# P2P GLOBAL INVESTMENTS PLC

## Annual Financial Report for the period to 31 December 2014

The Directors present the Annual Financial Report of P2P Global Investments plc (the "Company") for the period ended 31 December 2014. A copy of the Company's Annual Report will shortly be available to view and download from the Company's website, www.p2pgi.com. Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into or forms part of this announcement.

The following text is copied from the Annual Report & Accounts:

### INTRODUCTION TO THE COMPANY

P2P Global Investments plc (the "Company"), is the first UK listed company dedicated to investing in credit assets originated by online and alternative lenders globally. The Company completed a placing and offer for subscription (the "Issue") on the London Stock Exchange in May 2014, raising £200m before costs. The Company offers its investors the ability to gain diversified, liquid exposure to an otherwise illiquid asset class and raised a further £250m before costs via a C Share issue in January 2015.

The confluence of stricter regulations, legacy conduct / regulatory issues, out-dated technology, and receptive government policies are fuelling the proliferation of online lending and the peer to peer ("P2P") lending market. Furthermore, the combination of big data analytics and new distribution channels has allowed P2P platforms and other technology start-ups to compete effectively with traditional banks in credit scoring and origination.

These changes are likely to continue over the next 5-10 years. The Company is therefore well positioned to grow and aims to deliver an attractive dividend income and capital growth via exposure to diversified credit assets and selective equity stakes in lending platforms.

### INVESTMENT OBJECTIVES

The Company's investment objectives are to:

a) Provide shareholders with an attractive level of dividend income and capital growth through exposure to investments in alternative finance and related instruments;
b) Achieve investment diversification across platforms, geographies, asset classes and credit grades; and
c) Allow our shareholders to share the equity upside by investing (in aggregate) up to 5% of gross assets in equity or equity linked securities issued by platforms.

**The Company's net asset value ("NAV") as at 31 December 2014 was £200.4m (cum income) and its market capitalisation was £236m**

### STRATEGIC REPORT

### PERFORMANCE

COMMENTARY

- The Company achieved 85% deployment by 31 December 2014, in line with its 6-9 month target after the initial capital raise.
- The Company achieved 7 consecutive months of positive NAV per share return and announced its inaugural dividend of 6p per ordinary share for the period from launch to September 2014 (a period when the majority of the Company's assets were still held in cash pending deployment).
- The Company achieved a NAV per share return of 2.31% in the 7 months since inception.

- The Company's shares have traded at a premium to NAV per share since their first date of trading, closing at 1,180p at the end of the period.

CAPITAL STRUCTURE AS AT 31 DECEMBER 2014

| | |
|---|---|
| £197,812,640<br>Net Assets (Ex Income) | £200,351,145<br>Net Assets (Cum Income) |
| 989.06p<br>NAV per Share (Ex Income) | 1,001.76p<br>NAV per Share (Cum Income) |
| 1,180p<br>Share Price (31 December 2014 Close) | £236,000,000<br>Market Capitalisation |
| 2.31%<br>YTD Total NAV per share Return* | 17.79%<br>Premium / (Discount) to NAV (Cum Income) |
| 20,000,000<br>Shares in Issue | 1,000p<br>Issue Price as at 29 May 2014 |

* YTD: Year to date- Excludes issue costs of 1.5% of the initial capital raise

PORTFOLIO COMPOSITION & DEPLOYMENT

PERFORMANCE AND DIVIDEND HISTORY

**TOP TEN POSITIONS**

Link to graph and tables in relation to the 'Portfolio Composition & Deployment', 'Performance and Dividend History' and 'Top Ten Positions':

http://www.rns-pdf.londonstockexchange.com/rns/4646L_-2015-4-27.pdf

**CHAIRMAN'S STATEMENT**

This report covers the trading period starting from launch on 30 May 2014 to 31 December 2014; marking
my inaugural statement as Chairman of the Company.

On the back of strong investor interest in the UK's first listed company dedicated to the expanding peer-to-peer and online lending industry, the Company followed through its successful Issue by delivering on its mandate and achieving its expected deployment and return targets. The total NAV per share return, exclusive of issue costs, was 2.31%, with the share price closing the year at a 17.8% premium to NAV per share. The Company was targeting a 6-9 month range for full deployment of Issue proceeds and remained on-track to meet those targets, with 85% of assets fully invested as at the end of December 2014. The Company also declared its first interim dividend on 18 November 2014 of 6p per ordinary share.

INVESTMENTS
The Company quickly took advantage of its first-mover status by closing the year with seven platform lending contracts established platforms from across the globe, and announcing a total of five platform equity investments, representing 1.3% of NAV. Deployment diversification continues to be at the forefront of portfolio construction decisions with current credit asset exposure being geographically split 65% US/35% Europe with underlying asset exposure being 68% consumer/32% small and medium enterprises ("SME") loans, in line with overall market proportions. The Company is continuously looking to expand on new platform opportunities, both on the debt and equity side, to evolve further the overall portfolio diversification and meet the Company's strategic objectives.

COSTS
The Company's ratio of ongoing charges for the period stands at 0.37% which is largely attributable to administration, advisory, legal and other set up costs incurred in establishing new platform partnerships. The Company will be seeking to replicate many of its agreements/structures when establishing future platform relationships.

SIGNIFICANT POST BALANCE SHEET EVENTS
On 27 January 2015 the Company successfully placed 25,000,000 C shares at 1,000p each which commenced trading on the London Stock Exchange on 29 January 2015. The Company also signed a leverage facility with a European bank to enhance returns on a consumer loan portfolio. As at 27 April 2015, we have expanded the number of platform lending relationships directly or indirectly to 16, including a platform in the Asia Pacific region. On 20 February 2015 the Company declared an interim dividend of 12.5p per ordinary share for the quarter ending 31 December 2014.

OUTLOOK
Technological advances have created efficiencies in all aspects of our day-to-day interactions and continue to challenge more traditional businesses. The world of high street banking is facing increased competition and may lose their market share to more convenient and innovative online lenders. With the financial crisis behind us, banks have managed to stabilize their overall profitability while facing increased regulatory costs and reducing the availability of credit to the market. The industry of online lending has challenged this traditional borrowing and has created a new generation of financial services that market participants expect to become a trillion dollar market in the not too distant future.

As online platforms become more accepted and continue to take over the traditional bank lending market, more investments will flow into platforms which in turn will further improve their financial technology and lower their origination costs. Two distinct lending models have emerged, the "Balance Sheet Model"* and the "Marketplace Model"**, in both instances unlike traditional 'brick and mortar' lenders, online lenders have low overhead costs, attractive margins and scalability. Notwithstanding forward flow agreements with some of the largest P2P platforms, we are keen to expand our footprint and adapt to the needs of the non-bank lending industry as it evolves. The Company may selectively take advantage of these opportunities as the industry evolves.

* Platforms which generally fund their originations via debt and/or equity on their balance sheet and assume the credit risk of the originations thereby earning net interest and fee income.

** Platforms which generally act as a marketplace between borrowers and lenders and earn origination/servicing fees and do not assume credit risk.

In the last year alone, the industry experienced a successful platform IPO, saw the first rated securitisation transaction, and witnessed numerous banks collaborating with platforms directly. The online lending industry has already gone through a period of discovery and early adoption, proving itself as a sustainable non-bank alternative model that offers transparency, convenience and innovation. The Company was one of the first institutions globally to recognise this opportunity and has strategically positioned itself as a key partner with most of the major platforms globally and has built the necessary team, infrastructure, and credibility to continue to capitalise on this revolution.

Despite the rapid growth of online lending in 2014, the Board believes that we are still very much in the early stages of the industry's development. The proportion of the global market share for consumer, SME and trade finance loans to which online originators cater could potentially rival traditional lenders and is likely to be very large from where we stand today. The Board is confident that 2015 is destined to be another year of industry growth and opportunity where the Company is poised to benefit.

Stuart Cruickshank
Chairman
27 April 2015

## INVESTMENT MANAGER'S REVIEW

SUMMARY

As at 31 December 2014, the Company reached 85% cumulative deployment as a percentage of NAV. Since the launch date, the Company has been deploying its capital via 16 lending platforms and has invested, directly or indirectly, in more than 50,000 individual loans with a weighted average coupon of greater than 10%.

COMPANY PERFORMANCE

NAV per Share (Cum Income) at 31 December 2014 was 1,001.76p, a 2.31% increase since the inception. The Company also declared its first interim dividend of 6p per ordinary share in November 2014.

Marshall Wace LLP (the "Investment Manager") has made good progress in implementing its strategy to diversify across various platforms, asset classes and geographies and continues pursuing new opportunities for achieving risk-adjusted returns.

Overall, the credit performance of the Company's credit assets has been strong, in line with the general economic environment. Credit markets are benefiting from a combination of low interest rates, falling unemployment and higher consumer spending/confidence.

PORTFOLIO COMPOSITION

As at 31 December 2014, the Company's exposures consisted of SME and consumer loans as well as equity investments in selected P2P platforms. The positions outside the "Top 10" are individual borrower loans and therefore a full portfolio listing is not provided. Allocation of the Company's resources is undertaken within the portfolio limits set out on page 62 of the Annual Report.

LOAN INVESTMENTS

The Company invests in fully amortising fixed rate loans, with a term of equal to less than 5 years. The current weighted average gross yield of SME and consumer loans are 7% to 15%.

EQUITY INVESTMENT

The Company has a mandate to invest up to 5% of Gross Assets in the listed or unlisted securities issued by platforms. As at 31 December 2014, the Company invested in the equity of 5 platforms representing 1.3% of NAV.

THE MARKET UPDATE

The crisis of 2008 has been reshaping the banking industry. The combination of bank balance sheet deleveraging, increased funding costs and new stringent regulatory requirements, have significantly reduced new lending, especially to SMEs. According to the Bank of England report[1] published January 2015, net new lending to UK businesses remains negative despite various measures which have been implemented in order to boost lending.

In response to the accommodative policies of central banks, the liquidity in the banking system has substantially increased and the funding costs for banks have declined. However, various new regulatory measures are putting pressure on banks to increase regulatory capital which, in turn, is hampering balance sheet growth. As a result, non-bank lenders have been filling the gap and along with the P2P platforms have demonstrated an exponential growth. We believe, with the help of new technologies and innovative origination channels, P2P platforms will capture significant market share from banks.

Link to graphs and tables in relation to the origination growth experienced by some of the prominent consumer and SME P2P platforms in the US and UK and gross yield and estimated loss ranges for the 4 largest platforms:

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[1] Source: http://www.bankofengland.co.uk/publications/Documents/other/monetary/trendsjanuary15.pdf

http://www.rns-pdf.londonstockexchange.com/rns/4646L_1-2015-4-27.pdf

## OUTLOOK

In the context of available yields in the market based on the above chart, the Company offers investors an exposure to an alternative asset class via investing in well-diversified SME and consumer loan portfolios with lower duration.

The Company is positioned to benefit from the prospect of increased employment, low interest rates and increased consumer confidence which is expected to result in better than anticipated default rates. In order to mitigate the default risks, the Investment Manager continuously assesses each platform's underwriting and servicing quality and monitors closely the risk and performance of their credit pools. Moreover, the Investment Manager periodically updates the loan selection models as it gathers more information on the drivers of the loan performance.

The Investment Manager is looking to establish relationships with new platforms with unique origination channels and geographies which is likely to offer further diversification to the existing portfolio. Moreover, the Company is proposing to make certain changes to the Investment Policy of the Company in order to take a full advantage of the present opportunities and increase the pace of deployment. These changes will be set out in a circular and sent to shareholder prior to the Annual General Meeting.

In order to enhance the shareholder returns, the Investment Manager has entered into funding agreements with several banks at attractive terms and will continuously pursue lower funding costs where possible.

With a sizeable pipeline and access to loans originated by various platforms, the Company is ideally positioned to continue building its loan portfolio and deliver target returns to its shareholders.

## SUMMARY AND HIGHLIGHTS FOR THE YEAR

In the financial period ending 31 December 2014, the Company successfully placed 20,000,000 shares at 1,000p each which commenced trading on the London Stock Exchange on 30 May 2014. The Company deployed 85% of its capital and produced positive NAV per share growth throughout the first 7 months. The financial and business highlights since listing of the Company's ordinary shares are as follows:

- May 2014: commences trading of the ordinary shares at premium to NAV per share.
- June 2014: announces 0.16% NAV per share return and its first two investments into equity of platforms.
- July 2014: announces 0.17% NAV per share return and its third investment into equity of a platform. The Investment Manager announces the hire of Abror Ismailov as the Portfolio Manager.
- August 2014: announces 0.22% NAV per share return and the deployment of over 33% of the net proceeds of its Issue.
- September 2014: announces 0.23% NAV per share return and the commencement of a new platform lending relationship in the US Consumer loan space.
- October 2014: announces 0.48% NAV per share return.
- November 2014: declares its inaugural dividend of 6p per ordinary share, announces 0.54% NAV per share return, the fourth investment in the equity of a platform and deployment of over 76% of the net proceeds of the launch.
- December 2014: announces 0.50% NAV per share return, the fifth investment in the equity of a platform and deployment of over 85% of the net proceeds of its Issue.

## INVESTMENT PORTFOLIO

The Company has invested over 85% of the net proceeds of its Issue during the period 30 May 2014 to 31 December 2014. The Company has sought to diversify its exposure to credit assets across its key geographies and asset classes and has achieved a level of diversification that reduces idiosyncratic risk of any individual asset affecting portfolio returns to an acceptable level.

At 31 December 2014, the Company had 57% of its NAV in consumer loans. It is the Investment Manager's belief that consumer loans offer the following investment characteristics that are attractive from a portfolio perspective:

- homogeneity of borrower characteristics;
- availability of underlying borrower data; and
- track record and volume in an online origination environment.

At 31 December 2014, 27% of the Company's NAV was deployed in SME loans. It is the Investment Manager's belief that SME loans offer the following investment characteristics that are attractive from a portfolio perspective:

- fragmented traditional lending market for small businesses offers superior risk-reward opportunities; and
- detailed information on the financials of a small business allows for a deeper understanding of loan affordability and creditworthiness.

At 31 December 2014, the Company had invested in the equity of 5 different platforms, making up 1.3% of the Company's NAV. It is the Investment Manager's belief that a number of characteristics and circumstances favour the investment in the equity of these P2P platforms:

- online lending departing from a concept stage to a more mature and mainstream form of financing;
- methods and processes for originating loans online are consistently improving and widening the efficiency gap between them and the traditional lending model characterised by high fixed costs;
- the arrival of institutional lending capital on these platforms is transforming the economics of these businesses and driving significant growth; and
- economies of scale and operating leverage is likely to boost the profitability of P2P platforms.

From a geographic perspective, the Company had invested 65% of its deployed capital in the US and 35% in Europe as at 31 December 2014. Whilst further geographic diversification will be sought in 2015, the Investment Manager believes that the most established online lending markets (namely US and UK) currently offer the best transparency of data, origination volumes, regulatory compliance, and platform performance metrics, to allow the Investment Manager to optimise returns in the current stage of the industry's development.

Portfolio Composition as at 31 December 2014

| | |
|---|---|
| European Consumer | 11.7% |
| European SME | 17.8% |
| US Consumer | 45.0% |
| US SME | 9.4% |
| Equity | 1.3% |
| Cash and Money Market | 14.8% |

## INVESTMENT OBJECTIVE

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

## INVESTMENT POLICY

The Company invests in consumer loans, 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 purchases Credit Assets directly (via Platforms) and also invests in Credit Assets indirectly via other investment funds (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. The Company’s investments in Credit Assets may be made through subsidiaries of the Company.

The Company may also invest (in aggregate) up to 5 per cent. of Gross Assets (at the time of investment) in the listed or unlisted securities issued by one or more Platforms. This restriction shall not apply to any consideration paid by the Company for the issue to it of any convertible securities by a Platform. However, it will apply to any consideration payable by the Company at the time of exercise of any such convertible securities or any warrants issued by a Platform.

The Company invests across various Platforms, asset classes, geographies (primarily US and Europe) and credit risk bands in order 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 Company’s portfolio is maintained and that concentration risk is limited:

PLATFORM RESTRICTIONS
The Company will not invest more than 33 per cent. of Gross Assets via any single Platform. This limit may be increased to 66 per cent. of Gross Assets via any single Platform, provided that where this limit is so increased in respect of any Platform the Company does not invest an amount which is greater than 25 per cent. (by value) of the total loan origination of the preceding calendar year through such Platform.

ASSET CLASS AND GEOGRAPHIC RESTRICTIONS
No single loan acquired by the Company will be for a term longer than 5 years. No single trade receivable asset acquired by the Company will be for a term longer than 180 days.

The Company will not invest more than 20 per cent. of Gross Assets, at the time of investment, via any single investment fund investing in Credit Assets. The Company will not invest, in aggregate, more than 60 per cent. 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 per cent. 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 per cent. of their gross assets in other listed closed-ended investment funds.

The following restrictions 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 in which the Company invests:

No single consumer loan acquired by the Company shall exceed 0.25 per cent. of Gross Assets.

No single SME loan acquired by the Company shall exceed 5.0 per cent. of Gross Assets.

No single trade receivable asset acquired by the Company shall exceed 5.0 per cent. of Gross Assets.

The following restrictions apply to both Credit Assets acquired by the Company directly and on a look-through basis to any Credit Assets held by another investment fund in which the Company invests:

At least 10 per cent. (but not more than 75 per cent.) of Gross Assets will be maintained in consumer Credit Assets, not more than 50 per cent. of Gross Assets will be maintained in SME Credit Assets and not more than 50 per cent. of Gross Assets will be maintained in trade receivable assets.

The Company will maintain at least 10 per cent. of Gross Assets in Credit Assets in Europe and at least 10 per cent. of Gross Assets in Credit Assets in the United States.

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, the Company will only invest in fixed income instruments of investment grade.

The Company will not invest in CLOs or CDOs.

BORROWING POLICY
Borrowings may be employed at the level of the Company and at the level of any investee entity (including any other investment fund in which the Company invests or any special purpose vehicle ("SPV") that may be established by the Company in connection with obtaining leverage against any of its assets).

The Company itself may borrow (through bank or other facilities) up to 33 per cent. of Net Asset Value (calculated at the time of draw down under any facility that the Company has entered into).

The aggregate leverage of the Company and any investee entity (on a look-through basis) shall not exceed 1.5 times Net Asset Value.

The Company may seek to securitise all or parts of its portfolio of Credit Assets and may establish one or more SPVs in connection with any such securitisation.

To the extent that the Company establishes any SPV in connection with obtaining leverage against any of its assets or in connection with the securitisation of its loans, it is likely that any such vehicles will be wholly-owned subsidiaries of the Company. The Company may use SPVs for these purposes to seek to protect the levered portfolio from group level bankruptcy or financing risks. The Company may also, in connection with seeking such leverage or securitising its loans, seek to assign existing assets to one or more SPVs and/or seek to acquire loans using an SPV. The Company will ensure that any SPV used by it to acquire or receive (by way of assignment or otherwise) any loans to UK consumers shall first obtain any required authorisation from the FCA for consumer credit business.

**STRATEGY & BUSINESS MODEL**

FIRST MOVER ADVANTAGE
The emergence of online lending, originally funded by retail capital, is rapidly attracting the interest of professionally managed capital seeking to gain exposure to attractive returns with low correlation to traditional asset classes. In 2014, the Company and the Investment Manager pioneered a number of developments within the online lending industry that allowed them to capture a first mover advantage and position themselves well for the growth of the industry. Firstly, by introducing permanent, listed capital, the Company allows investors to gain instant, direct exposure to online lending whilst maintaining the liquidity advantages of holding shares in a listed entity. Secondly, the Company was one of the first to pioneer a global strategy in online lending spread across a number of asset classes, allowing for further diversification compared to strategies focused on single asset classes and single geographies. The Company will look to continue to stay at the forefront of the fast-growing industry with an aim to capture new platform opportunities, where superior returns can be attained.

FOCUS ON CREDIT
Despite the market enthusiasm for the process of online lending itself, and the ability of such marketplace or balance sheet operators to offer risk-based priced loans to borrowers in a quick and efficient manner, the Investment Manager remains focused on the underlying creditworthiness of the

borrowers. The Investment Manager is of the belief that, irrespective of origination source or the convenience of the product to the borrower, credit performance will vary depending on the quality of verification, underwriting, servicing, and the ability to construct diversified portfolios of selective loans. Due diligence on the credit process and overall business of the platform operators is of primary importance to the Investment Manager and its global team of credit professionals.

GLOBAL OPPORTUNITIES

To date, successful online originators have based their growth and credit performance on a number of characteristics in the markets where they operate including:

- high quality credit data to enable accurate assessment of creditworthiness and pricing;
- focus on geographies where oligopolistic credit markets allow traditional lenders to enforce large spreads between deposit rates and borrowing rates; and
- a focus on types of lending where the overhead cost of traditional lenders bears the biggest weight on gross margin and makes lending unprofitable, unless conducted at high interest rates.

By acknowledging these characteristics, which enable disruptive online lenders to offer borrowers a high quality product and their lenders an attractive return for the level of risk they are taking, the Company is seeking opportunities to meet these criteria, in order to extract additional value for shareholders. As online lending becomes more mainstream in certain geographies and asset classes, the Company will look to position itself to take advantage of the next wave of platforms that repeat these characteristics, in new asset classes and new geographies.

**RISKS**

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Company is exposed to market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk arising from the financial instruments held by the Company. These risks are further disclosed in Note 6 of the financial statements.

The Company currently invests via a significant number of platforms across asset classes and geographies. The investment may take the form of individual loan purchases in a platform's standard marketplace product; in other cases it is purchasing specific pools with bespoke criteria. The Investment Manager closely monitors performance of the platforms and operational delivery and is reliant on data delivered by the platforms and its own proprietary systems. The Company's performance may be adversely impacted by a deterioration in the macroeconomic environment.

The platforms the Company invests through remain subject to operational and regulatory risks, however no platform that the Company has invested through has suffered failure or materially adverse developments. The P2P and online lending universe is in the early stages of high growth and therefore has to make concerted efforts to maintain high standards and conform with all applicable laws and regulation.

**ENVIRONMENTAL, HUMAN RIGHTS, EMPLOYEE, SOCIAL AND COMMUNITY ISSUES**

The Company is required, by company law, to provide details of the environmental matters (including the impact of the Company's business on the environment), employee, human rights, social and community issues; including information about any policies it has in relation to these matters and the effectiveness of those policies. The Company does not have any employees nor, as an investment trust, does it have any direct impact on the community or environment and as a result does not maintain specific policies in relation to these matters. In carrying out its investment activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly.

**GENDER DIVERSITY**

The Board of Directors of the Company comprises three male directors. Further information in relation to the Board's policy on diversity can be found on page 19 of the Annual Report.

On behalf of the Board
Stuart Cruickshank
Chairman
27 April 2015

## BOARD OF DIRECTORS

Stuart Cruickshank
Simon King
Michael Cassidy

## GOING CONCERN

The Directors have reviewed the liquidity of the portfolio and the Company's ability to meet its obligations as they fall due for a period of at least 12 months from the date that these financial statements were approved. On the basis of that review, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

The full Annual Report contains the following statements regarding responsibility for the financial statements.

## STATEMENT OF DIRECTORS' RESPONSIBILITES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in on page 12 of the Annual Report confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Annual Report includes a fair review of the development and performance of the business and its position, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of P2P Global Investments plc
Stuart Cruickshank
Chairman
27 April 2015

## NON-STATUTORY ACCOUNTS

The financial information set out below does not constitute the Company's statutory accounts for the period ended 31 December 2014 but is derived from those accounts. Statutory accounts for the period ended 31 December 2014 will be delivered to the Registrar of Companies in due course. The Auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The text of the Auditors' report can be found in the Company's full Annual Report and Accounts on the Company's website at www.p2pgi.com

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**STATEMENT OF FINANCIAL POSITION**
**As at 31 December 2014**

| | Notes | 31 December 2014 £ |
|---|---|---|
| **Non current assets** | | |
| Investment assets designated as held at fair value through profit or loss | 3 | 122,516,585 |
| Loans at amortised cost | 3 | 61,314,163 |
| | | 183,830,748 |
| **Current assets** | | |
| Cash and cash equivalents | 7 | 16,166,498 |
| Cash pledged as collateral | 7 | 1,030,000 |
| Other current assets and prepaid expenses | | 337,806 |
| | | 17,534,304 |
| **Total assets** | | **201,365,052** |
| **Current liabilities** | | |
| Derivative financial instruments | 3,4 | 530,114 |
| Investment management fees payable | 9 | 108,365 |
| Accrued expenses and other liabilities | | 375,428 |

| | | |
|---|---|---|
| | | 1,013,907 |
| **Total assets less current liabilities** | | **200,351,145** |
| **Equity attributable to Shareholders of the Company** | | |
| Called-up share capital | 12 | 200,000 |
| Share premium account | | 196,889,944 |
| Capital reserves | | 617,765 |
| Revenue reserve | | 2,643,436 |
| **Total equity** | | **200,351,145** |
| **Net Asset Value per Ordinary Share** | 11 | 1,001.76p |

Signed on behalf of the Board of Directors by:
Stuart Cruickshank
Chairman
Date: 27 April 2015

*See notes to the financial statements*

**STATEMENT OF COMPREHENSIVE INCOME**
**For the period from 6 December 2013 (date of incorporation) to 31 December 2014**

| | **Notes** | **Revenue £** | **Capital £** | **Total £** |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net gains on investments | 5 | – | 614,388 | 614,388 |
| Foreign exchange gain | | – | 6,190 | 6,190 |
| Income | 5 | 5,313,043 | – | 5,313,043 |
| **Total return** | | **5,313,043** | **620,578** | **5,933,621** |
| **Expenses** | | | | |
| Investment management fee | 9 | 347,042 | 2,813 | 349,855 |
| Administration fee | | 57,948 | – | 57,948 |
| Impairment of loans | 8 | 382,474 | – | 382,474 |
| Other expenses | | 682,143 | – | 682,143 |
| **Total operating expenses** | | **1,469,607** | **2,813** | **1,472,420** |
| **Net return on ordinary activities before taxation** | | 3,843,436 | 617,765 | 4,461,201 |
| **Taxation on ordinary activities** | | – | – | – |

| | | | |
|---|---|---|---|
| **Net return on ordinary activities after taxation** | 3,843,436 | 617,765 | 4,461,201 |
| **Return per Ordinary Share (basic and diluted)** | 19.22p | 3.09p | 22.31p |

*The total column of this statement represents the Company's 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 financial statements*

**STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS**
**For the period from 6 December 2013 (date of incorporation) to 31 December 2014**

| | Called Up Share Capital £ | Share Premium £ | Capital Reserve £ | Revenue Reserve £ | Total £ |
|---|---|---|---|---|---|
| **Net assets attributable to Shareholders at the beginning of the period** | – | – | – | – | – |
| Amounts received on issue of management shares | 50,000 | – | – | – | 50,000 |
| Management shares redeemed | (50,000) | – | – | – | (50,000) |
| Amounts received on issue of Ordinary Shares | 200,000 | 199,800,000 | – | – | 200,000,000 |
| Share issue costs | – | (2,910,056) | – | – | (2,910,056) |
| Return on ordinary activities after taxation | – | – | 617,765 | 3,843,436 | 4,461,201 |
| Dividends declared and paid | – | – | – | (1,200,000) | (1,200,000) |
| **Net assets attributable to Shareholders at 31 December 2014** | **200,000** | **196,889,944** | **617,765** | **2,643,436** | **200,351,145** |

*See notes to the financial statements*

**STATEMENT OF CASH FLOWS**
**For the period from 6 December 2013 (date of incorporation) to 31 December 2014**

| | Note | 31 December 2014 £ |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net return on ordinary activities after taxation | | 4,461,201 |
| **Adjustments to reconcile net return on ordinary activities after taxation to net cash outflow from operating activities:** | | |
| Unrealised appreciation on investment assets | | (1,482,123) |
| Increase in accrued income | | (7,615,735) |
| Increase in cash pledged as collateral | | (1,030,000) |
| Increase in other assets and prepaid expenses | | (337,806) |
| Increase in trade and other payables | | 483,793 |
| Impairment of loans | | 384,654 |
| **Net cash outflow from operating activities** | | **(5,136,016)** |
| **Investing activities:** | | |
| Purchase of investments | | (253,388,613) |
| Sale of investments | | 140,500,000 |
| Purchase of loans | | (61,698,817) |
| **Net cash outflow from investing activities** | | **(174,587,430)** |
| **Net cash outflow before financing** | | **(179,723,446)** |
| **Cash flows from financing activities:** | | |
| Proceeds from subscription of Ordinary Shares | | 200,000,000 |
| Proceeds from issue of management shares | | 50,000 |
| Share issue costs | | (2,910,056) |
| Redemption of management shares | | (50,000) |
| Dividends paid | | (1,200,000) |
| **Net cash provided by financing activities** | | **195,889,944** |
| Net change in cash and cash equivalents | | 16,166,498 |
| Cash and cash equivalents at the beginning of the period | | – |
| **Net cash and cash equivalents at 31 December 2014** | 7 | **16,166,498** |

*See notes to the financial statements*

## 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 08805459 under company name Alternative Finance Investments plc, and subsequently changed name to P2P Global Investments plc on 16 December 2013. The Company commenced its operations on 30 May 2014. The Company intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

The Company's investment manager is Marshall Wace LLP. On 30 April 2014, Marshall Wace Holdings Limited, the parent of the Investment Manager, (via a subsidiary) acquired a controlling stake in Eaglewood Capital Management LLC (the "Sub-Manager"), a SEC registered investment adviser. 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 Company's shares were admitted to the Official List of the UK Listing Authority with a premium listing on 30 May 2014. On the same day, trading of the ordinary shares commenced on the London Stock Exchange.

Marshall Wace LLP is authorised as an Alternative Investment Fund Manager ("AIFM") under the Alternative Investment Fund Managers Directive ("AIFMD") from 24 April 2014. The Company is defined as an Alternative Investment Fund and is subject to the relevant articles of the AIFMD.

Citco Fund Services (Ireland) Limited 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 and maintenance of the Company's accounting records.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements for the Company are prepared in accordance with International Financial Reporting Standards ("IFRS"). They comprise standards and interpretations approved by the International Accounting Standards Board and International Financial Reporting Committee, interpretations approved by the International Accounting Standard Committee that remain in effect, to the extent they have been adopted by the European Union. The financial statements are also in compliance with relevant provisions of the Companies Act 2006 as applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the valuation of investments and derivative financial instruments at fair value. The Directors consider that the Company has adequate financial resources to enable it to continue operations for the foreseeable future. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Company's financial statements.

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts issued by the Association of Investment Companies ("AIC") in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The Company's presentational and functional currency is Pounds Sterling (£). Pounds Sterling reflects the currency in which funds from financing activities are generated.

**(b) Presentation of Statement of Comprehensive Income**

In order to better reflect the activities of an investment trust company and in accordance with the guidance set out by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of revenue and capital nature has been presented alongside the Statement of Comprehensive Income. Net revenue is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in section 1158 of the Corporation Taxes Act 2010.

In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, all expenses and finance costs, which are accounted for on an accruals basis, have been presented as revenue items except those items listed below:

- Expenses are allocated to capital where a direct connection with the maintenance or enhancement of the value of the investments can be demonstrated. Investment management fees and finance costs are allocated to capital in accordance with accounting policy 2(d); and
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

The following are presented as capital items:

- gains and losses on the realisation of investments;
- increases and decreases in the valuation of investments held at the year-end;
- realised and unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature;
- realised and unrealised exchange differences of a capital nature; and
- expenses, together with the related taxation effect, allocated to capital in accordance with the above policies.

**(c) Income**

For financial instruments measured at amortised cost the effective interest rate (EIR) method is used to measure the carrying value of a financial asset or liability and to allocate associated interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

In calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, early redemption penalty charges) but does not consider future credit losses. The calculation includes all fees received and paid and costs borne that are an integral part of the effective interest rate and all other premiums or discounts above or below market rates.

Once a financial asset or a group of similar financial assets becomes impaired, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss and is recognised over the period to which the expected cash flows relate.

Dividend income from investments is taken to the revenue column of the Statement of Comprehensive Income on an ex-dividend basis.

Bank interest and other income receivable are accounted for on an accruals basis.

The increase in the Company's share of the distributable profit in partnership vehicles is treated as revenue return provided that the underlying assets of the partnership comprises solely of income generating loans, or investments in lending platforms which themselves generate net interest income.

**(d) Expenses, fees and commissions**

Fees and commissions not directly attributable to generating a financial instrument are recognised as services are provided, or on the performance of a significant act which means the Company has become contractually obligated to settle those amounts.

The Company currently charges performance fees to revenue return as it is the current expectation that the majority of the Company's return will be generated through revenue rather than capital gains on investments. Investment management fees are allocated between the revenue and capital accounts based on the prospective split of the gross income between revenue and capital. The percentage of management expenses allocated to capital is less than 1% of the total. Refer to Note 9 for further details of the management and performance fees.

Gains and losses arising from derivative instruments are credited or charged to the Statement of Comprehensive Income. Gains and losses of a revenue nature are reflected in the revenue column and gains and losses of a capital nature are reflected in the capital column.

All other expenses are accounted for on an accruals basis.

**(e) Dividends payable to Shareholders**

Dividends to shareholders are accounted for in the period which they are paid or approved in general meetings. Dividends payable to shareholders are recognised in the Statement of Changes in Equity when they are paid, or have been approved by shareholders in the case of a final dividend and become a liability to the Company.

**(f) Taxation**

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the Statement of Financial Position date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Investment trusts which have approval as such under section 1158 of the Corporation Taxes Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

**(g) Financial assets and financial liabilities**

The Company classifies its financial assets and financial liabilities at inception into the following categories:

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

This category consists of forward foreign exchange contracts, Money Market Funds, private placement positions and investments in other funds. Assets and liabilities in this category are carried at fair value.

The fair values of derivative instruments are estimated using discounted cash flow models using yield curves that are based on observable market data or are based on valuations obtained from counterparties.

Investments in Money Market Funds and other funds are carried at fair value. This is determined using the net asset value for the units at the balance sheet date as provided by the relevant fund administrator.

The private placements are valued at fair value. The fair value is based on recent transactions of the investment, which are considered to be representative of the fair value at 31 December 2014.

Gains and losses arising from the changes in the fair values are recognised in the Statement of Comprehensive Income.

***(ii) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company’s loan assets are classified as loans and receivables.

Loans are recognised when the funds are advanced to borrowers. Loans and receivables are carried at amortised cost using the effective interest rate method less provisions for impairment.

***(iii) Purchases and sales of financial assets***

Purchases and sales of financial assets are accounted for at trade date. Financial assets are derecognised when the rights to receive cash flows have expired or where the assets have been transferred and substantially all of the risks and rewards of ownership have been transferred.

***(iv) Impairment of financial assets***

***Assets carried at amortised cost***

The Company assesses at each balance sheet date whether, as a result of one or more events that occurred after initial recognition, there is objective evidence that a financial asset or group of financial assets is impaired. Evidence of impairment may include:

- indications that the borrower or group of borrowers is experiencing significant financial difficulty
- default or delinquency in interest or principal payments, or
- debt being restructured to reduce the burden on the borrower.

The Company assesses whether objective evidence of impairment exists either individually for assets that are separately significant or individually or collectively for assets that are not separately significant.

If there is no objective evidence of impairment for an individually assessed asset it is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The resultant provisions are deducted from the appropriate asset values in the Statement of Financial Position.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the provision is adjusted and the amount of the reversal is recognised in the Statement of Comprehensive Income.

Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are reflected against the impairment losses recorded in the Statement of Comprehensive Income.

***Key estimates and assumptions in impairment of financial assets***
The assessment of impairment of the investments at amortised cost requires the use of accounting estimates and assumptions that could cause material adjustment to the carrying value of those investments. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company.

***(v) Financial liabilities***

Financial liabilities are derecognised when the obligation is discharged, cancelled or has expired.

***(vi) 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 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.

***(vii)Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

**(h) Other receivables**

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated impairment.

**(i) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with a maturity of 3 months or less that are readily convertible to known amounts of cash.

**(j) Current liabilities**

Current liabilities, other than derivatives, are not interest-bearing and are stated at their nominal value.

**(k) Ordinary Shares**

Ordinary shares are classified as equity. The costs of issuing or acquiring equity are recognised in equity (net of any related income tax benefit), as a reduction of equity on the condition that these are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties.

The Company’s equity net asset value per unit is calculated by dividing the equity – net assets attributable to the holder of redeemable shares divided by the total number of outstanding shares.

**(l) Rates of exchange**

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of each transaction. Monetary assets, liabilities and equity investments in foreign currencies at the Statement of Financial Position date are translated into Pounds Sterling at the rates of exchange ruling on that date. Profits or losses on exchange, together with differences arising on the translation of foreign currency assets or liabilities, are taken to the capital return column of the Statement of Comprehensive Income. Foreign exchange gains and losses arising on investments held at fair value are included within changes in fair value.

**(m) Capital reserves**

Capital reserve – arising on investments sold includes:

- gains/losses on disposal of investments
- exchange differences on currency balances and on settlement of loan balances
- cost of own shares bought back
- other capital charges and credits charged to this account in accordance with the accounting policies above

Capital reserve – arising on investments held includes:

- increases and decreases in the valuation of investments held at the year end.

All of the above are accounted for in the Statement of Comprehensive Income except the cost of own shares bought back which is accounted for in the Statement of Changes in Shareholders' Funds.

**(n) Segmental reporting**

The Chief Operating Decision Maker is the Board of Directors. The Directors are of the opinion that the Company is engaged in a single segment of business, being the investment of the Company's capital in financial assets comprising consumer loans, small and medium sized enterprise ("SME") loans, corporate trade receivables and/or advances thereon.

**(o) Critical accounting estimates and assumptions**

Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The results of these estimates and assumptions form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates and assumptions made in the valuation of unquoted investments and investments for which there is an inactive market 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 2(g).

Information about significant areas of estimation uncertainty and critical judgements in relation to the impairment of loans are described in Note 8.

As disclosed in Note 14 'Related Party Transactions', the Company invests in a special purpose vehicle, Eaglewood SPV I LP (the "SPV") and at 31 December is the sole Limited Partner in that SPV. The financial statements of the Company do not consolidate Eaglewood SPV I LP as the Company does not exercise control over the activities of the SPV, which are vested in the General Partner. Refer to Note 14 for further details.

**(p) New standards and amendments to existing standards**

Amendments to IFRS 10, 11, 12 and IAS 27 are effective for annual periods beginning on or after 1 January 2014. The amendments introduced a new definition of control, changed aspects of the accounting treatment and disclosures in relation to joint ventures/joint arrangements, introduced an exemption from consolidation for investment entities and made associated changes to IAS 27 relating to parent company financial statements. The Company adopted the amendments with effect from 6 December 2013.

Amendments to IAS 32, 'Offsetting financial assets and financial liabilities' is effective for annual periods beginning on or after 1 January 2014. These amendments clarify the offsetting criteria in IAS 32 and address inconsistencies in their application. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Company adopted the amendments with effect from 6 December 2013 and the amendments did not have any impact on the Company's financial position or results of operations.

**Accounting standards issued but not yet effective**

At the date of this document, the following applicable Standards were in issue but not yet effective:

IFRS 15, 'Revenue from contracts with customers', effective 1 January 2017. This is the converged standard on revenue recognition and replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. The new standard is not expected to have a significant impact on the Company's financial statements or performance.

IFRS 9, 'Financial instruments', specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged.

The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. IFRS 9 now divides all financial assets that are under the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value. The determination is made at initial recognition. Specifically, under IFRS 9 loans and receivables can be measured at amortised cost only if the objective of the entity is to hold the financial asset to collect contractual cash flows and that the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments will be measured at fair value through profit or loss.

The Directors are currently evaluating the impact of this Standard upon the Company.

## 3. FAIR VALUE MEASUREMENT

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.

The following table analyses within the fair value hierarchy the Company's assets and liabilities measured at fair value at 31 December 2014:

| **Financial assets at fair value through profit or loss** | **Total £** | **Level 1 £** | **Level 2 £** | **Level 3 £** |
|---|---:|---:|---:|---:|
| Investments in Money Market Funds | 9,500,000 | 9,500,000 | – | – |
| Investments in other funds | 111,965,038 | – | – | 111,965,038 |
| Forward foreign exchange contracts | 24,832 | – | 24,832 | – |
| Private placements | 1,026,715 | – | – | 1,026,715 |

| | | | | |
|---|---|---|---|---|
| **Total** | **122,516,585** | **9,500,000** | **24,832** | **112,991,753** |

| **Derivative financial instruments** | **Total £** | **Level 1 £** | **Level 2 £** | **Level 3 £** |
|---|---|---|---|---|
| Forward foreign exchange contracts | (530,114) | – | (530,114) | – |
| **Total** | **(530,114)** | **–** | **(530,114)** | **–** |

There were no movements between Level 1 and Level 2 fair value measurements during the period ended 31 December 2014 and no transfers into and out of Level 3 fair value measurements.

The following table presents the movement in Level 3 positions for the period.

| | **Assets Private placements £** | **Assets Investments in other funds £** | **Total £** |
|---|---|---|---|
| Opening balance | – | – | – |
| Purchases | 1,011,550 | 102,377,064 | 103,388,614 |
| Sales | – | – | – |
| Transfers In/(Out) | – | – | – |
| Net change in unrealised gains | 15,165 | 6,343,156 | 6,358,321 |
| Distributed income re-invested | – | 3,244,818 | 3,244,818 |
| **Closing balance** | **1,026,715** | **111,965,038** | **112,991,753** |

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

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

| **Description** | **Fair Value at 31 December 2014 £** | **Valuation technique** |
|---|---|---|
| Private placements | 1,026,715 | Recent transactions |
| Investments in other funds | 111,965,038 | Net Asset Value |

The investments in other funds are valued based on the net asset value as calculated by the respective administrators at the balance sheet date. No adjustment have been determined to be necessary to the NAV as supplied by the administrators as this reflects the fair value of the underlying investments. The net asset value of the other funds are sensitive to movements in interest rates due to their investment in loans.

If the price of the investment in other funds and private placements held at period end had increased/decreased by 5% it would have resulted in an increase/decrease in the total value of the funds of £5,598,252 and the private placements of £51,336.

**Assets and liabilities not carried at fair value but for which fair value is disclosed**
The following table presents the fair value of the Company's assets and liabilities (by class) not measured at fair value through profit and loss at 31 December 2014 but for which fair value is disclosed:

| | **Total 2014 £** | **Level 1 2014 £** | **Level 2 2014 £** | **Level 3 2014 £** |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 16,166,498 | 16,166,498 | – | – |
| Cash pledged as collateral | 1,030,000 | 1,030,000 | – | – |
| Other current assets and prepaid expenses | 337,806 | – | 337,806 | – |
| Loans at amortised cost | 61,604,287 | – | – | 61,604,287 |
| **Total** | **79,138,591** | **17,196,498** | **337,806** | **61,604,287** |
| **Liabilities** | | | | |
| Investment management fees payable | 108,365 | – | 108,365 | – |
| Accrued expenses and other liabilities | 375,428 | – | 375,428 | – |
| **Total** | **483,793** | – | **483,793** | – |

The table below provides details of the investments at amortised cost held by the Company for the period ended 31 December 2014:

| | **Amortised cost before impairment £** | **Impairment £** | **Amortised Cost £** | **Carrying Value £** |
|---|---|---|---|---|
| Investments at amortised cost | 61,698,817 | (384,654) | 61,314,163 | 61,314,163 |
| **Total** | **61,698,817** | **(384,654)** | **61,314,163** | **61,314,163** |

**4. DERIVATIVES**

Typically, derivative contracts serve as components of the Company's investment strategy and are utilised primarily to structure and hedge investments to enhance performance and reduce risk to the Company (the Company does not currently designate any derivatives as hedges for hedge accounting purposes as described under IAS 39). Derivative instruments may also be used for trading purposes where the Investment Manager believes this would be more effective than investing directly in the underlying financial instruments. The only derivative contracts that the Company currently holds are forward foreign exchange contracts.

The Company records its derivative activities on a fair value basis. See Note 2(g)(vi) for valuation of financial instruments.

**Forward contracts**

Forward contracts entered into by the Company represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity. The realised/unrealised gain or loss is equal to the difference between the value of the contract at the onset and the value of the contract at settlement date/year end date and is included in the Statement of Comprehensive Income.

As of 31 December 2014, the following forward foreign exchange contracts were included in the Company's Statement of Financial Position at fair value through profit or loss:

| Settlement Date | Purchase Currency | Purchase Amount | Sale Currency | Sale Amount | Fair Value £ |
|---|---|---|---|---|---|
| 4 March 2015 | GBP | 714,779 | EUR | (900,000) | 15,634 |
| 4 March 2015 | GBP | 296,776 | AUD | (550,000) | 9,198 |
| **Unrealised gain on forward foreign exchange contracts** | | | | | **24,832** |

| Settlement Date | Purchase Currency | Purchase Amount | Sale Currency | Sale Amount | Fair Value £ |
|---|---|---|---|---|---|
| 4 March 2015 | GBP | 114,000,690 | USD | (178,500,000) | (530,114) |
| **Unrealised losses on forward foreign exchange contracts** | | | | | **(530,114)** |

The Company may be eligible to present net on the Statement of Financial Position, certain financial assets and financial liabilities according to criteria described in Note 2(g)(vii).

At 31 December 2014 none of the financial assets and financial liabilities met the eligibility criteria and therefore none were presented net on the Statement of Financial Position. Accordingly the amounts disclosed in the following tables as "Net amounts of recognised assets presented in the statement of financial position" are the same as the gross amounts.

The following tables provide information on the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement at 31 December 2014.

The columns "related amounts not eligible to be set-off in the Statement of Financial Position" disclose the amounts with respect to derivative financial instruments which are subject to master netting arrangements but were not offset due to not meeting the net settlement/simultaneous settlement criteria or because the rights to set-off are conditional upon the default of the counterparty only.

**Financial assets and collateral received by counterparty**

| | Net amounts of recognised assets presented in the Statement | Related amounts not eligible to be set-off in the Statement of Financial Position |
|---|---|---|

| | of Financial Position £ | Financial instruments £ | Collateral received £ | Net amount £ |
|---|---|---|---|---|
| **Counterparty** | | | | |
| Deutsche Bank | 24,832 | (24,832) | – | – |
| **Total** | **24,832** | **(24,832)** | **–** | **–** |

**Financial liabilities and collateral pledged by counterparty**

| | Net amounts of recognised liabilities presented in the Statement of Financial Position | Related amounts not eligible to be set-off in the Statement of Financial Position | | |
|---|---|---|---|---|
| | | Financial instruments | Collateral pledged | Net amount |
| | £ | £ | £ | £ |
| **Counterparty** | | | | |
| Deutsche Bank | (530,114) | 24,832 | 505,282 | – |
| **Total** | **(530,114)** | **24,832** | **505,282** | **–** |

## 5. INCOME AND GAINS ON INVESTMENTS

| | 31 December 2014 £ |
|---|---|
| **Income** | |
| Distributed income from Eaglewood SPV I LP | 2,667,617 |
| Interest income from loans | 1,850,458 |
| Distributed income from investment in other funds | 577,201 |
| Interest income from Money Market Funds | 213,557 |
| Interest income from collateral account | 4,210 |
| **Total** | **5,313,043** |

| | 31 December 2014 £ |
|---|---|
| **Net gains on investments** | |
| Loss on forward foreign exchange contracts | (6,142,141) |
| Gain on other investments in other funds | 6,741,364 |
| Gain on investment in private placements | 15,165 |
| **Total** | **614,388** |

The forward foreign exchange contracts are held to hedge the currency exposure of the investment in the Eaglewood SPV I LP, which is denominated in US dollars.

Gains and losses on financial instruments are shown in the table below:

| | 31 December 2014 | | |
|---|---|---|---|
| | Gains | Losses | Total |
| | £ | £ | £ |
| Realised on financial instruments | 1,479 | (5,474,887) | (5,473,408) |
| Unrealised on financial instruments | 6,472,632 | (384,836) | 6,087,796 |

## 6. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

**Introduction**

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Company is exposed to market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk arising from the financial instruments held by the Company.

**Risk management structure**

The Directors are ultimately responsible for identifying and controlling risks. Day to day management of the risk arising from the financial instruments held by the Company has been delegated to Marshall Wace LLP as Investment Manager and AIFM to the Company. The Investment Manager has delegated certain of its responsibilities and functions, including its discretionary management of the Company's portfolio of Credit Assets, to the Sub-Manager.

The Company has no employees and the Directors have all been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for its executive function. In particular, the Investment Manager, the Sub-Manager, the Depositary, the Administrator, the Loan Administrator and the Registrar are performing services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company.

The principal risks and uncertainties that could have a material impact on the Company's performance have not changed from those set out in detail on pages 15-34 of the Company's IPO Prospectus dated 19 May 2014, available on the Company's website, www.p2pgi.com. Namely:

(i) There can be no guarantee that the investment objective of the Company will be achieved or that the Company's portfolio of investments will generate the rates of return expected. There is no guarantee that any dividends will be paid in respect of any financial year or period.
(ii) The Company has no employees and is reliant on the performance of third party service providers.
(iii) The Company is reliant on the effective operation of the Investment Manager's and the Sub-Manager's IT systems for the loan acquisition process. Any IT systems failure could have a material adverse effect on the ability to acquire and realise investments.
(iv) The Company may borrow money for investment purposes, which exposes the Company to risks associated with borrowings.
(v) Loans acquired through "Platforms" are subject to risks of borrower default. The default history for loans is limited and actual defaults may be greater than indicated

by historical data. Platforms means origination platforms that allow non-bank capital to engage with and:

- lend to consumer or SME borrowers;
- advance capital against corporate trade receivables; and/or
- purchase trade receivables from sellers; together with any other origination platforms agreed between the Company and the Investment Manager.

(vi) The P2P industry in the UK faced increased regulation from 1 April 2014. These and any future regulatory changes may result in interruptions in operations, increased costs and reduced returns to the Company. The Company will, between 1 August 2015 and 31 October 2015, be required to seek full authorisation from the FCA to carry on consumer credit regulated activities in the UK. Any failure to obtain authorisation may have an adverse impact on the Company's future ability to invest in UK consumer loans.

(vii) The Company, in common with other Platform lender members, may be exposed to the following risks relating to compliance and regulation of the Platforms and the Company in the United States:

- Federal and state regulators could subject the Platforms and their lender members, such as the Company, to legal and regulatory examination or enforcement action.
- Non-compliance with laws and regulations may impair the Platforms' ability to arrange or service borrower member loans, which could impact the Company's ability to purchase loans or Notes or receive payments on the loans or Notes it has already purchased.
- Potential characterisation of loan marketers and other originators as lenders may have a material adverse effect on the Company.

(viii) Any change in the Company's tax status or in taxation legislation or practice generally could adversely affect the value of the investments held by the Company, or the Company's ability to provide returns to shareholders, or alter the post-tax returns to shareholders.

(ix) The value of the ordinary shares and the income derived from those shares (if any) can fluctuate and may go down as well as up. The ordinary shares may trade at a discount to NAV.

(x) It may be difficult for shareholders to realise their investment and there may not be a liquid market in the ordinary shares.

(xi) If the Directors decide to issue C Shares or further ordinary shares, the proportions of the voting rights held by shareholders may be diluted.

(xii) Dividend payments on the ordinary shares are not guaranteed.

(xiii) Changes in tax law may reduce any return for investors in the Company.

The risks faced by the Company have not changed significantly since the commencement of operations and are not expected to change materially in the next 12 months.

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

**Market risk (incorporating price, currency and interest rate 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 Company 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 impact the Company 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 Company is exposed to price risk arising from the investments held by the Company for which prices in the future are uncertain. The investment in Eaglewood SPV I LP, investment in Money Market Funds and the investments in the private placements are exposed to market price risk. Refer to Note 3 for further details on the sensitivity of the Company's Level 3 investments to price 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 Company 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.

Loans held by the Company at amortised cost, with a fixed interest rate, are not exposed to revaluation due to interest rate changes.

Financial Instruments with a floating interest rate that resets as market rates change are exposed to cash flow interest rate risk. At the year end the Company had 8.54% of the total assets classified as cash and cash equivalents and cash pledged as collateral with floating interest rates.

At 31 December 2014, 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 £171,965. 1% is considered to be a reasonably possible movement in interest rates.

The Company does not intend to hedge interest rate risk on a regular basis. However, where it 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 Company holds financial assets and liabilities.

The assets of the Company are invested in Credit Assets 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 Company hedges currency exposure between Pounds Sterling and any other currency in which the Company'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 Company's non GBP denominated investments. The Investment Manager re-examines the currency exposure on a regular basis in each currency and manages the Company's currency exposure in accordance with market expectations.

The below table presents the net exposure to foreign currency at 31 December 2014. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Statement of Financial Position.

| | **Asset 2014 £** | **Liability 2014 £** | **Forward contract 2014** | **Net exposure 2014** |
|---|---|---|---|---|

| | | | £ | £ |
|---|---|---|---|---|
| Australian Dollar | 289,126 | – | (287,579) | 1,547 |
| Euro | 698,102 | – | (699,144) | (1,042) |
| US Dollar | 116,098,796 | (200,071) | (114,530,804) | 1,367,921 |

If the GBP exchange rate simultaneously increased/decreased by 5% against the above currencies, the impact on profit would be an increase/decrease of £68,421. 5% is considered to be a reasonably possible movement in foreign exchange rates.

**Liquidity risk**
Liquidity risk is defined as the risk that the Company 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 Company’s liquidity risk through active capital management, including monitoring of amortising cash flows 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 3 months.

**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 Company’s credit risks arise principally through exposures to loans acquired by the Company, which are subject to risk of borrower default. The ability of the Company to earn revenue is completely dependent upon payments being made by the borrower of the loan acquired by the Company through a Platform. The Company (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 and SME loans are generally unsecured obligations of borrower members. 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. The Platforms and their designated third party collection agencies may be limited in their ability to collect on loans. The Company must rely on the collection efforts of the Platforms and their designated collection agencies and has no direct recourse against borrower members.

The Company 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.

**Credit quality**
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 Company’s loan investments by grade:

| **Internal grade** | **SME & consumer £** |
|---|---|
| A | 42,819,912 |
| B | 6,407,272 |
| C | 10,903,598 |

| | |
|---|---|
| D | 752,648 |
| E | 815,387 |
| **Total** | **61,698,817** |

| Internal grade | Definition |
|---|---|
| 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 etc) |

The following investment limits and restrictions shall apply to the Company, to ensure that the diversification of the Company's portfolio is maintained and that concentration risk is limited:

**Platform restrictions**
The Company will not invest more than 33 per cent of Gross Assets via any single Platform. This limit may be increased to 66 per cent of Gross Assets via any single Platform, provided that where this limit is so increased in respect of any Platform the Company does not invest an amount which is greater than 25 per cent (by value) of the total loan origination of the preceding calendar year through such Platform.

**Asset class and geographic restrictions**

(i) No single loan acquired by the Company will be for a term longer than 5 years. No single trade receivable asset acquired by the Company will be for a term longer than 180 days.

(ii) The Company will not invest more than 20 per cent of Gross Assets, at the time of investment, via any single investment fund investing in Credit Assets. The Company will not invest, in aggregate, more than 60 per cent of Gross Assets, at the time of investment, in other investment funds that invest in Credit Assets.

(iii) The Company will not invest more than 10 per cent 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 per cent of their gross assets in other listed closed-ended investment funds.

(iv) The following restrictions 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 in which the Company invests:

- No single consumer loan acquired by the Company shall exceed 0.25 per cent of Gross Assets.
- No single SME loan acquired by the Company shall exceed 5.0 per cent of Gross Assets.
- No single trade receivable asset acquired by the Company shall exceed 5.0 per cent of Gross Assets.

(v) The following restrictions apply, in each case once the net proceeds of the Issue are fully invested, to both Credit Assets acquired by the Company directly and on a look-through basis to any Credit Assets held by another investment fund in which the Company invests:

- At least 10 per cent (but not more than 75 per cent) of Gross Assets will be maintained in consumer Credit Assets, not more than 50 per cent of Gross Assets will be maintained in SME Credit Assets and not more than 50 per cent of Gross Assets will be maintained in trade receivable assets.
- The Company will maintain at least 10 per cent of Gross Assets in Credit Assets in Europe and at least 10 per cent of Gross Assets in Credit Assets in the United States.

**Other restrictions**

(i) 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, the Company will only invest in fixed income instruments of investment grade.

(ii) The Company will not invest in collateralised loan obligations ("CLOs") or collateralised debt obligations ("CDOs").

The Company'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 of 31 December 2014 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Statement of Financial Position.

## 7. CASH AND CASH EQUIVALENTS/CASH PLEDGED AS COLLATERAL

| | **31 December 2014 £** |
|---|---|
| Cash held at bank | 16,166,498 |
| Cash collateral | 1,030,000 |
| **Total** | **17,196,498** |

## 8. IMPAIRMENT OF INVESTMENTS AT AMORTISED COST

A financial asset is past due when the counterparty has failed to make a payment when contractually due. The Company assesses at each balance sheet date whether there is objective evidence that a loan or group of loans, classified as investments at amortised cost, is impaired. In performing such analysis, the Company assesses 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 Company.

The following impairment charges have been recorded in the Statement of Financial Position and Statement of Comprehensive Income relating to investments at amortised cost:

| | **31 December 2014 £** |
|---|---|
| Loans with payments 15 - 30 days past due | 81,898 |
| Loans with payments 30 - 60 days past due | 256,435 |
| Loans with payments more than 60 days past due | 44,141 |

| | |
|---|---|
| **Total impairment** | **382,474** |

Loans that have payments of principal or interest less than 15 days past due are not considered to be impaired. As at 31 December 2014, the Company had loans of £228,276 that were past due by less than 15 days.

## 9. 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 Net Asset Value (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 per cent 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 Company other than Credit Assets (including any cash) will be excluded from the calculation of Net Asset Value 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 Company 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 Net Asset Value 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.

The performance fee will be calculated in respect of each twelve month period starting on 1 January and ending on 31 December in each calendar year (a "Calculation Period"), save that the first Calculation Period shall be 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 per cent of such amount (if positive) and will only be payable if the Adjusted Net Asset Value at the end of a Calculation Period exceeds the High Water Mark. The performance fee shall be payable to the Investment Manager in arrears within 30 calendar days of the end of the relevant Calculation Period. "Adjusted Net Value" means the Net Asset Value adjusted for: (i) any increases or decreases in Net Asset Value arising from issues or repurchases of Ordinary 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 Company at any time during the relevant Calculation Period; (iii) before deduction for any accrued performance fees; and (iv) to the extent that the Company invests in any other investment fund or via any 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.

**Administration**
The Company has entered into an administration agreement with Citco Fund Services (Ireland) Limited. The Company pays to the Administrator out of the assets of the Company an annual administration fee based on the Company's net assets subject to a monthly minimum charge. Administration fees for the period totalled £57,948 of which £16,691 was payable at the period-end.

The Administrator shall also be entitled to be repaid out of the assets of the Company all of its reasonable out-of-pocket expenses incurred on behalf of the Company.

**Company Secretary**
Under the terms of the Company Secretarial Agreement, Capita Registrars Limited is entitled to an annual fee of £45,000 (exclusive of VAT and disbursements).

**Registrar**
Under the terms of the Registrar Agreement, the Registrar is entitled to an annual maintenance fee of £1.25 per shareholder account per annum, subject to a minimum fee of £2,500 per annum (exclusive of VAT).

**Depositary**
Under the terms of the Depositary Agreement, the Depositary is entitled to be paid a fee of up to 0.025 per cent per annum of Net Asset Value, subject to a minimum monthly fee of £3,000 (exclusive of VAT).

**Loan Administration**
The Company has appointed Deutsche Bank AG, London Branch (the "Loan Administrator") to provide loan administration services following Admission.

The Loan Administrator will be entitled to receive a fee of 0.025 per cent of Net Asset Value, subject to a minimum monthly fee of £2,000 (exclusive of VAT), for the provision of loan administration services.

**Other operational expenses**
Other on-going operational expenses (excluding fees paid to service providers as detailed above) of the Company will be borne by the Company including printing, audit, finance costs, due diligence and legal fees. All reasonable out of pocket expenses of the Investment Manager, the Administrator, the Company Secretary, the Registrar, the Depositary, the Custodian, the Master Servicer and the Directors relating to the Company will be borne by the Company.

**Auditors' remuneration**
Remuneration for all work carried out for the Company by the statutory audit firm in each of the following categories of work is disclosed below:

- the audit of the accounts;
- other non-audit services.

For the period ended 31 December 2014, total fees charged by PricewaterhouseCoopers LLP amounted to £290,969 of which £95,000 related to audit and audit related services to the

Company and Eaglewood SPV 1 LP and £195,969 in respect of non-audit services (£97,056 for other assurance services (reporting accountant services in relation to the UK IPO) and £98,913 for tax advisory services).

## 10. TAXATION

**Investment trust status**

It is the intention of the Directors to conduct the affairs of the Company so as to satisfy the conditions for approval as an investment trust. As at 31 December 2014, the Company does not hold more than 15% of its investments in any single company. As an investment trust the Company is exempt from corporation tax on capital gains. The Company's revenue income from loans is taxable in the hands of the Company's shareholders and likewise is not subject to corporation tax.

Any change in the Company's tax status or in taxation legislation generally could affect the value of the investments held by the Company, affect the Company's ability to provide returns to shareholders, lead the Company to lose its exemption from UK corporation tax on chargeable gains or alter the post-tax returns to shareholders. It is not possible to guarantee that the Company will remain a non-close company, which is a requirement to maintain status as an investment trust, as the ordinary shares are freely transferable. The Company, in the unlikely event that it becomes aware that it is a close company, or otherwise fails to meet the criteria for maintaining investment trust status, will, as soon as reasonably practicable, notify shareholders of this fact.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 21.49%. The differences are explained below:

| | **Revenue** | **Capital** | **Total** |
|---|---|---|---|
| | **£** | **£** | **£** |
| Net return on ordinary activities before taxation | 3,843,436 | 617,765 | 4,461,201 |
| Tax at the standard UK corporation tax rate of 21.49% | 825,954 | 132,758 | 958,712 |
| Effects of: | | | |
| Capital items exempt from corporation tax | – | (132,758) | (132,758) |
| Non-taxable income | (825,954) | – | (825,954) |
| **Total tax charge** | **–** | **–** | **–** |

**Overseas taxation**

The Company may be subject to taxation under the tax rules of the jurisdictions in which it invests, including by way of withholding of tax from interest and other income receipts. Although the Company will endeavour to minimise any such taxes this may affect the level of returns to shareholders.

## 11. NET ASSET VALUE PER ORDINARY SHARE

| | **As at 31 December 2014** |
|---|---|
| | **£** |

| | |
|---|---|
| Net assets | 200,351,145 |
| Shares in issue | 20,000,000 |
| Net asset value per Ordinary Share | 1,001.76p |

## 12. SHAREHOLDERS' CAPITAL

Set out below is the issued share capital of the Company as at 31 December 2014.

| | Nominal value £ | Number of shares |
|---|---|---|
| Ordinary Shares | 200,000 | 20,000,000 |

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.

50,000 management shares of £1 par value were paid up in full on Admission and redeemed out of the proceeds of the issue.

**Rights attaching to the Ordinary Shares**
The holders of ordinary shares shall be entitled to all of the Company's remaining net assets after taking into account any net assets attributable to any C Shares in issue.

The holders of the ordinary shares are entitled to receive, and to participate in, any dividends declared in relation to the ordinary shares.

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

The net return per ordinary share is calculated by dividing the net return on ordinary activities after taxation by the number of shares in issue.

**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 2019 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.

| For the period from 6 December 2013 to 31 December 2014 | Shares in issue at the beginning of the period | Shares subscribed | Shares redeemed | Shares in issue at the end of the period |
|---|---|---|---|---|
| Management Shares | – | 50,000 | (50,000) | – |
| Ordinary Shares | 1 | 19,999,999 | – | 20,000,000 |

Cash consideration was received for all subscriptions for shares.

## 13. DIVIDENDS PER ORDINARY SHARE

The following table summarises the amounts recognised as distributions to equity shareholders in the period:

| | 31 December 2014 £ |
|---|---|
| 2014 Interim dividend of 6.00p per share paid on 30 December 2014 | 1,200,000 |
| **Total** | **1,200,000** |

An interim dividend of 12.5p per ordinary share was declared by the Board on 20 February 2015 in respect of the period to 31 December 2014, which will be paid on 2 April 2015 to shareholders on the register as of 6 March 2015. The interim dividend has not been included as a liability in these accounts in accordance with International Accounting Standard 10: Events After the Balance Sheet Date.

## 14. RELATED PARTY TRANSACTIONS

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. Save for the Chairman of the Board, the fees are £25,000 for each Director per annum. The Chairman’s fee is £30,000 per annum. The

Directors may also receive additional fees for acting as Chairmen of any Board Committee. The current fee for serving as the Chairman of a Board Committee is £3,000 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 Company.

As at 31 December 2014, the Directors' interests in the Company's ordinary shares were as follows:

| | **2014** |
|---|---|
| Simon King | 10,000 |

Partners and Principals of the Investment Manager held 854,216 ordinary shares in the Company at 31 December 2014.

The Company has invested in Eaglewood SPV I LP. The Manager and Sub-Manager of the Company also acts as manager and sub-manager to Eaglewood SPV I LP. The principal activity of Eaglewood SPV I LP is to invest in alternative finance investments and related instruments, including P2P loans, with a view to achieving the Company's investment objective. As at 31 December 2014, the Company is the sole limited partner in Eaglewood SPV I LP and its net asset value was £70,428,208. The Company received income from Eaglewood SPV I LP of £2,667,617.

**15. SUBSEQUENT EVENTS**

A new prospectus for the Company was issued on 12 January 2015.

The Company issued additional equity in the form of 25,000,000 C Shares which were admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities on 29 January 2015.

The Company redeemed its holding in Fairway Master Fund LP on 1 March 2015 and on the same date the Company's assets of the Fairway Master Fund LP were acquired by Eaglewood SPV I LP.

In January 2015, the Company invested in one ordinary share in P2PCL 1 PLC. This investment gives P2P Global Investments controlling interest in this subsidiary company. The subsidiary company was used to enter a leverage facility with a European bank to enhance returns on a consumer loan portfolio.

There were no other significant events subsequent to the period end.

**ANNUAL REPORT**

Printed copies of the Annual Report will be sent to shareholders shortly. Additional copies may be obtained from the Corporate Secretary, Capita Company Secretarial Services Limited, on 020 7954 9796.

**ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held on Monday, 15 June 2015 at 3.00pm at RSA House, 8 John Adam Street, London, WC2N 6EZ.

**NATIONAL STORAGE MECHANISM**

A copy of the Annual Report and Accounts will be submitted shortly to the National Storage Mechanism ("NSM") and will be available for inspection at the NSM, which is situated at: www.morningstar.co.uk/uk/nsm

**ENDS**