trust I ("Warehouse I"), Eaglewood Warehouse Trust II ("Warehouse II") and Eaglewood Consumer Loan Trust 2014-1 ("ECLT"). In October 2017, the SPV became the sole investor and thus, consolidation of the Eaglewood Fund took place. Upon consolidation, the loan investments held by Warehouse I and Warehouse II were transferred to EW Financing Trust and the ineligible loan investments to LC Trust and ECLT. To obtain the funding, EW Financing Trust issued asset backed notes ("Notes"). The residual portion of the Notes ("Residual Note") was retained by the Eaglewood Fund and the senior tranche of the Notes ("Senior Note") is held by a bank, representing 76 per cent of the interest. The Eaglewood Fund subsequently sold 75% of the Residual Note to an external investor and retained 25% of the Residual Note. This Residual Note is held at the fair value of expected future cash flows. As at 31 December 2017, the Eaglewood Fund consolidated ECLT and LC Trust. The EW Financing Trust is treated as an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. FAIR VALUE MEASUREMENT

	(Unaudited) 30 June 2018 £	(Unaudited) 30 June 2017 £	(Audited) 31 December 2017 £
Investment assets at fair value through profit or loss			
Fixed income	61,548,527	71,874,248	95,816,591
Investment assets designated as held at fair value through profit or loss	–	13,700,380	–
Investment in other funds	–	146,203,882	–
Unlisted equities	29,472,851	34,099,354	32,682,438
Equities	140,985	212,523	187,280
Total	**91,162,363**	**266,090,387**	**128,686,309**
Derivative financial assets			
Forward foreign exchange contracts	1,195,544	1,865,499	1,796,415
Option contracts	–	535,888	24,778
Total	**1,195,544**	**2,401,387**	**1,821,193**
Derivative financial liabilities			
Forward foreign exchange contracts	(4,015,530)	(673,644)	(1,226,188)
Total	**(4,015,530)**	**(673,644)**	**(1,226,188)**

Financial instruments measured and reported at fair value are classified and disclosed in one of the following fair value hierarchy levels based on the significance of the inputs used in measuring its fair value:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – 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 3 – Pricing inputs for the asset or liability that are not based on observable market data (unobservable inputs).

An investment is always categorised as Level 1, 2 or 3 in its entirety. In certain cases, the fair value measurement for an investment may use a number of different inputs that fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement and is specific to the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. FAIR VALUE MEASUREMENT (continued)

The following table analyses within the fair value hierarchy the Group's assets and liabilities measured at fair value at 30 June 2018:

	Total £	Level 1 £	Level 2 £	Level 3 £
Investment assets at fair value through profit or loss				
Fixed income	61,548,527	15,073,506	4,905,680	41,569,341
Unlisted equities	29,472,851	–	–	29,472,851
Equities	140,985	140,985	–	–
Total	**91,162,363**	**15,214,491**	**4,905,680**	**71,042,192**
Derivative financial assets				
Forward foreign exchange contracts	1,195,544	–	1,195,544	–
Total	**1,195,544**	**–**	**1,195,544**	**–**
Derivative financial liabilities				
Forward foreign exchange contracts	(4,015,530)	–	(4,015,530)	–
Total	**(4,015,530)**	**–**	**(4,015,530)**	**–**

There were transfers from Level 2 to Level 1 of £15,073,506 during the period ended 30 June 2018 and no transfers into and out of Level 3 fair value measurements.

The following table presents the movement in the Group's Level 3 positions for the period ended 30 June 2018.

	Fixed income £	Unlisted equities £	Total £
Opening balance	66,918,599	32,682,438	99,601,037
Transfer*	(5,362,587)	–	(5,362,587)
Purchases	7,769,850	–	7,769,850
Sales	(25,300,096)	–	(25,300,096)
Net change in realised/unrealised gains	(2,456,425)	(3,209,587)	(5,666,012)
Closing balance	**41,569,341**	**29,472,851**	**71,042,192**

* During the period, there was a reclass of £5,362,587 from fixed income to loans at amortised cost.

The net change in realised/unrealised gains is recognised within gains on investments in the Consolidated Statement of Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. FAIR VALUE MEASUREMENT (continued)

Quantitative information regarding the unobservable inputs for the Group's Level 3 positions is given below:

	Fair value at 30 June 2018 £	Valuation technique	1% change in price £
Fixed income	31,205,632	Recent transactions	312,056
Fixed income	5,050,000	Broker quotes	50,500
			5% change in price
Unlisted equities	25,027,115	Recent transactions	1,251,356
Unlisted equities	1,048,221	Residual value	52,411
			5% change in default rate
Junior debt	5,313,709	Discounted cash flow	112,484
			Earnings multiple increased by 1
Unlisted equities	3,397,515	Earnings multiple	522,695

The investments in other funds are valued based on the net asset value as calculated by the funds' administrators at the Consolidated Statement of Financial Position date. The constitutional and offering documentation of each fund sets out the valuation methodology, the applicable generally accepted accounting principles and the frequency, by which its assets are to be valued and the NAV are to be calculated. No adjustments have been determined to be necessary to the NAV as supplied by the administrator as this reflects the fair value of the underlying investments under the relevant valuation methodology. The NAV is the value of all the assets of the funds less their liabilities to creditors (including provisions for such liabilities) determined in accordance with applicable accounting standards. The net asset value of the other funds is sensitive to movements in interest rates due to their investment in fixed rate loans.

The investments in unlisted equities are valued using several different techniques, including recent transactions and rounds of funding by the investee entities, DCF analysis, multiples method, industry valuation benchmarks and milestone approach.

The investments in fixed income securities included within Level 3 of the above hierarchy are valued based on, if available, recent transactions and otherwise broker quotes.

The Group's Level 2 positions are valued by Citco Fund Services (Ireland) Limited, acting in their capacity as the External Valuer, in accordance with the valuation policy. Fixed income positions are valued using prices from an independent market data provider. Forward foreign exchange contracts are valued using interpolated FX forward points from Bloomberg. The option contracts are valued using yield curves from Bloomberg.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. FAIR VALUE MEASUREMENT (continued)

The following table analyses within the fair value hierarchy the Group's assets and liabilities measured at fair value at 30 June 2017:

	Total £	Level 1 £	Level 2 £	Level 3 £
Investment assets at fair value through profit or loss				
Fixed income	71,874,248	–	7,295,575	64,578,673
Investment in other funds	146,203,882	–	–	146,203,882
Unlisted equities	34,099,354	–	–	34,099,354
Equities	212,523	212,523	–	–
Investment assets designated as held at fair value through profit or loss	13,700,380	–	–	13,700,380
Total	**266,090,387**	**212,523**	**7,295,575**	**258,582,289**
Derivative financial assets				
Forward foreign exchange contracts	1,865,499	–	1,865,499	–
Option contracts	535,888	–	535,888	–
Total	**2,401,387**	**–**	**2,401,387**	**–**
Derivative financial liabilities				
Forward foreign exchange contracts	(673,644)	–	(673,644)	–
Total	**(673,644)**	**–**	**(673,644)**	**–**

There were no movements between Level 1 and Level 2 fair value measurements during the period ended 30 June 2017 and no transfers into and out of Level 3 fair value measurements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. FAIR VALUE MEASUREMENT (continued)

The following table analyses within the fair value hierarchy the Group's assets and liabilities measured at fair value at 31 December 2017:

	Total £	Level 1 £	Level 2 £	Level 3 £
Investment assets at fair value through profit or loss				
Fixed income	95,816,591	–	28,897,992	66,918,599
Unlisted equities	32,682,438	–	–	32,682,438
Equities	187,280	187,280	–	–
Total	**128,686,309**	**187,280**	**28,897,992**	**99,601,037**
Derivative financial assets				
Forward foreign exchange contracts	1,796,415	–	1,796,415	–
Option contracts	24,778	–	24,778	–
Total	**1,821,193**	**–**	**1,821,193**	**–**
Derivative financial liabilities				
Forward foreign exchange contracts	(1,226,188)	–	(1,226,188)	–
Total	**(1,226,188)**	**–**	**(1,226,188)**	**–**

There were no movements between Level 1 and Level 2 fair value measurements during the year ended 31 December 2017 and no transfers into and out of Level 3 fair value measurements.

The table below provides details of the loans at amortised cost held by the Group.

	(Unaudited) 30 Jun 2018 £
Amortised cost before ECL	1,125,598,237
ECL	(61,674,837)
Amortised cost	1,063,923,400
Carrying value	**1,063,923,400**

	(Unaudited) 30 Jun 2017 £	(Audited) 31 Dec 2017 £
Amortised cost before impairment	953,561,008	1,176,336,407
Impairment provision	(52,959,607)	(58,214,115)
Amortised cost	900,601,401	1,118,122,290
Carrying value	**900,601,401**	**1,118,122,290**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INCOME AND GAINS ON INVESTMENTS

	(Unaudited) 30 June 2018 £	(Unaudited) 30 June 2017 £	(Audited) 31 December 2017 £
Income			
Loss on foreign exchange*	(3,597,609)	(1,173,466)	(3,106,905)
Interest income	59,747,646	62,448,245	132,440,033
Gain/(loss) on IR/currency swap	(392,989)	(189,512)	885,161
Other income	622,625	36,714	418,375
	56,379,673	**61,121,981**	**130,636,664**
Net gains on investments			
Gain/(loss) on investment in unlisted equities	(3,412,670)	604,435	(681,840)
Gain on investment in other funds	–	21,337	–
Gain/(loss) on fixed income	(295,198)	1,626,433	2,398,675
Loss on option contracts	–	(68,545)	(247,879)
Loss on listed equities	(42,997)	(25,713)	(50,070)
Gain/(loss) on foreign exchange	(166,214)	(34,439)	476
Total	**(3,917,079)**	**2,123,508**	**1,419,362**

* Loss on foreign exchange also includes fair value movements on derivatives taken out to economically hedge fair value expenses.

7. EARNINGS PER SHARE

Basic earnings per share is calculated using the number of shares held at period end, excluding the number of shares purchased by the Company and held as treasury shares.

	(Unaudited) 30 June 2018	(Unaudited) 30 June 2017	(Audited) 31 December 2017
Profit for year	8,698,717	14,620,294	16,984,946
Number of ordinary shares held at year end	77,596,082	81,925,532	79,835,549
Earnings per ordinary share (basic and diluted)	11.21p	17.85p	21.27p

The Company has not issued any shares or other instruments that are considered to have dilutive potential.

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Management of risk

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Strategic Report included in the 2017 Annual Report. This note is incorporated in accordance with IFRS 7 and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

The Group's financial instruments may comprise:

- Loans;
- Listed and unlisted equities and investment funds held in accordance with the Group's investment objective and policies;
- Derivative instruments which could include forward currency contracts and options; and
- Cash, liquid resources and short-term debtors and creditors that arise from its operations.

The risks identified by IFRS 7 arising from the Group's financial instruments are market risk (which comprises market price risk, interest rate risk and foreign currency risk), liquidity risk, counterparty risk, credit risk and derivative instrument risk.

The sensitivity analysis in this note is used by management to measure the Group and the Company's exposure to these risks. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of the accounting period.

The investment objective and operating environment of the Subsidiaries are consistent with that of the Company. Therefore, the risks and uncertainties detailed below are applicable to both the Company and the Group.

In seeking to implement the investment objectives of the Group while limiting risk, the Group is subject to the investment limits restrictions set out in the Credit Risk section of this note.

Market risk

Market risk is the risk of loss arising from movements in observable market variables such as foreign exchange rates, equity prices and interest rates. The Group is exposed to market risk primarily through its Financial Instruments.

The Investment Manager regularly reviews the investment portfolio and industry developments to ensure that any events which may impact the Group are identified and considered. This also ensures that any risks affecting the investment portfolio are identified and mitigated to the fullest extent possible.

Market price risk

The Group is exposed to price risk arising from the investments held by the Group for which prices in the future are uncertain. Primarily, the exposure arises from investment in money market funds, fixed income products and equities. Refer to note 5 for further details on the sensitivity of the Group's Level 3 investments to price risk.

The value of certain investments held by the Group is determined by market forces and there is accordingly a risk that market prices can change in a way that is adverse to the Group's performance. The Group has adopted a number of investment restrictions which are set out in the prospectus which limit the exposure of the Group to market risk.

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 position and cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Loans held by the Group at amortised cost, with a fixed interest rate, are not exposed to interest rate changes. Fixed income securities with fixed interest rates are exposed to fair value interest rate risk. As at 30 June 2018, the Group had 2.39% (30 June 2017: 0.99%, 31 December 2017: 1.75%) of the total assets with a fixed interest rate.

Financial instruments with a floating interest rate that resets as market rates change are exposed to cash flow interest rate risk. At 30 June 2018 the Group had 7.46% (30 June 2017: 7.64%, 31 December 2017: 10.97%) of total assets classified as cash and cash equivalents and 1.99% (30 June 2017: 4.32%, 31 December 2017: 3.72%) of fixed income securities with floating interest rates. At 30 June 2018, if interest rates had increased/decreased by 1% with all other variables held constant, the change in the value of future expected interest cash flows of these assets would have been £1,206,741 (30 June 2017: £1,538,456, 31 December 2017: £2,097,823). 1% is considered to be a reasonably possible movement in interest rates.

The Group has entered into various credit facilities which are subject to a variable interest rate. As at 30 June 2018 the Group had £507,822,993 (30 June 2017: £240,711,906, 31 December 2017: £458,978,564) drawn down under these facilities. Please see note 11 for further details.

If the Group enters floating-rate liabilities against fixed-rate loans, it may at its sole discretion seek to hedge out the interest rate exposure, taking into consideration amongst other things the cost of hedging and the general interest rate environment.

Currency risk

Currency risk is the risk that the value of net assets will fluctuate due to changes in foreign exchange rates. Relevant risk variables are generally movements in the exchange rates of non-functional currencies in which the Group holds financial assets and liabilities.

The assets of the Group are invested in Credit Assets and other investments including unlisted equities which are denominated in US Dollars, Euros, Pounds Sterling and other currencies. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. The Group hedges currency exposure between Pounds Sterling and any other currency in which the Group's assets may be denominated, in particular US Dollars and Euros.

Concentration of foreign currency exposure

The Investment Manager monitors the fluctuations in foreign currency exchange rates and may use forward foreign exchange contracts to hedge the currency exposure of the Group's non-GBP denominated investments. The Investment Manager re-examines the currency exposure on a regular basis in each currency and manages the Group's currency exposure in accordance with market expectations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

The below table presents the net exposure to foreign currency at 30 June 2018. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Consolidated Statement of Financial Position.

	Total asset £	Total liability £	Forward contract £	Net exposure after forward contract £
Australian Dollar	24,768,438	(276,949)	(24,335,289)	156,200
Euro	178,028,250	(4,487,013)	(165,382,299)	8,158,938
US Dollar	188,874,832	(11,175,377)	(175,640,859)	2,058,596
New Zealand Dollar	37,567,579	(1,782,918)	(35,249,938)	534,723

If the GBP exchange rate simultaneously increased/decreased by 10% against the above currencies, the impact on profit would be an increase/decrease of £1,090,845. 10% is considered to be a reasonably possible movement in foreign exchange rates. The total GBP exposure as at 30 June 2018 is £330,458,936.

The below table presents the net exposure to foreign currency at 30 June 2017. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Consolidated Statement of Financial Position.

	Total asset £	Total liability £	Forward contract £	Net exposure after forward contract £
Australian Dollar	4,234,181	(53,327)	(6,867,503)	(2,686,649)
Euro	33,705,479	(7,915)	(37,367,964)	(3,670,400)
US Dollar	413,404,770	(88,105,998)	(330,065,120)	(4,766,348)
New Zealand Dollar	21,995,379	(2,289,241)	(19,696,390)	9,748

If the GBP exchange rate simultaneously increased/decreased by 10% against the above currencies, the impact on profit would be an increase/decrease of £1,111,365. 10% is considered to be a reasonably possible movement in foreign exchange rates. The total GBP exposure as at 30 June 2017 was £400,468,292.

The below table presents the net exposure to foreign currency at 31 December 2017. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Consolidated Statement of Financial Position.

	Total asset £	Total liability £	Forward contract £	Net exposure after forward contract £
Australian Dollar	5,475,211	(150,066)	(5,423,586)	(98,441)
Euro	115,925,942	(9,150)	(112,922,855)	2,993,937
US Dollar	276,408,223	(15,523,933)	(255,302,501)	5,581,789
New Zealand Dollar	34,464,910	(1,498,039)	(32,243,732)	723,139

If the GBP exchange rate simultaneously increased/decreased by 10% against the above currencies, the impact on profit would be an increase/decrease of £920,042. 10% is considered to be a reasonably possible movement in foreign exchange rates. The total GBP exposure as at 31 December 2017 is £375,037,840.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price. Ordinary Shares are not redeemable at the holder's option.

The Investment Manager manages the Group's liquidity risk through active capital management, including monitoring of amortising cash flows, monitoring of debt requirements and monitoring and forecasting of cash flows.

Financial liabilities consisting of forward foreign exchange contracts, amounts due to brokers, dividends and interest payable, broker fees payable, and accrued expenses and other liabilities are all due within three months.

The liquidity profile of the Group's borrowings is detailed in note 11.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group's credit risks arise principally through exposures to loans acquired by the Group, which are subject to risk of borrower default and disclosed as loans held at amortised cost on the Consolidated Statement of Financial Position. The ability of the Group to earn revenue is completely dependent upon payments being made by the borrower of the loan acquired by the Group through a Platform. The Group (as a lender member) will receive payments under any loans it acquires through a Platform only if the corresponding borrower through that Platform (borrower member) makes payments on the loan.

Consumer loans are typically unsecured obligations of borrowers. They are not secured by any collateral, not guaranteed or insured by any third party and not backed by governmental authority in any way. Secured Consumer Loans will be secured against collateral. SME loans are typically not secured against collateral but are backed by personal guarantees of the business' director(s). Real estate loans are secured against collateral. The Group must rely on the collection efforts at the Platforms and their designated collection agencies and has no direct recourse against borrower members.

The platforms will undertake the primary credit risk assessment when originating loans or receivables. The investment manager, in selecting platforms from which to acquire loan exposures, conducts detailed initial due diligence on, including but not limited to, their credit risk assessment processes, their operational systems and controls plus their ongoing viability. It also conducts due diligence on an ongoing basis and monitors the performance of acquired loans and the entire platform loanbook if available. The investment manager also re-underwrites some loans originated by platforms. As at 30 June 2018, this comprises all secured real estate loans only. This is due to the bespoke nature of the underlying collateral and their large size.

As at 30 June 2018, the Group has not directly originated any loans that do not involve platforms.

The Group will invest across various Platforms, asset classes, geographies (primarily United States and Europe) and credit bands in order to ensure diversification and to seek to mitigate concentration risks.

Loans at amortised cost

The disclosure below presents the gross carrying amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL. Due to the forward-looking nature of IFRS 9, the scope of financial instruments on which ECL are recognised is greater than the scope of IAS 39. The following table provides an overview of the Group's credit risk by stage and industry, and the associated ECL coverage.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

The financial assets recorded in each stage have the following characteristics:

Stage	Characteristics
Stage 1	Unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.
Stage 2	A significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised. Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due and are transferred from stage 1 to stage 2.
Stage 3	Objective evidence of impairment and are therefore considered to be in default or otherwise credit-impaired on which a lifetime ECL is recognised.

The following tables analyse loans by type of exposure and geography and represent the concentration of exposures on which credit risk is managed as at 30 June 2018 and at 1 January 2018.

	Secured	Unsecured					
Group as at 30 June 2018	Real Estate £	SME UK £	SME US £	Consumer UK £	Consumer US £	Consumer Other £	Total £
Stage 1	275,969,822	299,122,878	154,155	294,332,081	147,515,441	51,638,801	1,068,733,178
Stage 2	–	3,669,652	233	5,132,385	4,361,631	920,410	14,084,311
Stage 3	–	9,246,604	8,156,929	10,624,908	13,770,235	982,075	42,780,751
Gross	**275,969,822**	**312,039,134**	**8,311,317**	**310,089,374**	**165,647,307**	**53,541,286**	**1,125,598,240**
Allowance for ECL							
Stage 1	(2,990,233)	(4,385,631)	(395)	(4,036,040)	(4,988,799)	(517,734)	(16,918,833)
Stage 2	–	(1,675,489)	(137)	(3,165,056)	(3,418,416)	(608,621)	(8,867,719)
Stage 3	–	(6,474,134)	(5,888,739)	(9,754,972)	(12,836,253)	(934,190)	(35,888,288)
Net loans at amortised cost	**272,979,588**	**299,503,880**	**2,422,046**	**293,133,306**	**144,403,839**	**51,480,741**	**1,063,923,400**
Stage 1	1%	1%	0%	1%	3%	1%	2%
Stage 2	0%	46%	59%	62%	78%	66%	63%
Stage 3	0%	70%	72%	92%	93%	95%	84%
Total	1%	4%	71%	5%	13%	4%	5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

	Secured	Unsecured					
Group as at 1 January 2018	Real Estate £	SME UK £	SME US £	Consumer UK £	Consumer US £	Consumer Other £	Total £
Stage 1	199,287,205	216,540,960	6,793,168	411,001,262	247,556,758	23,573,748	1,104,753,101
Stage 2	–	2,075,607	262,888	7,589,208	13,033,854	919,188	23,880,745
Stage 3	–	7,507,667	4,202,904	17,793,259	17,297,775	900,956	47,702,561
Gross	**199,287,205**	**226,124,234**	**11,258,960**	**436,383,729**	**277,888,387**	**25,393,892**	**1,176,336,407**
Allowance for ECL							
Stage 1	(2,226,704)	(3,483,849)	(64)	(8,519,027)	(5,007,611)	(439,606)	(19,676,861)
Stage 2	–	(1,044,631)	(185,828)	(4,882,300)	(10,612,728)	(587,356)	(17,312,843)
Stage 3	–	(5,255,367)	(3,371,072)	(15,257,403)	(16,080,345)	(900,957)	(40,865,144)
Net loans at amortised cost	**197,060,501**	**216,340,387**	**7,701,996**	**407,724,999**	**246,187,703**	**23,465,973**	**1,098,481,559**
Stage 1	1%	2%	0%	2%	2%	2%	2%
Stage 2	0%	50%	71%	64%	81%	64%	72%
Stage 3	0%	70%	80%	86%	93%	100%	86%
Total	1%	4%	32%	7%	11%	8%	7%

Selected 2017 Impaired asset disclosures

The disclosures below were included in our 2017 external reports and do not reflect the adoption of IFRS 9. As these tables are not directly comparable to the current 2018 credit risk tables, which are disclosed on an IFRS 9 basis, these 2017 disclosures have been shown below and not adjacent to 2018 tables.

The disclosure below presents the gross carrying amount of financial instruments to which the impairment requirements under IAS 39 are recognised for 30 June 2017 and 31 December 2017.

Credit risk categorisation	Description
Neither past due nor impaired	Loans that are not in arrears and which do not meet the impaired asset definition. Loans which are less than 15 days past due are considered to be in a grace period, and not past due for the purposes of assessing impairment as it is the experience of the Investment Manager that these are typically late due to operational reasons.
Past due and not impaired	Loans that are past due and assessed that zero impairment is required.
Impaired Assets	Consumer & SME – loans which are more than 15 days in arrears are treated as impaired and provisioned. Real estate loans – loans are assessed individually for evidence and quantum of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

	Secured	Unsecured					
		SME	SME	Consumer	Consumer	Consumer	
	Real Estate	UK	US	UK	US	Other	Total
Group as at 30 June 2017	£	£	£	£	£	£	£
Neither past due nor impaired	107,654,253	85,238,617	8,829,704	302,696,646	365,700,835	13,918,140	884,038,195
Past due but not impaired	–	–	–	–	–	–	–
Impaired	–	2,761,914	6,115,657	33,610,563	24,053,200	2,981,479	69,522,813
Gross	**107,654,253**	**88,000,531**	**14,945,361**	**336,307,209**	**389,754,035**	**16,899,619**	**953,561,008**
Allowance for impairment losses	–	(1,700,706)	(4,562,101)	(25,052,761)	(19,410,509)	(2,233,530)	(52,959,607)
Net loans at amortised cost	**107,654,253**	**86,299,825**	**10,383,260**	**311,254,448**	**370,343,526**	**14,666,089**	**900,601,401**

	Secured	Unsecured					
		SME	SME	Consumer*	Consumer	Consumer	
	Real Estate	UK	US	UK	US	Other	Total
Group as at 31 December 2017	£	£	£	£	£	£	£
Neither past due nor impaired	199,287,205	215,180,640	6,676,433	406,581,075	250,640,053	23,004,229	1,101,369,635
Past due but not impaired	–	–	–	–	–	–	–
Impaired	–	10,943,594	4,582,527	29,802,654	27,248,334	2,389,663	74,966,772
Gross	**199,287,205**	**226,124,234**	**11,258,960**	**436,383,729**	**277,888,387**	**25,393,892**	**1,176,336,407**
Allowance for impairment losses	–	(6,911,606)	(3,556,899)	(22,773,125)	(23,314,931)	(1,657,254)	(58,214,115)
Net loans at amortised cost	**199,287,205**	**219,212,326**	**7,702,061**	**413,610,604**	**254,573,456**	**23,736,638**	**1,118,122,290**

* Included within unsecured UK consumer is £29.6m of secured UK consumer loans.

The tables below show the movement of impaired loan balances by type of exposure and geography:

		SME	SME	Consumer	Consumer	Consumer	
	Real Estate	UK	US	UK	US	Other	Total
Group 2017	£	£	£	£	£	£	£
As at 1 Jan 2017	**–**	**2,708,433**	**4,284,232**	**23,905,838**	**26,094,868**	**2,224,236**	**59,217,607**
Classified as impaired during the year	–	53,481	1,831,425	9,704,725	15,760,157	757,243	28,107,031
Transferred from impaired to unimpaired	–	–	–	–	–	–	–
Amounts written off	–	–	–	–	(17,801,825)	–	(17,801,825)
As at 30 Jun 2017	**–**	**2,761,914**	**6,115,657**	**33,610,563**	**24,053,200**	**2,981,479**	**69,522,813**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Group 2017	Real Estate £	SME UK £	SME US £	Consumer UK £	Consumer US £	Consumer Other £	Total £
As at 1 Jan 2017	**–**	**2,708,433**	**4,284,232**	**23,905,838**	**26,094,868**	**2,224,236**	**59,217,607**
Classified as impaired during the year	–	9,155,324	1,360,593	21,052,268	27,941,532	1,193,601	60,703,318
Transferred from impaired to unimpaired	–	–	(72,221)	–	–	–	(72,221)
Impact due to consolidation	–	–	–	–	5,966,333	–	5,966,333
Amounts written off	–	(920,163)	(990,077)	(15,155,452)	(32,754,399)	(1,028,174)	(50,848,265)
As at 31 Dec 2017	**–**	**10,943,594**	**4,582,527**	**29,802,654**	**27,248,334**	**2,389,663**	**74,966,772**

Credit quality of loans

The credit quality of loans is assessed through evaluation of various factors, including credit scores, payment data and other information. Set out below is the analysis of the Group's loans at amortised cost by grade.

Impaired assets	Description
A	Highest quality with minimal indicators of credit risk.
B	High quality, subject to low credit risk, minor adverse indicators.
C	Medium-grade, moderate credit risk, may have some adverse credit risk indicators.
D	Elevated credit risk, significant adverse indicators.
E	High credit risk, with serious adverse indicators (e.g. lower affordability, credit history, existing debt).

Group as at 30 June 2018	Real Estate £	SME UK £	SME US £	Consumer UK £	Consumer US £	Consumer Other £	Total £
Internal grade							
A	244,246,764	24,464,413	–	167,105,887	5,365,594	26,643,104	467,825,762
B	28,732,824	214,915,369	160,942	78,192,501	43,788,104	14,096,548	379,886,288
C	–	51,480,330	1,945,905	6,099,286	50,950,685	9,451,583	119,927,789
D	–	8,643,768	–	41,735,632	42,475,712	1,152,190	94,007,302
E	–	–	315,199	–	1,823,744	137,316	2,276,259
Total	**272,979,588**	**299,503,880**	**2,422,046**	**293,133,306**	**144,403,839**	**51,480,741**	**1,063,923,400**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Group as at 30 June 2017	Real Estate £	SME UK £	SME US £	Consumer UK £	Consumer US £	Consumer Other £	Total £
Internal grade							
A	88,660,632	306,773	–	113,762,396	12,360,080	13,166	215,103,047
B	18,993,621	68,742,966	255,133	99,751,188	55,950,103	7,958,982	251,651,993
C	–	15,228,134	4,834,586	12,092,962	146,918,662	5,716,072	184,790,416
D	–	2,021,950	8,167	85,647,904	151,174,125	742,948	239,595,094
E	–	–	5,285,374	–	3,940,556	234,921	9,460,851
Total	**107,654,253**	**86,299,823**	**10,383,260**	**311,254,450**	**370,343,526**	**14,666,089**	**900,601,401**

Group as at 31 December 2017	Real Estate £	SME UK £	SME US £	Consumer UK £	Consumer US £	Consumer Other £	Total £
Internal grade							
A	156,481,393	32,594,060	–	222,278,411	14,228,839	10,356	425,593,059
B	42,805,815	145,619,611	226,568	115,152,453	106,951,541	12,514,879	423,270,867
C	–	36,526,274	6,513,288	8,785,789	89,541,597	9,800,166	151,167,114
D	–	4,606,276	–	65,740,379	42,611,122	1,175,874	114,133,651
E	–	––	1,106,644	1,539,891	1,095,916	215,148	3,957,599
Total	**199,287,208**	**219,346,221**	**7,846,500**	**413,496,923**	**254,429,015**	**23,716,423**	**1,118,122,290**

Collateral held as security for financial assets

Consumer loans are typically unsecured obligations of borrowers. They are not secured by any collateral, not guaranteed or insured by any third party and not backed by any governmental authority in any way. SME Loans are typically not secured against collateral but are backed by personal guarantees of the business' director(s).

Real estate loans are secured against collateral as follows:

Loan to value	30 June 2018 £	30 June 2017 £	31 December 2017 £
Less than 70%	249,290,461	105,053,514	150,027,504
Between 70% - 75%	23,555,150	–	48,598,293
Between 75% - 80%	3,124,211	2,600,739	661,411
Greater than 80%	–	–	–

Maximum credit exposure loan commitments

The Company has provided credit facilities that are undrawn as at 30 June 2018. These primarily relate to secured real estate loans. The undrawn balance as at 30 June 2018 was £190,847,458 (30 June 2017: £69,963,718, 31 December 2017: £119,824,226).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Platform restrictions

The Group will not invest more than 33% of gross assets via any single Platform. This limit may be increased to 66% of Gross Assets via any single Platform, provided that where this limit is so increased in respect of any Platform the Group does not invest an amount which is greater than 25% (by value) of the total loan origination or investment of the preceding calendar year via such Platform or counterparty.

Asset class restrictions

The Company will invest in Credit Assets originated across various sectors and across credit risk bands to ensure diversification and to seek to mitigate concentration risks. The following investment limits and restrictions apply to the Company to ensure that the diversification of the portfolio is maintained, that concentration risk is limited and that limits are placed on risk associated with borrowings.

The Company will not invest more than 20% of gross assets, at the time of investment, via any single investment fund investing in Credit Assets. The Group will not invest, in aggregate, more than 60% of gross assets, at the time of investment, in other investment funds that invest in Credit Assets.

The Company will not invest more than 10% of its gross assets, at the time of investment, in other listed closed-ended investment funds, whether managed by the Investment Manager or not, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds.

The following apply, in each case at the time of investment by the Company, to both Credit Assets acquired by the Company directly and on a look-through basis to any Credit Assets held by another investment fund which is managed by the Investment Manager, the Sub-Manager or their affiliates in which the Company invests (proportionate to the percentage interest the Company has in such investment fund). It is intended that:

- No single consumer loan shall exceed 0.25% of gross assets;
- No single SME loan shall exceed 5.0% of gross assets;
- No single advance or loan against a trade receivable asset shall exceed 5.0% of gross assets;
- No single corporate loan shall exceed 5% of gross assets; and
- No single facility, security or other interest backed by a portfolio of loans, assets or receivables (excluding any borrowing ring-fenced within any SPV which would be without recourse to the Company) shall exceed 20% of gross assets.

At any given time, not more than 50% of Gross Assets will be maintained in SME Credit Assets and not more than 50% of Gross Assets will be maintained in trade receivable assets (taking into account both Credit Assets acquired by the Company directly and, on a look-through basis, any Credit Assets held by another investment fund managed by the Investment Manager, the Sub-Manager or their affiliates in which the Company invests (proportionate to the percentage interest the Company has in such investment fund)).

Other restrictions

The Company may invest in cash, cash equivalents and fixed income instruments for cash management purposes and with a view to enhancing returns to shareholders or mitigating credit exposure. However, for cash management purposes the Company will only invest in fixed income instruments of investment grade.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

The Company will not invest in collateralised debt obligations ("CDOs"). CDO's are pooled debt obligations where pooled assets serve as collateral.

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that counterparties fail to perform their obligations as at 30 June 2018, 30 June 2017 and 31 December 2017 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Consolidated Statement of Financial Position.

9. EXPECTED CREDIT LOSS ALLOWANCE OF INVESTMENTS AT AMORTISED COST

Under expected credit loss model introduced by IFRS 9 the incurred loss model under IAS 39 is replaced. Impairment provisions are driven by changes in credit risk of instruments, with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly since initial recognition.

Group 2018 As at 1 Jan 2018	**Real Estate £**	**SME UK £**	**SME US £**	**Consumer UK £**	**Consumer US £**	**Consumer Other £**	**Total £**
Impairment allowance as at 1 January 2018	**–**	**6,911,904**	**3,556,899**	**22,773,125**	**23,314,931**	**1,657,254**	**58,214,113**
Changes on initial application of IFRS 9							
Stage 1	2,226,704	2,871,943	64	5,885,604	8,385,752	270,664	19,640,731
Stage 2	–	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–
Restated ECL allowance as at 1 January 2018	**2,226,704**	**9,783,847**	**3,556,963**	**28,658,729**	**31,700,683**	**1,927,918**	**77,854,844**
ECL charge to the statement of comprehensive income							
Stage 1	763,530	901,782	331	(4,482,988)	(18,812)	78,127	(2,758,030)
Stage 2	–	630,858	(185,692)	(1,717,244)	(7,194,312)	21,265	(8,445,125)
Stage 3	–	3,534,424	3,181,334	13,269,318	9,443,313	1,404,121	30,832,510
Total	763,530	5,067,064	2,995,973	7,069,086	2,230,189	1,503,513	19,629,355
Loans and receivables written off	–	(2,632,734)	(715,085)	(11,793,860)	(15,331,726)	(1,356,132)	(31,829,538)
Loans and receivables sold	–	–	–	(6,977,887)	–	–	(6,977,887)
Recoveries of amounts written off in previous years	–	317,078	–	–	2,345,506	28,306	2,690,890
Foreign exchange impact	–	–	51,420	–	298,816	(43,060)	307,176
At 30 June 2018	**2,990,234**	**12,535,254**	**5,889,271**	**16,956,068**	**21,243,468**	**2,060,545**	**61,674,840**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. EXPECTED CREDIT LOSS ALLOWANCE OF INVESTMENTS AT AMORTISED COST (continued)

Measurement uncertainty and sensitivity analysis of expected credit loss

The recognition and measurement of expected credit losses ("ECL") is highly complex and involves the use of significant judgement and estimation. This includes the formulation and incorporation of multiple forward-looking economic conditions into ECL to meet the measurement objective of IFRS 9.

The ECL recognised in the financial statements reflect the effect on expected credit losses of a range of possible outcomes, calculated on a probability-weighted basis, based on the economic scenarios described above, including management overlays where required. The probability-weighted amount is typically a higher number than would result from using only the Base (most likely) economic scenario. Expected losses typically have a non-linear relationship to the many factors which influence credit losses, such that more favourable macroeconomic factors do not reduce defaults as much as less favourable macroeconomic factors increase defaults.

Measurement uncertainty and sensitivity analysis of expected credit loss (Continued)

For most portfolios, the Company has adopted the use of three economic scenarios, representative of our view of forecast economic conditions, sufficient to calculate unbiased ECL. They represent a 'most likely outcome' (the Base scenario) and two, less likely, 'outer' scenarios, referred to as the 'Upside' and 'Downside' scenarios. The Company has developed a shortlist of the upside and downside economic and political risks most relevant to the Company and the IFRS 9 measurement objective. These include economic and political risks which together affect economies that materially matter to the Company.

For stage 3 impaired loans, LGD estimates take into account independent recovery valuations provided by external consultants where available, or internal forecasts corresponding to anticipated economic conditions.

Selected 2017 Accumulated allowance for impairment losses on loans and receivables disclosures

The disclosures below were included in our 2017 external reports and do not reflect the adoption of IFRS 9. As these tables are not directly comparable to the current 2018 credit risk tables, which are disclosed on an IFRS 9 basis, these 2017 disclosures have been shown below and not adjacent to 2018 tables.

Under IAS 39 the Group assessed at each Consolidated Statement of Financial Position date whether there was objective evidence that a loan or group of loans, classified as investments at amortised cost, is impaired. In performing such analysis, the Group assessed the probability of default based on the number of days the loans are past due, using recent historical rates of default on loan portfolios with credit risk characteristics similar to those of the Group.

The following impairment charges have been recorded in the Consolidated Statement of Financial Position as at 30 June 2017 and 31 December 2017 relating to loans and receivables held at amortised cost less provision for impairment:

Group	Real Estate £	SME UK £	SME US £	Consumer UK £	Consumer US £	Consumer Other £	Total £
At 1 January 2017	**–**	**2,203,601**	**2,916,346**	**18,613,742**	**18,844,520**	**1,631,885**	**44,210,094**
Charge to the statement of comprehensive income	–	(502,895)	1,833,891	6,439,019	1,551,941	572,108	9,894,064
Impact due to consolidation	–	–	–	–	–	–	–
Foreign exchange impact	–	–	(188,136)	–	(985,952)	29,537	(1,144,551)
At 30 June 2017	**–**	**1,700,706**	**4,562,101**	**25,052,761**	**19,410,509**	**2,233,530**	**52,959,607**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. EXPECTED CREDIT LOSS ALLOWANCE OF INVESTMENTS AT AMORTISED COST (continued)

Group	Real Estate £	SME UK £	SME US £	Consumer UK £	Consumer US £	Consumer Other £	Total £
At 1 January 2017	**–**	**2,203,601**	**2,916,346**	**18,613,742**	**18,844,520**	**1,631,885**	**44,210,094**
Charge to the statement of comprehensive income	–	5,628,466	1,962,279	19,314,837	39,362,375	923,414	67,191,370
Impact due to consolidation	–	(920,163)	(990,077)	(15,155,452)	(32,754,399)	(1,028,174)	(50,848,265)
Foreign exchange impact	–	–	(331,649)	–	(2,137,564)	130,129	(2,339,084)
At 31 December 2017	**–**	**6,911,904**	**3,556,899**	**22,773,125**	**23,314,931**	**1,657,254**	**58,214,115**

The provision for impairment losses for loans and receivables is analysed by maturity as follows:

Group	30 June 2017		31 December 2017	
	Impairment £	Balances £	Impairment £	Balances £
Loans with payments 15-30 days past due	2,072,617	6,835,965	2,365,236	6,111,408
Loans with payments 30-60 days past due	3,885,983	9,163,761	4,027,049	7,080,898
Loans with payments more than 60 days past due	47,001,007	71,600,938	51,821,382	61,774,466
Total	**52,959,607**	**87,600,664**	**58,214,117**	**74,966,772**

Loans and advances to customers were classified as past due but not impaired when the customer had failed to make a payment when contractually due but there was no evidence of impairment. This included loans which were individually assessed for impairment but where the value of security was sufficient to meet the required repayments. This also included loans to customers which were past due for technical reasons such as delays in payment processing or rescheduling of payment terms. As at 30 June 2017: £Nil, 31 December 2017: £10,500,000 of loans that were past contractual maturity but not impaired, all of which were related to real estate. Although they were past contractual maturity they had all had extensions to the original contract given the value of security. Given the value of the security is sufficient to meet the required repayments, these were not impaired.

The table below presents the sensitivity of the impairment provision to the underlying assumptions around roll rates and loss given default rates. Roll rates relates to the probability of an asset rolling into arrears, with a higher roll rate equating to a higher propensity to roll into arrears. Loss given default relates to the share of the asset that is lost if the borrower defaults:

	Group 30 June 2017 £	Group 31 December 2017 £
Roll rate to default: +2%	1,050,122	815,805
Roll rate to default: -2%	(1,207,006)	(1,250,694)
Loss given default: +5%	3,030,984	3,194,327
Loss given default: -5%	(3,148,115)	(3,276,731)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. FEES AND EXPENSES

Investment management and performance fees

Under the terms of the Management Agreement, the Investment Manager is entitled to a management fee and a performance fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties.

The management fee is payable monthly in arrears and is at the rate of 1/12 of 1.0 per cent per month of NAV (the "Management Fee"). For the period from admission to trading on the London Stock Exchange's main market for listed securities (the "Admission") until the date on which 90% of the net proceeds of the Issue have been invested or committed for investment, directly or indirectly, in Credit Assets, the value attributable to any assets of the Group other than Credit Assets (including any cash) will be excluded from the calculation of NAV for the purposes of determining the Management Fee.

The Investment Manager shall not charge a management fee or performance fee twice. Accordingly, if at any time the Group invests in or through any other investment fund or special purpose vehicle and a management fee or advisory fee is charged to such investment fund or special purpose vehicle by the Investment Manager, the Sub-Manager or any of their affiliates, the value of such investment shall be excluded from the calculation of NAV for the purposes of determining the Management Fee payable.

Notwithstanding the above, the Investment Manager may charge a fee based on a percentage of gross assets (such percentage not to exceed 1.0 per cent) to any entity which is within the same group of companies of which the Company forms part, provided that such an entity employs leverage for the purpose of its investment policy or strategy. Effective from 1 January 2017, the Investment Manager waived the management fee charged on leverage.

Management fees charged for the period ended 30 June 2018 totalled £3,762,785 (30 June 2017: £4,191,148) (31 December 2017: £8,213,456), of which £1,246,024 was payable at the period-end (30 June 2017: £689,912) (31 December 2017: £3,347,065).

The management fees are allocated between the revenue and capital accounts based on the prospective split of NAV between revenue and capital. The percentage of management expenses allocated to capital is less than 1 per cent of the total.

The performance fee is calculated in respect of each twelve month starting on 1 January and ending on 31 December in each calendar year (the "Calculation Period"), save that the first Calculation Period was the period commencing on admission and ending on 31 December 2014 and provided further that if at the end of what would otherwise be a Calculation Period no performance fee has been earned in respect of that period, the Calculation Period shall carry on for the next 12 month period and shall be deemed to be the same Calculation Period and this process shall continue until a performance fee is next earned at the end of the relevant period.

The performance fee is calculated by reference to the movements in the Adjusted Net Asset Value (as defined below) since the end of the Calculation Period in respect of which a performance fee was last earned or Admission if no performance fee has yet been earned (the "High Water Mark").

The performance fee will be a sum equal to 15% of such amount (if positive) and will only be payable if the Adjusted NAV at the end of a Calculation Period exceeds the High Water Mark. Effective from 1 January 2018, the performance fee is subject to a hurdle of 5% with full catch up. The performance fee shall be payable to the Investment Manager in arrears within 30 calendar days of the end of the relevant Calculation Period.

Performance fees for the period ended 30 June 2018 totalled £1,865,886 (30 June 2017: £1,496,577), (31 December 2017: £3,914,430) of which £1,865,886 was payable at the period-end (30 June 2017: £1,496,577), (31 December 2017: £3,914,430).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. FEES AND EXPENSES (continued)

"Adjusted Net Value" means the NAV adjusted for: (i) any increases or decreases in NAV arising from issues or repurchases of ordinary or C Shares during the relevant Calculation Period; (ii) adding back the aggregate amount of any dividends or distributions (for which no adjustment has already been made under (i)) made by the Group at any time during the relevant Calculation Period; (iii) before deduction for any accrued performance fees; and (iv) to the extent that the Group invests in any other investment fund or via any special purpose vehicle ("SPV") or via any separate managed account arrangement which is managed or advised by the Investment Manager, the Sub-Manager or any of their affiliates, if the Investment Manager, the Sub-Manager or such affiliate is entitled to (including where it is not yet earned) receive a performance fee or performance allocation at the level of that investee entity or under such separate managed account arrangement, excluding any gain or loss attributable to those investments during the relevant Calculation Period.

11. NON-CURRENT LIABILITIES

	Group 30 June 2018 £	Group 30 June 2017 £	Group 31 December 2017 £
Revolving bank facilities	–	240,711,906	119,984,414
Amortising bank facilities	–	22,383,921	–
Principal protected notes	321,336,071	78,906,761	244,477,005
Term facility	191,955,058	94,424,616	251,389,051
Total borrowings	513,291,129	436,427,204	615,850,470
Other liabilities	3,941,342	16,771,099	7,249,872
Total	**517,232,471**	**453,198,303**	**623,100,342**

Included within term bank facilities above is a £175,000,000 secured 3-year GBP loan facility entered into by the Company on 16 December 2015 with a consortium of institutional lenders. The facility is secured by way of fixed and floating charges; interest on the loan is paid quarterly and is charged on LIBOR plus margin. For the purpose of calculating facility drawdown limits, non-Sterling advances are converted into Sterling equivalents using the spot rate at the time of the respective advance. This may result in a difference between the facility amount and the value presented on the Consolidated Statement of Financial Position.

During the year ended 31 December 2016, MOCA 2016 issued notes as securitisations of loans. These were issued in the form of principal protected notes ("PPNs"). The PPNs amortise, in order of seniority, on a monthly basis based on the receipts arising on the underlying loan assets.

Consequently, the weighted average life of the PPNs is expected to be significantly shorter than the contractual maturity of October 2024. The PPNs held by third parties pay interest at one month LIBOR plus a range of margins. The original principal balance was £129,000,000 and as at 30 June 2018 was £44,536,607 (30 June 2017: £78,906,761), (31 December 2017: £64,156,634.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. NON-CURRENT LIABILITIES (continued)

During the year ended 31 December 2017, MOCA 2017 issued notes as securitisations of loans. These were issued in the form of PPNs. The PPNs amortise, in order of seniority, on a monthly basis based on the receipts arising on the underlying loan assets.

Consequently, the weighted average life of the PPNs is expected to be significantly shorter than the contractual maturity of December 2027. The PPNs held by third parties pay interest at one month LIBOR plus a range of margins. The original principal balance was £216,480,810 and as at 30 June 2018 was £152,894,572 (31 December 2017: £200,269,056, 30 June 2017: £Nil).

During the period ended 30 June 2018, SBOLT 2018 issued notes as securitisations of loans. These were issued in the form of PPNs. The PPNs amortise, in order of seniority, on a monthly basis based on the receipts arising on the underlying loan assets.

Consequently, the weighted average life of the PPNs is expected to be significantly shorter than the contractual maturity of 15 December 2026. The PPNs held by third parties pay interest at one month LIBOR plus a range of margins. The original principal balance was £206,572,566 and as at 30 June 2018 was £190,503,204 (31 December 2017 and 30 June 2017: £Nil) as at 30 June 2018.

The Group's other non current liabilities, as at 30 June 2018 of £3,941,342 (31 December 2017: £7,249,872, 30 June 2017: £16,771,099) are comprised of £3,941,342 (31 December 2017: £7,249,872, 30 June 2017: £15,746,071) being amounts due to a loan trust owned by the SPV and £Nil (31 December 2017: £Nil, 30 June 2017: £1,025,028) of accrued performance allocation to the General Partner of the SPV. The amounts due to the loan trusts relate to co-investments with Platforms in pools of loan assets which provide the SPV with first loss protection. The amounts due to the loan trusts do not have a fixed maturity. The amounts due to the SPV General Partner are due within one year.

The below tables analyse the Group's borrowings into relevant maturity groupings based on the remaining period at the Consolidated Statement of Financial Position date to the final scheduled maturity date.

30 June 2018	**<1 year**	**1 - 3 years**	**3 - 5 years**	**> 5 years**	**Total**
	£	**£**	**£**	**£**	**£**
Principal protected notes	–	5,468,136	–	315,867,935	321,336,071
Term facility	175,000,000	–	16,955,058	–	191,955,058
	175,000,000	**5,468,136**	**16,955,058**	**315,867,935**	**513,291,129**

30 June 2017	**<1 year**	**1 - 3 years**	**3 - 5 years**	**> 5 years**	**Total**
	£	**£**	**£**	**£**	**£**
Revolving bank facilities	–	240,711,906	–	–	240,711,906
Amortising bank facilities*	–	–	–	22,383,921	22,383,921
Principal protected notes	–	–	–	78,906,761	78,906,761
Term facility	–	58,463,104	35,961,512	–	94,424,616
	–	**299,175,010**	**35,961,512**	**101,290,682**	**436,427,204**

* The amortising bank facility is secured by a pool of amortising US consumer loans. As the underlying assets pay down, the proceeds are utilised to pay down the outstanding borrowing under the facility. Consequently, the weighted average life of the facility is expected to be significantly shorter than the contractual maturity (which is greater than five years as at 31 December 2017).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. NON-CURRENT LIABILITIES (continued)

31 December 2017	<1 year	1 - 3 years	3 - 5 years	> 5 years	Total
	£	£	£	£	£
Revolving bank facilities	–	119,984,414	–	–	119,984,414
Principal protected notes	–	20,498,995	–	223,978,010	244,477,005
Term facilities	200,000,000	26,578,010	24,811,041	–	251,389,051
Total	**200,000,000**	**167,061,419**	**24,811,041**	**223,978,010**	**615,850,470**

As part of the amendments made to IAS 7, "Statement of Cash Flows", effective 1 January 2017, an entity is required to disclosure changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. As at the 30 June 2018, the below changes occurred:

Group	Opening balance as at 1 January 2018	Payments	Acquisitions/ drawdowns	Foreign exchange movements	Closing balance as at 30 June 2018
	£	£	£	£	£
Borrowings	615,850,470	(264,608,230)	160,890,000	1,158,889	513,291,129
Total liabilities from financing activities	**615,850,470**	**(264,608,230)**	**160,890,000**	**1,158,889**	**513,291,129**

As at the 31 December 2017, the below changes occurred:

Group	Opening balance as at 1 January 2017	Payments	Acquisitions/ drawdowns	Foreign exchange movements	Closing balance as at 1 January 2017
	£	£	£	£	£
Borrowings	414,959,490	(568,903,558)	769,794,538	–	615,850,470
Total liabilities from financing activities	**414,959,490**	**(568,903,558)**	**769,794,538**	**–**	**615,850,470**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. STRUCTURED ENTITIES

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Structured entities are consolidated when the substance of the relationship indicates control.

Structured entities are assessed for consolidation in accordance with the accounting policy set out in note 3(a). The following structured entities are consolidated in the Group's results.

Structured entity	Nature of business	Principal place of business and incorporation
Eaglewood Income Fund I, LP	Alternative finance investments	Delaware USA
Eaglewood SPV I LP	Alternative finance investments	Delaware USA
Marketplace Originated Consumer Assets 2016-1	Securitisation of UK consumer loans	England and Wales
Marketplace Originated Consumer Assets 2017-1	Securitisation of UK consumer loans	England and Wales
P2P BL-2 Limited	Term facility	England and Wales
P2P BL-3 Limited	Term facility	England and Wales
EW-PFL Trust	Alternative finance investments	Delaware USA
SPV I Loan Trust	Alternative finance investments	Delaware USA
Payoff Consumer Loan Trust	Alternative finance investments	Delaware USA
BFCL Trust	Alternative finance investments	Delaware USA
Greenwood I Limited	Alternative finance investments	England and Wales
Eaglewood Consumer Loan Trust 2014-1	Alternative finance investments	Delaware USA
Eaglewood LC Trust	Alternative finance investments	Delaware USA
PSC 1803 Autoloan Trust	Alternative finance investments	Delaware USA
PSC Rocketloans Prime Consumer Loan Trust	Alternative finance investments	Delaware USA
Small Business Origination Loan Trust 2018-1 DAC	Securitisation of UK SME loans	England and Wales

Further details on the activities of these consolidated structure entities are set out in note 3(a).

EW-PFL Financing Trust, EW-PFL Security Trust and Certificated Loan Warehouse Trust were closed with certificate of cancellation of trusts filed with the state of Delaware. P2PCL1 PLC was liquidated during the period ended 30 June 2018.

The following structured entity is not consolidated in the Group's results, the Eaglewood Fund only retained 25 per cent pari passu of the residual note, therefore does not have control. Please refer to note 3 for more details. The structured entity is treated as an associate. Please see note 14 for more details.

Structured entity	Nature of business	Principal place of business and incorporation
MW-EW Financing Trust	Alternative finance investments	Delaware USA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. SUBSIDIARIES

Accounting for investment in subsidiaries

The Company's investments in subsidiaries, as at 30 June 2018, consist of:

Investments in subsidiaries	30 June 2018 £	30 June 2017 £	31 December 2017 £
Investment in SPV partnership interest held at fair value	177,993,878	441,291,547	269,055,797
Investments in Greenwood Limited	13,605,599	–	29,600,000

14. INVESTMENTS IN ASSOCIATES

The below companies are associates within the Group accounts:

Entity	Nature of Business	Principal place of Business
Zorin Finance Limited	Real Estate	UK
Castlehaven Finance	Real Estate	Ireland
EW – Financing Trust	Consumer	USA

As at 30 June 2018, the group has three associates, one being Zorin Finance Limited ("Zorin") a UK platform originating secured real estate loans, Castlehaven Finance ("Castlehaven") European platform originating secured real estate loans and the other being EW – Financing Trust whereby the Eaglewood Fund holds a 25% residual rate. The investments are accounted for at fair value through profit or loss. No dividends were declared during the period in respect of the investment.

The Group has a direct equity ownership of Zorin of 33.3%. It also has provided £6,000,000 of debt funding to the platform in the form of a convertible loan notes of which, as at 30 June 2018, £5,000,000 (31 December 2017: £5,000,000, 30 June 2017: £5,500,000) has been drawn.

The Group has entered into an agreement which gives it the right to participate in qualifying loans originated by the platform.

There are no significant restrictions on the ability of the associate from repaying loans from, or distributing dividends to, the Group.

The unaudited net assets of Zorin as at 30 June 2018 were £7,116,455 (31 December 2017: £6,185,093, 30 June 2017: £5,323,223) and the profit after tax was £991,760 (31 December 2017: £1,842,164, 30 June 2017: £942,668).

The Group also has a direct equity ownership of Castlehaven of 25%. It also has provided £6,190,308 (31 December 2017: £5,326,040, 30 June 2017: £Nil) of debt funding to the platform in the form of a convertible loan notes of which, as at 30 June 2018, £5,969,296 (31 December 2017: £2,663,020, 30 June 2017: £Nil) has been drawn.

The Group has entered into an agreement which gives it the right to participate in qualifying loans originated by the platform.

There are no significant restrictions on the ability of the associate from repaying loans from, or distributing dividends to, the Group.

The unaudited net assets of Castlehaven as at 30 June 2018 were £1,116,986, (31 December 2017: £1,073,576, 30 June 2017: £420,995) and the profit after tax was £176,294 (31 December 2017: £(259,758), 30 June 2017: £(281,449)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. INVESTMENTS IN ASSOCIATES (continued)

The Group has a residual note in EW Financing Trust. At the start of the year, the Eaglewood Fund was the primary beneficiary of LC Trust, EW Financing Trust, Warehouse I, Warehouse II and ECLT. In October 2017, the SPV became the sole investor and thus, consolidation of the Eaglewood Fund took place. Upon consolidation, the loan investments held by Warehouse I and Warehouse II were transferred to EW Financing Trust and the ineligible loan investments to LC Trust and ECLT. To obtain the funding, EW Financing Trust issued asset backed notes ("Notes"). The senior tranche of the Notes ("Senior Note") is held by a bank, representing 76% of the interest and the residual portion of the Notes ("Residual Note") was retained by the Eaglewood Fund. The Eaglewood Fund subsequently sold 75 per cent of the Residual Note to an external investor and retained 25 per cent of the Residual Note.

15. NET ASSET VALUE PER SHARE

	Company 30 June 2018	Company 30 June 2017	Company 31 December 2017
Ordinary Shares			
Net assets attributable at end of year	741,975,773	824,681,877	789,855,045
Shares in issue	77,596,082	81,925,532	79,835,549
Net asset value per Ordinary Share	956.20p	1,006.62p	989.35p

16. SHAREHOLDERS' CAPITAL

Set out below is the issued share capital of the Company as at 30 June 2018:

	Nominal value £	Number of shares	Voting rights of shares
Ordinary Shares	775,961	77,596,082	77,596,082
Treasury Shares	87,107	8,710,721	–
Total	**863,068**	**86,306,803**	**77,596,082**

Set out below is the issued share capital of the Company as at 30 June 2017:

	Nominal value £	Number of shares	Voting rights of shares
Ordinary Shares	819,255	81,925,532	81,925,532
Treasury Shares	43,813	4,381,271	–
Total	**863,068**	**86,306,803**	**81,925,532**

Set out below is the issued share capital of the Company as at 31 December 2017.

	Nominal value £	Number of shares	Voting rights of shares
Ordinary Shares	798,355	79,835,549	79,835,549
Treasury Shares	64,713	6,471,254	–
Total	**863,068**	**86,306,803**	**79,835,549**

On incorporation, the issued share capital of the Company was £0.01 represented by one Ordinary Share, held by the subscriber to the Company's memorandum of association.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. SHAREHOLDERS' CAPITAL (continued)

Rights attaching to the ordinary shares

The holders of Ordinary Shares shall be entitled to all of the Company's net assets.

The holders of Ordinary Shares are only entitled to receive, and to participate in, any dividends declared in relation to the relevant class of shares that they hold.

The Ordinary Shares shall carry the right to receive notice of, attend and vote at general meetings of the Company.

The consent of the holders of Ordinary Shares will be required for the variation of any rights attached to the relevant class of shares.

Voting rights

Subject to any rights or restrictions attached to any shares, on a show of hands every Shareholder present in person has one vote and every proxy present who has been duly appointed by a Shareholder entitled to vote has one vote, and on a poll every Shareholder (whether present in person or by proxy) has one vote for every share of which he is the holder.

A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way. In the case of joint holders, the vote of the senior who tenders a vote shall be accepted to the exclusion of the vote of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register.

No Shareholder shall have any right to vote at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid.

Variation of rights & distribution on winding up

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied either in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class.

The Company has no fixed life but, pursuant to the Articles, an ordinary resolution for the continuation of the Company will be proposed at the annual general meeting of the Company to be held in 2021 and, if passed, every five years thereafter. Upon any such resolution not being passed, proposals will be put forward to the effect that the Company be wound up, liquidated, reconstructed or unitised.

If the Company is wound up, the liquidator may divide among the shareholders in specie the whole or any part of the assets of the Company and for that purpose may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders.

The table below shows the movement in shares during the period ended 30 June 2018.

For the period from 1 January 2018 to 30 June 2018	Shares in issue at 1 January 2018	Buy back of Ordinary Shares	Shares in issue at 30 June 2018
Ordinary Shares	79,835,549	(2,239,467)	77,596,082
Treasury Shares	6,471,254	2,239,467	8,710,721

The table below shows the movement in shares during the period ended 30 June 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. SHAREHOLDERS' CAPITAL (continued)

For the period from 1 January 2017 to 30 June 2017	Shares in issue at 1 January 2017	Buy back of Ordinary Shares	Shares in issue at 30 June 2017
Ordinary Shares	84,525,803	(2,600,271)	81,925,532
Treasury Shares	1,781,000	2,600,271	4,381,271

The table below shows the movement in shares during the year ended 31 December 2017.

For the year ended 31 December 2017	Shares in issue at 1 January 2017	Buy back of Ordinary Shares	Shares in issue at 31 December 2017
Ordinary Shares	84,525,803	(4,690,254)	79,835,549
Treasury Shares	1,781,000	4,690,254	6,471,254

Cash consideration was received for all subscriptions for shares.

Share Buy Back

During the year ended 31 December 2016 the Company commenced a share buy back programme. All shares bought back are held in treasury at the end of the period. As at 30 June 2018, the Company had bought back 8,710,721 (31 December 2017: 6,471,254), (30 June 2017: 4,381,271) shares.

The Company has engaged Liberum Capital Limited to effect on-market purchases of its shares on its behalf. Both parties can terminate the contract without cause at any point other than during a closed period. As a result, no liability has been recognised as at 30 June 2018 other than in relation to those shares acquired pending settlement.

2018	Ordinary Shares purchased	Average price per share	Highest price per share	Lowest price per share	Total Treasury Shares
January	511,043	820.9p	840.0p	812.0p	6,982,297
February	585,100	813.3p	825.0p	792.0p	7,567,397
March	188,775	784.3p	802.0p	756.0p	7,756,172
April	333,474	784.4p	801.0p	755.0p	8,089,646
May	237,344	800.1p	810.0p	784.0p	8,326,990
June	383,731	791.0p	805.0p	780.0p	8,710,721

Special Distributable Reserve

At a general meeting of the Company held on 15 June 2015, special resolutions were passed approving the cancellation of the amount standing to the credit of the Company's share premium account as at 29 May 2015 and additional share premium following the issue of new C Shares, which occurred on 28 July 2015.

Following the approval of the Court and the subsequent registration of the Court order with the Registrar of Companies on 17 September 2015, the reduction became effective. Accordingly, £832,647,915, previously held in the share premium account, was transferred to the special distributable reserves of the Group as disclosed in the Consolidated Statement of Financial Position.

The cost of the buy back of Ordinary Shares as detailed above was funded by the special distributable reserve. Also, dividends were paid out of the special distributable reserve. Therefore, the closing balance in the special distributable reserve has been reduced to £726,266,459 (31 December 2017: £758,618,295), (30 June 2017: £785,514,296).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. DIVIDENDS PER SHARE

The following table summarises the period end dividends payable to equity shareholders in the period:

Period to	Share Class	Amount	Payment date	30 June 2018 Group and Company £	30 June 2017 Group and Company £	31 December 2017 Group and Company £
31 December 2016	Ordinary	11.0p	3 March 2017	–	9,229,740	9,229,740
31 March 2017	Ordinary	12.0p	26 May 2017	–	9,924,273	9,924,273
30 June 2017	Ordinary	12.0p	25 August 2017	–	–	9,768,064
30 September 2017	Ordinary	12.0p	24 November 2017	–	–	9,680,739
31 December 2017	Ordinary	12.0p	16 March 2018	9,484,849	–	–
31 March 2018	Ordinary	12.0p	18 June 2018	9,373,947	–	–
Total				**18,858,796**	**19,154,013**	**38,602,816**

18. RELATED PARTY TRANSACTIONS

Each of the Directors is entitled to receive a fee from the Group at such rate as may be determined in accordance with the Articles. Save for the Chairman of the Board, the fees are £40,000 for each Director per annum. The Chairman's fee is £45,000 per annum.

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 Group.

Investment management fees and performance fees for the period ended 30 June 2018 are paid by the Group to the Investment Manager and these are presented on the Consolidated Statement of Comprehensive Income. Details of Investment management fees and performance fees paid during the period are disclosed in note 10.

As at 30 June 2018, the Directors' interests in the Group's shares were as follows:

	30 June 2018	30 June 2017	31 December 2017
Simon King - Ordinary Shares	19,895	19,895	19,895
Michael Cassidy - Ordinary Shares	21,000	–	–

Partners and Principals of the Investment Manager held 208,998 (31 December 2017: 67,743) (30 June 2017: 1,792,221) Ordinary Shares in the Company at 30 June 2018.

19. SUBSEQUENT EVENTS

The Company has continued the share buyback programme in the open market and as at 4 September 2018, 9,252,061 shares are held in treasury.

An interim dividend of 12.0p per Ordinary Share was declared by the Board on 30 July 2018 in respect of the three month period to 30 June 2018, which was paid on 19 September 2018 to shareholders on the register as at 10 August 2018.

20. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements were approved and authorised for issue by the Directors on 5 September 2018.

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Registered Office Address: 6th Floor, 65 Gresham Street, London, EC2V 7NQ

An investment company as defined under Section 833 of the Companies Act 2006.
Registered in England No. 08805459
A member of the Association of Investment Companies.