



# P2P GLOBAL INVESTMENTS PLC

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

# CONTENTS

## STRATEGIC REPORT

INVESTMENT OBJECTIVE .....	1
FINANCIAL AND OPERATIONAL HIGHLIGHTS .....	2
INVESTMENT CHARACTERISTICS .....	3
HOW THE BUSINESS WORKS .....	4
CHAIRMAN'S STATEMENT .....	5
INVESTMENT MANAGER'S REPORT .....	7
TOP TEN HOLDINGS.....	10
PORTFOLIO COMPOSITION.....	11
BUSINESS REVIEW .....	12
PRINCIPAL RISKS AND UNCERTAINTIES .....	18

## DIRECTORS' REPORT

BOARD OF DIRECTORS.....	23
STATUTORY INFORMATION .....	24
CORPORATE GOVERNANCE STATEMENT .....	29
REPORT OF THE AUDIT AND VALUATION COMMITTEE .....	36
DIRECTORS' REMUNERATION REPORT.....	39
NOMINATION COMMITTEE REPORT.....	43
MANAGEMENT ENGAGEMENT COMMITTEE REPORT.....	44
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	45
INDEPENDENT AUDITORS REPORT .....	46

## FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	54
COMPANY STATEMENT OF FINANCIAL POSITION.....	55
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	56
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS .....	58
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS.....	59
CONSOLIDATED CASH FLOW STATEMENT.....	60
COMPANY CASH FLOW STATEMENT .....	61
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS .....	62

## SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION .....	127
GLOSSARY OF TERMS .....	131
CONTACT DETAILS OF THE ADVISORS.....	132

# STRATEGIC REPORT

## INVESTMENT OBJECTIVE

The investment objective of P2P Global Investments plc (the “Company”) and its subsidiaries (together, the “Group”) is to provide shareholders with an attractive level of dividend income and capital growth through exposure to investments in alternative finance and related instruments. The Company wants to achieve investment diversification across originators, geographies, loan asset classes and credit grades and allow shareholders to access equity assets that are aligned with the Company’s Investment Policy that was updated on 19 December 2017, with the aim of using the Company’s revised strategy and opportunities that present themselves to enhance the Company’s returns.

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

	31 December 2017	31 December 2016
<b>NET ASSET VALUE</b>		
NET ASSET VALUE (CUM INCOME) (£'000) <sup>(1)</sup>	789,855	850,742
NET ASSET VALUE (EX INCOME) (£'000) <sup>(2)</sup>	790,871	846,360
MARKET CAPITALISATION (£'000) <sup>(3)</sup>	650,660	675,361
<b>PER SHARE METRICS</b>		
SHARE PRICE (AT CLOSE) <sup>(4)</sup>	815.0p	799.0p
NAV PER SHARE (CUM INCOME)	989.4p	1,006.5p
NAV PER SHARE (EX INCOME)	990.6p	1,001.3p
INTERIM DIVIDENDS PAID <sup>(5)</sup>	47.0p	44.5p
SHARES IN ISSUE	79,835,549	84,525,803
SHARE BUYBACKS IN YEAR	4,690,254	1,781,000
<b>KEY RATIOS</b>		
PREMIUM / (DISCOUNT) <sup>(6)</sup>	(17.6%)	(20.6%)
ANNUAL NAV PER SHARE RETURN <sup>(7)</sup>	3.0%	4.1%
FUNDING SPREAD <sup>(8)</sup>	1.9%	2.6%
EXPOSURE TO US CONSUMER ASSETS	22.8%	55.0%
SECURED LENDING <sup>(9)</sup>	23.8%	5.1%
ONGOING CHARGES <sup>(10)</sup>	1.3%	1.7%

- (1) NET ASSET VALUE (CUM INCOME): will include all income not yet moved to reserves (both revenue and capital income), less the value of (i) any dividends paid in respect of that income and (ii) any dividends in respect of that income which have been declared and marked ex dividend but not yet paid.
- (2) NET ASSET VALUE (EX INCOME): will be the NAV (Cum Income) excluding net income (both revenue and capital income) that is yet to be transferred to reserves as described below. For this purpose net income will comprise all income not yet moved to reserves (both revenue and capital income), less the value of (i) any dividends paid in respect of that income and (ii) any dividends in respect of that income which have been declared and marked ex dividend but not yet paid. Any income in respect of a financial year, which is intended to remain undistributed will be moved to reserves on the first business day of the immediately following year, meaning that each figure for NAV (Ex-Income) reported during a financial year will equate to the NAV (Cum Income) less undistributed income which has not been moved to reserves.
- (3) MARKET CAPITALISATION: the closing mid-market share price multiplied by the number of shares outstanding at month end.
- (4) SHARE PRICE (AT CLOSE): closing mid-market share price at month end (excluding dividends reinvested).
- (5) INTERIM DIVIDENDS: dividends relating to 2017 financial year were paid in May 2017, August 2017, November 2017 and March 2018. Dividends relating to 2016 financial year were paid in May 2016, August 2016, November 2016 and March 2017.
- (6) PREMIUM/(DISCOUNT): the amount by which the price per share of an investment trust is either higher (at a premium) or lower (at a discount) than the net asset value per share (cum income), expressed as a percentage of the net asset value per share.
- (7) TOTAL NAV PER SHARE RETURN: is calculated as Net Asset Value (Cum Income) at the end of the year, plus dividends declared during the year, divided by NAV (Cum Income) calculated on a per share basis at the start of the year.
- (8) FUNDING SPREAD: the cost of leverage is the cost the Company pays to service its debt obligations. This is calculated by using the weighted average of the spreads that exceeds the prevailing applicable LIBOR on the individual underlying debt divided by the average debt exposure. The company funds itself via USD and GBP at their respective LIBORs.
- (9) SECURED LENDING: is calculated as the amount of assets with granular underlying collateral or structural protection over the total assets of the Company.
- (10) ONGOING CHARGES RATIO: is calculated as a percentage of annualised ongoing charge over average reported Net Asset Value. Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future. The Annualised Ongoing Charge is calculated using the Association of Investment Companies recommended methodology.

## INVESTMENT CHARACTERISTICS

### THE COMPANY IS AN INVESTMENT TRUST FOCUSING ON SPECIALIST LENDING

The Group is a UK listed company dedicated to investing in credit assets originated by non-bank lending platforms and other originators of alternative credit assets globally. The Company believes that this asset class has the potential to provide attractive returns for investors on a risk-adjusted basis.

### MANAGED BY POLLEN STREET CAPITAL, A DEDICATED INVESTOR IN FINANCIAL AND BUSINESS SERVICES BUSINESSES

PSC Eaglewood Europe LLP (the "Investment Manager") serves as the Company's investment manager. The Investment Manager is a member of the Pollen Street Capital group ("PSC"). PSC is an investment management group focussed on investing in financial and business services. The Investment Manager has also appointed a sub Investment Manager ("Sub-Manager"), PSC Eaglewood Americas LLC, an affiliate of the Investment Manager and an SEC registered investment adviser.

### LONG-TERM OPPORTUNITY TO DELIVER ATTRACTIVE RETURNS

A large opportunity exists for non-bank capital to earn attractive returns from lending across a broad origination universe, largely as banks retrench to serve mainstream, vanilla markets. The banks' structural re-positioning together with the advancements in data and technology and a change in customer behaviour provide an opportunity for non-bank lenders to offer high quality products to those markets that are not well served by the large banks.

### PARTNERING WITH STRONG ORIGINATORS

Specialist players offer attractive products based upon expertise and understanding of particular sectors and target customer groups. These players are often better at servicing specialist markets based upon focus, expertise, efficiency and entrepreneurialism. In many cases, they also share risk by putting their own balance sheet capital at risk. The Investment Manager aims to partner with the highest quality originators in order to access exciting investment opportunities in direct lending assets and, where there is an aligned strategic opportunity, certain minority equity stakes.

### 6.0% PER ORDINARY SHARE PER ANNUM TARGET DIVIDEND, PAYABLE QUARTERLY

The Company targets the payment of dividends which equate to a yield of 6.0% per ordinary share per annum on the issue price for the Company's IPO placing, payable in quarterly instalments (the "Target Dividend") based upon the average number of non-treasury shares in issue during a given period. Investors should note that the Target Dividend, including its declaration and payment dates, is a target only and not a profit forecast.

## HOW THE BUSINESS WORKS

### SPECIALIST LENDING PARTNERS

The Investment Manager, on behalf of the Group, actively identifies sub-segments of the consumer, property and small and medium-sized enterprises (“SMEs”) lending market that it believes deliver attractive net returns. It then targets origination partners through which to originate Credit Assets. The Investment Manager adopts three principles when selecting partners – control, alignment and partnership. It seeks to work with high quality partners with diversity across asset class and geography to build a high quality portfolio with attractive returns with controlled risk.

### RIGOROUS CREDIT PROCESS

The Investment Manager has a rigorous investment process to provide a consistent approach to risk based pricing to ensure the weighted risk adjusted return provides an attractive level of dividend income with an acceptable risk profile for shareholders of the Company. 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. The Investment Manager conducts rigorous due diligence on each origination partner and a continuous programme of compliance monitoring and retains tight control of underwriting standards across all partners.

### STRUCTURING CAPABILITIES

The Investment Manager is focused on assessing opportunities in a variety of forms and structures, ensuring that the direct or indirect exposure subscribed to in each case offers a suitable risk adjusted returns for investors. The exposure may be direct lending to the borrower but in other cases, the Investment Manager has partnered up with originators and provided financing that sits senior to the originator’s position allowing the Company to benefit from first loss protection on its capital. The Investment Manager will assess the best risk-adjusted return in each case. It will also place significant focus on ensuring that debt financing can be sourced in an efficient and low cost way to enhance returns where appropriate.

### CAPITAL PRESERVATION AND INCOME STABILITY

The Investment Manager is focused on delivering a combination of strong income with relatively low duration and volatility. The Investment Manager has partnered with high quality originators across target customer groups, asset classes and geography. In that way, the exposure to any single loan asset or market is reduced. This provides strong risk mitigation across the portfolio. The diversification across hundreds of thousands of individual credit assets and the short duration of the overall portfolio should allow the Company to deliver a level of stability in its income and protect the Company from capital losses.

## CHAIRMAN'S STATEMENT



### INTRODUCTION

I am pleased to present P2P Global Investments PLC's fourth Annual Report, for the year to 31 December 2017.

2017 was a year of change. Very early in the year the Board identified that the Company was not meeting its stated investment objectives. The Board elected to take decisive action and instigated a review of the service provided by MW Eaglewood Europe LLP ("MWE"), the incumbent investment manager. The Board conducted a detailed and robust review process in the first half of 2017. The Board concluded the process by selecting a joint proposal by the existing investment manager and Pollen Street Capital Limited ("Pollen Street") for the continued management of the assets of the Company, with MWE being renamed PSC Eaglewood Europe LLP. The outcome was considered the optimal solution to retaining the experience and knowledge of the existing investment manager and introducing a revised investment strategy to improve the performance of the Company. Pollen Street and MWE subsequently merged in September 2017.

### REVIEW OF THE INVESTMENT MANAGER

Following the announcement of a review of the investment manager on 4 April 2017, the Board announced the outcome of its review process in May 2017.

The process was extensive and involved an assessment of prospective investment managers from the United States, Europe and the United Kingdom. The decision to choose the innovative joint offering by MWE and Pollen Street was underpinned by the chance to combine a deep knowledge and understanding of the assets of the incumbent investment manager, with the fresh approach to investment that was proposed by Pollen Street.

The Board concluded that the combined offering created a stronger investment manager and the existing investment management contract has been largely preserved. The terms of remuneration of the new Investment Manager were renegotiated (effective from 1 January 2018) pursuant to the revised terms, the 1.0 per cent management fee permanently moved to being charged on a net NAV after originally being introduced on 1 January 2017 and a 5.0 per cent return hurdle being introduced before the performance fee becomes payable.

The Group now benefits from the combined capabilities, people, expertise, technology and relationships of both MWE and Pollen Street with access to a broader origination base which provides a more substantial pipeline of attractive opportunities, and following the passing of a resolution at the general meeting of the Company on 19 December 2017 an updated Investment Policy was approved to enable the Company to deliver these opportunities.

The metric underpinning the Pollen Street offering was the proposal that the Company would target the payment of dividends which equate to a yield of 6.0 per cent per ordinary share per annum on the issue price for the Company's IPO placing, payable in quarterly instalments based upon the average number of shares in issue during a given period. The Company has now communicated that it is progressively transitioning the portfolio into more attractive specialist assets with a quarterly dividend of no less than 12.0 pence per ordinary share in the meantime.

### INVESTMENT PERFORMANCE AND DIVIDENDS

The Company delivered a NAV return of 3.03 per cent (2016: 4.10 per cent) and paid dividends of 47.0 pence (2016: 44.5 pence) per ordinary share in relation to the 2017 calendar year. However, as with 2016, the dividend payments were not fully covered by earnings and the special distributable reserve was utilised. The dividend return was 4.7 per cent (2016: 45 per cent).

The Company also significantly increased its exposure to high quality SME lending during the year and continued throughout 2017 to build its allocation to secured lending assets, building this part of the portfolio to 23.8 per cent of NAV. Strong partnerships are steadily building with secured lenders; Zorin Finance and Castlehaven Finance in Ireland.

## CHAIRMAN'S STATEMENT (CONTINUED)

The Investment Manager reduced exposure of the portfolio to certain mainstream US assets through natural runoff and a significant sale of assets in October 2017. This resulted in a material write down but created significant liquidity to invest in better performing assets that were available in the pipeline.

Having faced an increase in the cost of the Company's borrowing in 2016, particularly in the US, the Investment Manager succeeded in bringing the Company's overall cost of leverage down through refinancing, securitisations and repositioning from 2.60 per cent to 1.90 per cent over the relevant Libor rate by the end of 2017. Additionally, the foreign exchange volatility of 2016 that led to increased cash being held, reduced in 2017, and the Company has continued to further optimise its deployment and cash management.

The Board endorsed a cohesive strategy to improve the performance of the Company which was communicated to the market in Q4 2017. The Board believes the new combined Investment Manager has made a good start in repositioning the portfolio and looks forward to working closely with the investment manager in 2018 and thereafter.

### SHARE PRICE AND BUYBACKS

The Company's share price traded at a discount of -17.62 per cent at the end of 2017. The shares traded at discounts to NAV of between -9.60 per cent and -23.69 per cent during the year.

A part of its revised investment strategy, the Company committed to an invigorated and substantial share buyback programme. During 2017, 4,690,254 ordinary shares in issue were repurchased at an average price of 834.0 pence per ordinary share.

### OUTLOOK

The Board is optimistic that the changes put into place during 2017 have positioned the Company to see improved performance in 2018. The new investment strategy is gathering traction and is on course as I write this statement. The Board will continue to be vigilant on the performance of the Company and will monitor the progress of the new investment strategy.

The Board continue to closely monitor the political and economic uncertainty created by Brexit. Although current market conditions remain benign, the longer-term economic outlook and impact of Brexit on our customers and wider markets remain uncertain.

The regulatory framework remains an ever present factor as consumer credit regulation continues to develop. Developments in these areas have the potential to require changes to the way the industry transacts business, but we welcome oversight which encourages good customer outcomes.

### THANK YOU

I would like to thank the staff of our Investment Manager for their efforts to improve the performance of the Company. There is much to do in 2018, but we have started with a positive outlook.

I would also like to thank my Board colleagues for their diligence, flexibility and application.

Stuart Cruickshank  
*Chairman*

26 April 2018

## INVESTMENT MANAGER'S REPORT

### 2017 HIGHLIGHTS

During the year, the Investment Manager sought to adjust the Group asset mix with the aim of providing improved performance to its shareholders. The poor performance of certain US consumer loans continued due to elevated impairment levels throughout the year.

As such, the Investment Manager actively sought to reduce exposure to these assets through run off and the sale of certain assets in October 2017. US consumer loans have reduced from 55.0 per cent to 22.8 per cent of the Group's portfolio over the last 12 months and the Investment Manager has focussed on increasing its exposure to secured lending, which has increased from 5.1 per cent to 23.8 per cent of the Group's portfolio over the last 12 months with significant progress being made by Zorin Finance and Castlehaven Finance partnerships. The strategy going forward is to increase the Group's exposure to this class of asset.

While we are pleased with the progress made in originating high quality assets in line with the strategy outlined in November 2017 and the fact that the returns generated by those assets are stable and in excess of those required to deliver the target returns, the performance of the historic portfolio continues to be more volatile than we would like. Throughout 2017 we noted that certain US consumer assets were not performing in line with target, following the disposal of certain of these assets, the performance of the remaining assets has stabilised. Against this, certain UK consumer assets have demonstrated more volatile performance in recent months. We remain confident that the opportunity is highly attractive and we are executing in line with our plan, however, we remain subject to one-off events until the inherited portfolio is managed to the desired weighting.

In addition to successfully re-positioning the portfolio, the Company has refinanced several existing debt facilities and successfully completed the further securitisation of UK consumer loans. This has allowed the Company to bring its cost of leverage down from 2.6 per cent in 2016 to 1.9 per cent over the relevant Libor in 2017, therefore increasing the available returns for shareholders.

The new combined Investment Manager, is now fully integrated, and the Group has benefited from significant experience in specialist lending, which has provided the Company with both deep insight to high quality underwriting and access to the Investment Manager's established network of relationships enabling whole of market, high-quality origination flow and portfolio acquisition opportunities. The Investment Manager's highly seasoned credit specialists have extensive experience in investing and managing a range of financial asset classes. It can bring its technologically enabled, in-house developed systems to enable high speed execution and scalability of transactions.

The Investment Manager is acutely aware of the dislocation between the current share price and the underlying value of the portfolio. On this basis the Company commenced an invigorated share buyback programme in December 2017. As well as being accretive to NAV, it is expected to assist in closing the share price's current discount to NAV.

As a result of a change to the legal and corporate governance arrangements of Eaglewood SPV I LP (the "SPV") as stated in the prior year's accounts, the SPV was consolidated from 31 December 2016. Due to the date of consolidation, the profit relating to the SPV investment was netted in Income in the Consolidated Statement of Comprehensive Income in the prior year, and did not reflect the gross income and expenses. For 2017, the gross income and expense numbers have been reflected in the Consolidated Statement of Comprehensive Income, resulting in a significant increase in the income, investment management fee and impairments when compared to the prior year.

### INVESTMENT THESIS

During 2017 the Investment Manager continued to see a flow of opportunities created by continued re-positioning of the traditional larger banks and lenders into mainstream vanilla markets. Banks are increasingly seeing their competitive advantage, particularly on small specialist loans, impaired due to the heavy cost structure that they operate within. These challenges have seen banks repositioning themselves into simplified markets where their competitive advantage can be gained in large scale commodity markets where cost of capital is the key differentiator. This results in a growing sector of the economy being underserved by traditional banks.

## INVESTMENT MANAGER'S REPORT (CONTINUED)

While banks are repositioning, alternative lending models have been facilitated by the development of improved access to data and increased transparency. This has led to a levelling of the playing field between banks in terms of information access. This has facilitated strong risk modelling and large datasets to evaluate the creditworthiness and default probability of borrowers, which in turn has permitted high quality entrepreneurial technology leaders to benefit from lower infrastructure costs compared to traditional brick-and-mortar banks.

The Investment Manager believes that these dynamics provide an opportunity for them to utilise its data and technology capability to enable it to compete in a cost effective way. Having significantly increased the breadth and depth of its team, infrastructure, global reach and specialist knowledge, the Investment Manager has focused those capabilities on fundamental credit analysis. It applies a robust risk management framework and a rigorous analysis of the market, sector and each opportunity in order to actively identify and select the highest quality originators.

The Investment Manager further believes that through their differentiated approach and by targeting verticals that require specialist understanding, more detailed underwriting, or where the vertical pre-selects higher quality borrowers, attractive risk-adjusted returns can be delivered with low volatility throughout the cycle.

### MARKET OPPORTUNITY

Initially, the Group focused on peer-to-peer lending, which targets one specific approach to origination mainly in unsecured consumer & SME lending, which accounts for just 0.09 per cent of the UK's total outstanding lending. However, the alternative lending market is much larger than this and strong partnerships are now being built with several originators with access to a broader market that has the potential to provide attractive returns for investors on a risk-adjusted basis.

### INVESTMENT STRATEGY

The Investment Manager seeks to allocate capital to markets with attractive, through the cycle returns, with the aim to proactively adjust as the global economic environment changes. It seeks to partner with highly experienced teams to ensure deal structures deliver alignment of interests between both parties so that the arrangements can reach beyond being simply providers of capital but secure long-term partnerships. These partnerships and expertise are more difficult to replicate and help provide more stable and attractive returns.

Increasingly the Investment Manager looks for deal structures that provide downside protection through either structural protection or seasoned collateral and seek to be fully involved in the active feedback loop on both the control and input into underwriting decisions the customer journey, including proactive collections.

### ASSET ALLOCATION

The Investment Manager seeks a combination of active originations and a strong risk management framework to ensure continued improved performance for the Group's shareholders. Each asset class and originator is robustly assessed to select high quality stable performance. The Group is in the process of increasing its exposure to specialist and secured assets as it uses the network of the new combined Investment Manager to actively identify and select the highest quality originators. The aim is to provide sector expertise and create a partnership with the originators so that more than just capital can be provided. Running concurrently with active origination is a three stage investment approval process for all new assets and originators so that a consistent framework to assess relative value across asset classes and originators is adopted.

### LEVERAGE STRATEGY

The Investment Manager intends to adopt a prudent leverage strategy with a disciplined and controlled approach. Going forward the intention is to diversify and stabilise the source of funding with the focus on delivering return from asset yield and enhancing returns through leverage. A key aspect of this strategy will seek a steady reduction of the cost and complexity of the facilities.

## INVESTMENT MANAGER'S REPORT (CONTINUED)

### OUTLOOK

There exists a substantial opportunity for non-bank capital to earn attractive risk adjusted returns by targeting under-served specialist asset classes with high quality products that meet customer needs. While the performance from the inherited portfolio continues to be more volatile than expected, the Investment Manager has made substantial progress in repositioning the portfolio towards secured assets, a programme which will continue into 2018.

To date, there has been minimal impact from the UK referendum vote to leave the European Union. However looking ahead, the situation will continue to be monitored to address the economic challenges and opportunities that may arise as the long-term effects of Brexit become clearer. In the current more competitive mainstream lending environment it is particularly important to maintain prudence and discipline. In addition, with household borrowing at high levels, and the regulatory framework remaining an ever present factor as consumer credit regulation continues to develop, it is intended to proceed with caution. The Group's business model, combined with its approach to risk, sets it in good stead to find suitable pockets of risk adjusted return. The focus on specialist markets allows us access to enhanced credit performance, and allows deployment of the Company's funds in assets which deliver strong returns.

The Company is in good shape to smoothly implement the new General Data Protection Regulation ("GDPR") which will soon replace the current EU Data Protection Directive.

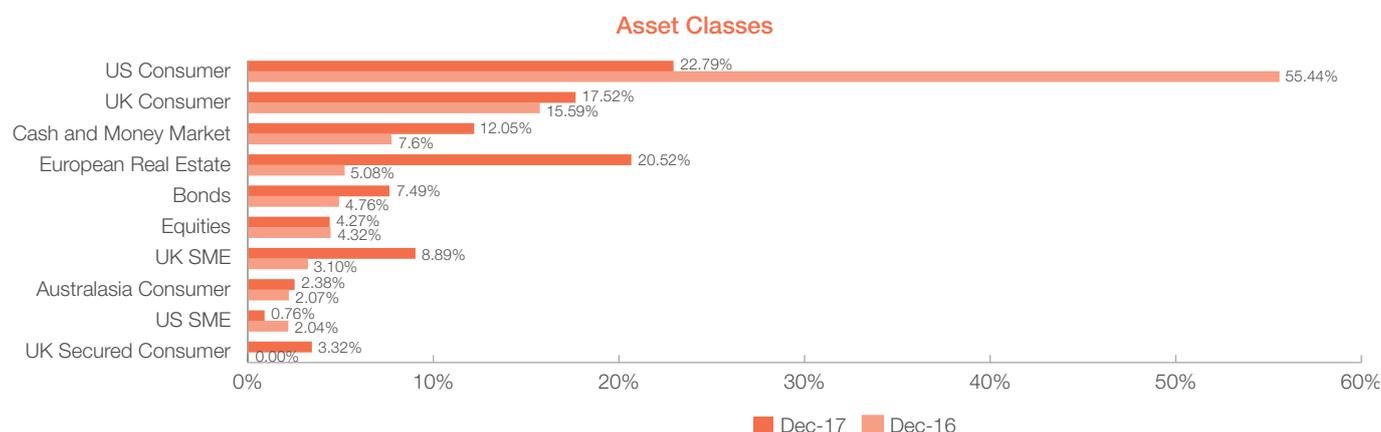
On 1 January 2018 the Group implemented and transitioned to IFRS 9 with the impact equating to 2.5 per cent of year-end NAV. This was a key focus of the Investment Manager with the bulk of the testing and implementation taking place in 2017.

## TOP TEN HOLDINGS

Investment	Investment Type	Country	Sector	Value as at 31 December 2017	% of Net Assets
Urica Limited	Fund	United Kingdom	Invoice Receivables	32,493,192	4.11%
Zorin Real Estate Loan	Secured Loan	United Kingdom	Real Estate	22,800,147	2.89%
Fontwell Securities Limited	Bond	United Kingdom	Mortgages	15,184,500	1.92%
Amigo Loans Limited	Bond	United Kingdom	Speciality finance	14,508,820	1.84%
Zorin Real Estate Loan	Secured Loan	United Kingdom	Real Estate	13,896,592	1.76%
Zorin Real Estate Loan	Secured Loan	United Kingdom	Real Estate	13,304,368	1.68%
Driver UK Three Limited	Bond	United Kingdom	Auto loans	11,645,042	1.47%
Evolution Lending Limited	Structured Note	United Kingdom	Consumer Loans	11,112,476	1.41%
Swancastle DAC	Bond	United Kingdom	Mortgages	10,125,000	1.28%
Zorin Real Estate Loan	Secured Loan	United Kingdom	Real Estate	8,872,907	1.12%

## PORTFOLIO COMPOSITION

### Portfolio Composition as at 31 December 2017 (Net Asset Value Basis\*) Ordinary Shares



\* Each asset class percentage is calculated as: (Gross Assets invested in asset class – Debt attributed to or drawn against asset class)/Net Asset Value

#### US Consumer – 22.8% of NAV

##### Selected Metrics – December 2017

Number of Loans	89,016
Average Loan Size	£9,205
Weighted Average Term (months)	44.00
Weighted Average Life (months)	12.12
Weighted Average Coupon	12.35%

#### UK SME – 8.9% of NAV

##### Selected Metrics – December 2017

Number of Loans	4,135
Average Loan Size	£62,628
Weighted Average Term (months)	53.32
Weighted Average Life (months)	22.8
Weighted Average Coupon	9.33%

#### UK Consumer – 17.5% of NAV

##### Selected Metrics – December 2017

Number of Loans	46,518
Average Loan Size	£6,730
Weighted Average Term (months)	51.30
Weighted Average Life (months)	17.52
Weighted Average Coupon	11.80%

#### European Real Estate – 20.5% of NAV

##### Selected Metrics – December 2017

Number of Loans	74
Average Loan Size	£3,673,370
Weighted Average Term (months)	17.83
Weighted Average Life (months)	11.16
Weighted Average Coupon	10.63%

#### Equities – 4.3% of NAV

##### Selected Metrics – December 2017

Number of Positions	15
Average Size	£2,211,278

## BUSINESS REVIEW

The strategic report on pages 1 to 22 has been prepared to help shareholders assess how the Group and Company works and how it has performed. The strategic report has been prepared in accordance with the requirements of Section 414 A to 414 D of the Companies Act 2006 (the “Act”). The business review section of the strategic report discloses the Group and Company’s key risks and uncertainties as identified by the Board, the key performance indicators used by the Board to measure the Group and Company’s performance, the strategies used to implement the Group’s and Company’s objectives, its environmental, social and ethical policy and future developments.

### PRINCIPAL ACTIVITY

The Company carries on business as an investment trust and its principal activity is investing in Credit Assets and Equity Assets (both as defined below), with a view to achieving the Company’s investment objective. Investment companies are a way for investors to make a single investment that gives a share in a much larger portfolio. A type of collective investment, they allow investors opportunities to spread risk and diversify in investment opportunities which may not otherwise be easily accessible to them. For more information, please see: <http://www.theaic.co.uk/guide-to-investment-companies>.

### PERFORMANCE REVIEW

The Group’s Net Asset Value (“NAV”) as at 31 December 2017 was £789.9 million (2016: £850.7 million) (cum income). Reduction in NAV was driven by share buy backs and modest underlying performance meaning dividend payments during 2017 were not fully covered by earnings and the special distributable reserve was utilised. Profit for the year after tax was £17.0 million (2016: 31.0 million).

### STRATEGIC AND INVESTMENT POLICY

In accordance with the Financial Conduct Authority’s (“FCA”) Listing Rules, material amendments to the Company’s investment policy are subject to the approval of the Company’s Shareholders. The investment objectives set out below were approved at a general meeting of the Company’s Shareholders held on 19 December 2017. The Company’s investment objective is to provide shareholders with an attractive level of dividend income and capital growth through investment in the acquisition of:

- (i) loans to consumers, loans to small and medium-sized enterprises (“SMEs”) and other counterparties, corporate loans, real estate loans and advances and loans against corporate trade receivables and other assets, together with related investments (“Credit Assets”); and
- (ii) equity assets that are aligned with the Company’s strategy and that present opportunities to enhance the Company’s returns from its investments (“Equity Assets”).

The Company may invest in Credit Assets and Equity Assets relating to a broad range of sectors, provided that such investment is in accordance with the Company’s investment strategy.

When the Group has incurred borrowings in line with its borrowing policy, the Group will target the payment of dividends which equate to a yield of 6.0 - 8.0 per cent per ordinary share per annum on the issue price for the Company’s IPO placing, based upon the average number of non-treasury shares in issue for the period, payable in quarterly instalments (the “Target Dividend”). Investors should note that the Target Dividend, including its declaration and payment dates, is a target only and not a profit forecast.

The Group believes that certain sub-segments linked to these Credit Assets have the potential to provide attractive returns for investors on a risk-adjusted basis, and that changes in the focus of mainstream lenders together with the implementation of new models that make the best use of data, analytics and technology, provide an opportunity to deliver attractive products to borrowers while generating attractive returns for the Company.

The Group enters into loan origination and service agreements with selected third parties, originators, platforms and partners. The Group and the Investment Manager also actively seek opportunities to acquire portfolios from third parties and make investments in loans to specialist lenders.

## BUSINESS REVIEW (CONTINUED)

### ASSET ALLOCATION AND RISK DIVERSIFICATION

Credit Assets invested in by the Group will consist of debt obligations, both secured and unsecured, within a range of sub-sectors selected based on their risk/return characteristics. These sub-categories may include, but are not limited to, personal loans, loans against corporate trade receivables and other assets, as well as loans secured against real estate and investments in loans to specialist lenders to provide structured finance for consumer, SME and other counter party lending.

The Group's investment in Credit Assets encompasses the following investment models:

- (i) investment, or acquisition of interests, in Credit Assets, whether offered to the Group by origination platforms that allow non-bank capital to: (a) lend or advance capital to consumers, SME borrowers or corporate borrowers; and/or (b) advance capital against corporate trade receivables ("Platforms") or by other third parties;
- (ii) investment, or acquisition of interests, in loans (which may be secured or unsecured) to specialist lenders for the purpose of providing wholesale finance to those specialist lenders, secured against (amongst other things) granular portfolios of Credit Assets; and
- (iii) the acquisition by the Group of interests in portfolios of Credit Assets from third parties.

The Group may undertake such investments directly, or through its subsidiaries or special purpose vehicles ("SPVs"). It is also possible that the Group may use alternative investment structures which achieve comparable commercial results to the investments described above (such as, without limitation, sub-participations in loans, credit-linked securities or fund structures), but which offer enhanced returns for the Group or other efficiencies (such as, without limitation, efficiencies as to origination, funding, servicing or administration of the relevant Credit Assets). Any such use of alternative investment structures will be subject always to the diversification requirements of this investment policy.

The Company may also invest (in aggregate) up to 10.0 per cent of Gross Assets in Equity Assets, calculated, in each case, at the time of acquisition of any relevant Equity Assets based on the consideration payable for those Equity Assets and the aggregate consideration paid for all previous investments in Equity Assets which form part of the Company's investments. 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.

### PLATFORM RESTRICTIONS

The Group will not invest more than 33.0 per cent of Gross Assets via any single Platform or single counterparty. This limit may be increased to 66.0 per cent of Gross Assets via any single Platform or single counterparty, provided that where this limit is so increased in respect of any Platform or counterparty, the Group does not invest an amount which is greater than 25.0 per cent (by value) of the total loan origination or investment of the preceding calendar year via such Platform or counterparty.

### ASSET CLASS RESTRICTIONS

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

The Group will not invest more than 20.0 per cent of Gross Assets, at the time of investment, via any single investment fund investing in Credit Assets. The Group will not invest, in aggregate, more than 60.0 per cent of Gross Assets, at the time of investment, in other investment funds that invest in Credit Assets.

The Group will not invest more than 10.0 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

## BUSINESS REVIEW (CONTINUED)

closed-ended investment funds which themselves have stated investment policies to invest no more than 15.0 per cent of their gross assets in other listed closed-ended investment funds.

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

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

At any given time, not more than 50.0 per cent of Gross Assets will be maintained in SME Credit Assets and not more than 50.0 per cent of Gross Assets will be maintained in trade receivable assets (taking into account both Credit Assets acquired by the Group directly and, on a look-through basis, any Credit Assets held by another investment fund managed by the Investment Manager, the Sub-Manager or their affiliates in which the Company invests (proportionate to the percentage interest the Group has in such investment fund)).

### OTHER RESTRICTIONS

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

The Group will not invest in collateralised debt obligations.

### BORROWING

Borrowings may be employed (through banks or other facilities on a secured or unsecured basis) at the level of the Company and/or at the level of any investee entity (including, without limitation, any other investment fund in which the Company invests or any SPV that may be established by the Company in connection with obtaining leverage against any of its assets or any issuer vehicle of facilities, securities or other interests backed by a portfolio of Credit Assets).

The aggregate leverage of the Company, whether incurred directly or indirectly through a subsidiary or an SPV established by the Company (in each case calculated at the time of drawdown under any facility the Company, subsidiary or SPV has entered into), and any investment fund which is managed by the Investment Manager, the Sub-Manager or their affiliates and in which the Company invests (on a look-through basis, proportionate to the percentage interest the Company retains in the most junior tranche of such investment fund) shall not exceed 1.5 times NAV.

The Company may seek to securitise portfolios of Credit Assets and may establish one or more SPVs in connection with any such securitisation. The Company may also use SPVs in connection with obtaining leverage against Credit Assets 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.

## BUSINESS REVIEW (CONTINUED)

### HEDGING

Fluctuations in interest rates are influenced by factors outside the Group's control and can adversely affect the Group's results of operations and profitability in a number of ways. The Group intends to invest in Credit Assets which may be subject to a fixed rate of interest, or a floating rate of interest (which may be linked to base rates or LIBOR). The Group expects that its borrowings will typically be subject to a floating rate of interest. Any mismatches the Group has between the income generated by its Credit Assets, on the one hand, and the liabilities in respect of its borrowings, on the other hand, may be managed, in full or in part, by matching any floating rate borrowings with investments in Credit Assets that are also subject to a floating rate of interest. The Group may use derivative instruments, including interest rate swaps, to reduce its exposure to fluctuations in interest rates.

To the extent that the Group does rely on derivative instruments to hedge interest rate risk, it will be subject to counterparty risk. Any failure by a hedging counterparty of the Company to discharge its obligations could have a material adverse effect on the Company's results, operations and financial condition.

The Group intends to hedge currency exposure between Sterling and any other currency in which the Group's assets may be denominated, including US Dollars and Euros.

The Company will, to the extent it is able to do so on terms that the Investment Manager considers to be commercially acceptable, seek to arrange suitable hedging contracts, such as currency swap agreements, futures contracts, options and forward currency exchange and other derivative contracts (including, but not limited to, interest rate swaps and credit default swaps) in a timely manner and on terms acceptable to the Company.

### CASH MANAGEMENT

Whilst it is intended that the Group will be close to fully invested in normal market conditions, the Group may invest surplus capital in cash deposits, cash equivalent instruments and fixed income instruments. While, as noted above, there are restrictions as on the type of instruments that may be held to support cash management activity, there is no restriction on the amount of cash or cash equivalent instruments that the Group may hold and there may be times when it is appropriate for the Group to have a significant cash position instead of being fully or near fully invested. As at 31 December 2017 the Group held 12.1 per cent of its portfolio in cash and money markets.

### BUSINESS MODEL

The management of the Group's assets and the Group's administration has been outsourced to third-party service providers, however, the Board has oversight of key elements of the Group's strategy, including the following:

- changes to the Company's capital structure or its status as an investment company, investment trust and a listed public limited company;
- the effectiveness and implementation by the Investment Manager of the investment policy of the Company and the appointment, amendment or removal of the Company's third party service providers;
- an effective system of oversight over the Company's risk management and corporate governance; and
- premium and discount management.

In order to effectively undertake its duties, the Board may seek expert legal advice. It also can call upon the advice of the company secretary.

## BUSINESS REVIEW (CONTINUED)

The Board have acted in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole, and in doing so have given regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

### PREMIUM/DISCOUNT MANAGEMENT

The Company may seek to address any significant discount to NAV at which its Ordinary Shares may be trading by purchasing its own Ordinary Shares in the market on an ad hoc basis.

The Directors have the authority to make market purchases of up to 14.99 per cent of the Ordinary Shares. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of (i) 5.0 per cent above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. Ordinary Shares will be repurchased only at prices below the prevailing NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining Shareholders. A renewal of the authority to make market purchases will be sought from Shareholders at each AGM of the Company. Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company. Ordinary Shares purchased by the Company may be held in treasury or cancelled.

Purchases of Ordinary Shares may be made only in accordance with the Company Act 2006 ("the Act"), the Listing Rules and the Disclosure and Transparency Rules.

As part of its revised investment strategy, the Company committed to an invigorated and substantial share buyback programme. During 2017, 4,690,254 Ordinary Shares were repurchased at an average price of 834.0 pence per ordinary share.

## CORPORATE AND OPERATIONAL STRUCTURE

### Corporate structure

There have been a number of changes in the structure of the Group in 2017. The Investment Manager further broadened the Company's funding options by entering into a number of new debt facilities in 2017, including its second UK consumer loan securitisation of marketplace lending loans in October 2017 which resulted in a cheaper cost of funding for the Company. The entities relating to these facilities have been consolidated in the accounts. The Company has also consolidated Eaglewood Income Fund I, LP (the "Eaglewood Fund"), a Delaware limited partnership established on 3 February 2012, through the control of Eaglewood SPV I LP (the "SPV"). Previously the financial statements of the Group did not consolidate the Eaglewood Fund as the Group did not exercise control over its activities, which were instead exercised by the General Partner ("GP") of the Eaglewood Fund. During 2017, as a result of a GP review of the Eaglewood Fund investment strategy, all investors except the SPV were redeemed. By virtue of the Company being the sole limited partner of the SPV, these structural changes have been assessed to result in the Company gaining control of Eaglewood Fund. On this basis, Eaglewood Fund has been consolidated from 1 October 2017.

### Operational and portfolio management

The Company has outsourced its operations and portfolio management to various service providers as detailed below:

- PSC Eaglewood Europe LLP has been appointed as the Company's investment manager and Alternative Investment Fund Manager ("AIFM") for the purposes of the Alternative Investment Fund Managers Directive ("AIFMD");
- Link Asset Services has been appointed to act as the Company's company secretary and registrar;

## BUSINESS REVIEW (CONTINUED)

- Citco Fund Services (Ireland) Limited has been appointed as the Company's administrator and external valuer;
- Citco Custody (UK) Limited has been appointed as the Company's depositary and custodian;
- Liberum Capital Limited has been appointed to act as the Company's corporate broker and financial adviser.

### Alternative Investment Fund Managers Directive

In accordance with the AIFMD, the Company has appointed PSC Eaglewood Europe LLP (formerly MW Eaglewood Europe LLP) to act as the Company's AIFM for the purposes of the AIFMD. The AIFM ensures that the Company's assets are valued appropriately in accordance with the relevant regulations and guidance. In addition, on 21 July 2017, the Company appointed Citco Custody (UK) Limited as Depositary who replaced Deutsche Bank Luxembourg, S.A., and Citco Fund Services (Ireland) Limited to provide custody services to the Company as required by the AIFMD.

### Donations

The Company made no political or charitable donations during the year under review to organisations either within or outside the EU (2016: none).

### Anti-bribery and corruption policy

The Company has no employees or operations but uses the anti-bribery and corruption policy of the Investment Manager, ensuring compliance with all applicable anti-bribery and corruption laws and regulations, including the UK Bribery Act 2010.

### Environment, human rights, employee, social and community issues

The Company is required by law to provide details of 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 and the Board is composed of independent non-executive Directors. As an investment trust, the Company does not have any direct impact on the environment. The Company aims to minimise any detrimental effect that its actions may have by adhering to applicable social legislation, and as a result does not maintain specific policies in relation to these matters.

The Company has no operations and therefore no greenhouse gas emissions to report nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, including those within its underlying investment portfolio.

In carrying out its investment activities and in relationships with suppliers, the Company aims to conduct itself responsibly, ethically and fairly.

### Modern Slavery Act

The Company is not within the scope of the Modern Slavery Act 2015 because it has insufficient turnover and is therefore not obliged to make a human trafficking statement.

## BOARD DIVERSITY

The Board consists of five non-executive Directors, one of whom is female. The Board seeks to appoint new Directors on the basis of merit as a primary consideration, with the aim of bringing an appropriate range of skills and experience to the Board. Further information in relation to the Board's policy on diversity can be found in the Nomination Committee Report on page 43.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to a number of potential risks and uncertainties which could have a material impact on the Group performance and could cause actual results to differ materially from expected and/or historical results.

The Board has in place a robust process to assess and monitor the risks of the Group. A core element of this is the Group's risk register, which identifies the risks facing the Company and assesses the likelihood and potential impact of each risk, and the quality of the controls operating to mitigate the risk.

The register, its method of preparation and the operation of the key controls in the Investment Manager's systems of internal control are reviewed and reported on to the Board on a regular basis. In order to gain a more comprehensive understanding of the Investment Manager's risk management processes and how these apply to the Group's business, the Board periodically receives on-site presentations from the Investment Manager.

The Investment Manager also has responsibility for day-to-day risk management for the Group and it works with the Board to identify and manage the principal risks facing the Group.

The Board has undertaken a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. Those principal risks have been described below together with an explanation of how they are managed and mitigated. The Board will continue to assess these risks on an ongoing basis.

### OPERATIONAL RISKS

#### Third Party Service Providers

The Group has no employees and relies on the services provided by third parties. Accordingly, it is dependent on the control systems of third parties such as the Investment Manager, the depositary and the fund administrator, who maintain the Group's assets and accounting records.

In addition, the Group predominantly uses originators and third party servicers to acquire and service loans. Accordingly, it is dependent on the originators' credit underwriting and control systems and collection capabilities.

The security of the Group's assets, dealing procedures, accounting records and adherence to regulatory and legal requirements depend on the effective operation of the systems of the third party service providers.

Failure by any service provider, or originator, to carry out its obligations to the Group in accordance with the terms of its appointment could have a materially adverse effect on the operation of the Group.

The Group is reliant on the Investment Manager's relationships with originators. Should the Investment Manager cease to continue to be investment manager there is a risk that the Group will not be able to successfully pursue its investment management objective and policy.

Resilient IT systems and associated infrastructure are essential for maintaining high service levels to the Group by the originators and other third party service providers. These service levels are at risk from cyber-attack, component failure or unplanned disasters.

#### Mitigation

Due diligence is undertaken before contracts are entered into with third party service providers and originators and oversight of the performance of these parties is conducted by the Investment Manager and reported to the Board periodically.

In order to gain a more comprehensive understanding of the Investment Manager's internal processes, controls and risk management, the Board periodically receives on-site presentations from the Investment Manager.

## PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The Board reviews the overall performance of the Investment Manager and all other third party service providers on a regular basis. The Board also considers the business continuity arrangements of the Company's key service providers. The Board reviews arrangements that the Investment Manager has put in place to ensure that back up loan servicers are available and able to take on the Companies loans. The Investment Manager has a robust cyber security and disaster recovery ("DR") policy. The Investment Manager also assess cyber security and DR of the Companies third party service providers and Platforms. The Board regularly reviews these arrangements.

### Reliance on key individuals

The Group relies on key individuals at the Investment Manager to identify and select investment opportunities and to manage the day-to-day affairs of the Group. There can be no assurance as to the continued service of these key individuals at the Investment Manager. The departure of key individuals from the Investment Manager without adequate replacement may have a material adverse effect on the Group's business prospects and results of operations. Accordingly, the ability of the Group to achieve its investment objective depends heavily on the experience of the Investment Manager's team, and more generally on the ability of the Investment Manager to attract and retain suitable staff.

### Mitigation

The interests of the Investment Manager are closely aligned with the performance of the Group through the management and performance fee structures in place and direct investment by certain key individuals of the Investment Manager. Furthermore, investment decisions are made by a team of professionals, mitigating the impact of a loss of any single key professional within the Investment Manager's organisation. The performance of the Investment Manager in its duties to the Group is subject to ongoing review by the Board on a quarterly basis.

### Fluctuations in the market price of Issue Shares

The market price of the Company's shares may fluctuate widely in response to different factors and there can be no assurance that the Company's shares will be repurchased by the Company even if they trade materially below their Net Asset Value. Similarly, the shares may trade at a premium to Net Asset Value whereby the shares can trade on the open market at a price that is higher than the value of the underlying assets. There can be no assurance, express or implied, that shareholders will receive back the amount of their investment in the Company's shares.

### Mitigation

The Investment Manager and the Board closely monitor the level of discount or premium at which the Company's shares trade on the open market. The Company may purchase its shares in the market with the intention of enhancing the NAV per ordinary share, however there can be no assurance that any purchases will take place or that any purchases will have the effect of narrowing any discount to NAV at which the Company's ordinary shares may trade.

In the first instance, the Company's Board and Investment Manager believe the best defence against the share price trading at a discount to NAV is an attractive dividend policy, with quarterly distributions driven from the pursuit of attractive risk adjusted returns in Credit Assets and Equity Assets.

With regard to repurchasing shares, the Board may use its discretion during periods of market dislocation to opportunistically buy back shares where it believes such a purchase would be accretive over and above the long term attractions of investing in further loan and equity portfolios and it is in the best long term interest of all shareholders to do so.

## PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Following the merger between MWE and Pollen Street, the Investment Manager announced it was restarting its share buy-back programme in December 2017, which had ceased at the end of September 2017.

### INVESTMENTS

#### Achievement of the Investment Objective

There can be no assurance that the Investment Manager will be successful in implementing the Group's investment objective.

#### Mitigation

The Group's investment decisions are delegated to the Investment Manager. Performance of the Company against its investment objectives is closely monitored on an ongoing basis by the Investment Manager and is reviewed in detail at each Board meeting by its members. In the event it is required, any action required to mitigate underperformance is taken as deemed appropriate by the Investment Manager. Such action was undertaken by the Board when it instigated a process to replace the incumbent investment manager in April 2017.

The Board has set investment restrictions and guidelines which the Investment Manager monitors and reports on quarterly to the Board. The Board also receives from the Investment Manager a quarterly explanation of portfolio allocation decisions, large exposures, leverage levels and any changes in leverage and the rationale for the composition of the investment portfolio.

#### Borrowing

The Group may use borrowings in connection with its investment activities including, where the Investment Manager believes that it is in the interests of shareholders to do so, for the purposes of seeking to enhance investment returns. Such borrowings may subject the Group to interest rate risk and additional losses if the value of its investments fall. Whilst the use of borrowings should enhance the Net Asset Value of the Company's shares when the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the Company's income falls for whatever reason, the use of borrowings will increase the impact of such a fall on the Company's return and accordingly will have an adverse effect on the Company's ability to pay dividends to shareholders.

#### Mitigation

The Investment Manager and the Board closely monitors the level of gearing of the Group. The Group has a maximum limitation on borrowings of 1.5 times of NAV (calculated at the time of draw down) which the Investment Manager may affect at its discretion when conditions and opportunities exist to enhance investment returns.

#### Exposure to Credit Risk

As a lender to small businesses, property lenders and individuals, the Group is exposed to credit losses if customers are unable to repay loans and outstanding interest and fees. The Group is expected to invest a significant proportion of its assets in Credit Assets which, by their nature, are exposed to credit risk and may be impacted by adverse economic and market conditions, including through higher impairment charges, increased capital losses and reduced opportunities for the Group to invest in Credit Assets. Additionally, competition could serve to reduce yields and lower the volume of loans generated by the Group.

#### Mitigation

The Group will invest in a granular portfolio of assets across various originators, asset classes, geographies (primarily Europe and United States), levels of collateral and credit bands in order to ensure diversification and to seek to mitigate concentration risks.

Origination rates and performance of the underlying assets of the Group are closely monitored on an ongoing basis by the Investment Manager and the Board, and are reviewed in detail at each Board meeting.

## PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

### Interest Rate Risk

The Group intends to invest in Credit Assets which may be subject to a fixed rate of interest, or a floating rate of interest (which may be linked to base rates or LIBOR) and expects that its borrowings will be typically subject to a floating rate of interest. Any mismatches the Group has between the income generated by its Credit Assets, on the one hand, and the liabilities in respect of its borrowings, on the other hand, may subject the Group to interest rate risk.

### Mitigation

Interest rate risk exposures may be managed, in part, by matching any floating rate borrowings with investments in Credit Assets that are also subject to a floating rate of interest. The Group may use derivative instruments, including interest rate swaps, to reduce its exposure to fluctuations in interest rates, however some unmatched risk may remain.

### Foreign Exchange Rate Risk

Brexit has been a driver for exchange rate volatility and the devaluation of Sterling. The Group's policy is to hedge exchange rate risk where appropriate. This in turn can create liquidity risk due to potential large cash margin calls.

### Mitigation

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

### Liquidity of Investments

The Group may invest in Equity Assets that are aligned with the Group's strategy and that present opportunities to enhance the Company's return on its investments. Such Equity Assets are likely to be predominantly in the form of unlisted equity securities. Investments in unlisted equity securities, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed securities and therefore may be more difficult to realise.

### Mitigation

The Group has established investment restrictions on the extent to which it can invest in Equity Assets, such that no more than 10.0 per cent of the net proceeds of any placing are invested in Equity Assets. Compliance with these restrictions is monitored by the Investment Manager on an ongoing basis and by the Board quarterly.

## REGULATIONS

### Tax

Any changes in the Company's tax status or in taxation legislation could affect the value of investments held by the Group, affect the Company's ability to provide returns to shareholders and the tax treatment for shareholders of their investments in the Company.

### Mitigation

The Company intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010. Both the Board and the Investment Manager are aware of the requirements which are to be fulfilled in any accounting period for the Company to maintain its investment trust status. The conditions required to satisfy the investment trust criteria are monitored by the compliance function of the Investment Manager.

### Breach of applicable legislative obligations

The Group and its third-party service providers are subject to various legislative and regulatory regimes, including, but not limited to, the Consumer Credit Act and the Data Protection Act. Any breach of applicable legislative and/or regulatory obligations could have a negative impact on the Company and impact returns to shareholders.

## PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

### Mitigation

The Group engages only with third-party service providers which hold the appropriate regulatory approvals for the function they are to perform, and can demonstrate that they can adhere to the regulatory standards required of them. Each appointment is governed by agreements which contain the ability to terminate each of these counterparties with limited notice should they continually or materially breach any of their legislative obligations, or their obligations to the Group more broadly.

### APPROVAL

The Strategic Report was approved by the Board of Directors on 26 April 2018 and signed on its behalf by:

Stuart Cruickshank  
*Chairman*

# DIRECTORS' REPORT

## BOARD OF DIRECTORS

-----All the Directors are independent and non-executive.



### **Stuart Cruickshank**

*Chairman of the Board, the Nomination Committee and the Insider Committee*

*Appointed: 12 February 2014*

Stuart is an established financial professional with public company and Whitehall experience. He has worked for large, blue chip organisations such as Diageo, Whitbread and Kingfisher and he has also spent a number of years in SMEs. Stuart's sector exposure is wide and includes financial services, fast moving consumer goods, business to business, mass retailing, technology and entertainment. He has experience of investor relations on both sides of the Atlantic and in Continental Europe. His last executive role was as Director General and Chief Finance Officer of HM Revenue & Customs. Prior to this he held CFO roles in retail, entertainment and FMCG.

Stuart has a number of non-executive roles. He chairs the Audit and Valuation Committee and is the Vice Chairman of Cambridge Building Society and is also the Chair of the BMA Audit & Risk Committee. He took InternetQ Plc through the AIM admission process and chaired the organisation through the early stages of its life as a public company. He has previously held non-executive positions in the healthcare sector as well as with the technology company, Psion Plc.



### **Simon King**

*Chairman of the Management Engagement Committee and Chairman of the Joint-Valuation Committee\**

*Appointed: 12 February 2014*

Simon has many years of experience of managing investment companies and trusts. Following a career in stockbroking, Simon joined Gartmore Fund Managers in 1994, initially working on the UK Smaller Companies team where he took charge of fund products. In 2000 he became a Senior Investment Manager on Gartmore's UK Equities team. He established, managed and co-managed a series of funds including the Gartmore UK Focus Fund, the Alphagen Avior Hedge Fund and the Alphagen Octanis Hedge Fund. From 2009 to 2012, Simon worked at Premier Asset Management where he managed UK unit trusts. Simon is currently a part time Director at Numis Asset Management. Simon brings a wealth of experience in the areas of fund management, regulation and adherence to investment mandates.



### **Michael Cassidy**

*Chairman of the Audit and Valuation Committee and Senior Independent Director\*\**

*Appointed: 12 February 2014*

Michael has had over 40 years' experience as a qualified lawyer, principally engaged in investment work for a large pension fund and most recently as a consultant to DLA Piper. He had a career in City Local Government, with senior roles at Guildhall including Leader of the Council and Planning Chairman, and also the Museum of London and Property Investment Board. He has also been a non-executive director of British Land and is currently a non-executive director at Crossrail and Chairman of Ebbsfleet Urban Development Corporation. He was awarded CBE in 2004 for services to the City of London.



### **Mahnaz Safa**

*Chairman of the Remuneration Committee*

*Appointed: 10 June 2016*

Mahnaz recently joined Australia and New Zealand Bank Group as Head of Markets, Europe and America. She was previously Managing Director of Citi EMEA Banking, having joined in 2013 after 19 years at UBS, where she headed the EMEA Debt Capital Markets business, leading a team responsible for bond and loan origination, securitization, liability management, derivatives, and pensions. She was chosen as one of Financial News' Top 100 Women in Finance in 2010, 2013 and 2015. Mahnaz has previously served on the British Business Bank's investment committee, which provides capital to non-traditional SME loan providers, including peer-to-peer platforms. She has advised new platforms for working capital finance and is an investor in start-ups in the FinTech space. She has co-chaired UBS and Citi's women's leadership executive committees and promotes STEM initiatives in education. Mahnaz holds a PhD in engineering from Imperial College.



### **David Fisher**

*Non-Executive Director*

*Appointed: 19 April 2018*

David has nearly 30 years' experience within financial services, beginning his career with Halifax Building Society. He is currently a non-executive director of Leeds Building Society where he is Chair of the Board Risk Committee. Previously he was Chief Executive of Sainsbury's Bank and has held non-executive directorships with The Scottish Government, Amicus Finance plc and was chairman of the Business and Oversight Board at The Law Society of England and Wales. During his career, he has developed a wealth of knowledge in retail financial services and has a strong understanding of risk management.

\*The Joint-Valuation Committee was disbanded following the Board meeting on 4 April 2018.

\*\*Michael Cassidy will retire from the role of Senior Independent Director effective from 30 June 2018 and will be replaced by Simon King. See page 30 for more details.

## STATUTORY INFORMATION

The Directors of P2P Global Investments plc (Reg: 08805459) present their report and audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2017.

### DIRECTORS

The Directors in office at the date of this report are shown on page 23.

### Directors Remuneration and Interests

The remuneration and beneficial interests of the Directors in the securities of the Company are set out in the Directors' Remuneration Report on pages 39 and 42.

### SHARE CAPITAL & SHAREHOLDERS

As at the 31 December 2017, there were 86,306,803 ordinary shares of £0.01 each in issue, of which 6,471,254 were held by the Company as treasury shares. Therefore the total number of voting rights in the Company in the capital of the Company at the year-end was 79,835,549. The Company's share capital and rights attaching to the Company's shares are set out in Note 22 to the financial statements.

There is a total of 86,306,803 ordinary shares of £0.01 each in issue as of 23 April 2018, of which 8,014,646 ordinary shares were held by the Company as treasury shares.

### Purchase of Own Shares

At the Annual General Meeting ("AGM") of the Company's shareholders held on 29 June 2017, the Directors were granted the authority to buy back up to 12,365,368 ordinary shares, representing 14.99 per cent of the ordinary shares in issue as at the date of the notice of the AGM. As part of its investment management strategy the Company buys back shares where it believes such a purchase would be accretive over and above the long term attractions of investing in its loan and equity portfolios and is in the best long term interest of all shareholders to do so, the Board utilised the authority granted at the 2017 AGM to buy back shares. The Company has initiated an invigorated share buy back programme to enhance the NAV per share. The Company appointed Liberum Capital Limited ("Liberum") to manage the share buy-back programme (the "Programme"). During the term of the Programme, Liberum are authorised to independently of and without influence from the Company, effect purchases of ordinary shares from time to time, within certain pre-agreed parameters. Further details on the Company's Discount Management Policy are contained on the Company's website, [www.p2pgi.com](http://www.p2pgi.com).

Since the authority granted at the 2017 AGM on 29 June 2017, and up until the year ended 31 December 2017, the Company bought back 2,139,983 shares at an average price of £8.55 per share. At 31 December 2017, the Company therefore had unused authority to buy back 10,225,385 ordinary shares. The nominal value of ordinary shares repurchased during this period was £21,399.83, being 2.48 per cent of the issued ordinary share capital at 31 December 2017. The total consideration for these repurchases was £18,133,022 plus £54,399 of transaction costs. In total for the period from 1 January 2017 up to and including 31 December 2017, the Company bought back 4,690,254 ordinary shares. As at 31 December 2017 there were 6,471,254 ordinary shares in treasury. Further information on the buy backs undertaken during the year can be found in Note 22 to the financial statements.

From 31 December 2017 to 23 April 2018, the Company has repurchased a further 1,543,392 ordinary shares to hold in treasury, with a nominal value of £0.01 and being 1.79 per cent of the issued ordinary share capital at 31 December 2017. The total consideration for these repurchases was £12,452,393. The Company has repurchased further shares through to the date of this report under the terms of the Programme.

The buy backs described above were utilised both to manage the share price discount to NAV and to be accretive for shareholders. The average price paid was approximately a 17 per cent discount to NAV. The impact of the buy back activity for the year ended 31 December 2017 was an enhancement of 6.4 pence to NAV per ordinary share and 1.2 pence to earnings per ordinary share.

## STATUTORY INFORMATION (CONTINUED)

The existing authority to buy back ordinary shares will expire at the forthcoming AGM in 2018, when a resolution for its renewal will be proposed.

Under Rule 9 of the City Code on Takeovers and Mergers (the "Code"), to which the Company is subject, when:

1. a person acquires an interest in shares which (taken together with shares in which he and persons acting in concert (as defined in the Code) with him are interested) carry 30.0 per cent. or more of the voting rights of a company subject to the Code; or
2. any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30.0 per cent. of the voting rights of a company subject to the Code, but does not hold shares carrying more than 50.0 per cent. of the voting rights of the company, and such person, or any persons acting in concert with him, acquires an interest in any shares which increase the percentage of shares carrying voting rights in which he is interested, that person together with the persons acting in concert with him, is normally required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights.

Rule 37 of the Code states that when a company redeems or purchases its own voting shares, any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purposes of Rule 9. However, Note 1 to Rule 37.1 states that a person who comes to exceed the limits in Rule 9.1 in consequence of a company's redemption or purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or is presumed to be, acting in concert with any of the directors. A person who has appointed a representative to the Board of the company, and investment managers of investment trusts, will be treated for these purposes as a director.

The Panel on Takeovers and Mergers (the "Panel") must be consulted in advance in any case where Rule 9 of the Code might be relevant. The Company has consulted with the Panel in relation to its buy-back programme and, following discussions during February 2017, the Panel confirmed on an ex parte basis that the funds managed by Invesco Asset Management Limited ("Invesco") would not be obliged to make a mandatory offer for the Company under Rule 9 of the Code in the event of an increase to Invesco's percentage shareholding in the Company caused by repurchases by the Company of its own shares.

### Share Issues

At the AGM held on 29 June 2017, the Directors were granted the authority to allot ordinary shares up to an aggregate nominal value of £82,490, representing approximately 10.0 per cent of the issued ordinary share capital at the time. No shares have been issued under this authority. The Directors will seek approval to renew this authority at the Company's AGM to be held in June 2018. The Directors have no intention of exercising this authority at present. However, the Directors consider it important to have the maximum flexibility to raise finance to enable the Company to respond to market developments and conditions.

There are no restrictions concerning the transfer of securities in the Company or on voting rights; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

### Substantial Shareholdings

The Company has been informed of the following notifiable interests of 3.0 per cent or more in the Company's voting rights as at 31 December 2017:

Shareholder	Number of ordinary shares	% of voting rights
Invesco Limited	24,968,731	30.27
Woodford Investment Management Limited	10,389,514	13.00

## STATUTORY INFORMATION (CONTINUED)

### DIVIDENDS

No final dividend is being recommended. The Company's policy is to pay dividends on a quarterly basis, as set out in the Company's prospectus dated 30 June 2015. The dividends paid or payable in respect of the year ended 31 December 2017 are set out in Note 23 to the financial statements. A reconciliation of movements in reserves is presented in the Consolidated and Parent Company Statement of Changes in Shareholders' Funds on page 58 to 59 of the financial statements. The Company may make distributions from the revenue reserve, the special distributable reserve and from realised capital gains.

### GOING CONCERN

The Directors have reviewed the financial projections of the Group from the date of this report, which shows that the Group will be able to generate sufficient cash flows in order to meet its liabilities as they fall due and for the foreseeable future. Accordingly, the Directors are satisfied that the going concern basis remains appropriate for the preparation of the financial statements. The Group also has detailed policies and processes for managing the risks, set out in the Strategic Report on pages 18 to 22.

### VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council in April 2016 (the "Code"), the Directors have assessed the prospects of the Group over the three year period to AGM in 2021. The Directors believe this period to be appropriate as they will be required by the Articles of Association to put a proposal for the continuation of the Group at that meeting and therefore cannot presume that it will continue to operate as an investment trust thereafter.

In their assessment of the viability of the Group, the Directors have considered each of the Group's principal risks and uncertainties and mitigating factors detailed above. The Directors have also considered the Group's revenue and expenditure projections, working capital requirements and the fact that the Group's investments do not comprise readily realisable securities which can be sold to meet funding requirements if necessary.

Based on the Group's current position, the principal risks that it faces and their potential impact on its future development and prospects, the Directors have concluded that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period to the AGM in 2021.

### AUDIT INFORMATION

As required by section 418 of the Companies Act 2006, the Directors who held office at the date of the Annual Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

### AUDITOR

The Company's independent auditors, PricewaterhouseCoopers LLP ("PwC") have indicated their willingness to continue in office as Auditor of the Company for the forthcoming financial year, and resolutions for their re-appointment and for the Audit and Valuation Committee to determine their remuneration will be proposed at the forthcoming AGM.

The Audit and Valuation Committee has carefully considered the auditor's appointment, as required in accordance with its terms of reference, and, having regard to its effectiveness and the services it has provided the Company during the year under review, has recommended to the Board that the independent auditors be appointed at the forthcoming 2018 AGM. In reaching its decision, the Audit and Valuation Committee considered the points detailed on page 37 of the Audit and Valuation Committee's report.

### FINANCIAL RISK MANAGEMENT

The principal risks and the Group policies for managing these risks are set out in Note 9 to the financial statements and pages 18 to 22 of the Strategic Report.

### SUBSEQUENT EVENTS

The Company intends to continue the share buy back programme in 2018 and as at 23 April 2018, 8,014,646 shares are held in treasury.

## STATUTORY INFORMATION (CONTINUED)

An interim dividend of 12.0p per Ordinary Share was declared by the Board on 26 January 2018 in respect of the three month period to 31 December 2017, which was paid on 16 March 2018 to shareholders on the register as of 8 February 2018.

P2PCL1 plc started the liquidation process subsequent to 31 December 2017 and the Deed of Termination is dated 3 March 2018. P2PCL1 is a limited liability company incorporated in England and Wales and was controlled by the Company through its analysis of one Class A Share which conferred the company 100 per cent of the voting rights in that entity.

### POLITICAL DONATIONS

The Group made no political donations during the year to organisations either within or outside of the EU (2016: None).

### GREENHOUSE GAS EMISSIONS

The Group has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, including those within its underlying investment portfolio.

### REQUIREMENTS OF THE LISTING RULES

Listing Rule 9.8.4 requires the Group to include specified information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out.

#### Listing Rule

9.8.4 (1) – capitalised interest	The Group has not capitalised any interest in the year under review.
9.8.4(2) – unaudited financial information	The Group published an interim report and unaudited financial statements for the period from 1 January 2017 to 30 June 2017. It does not constitute a profit forecast or profit estimate in accordance with listing rule 9.2.18.
9.8.4 (4) – incentive schemes	The Company has no incentive schemes in operation.
9.8.4 (5) and (6) - waiver	No Director of the Company has waived or agreed to waive any current or future emoluments from the Company.
9.8.4 (7), (8) and (9)	During the year under review, the Company did not issue any shares.
9.8.4 (8) and 9.8.4 (9) – relate to companies that are part of a group of companies	During the year no shares were issued by any unlisted major subsidiary undertaking of the Company and Company is not a subsidiary undertaking of another company.
9.8.4 (10) – contract of significance	During the year under review, there were no contracts of significance subsisting to which the Company is a party and in which a Director of the Company is or was materially interested or between the Company and a controlling shareholder.
9.8.4 (11)	The Company is not party to any contracts for the provision of services to the Company by a controlling shareholder.
9.8.4 (12) and (13) – waiving dividends	During the year under review, there were no arrangements under which a shareholder has waived or agreed to waive any dividends or future dividends.
9.8.4 (14)	The Company has complied with this.

### CORPORATE GOVERNANCE

The Corporate Governance Statement on pages 29 to 35 forms part of the Report of the Directors.

### ARTICLES OF ASSOCIATION

Any amendments to the Company's Articles of Association must be made by special resolution passed at a general meeting.

## STATUTORY INFORMATION (CONTINUED)

### THE ANNUAL GENERAL MEETING

The AGM will be on 8 June 2018 and explanations of the business proposed at the AGM will be contained in the Notice of the AGM, which is being posted to shareholders with this Annual Report.

### GENERAL MEETING

The Board may convene a general meeting of shareholders at whatever time it deems necessary or when such a meeting is required under applicable laws or regulations. A general meeting of shareholders was held on 19 December 2017 to enable the Company and its Investment Manager to obtain approval to implement an updated investment strategy with a focus on investment in a broader range of attractive, specialist assets. Under the principles of the AIC Code of Corporate Governance (the "AIC Code") notice of that general meeting was sent to shareholders 14 days in advance.

By order of the Board  
Link Company Matters  
*Company Secretary*

26 April 2018

## CORPORATE GOVERNANCE STATEMENT

### STATEMENT OF COMPLIANCE

The corporate governance statement explains how the Board has sought to protect shareholders' interests by protecting and enhancing shareholder value. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide") which is available at [www.theaic.co.uk](http://www.theaic.co.uk). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council ("FRC") in April 2016 and applicable for the year under review (the "Corporate Governance Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment trusts.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Corporate Governance Code), provides better information to shareholders.

The FRC, the UK's independent regulator for corporate reporting and governance responsible for the Corporate Governance Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the Corporate Governance Code and the related disclosure requirements contained in the Listing Rules. The Corporate Governance Code is available on the FRC website [www.frc.org.uk](http://www.frc.org.uk).

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the Corporate Governance Code, except as set out below.

The Corporate Governance Code and AIC Code include provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function;
- Chairman's membership of the Audit and Valuation Committee; and
- externally facilitated Board evaluation

For the reasons set out in the AIC Guide, and as explained in the Corporate Governance Code, the Board considers provisions relating to the role of the chief executive and executive directors' remuneration are not relevant to the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations.

In relation to the need for an internal audit function the Board has decided that the systems and procedures employed by the Investment Manager and the other third party providers in relation to the Company give sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary. The requirement, however, will be re-visited on an annual basis in accordance with the Audit and Valuation Committee's terms of reference. The Company has therefore not reported further in respect of these provisions.

In relation to the Chairman's membership of the Audit and Valuation Committee, further explanation regarding non-compliance is provided on page 36. Further explanation regarding non-compliance is provided on page 31 in relation to the Board evaluation process.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### THE BOARD OF DIRECTORS

During the year to 31 December 2017 the Board consisted of four independent non-executive Directors. Biographies of the Directors are provided on page 23 and demonstrate the wide range of skills and experience each brings to the Board. David Fisher was appointed as a non-executive Director with effect from 19 April 2018. Accordingly, as of that date the Board consisted of five independent non-executive Directors.

Each Director has a signed letter of appointment to formalise the terms of their engagement as a Director and are appointed for an initial three year term. In the case of all Directors, with the exception of Mahnaz Safa who was appointed in 2016, and David Fisher who was appointed in 2018 the letters of appointment expired in 2017. Each Director and the Board have considered that the renewal of each Director's appointment is in the best interest of the Company, taking into account the independence of each Director in question and the letters of appointment were renewed for a further three year term period. The Board believes that a stable Board composition is fundamental to run the Company properly. The Board has not stipulated a maximum term of any directorship.

Copies of the letters of appointment are available on request from the Company Secretary and will be available at the AGM.

### The Chairman and Senior Independent Director

The Chairman, Stuart Cruickshank, is considered by his fellow Board members to be independent and to have no conflicting relationships. He considers himself to have sufficient time to commit to the Company's affairs.

Since June 2016, Michael Cassidy has acted as the Senior Independent Director of the Company providing an alternative channel for shareholder communications and leading the annual evaluation of the Chairman by the Independent Directors. When he was appointed the Board had agreed to rotate the role among directors. The Board have now decided that the first rotation of the role would take effect from 30 June 2018 with Michael Cassidy stepping down from the role and Simon King taking up the role from that date.

### THE OPERATION OF THE BOARD

The Board of Directors meets at least six times a year and more often if required. The table below sets out the Directors attendance at scheduled Board and Committee meetings during the year to 31 December 2017.

	Board	Audit & Valuation Committee	Management Engagement Committee	Remuneration Committee*	Nomination Committee*	Remuneration & Nomination Committee*
S Cruickshank	10	3	1	0	1	1
M Cassidy	10	3	1	0	1	1
S King	10	3	1	0	1	1
M Safa**	9	2	1	0	0	1

\* During the year the Remuneration & Nomination Committee ceased to exist and a separate Remuneration Committee and a Nomination Committee were established. This table demonstrates the number of meetings held by each committee.

\*\* Ms Safa missed the Board, Audit and Valuation Committee and Nomination Committee meetings held on 14 November 2017 due to illness.

Thirty additional ad hoc Board and committee meetings were also held during the year, principally in relation to the Investment Manager Review. A sub-committee of the Board was established to approve the annual and the half yearly financial statements.

No individuals other than the committee chairman and its members are entitled to be present at committee meetings unless invited to attend by its members. The Board has a formal schedule of matters specifically reserved to it for decision to ensure effective control of strategic, financial, operational and compliance issues.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access which every Director has to the advice of Link Company Matters Limited as Company Secretary.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The rules concerning the appointment and replacement of Directors are contained in the Company's Articles of Association (the "Articles") and the Act.

The Company has taken out Directors' and Officers' Liability Insurance at what is considered to be an appropriate limit of liability, such cover is to be maintained for the full term of each Director's appointment.

Save for such indemnity provisions in the Company's Articles and in the Directors' letters of appointment, there are no qualifying third party indemnity provisions in force.

### Independence of Directors

In accordance with the AIC Code, the Board has reviewed the independent status of the individual Directors and the Board as a whole. Each of the Directors is considered to be independent of the Investment Manager and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. There are no relationships or circumstances relating to the Company that are likely to affect their judgement.

Care will be taken at all times to ensure that the Board is composed of members who, as a whole, have the required knowledge, abilities, and expert experience to properly fulfil their role and are sufficiently independent.

### Board Evaluation

The Directors are aware of the need to continually monitor and improve performance and recognise this can be achieved through regular Board evaluation, which provides a valuable feedback mechanism for improving Board effectiveness. In addition to regular discussions in the course of Board meetings, a formal internal performance evaluation of the Board, its Committees and the Chairman was carried out during the year.

The Board had intended on conducting an external evaluation of the effectiveness of the Board, Directors and Committees during the course of the year in line with Principle 7 of the AIC Code, however the decision was made that due to the events that had taken place during the year (most notably the Investment Manager review) it was not considered to be an appropriate time to conduct an external evaluation. Instead an internal Chairman led evaluation was undertaken.

The 2017 evaluation involved a three-stage process. In the first stage detailed questionnaires specifically designed to assess the strengths and independence of the Board and the Chairman, individual Directors and the performance of its Committees were circulated and completed. In the second stage the Chairman met with each of the Directors, facilitated by the Company Secretary, at which their responses to the questionnaire were explored to identify common themes and areas for improvement. The Senior Independent Director led this review of the Chairman. In the third stage, the results of the questionnaire and interviews were combined in a paper which was discussed at the Nomination Committee meeting in November 2017, and the results reported to the Board.

The results of the evaluation exercise demonstrated that the Board, its Committees and the Chairman were operating effectively. The Board's intention is to conduct the external evaluation in 2018 and the results will be detailed in the Annual Report for the year ended 31 December 2018.

### Director Induction

The Board, or the Investment Manager upon request of the Board, shall offer induction training to new Directors about the Company, its key service providers, the Directors' duties and obligations and other matters as may be relevant from time to time.

### Election/Re-election of Directors

In accordance with the Articles the Directors are required to retire at the first AGM following their appointment. Thereafter, at each AGM, each Director will retire and, if appropriate, seek re-election after each three years' service, and annually after serving on the Board for more than nine years.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Beyond these requirements, the Board has agreed a policy whereby all Directors will seek annual re-election at the Company's AGM, in line with the recommendations of the UK Corporate Governance Code. In accordance with this policy, all the Directors who served during the year will stand for re-election at the forthcoming AGM. Being the first AGM following his appointment to the Board, David Fisher will retire and stand for election at the forthcoming AGM. The Board considers that, following performance evaluations conducted during 2017, all of the current Directors contribute effectively to the operation of the Board and the strategy of the Company. The Board therefore believes that it is in the best interests of shareholders that each of the Directors is re-elected.

### BOARD RESPONSIBILITIES AND RELATIONSHIP WITH THE INVESTMENT MANAGER

The Board is responsible for the determination of the Company's investment policy and strategy and has overall responsibility for the Company's activities, including the review of investment activity and performance and the control and supervision of all suppliers of services to the Company, including the Investment Manager. The Board is also responsible for the Company's system of internal and financial controls and for ensuring that commercial risks and financing needs are properly considered and that the obligations of a public limited company are adhered to.

To assist the Board in the day-to-day operations of the Company, arrangements have been put in place to delegate authority for the performance of day-to-day operations of the Company to the Investment Manager and other third-party service providers. The Board has appointed PSC Eaglewood Europe LLP ("PSC Eaglewood" or the "Investment Manager") to manage the Company's investment portfolio within guidelines set by the Board. The Investment Manager is in frequent contact with the Board and supplies the Directors with regular updates on the Company's activities and detailed reports at each Board meeting.

### MANAGEMENT AGREEMENT AND CONTINUING APPOINTMENT

The Investment Manager was originally engaged under the terms of an investment management agreement dated 14 May 2014 (the "Investment Management Agreement"). Following the Board's review of MW Eaglewood Europe LLP's ("MWE") performance, the Board selected a joint Pollen Street and Eaglewood proposition to undertake the investment management of the Company, and the Investment Management Agreement was accordingly amended and restated on 19 December 2017.

The Investment Manager is responsible for the discretionary management of the Company's portfolio of investments and the changes made to the Investment Management Agreement better enable the Investment Manager to implement the revised Investment Policy approved by shareholders at the general meeting of the company held on 19 December 2017. The managing member of the Investment Manager (PSC Eaglewood Europe LLP) is PSC Eaglewood Limited, which is part of the Pollen Street Group.

The existing sub-management agreement, pursuant to which the Investment Manager has delegated certain of its responsibilities and functions to PSC Eaglewood Americas LLC, continues in force.

Details of the investment management fees are set out in Note 13 to the financial statements.

The Board keeps the performance of the Investment Manager under continual review and it is the opinion of the Directors that the continuing appointment of the Investment Manager is in the interests of the shareholders as a whole.

### CONFLICTS OF INTEREST

The Articles provide that the Directors may authorise any actual or potential conflict of interest that a Director may have, with or without imposing any conditions that they consider appropriate on the Director. Directors are not able to vote in respect of any contract, arrangement or transaction in which they have a material interest and in such circumstances they are not counted in the quorum. A process has been developed to identify any of the Directors' potential or actual conflicts of interest. This includes each Director completing a detailed conflict of interest questionnaire. The matters disclosed in the questionnaires are reviewed by the Board following the Directors' appointments and annually thereafter and, if considered appropriate, authorised in accordance with the Act and the Articles. There were no actual or potential conflicts of interest which were required to be authorised by the Board during the period under review.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### BOARD COMMITTEES

The Board has delegated certain responsibilities to its Audit and Valuation, Remuneration, Nomination, Management Engagement and Insider committees. Given the size and nature of the Board it is felt appropriate and practical that all Directors are members of those committees. The Board has established formal terms of reference for each of the committees which are available on the Company website, [www.p2pgi.com](http://www.p2pgi.com) or from the Company Secretary upon request.

An outline of the remit of each of the Audit and Valuation, Remuneration, Nomination and Management Engagement committees and their activities during the year are set out on pages 36 to 44. A brief overview of the Insider Committee is set out below.

#### Insider Committee

The Insider Committee was formed by the Board following the introduction of the Market Abuse Regulations in July 2016 and has responsibility for identifying price sensitive information and determining on a timely basis the disclosure treatment of such information.

The Insider Committee is chaired by Stuart Cruickshank.

### STEWARDSHIP RESPONSIBILITIES AND THE USE OF VOTING RIGHTS

Pursuant to its Investment Policy, the Company may invest (in aggregate) up to 10.0 per cent. of gross assets (at the time of investment) in the listed or unlisted securities issued by one or more Platforms.

The Investment Manager, in the absence of explicit instruction from the Board, is empowered to exercise discretion in the use of the Company's voting rights. The UK Stewardship Code (the "Stewardship Code") applies on a 'comply or explain' basis. Although the Investment Manager broadly supports the objectives of the Stewardship Code, it has determined that it will not commit to the Stewardship Code's principles because the investment strategies it employs do not generally involve listed equities. In the event of a material change to any investment strategy such that the Stewardship Code's principles become relevant, the Investment Manager will reconsider its commitment to the Stewardship Code.

### COMPANY SECRETARY

The Board has direct access to the advice and services of the Company Secretary, Link Company Matters Limited, which is responsible for ensuring that the Board and committee procedures are followed and that applicable regulations are complied with.

### RELATIONS WITH SHAREHOLDERS

All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The Notice of the AGM, which has been sent out with this Annual Report, contains separate resolutions in respect of each substantive issue.

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

The Investment Manager holds regular discussions with major shareholders, the feedback from which is provided to and greatly valued by the Board. The Directors are available to enter into dialogue and correspondence with shareholders regarding the progress and performance of the Company and during the year and early 2017, carried out a number of investor meetings both, in conjunction with, and independently of, the Investment Manager. The section of this report, entitled 'Shareholder Information', is intended to provide information which would be useful to shareholders. General enquiries about the Company should be directed to the Company Secretary.

### INTERNAL CONTROL REVIEW

The Board is responsible for ensuring the maintenance of a robust system of internal control and risk management and for reviewing the effectiveness of the Group's overall internal control arrangements and processes following recommendations from the Audit and Valuation Committee.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and for reviewing the effectiveness of the Company's system of internal controls including financial, operational, compliance and risk management. The Company has established a risk register consisting of the key risks and controls in place to mitigate those risks. This risk register provides a basis for the Audit and Valuation Committee and the Board to regularly monitor the effective operation of the controls and to update the register when new risks are identified.

The Board has reviewed the effectiveness of the Investment Manager's system of internal control and risk management to ensure the safekeeping and accurate valuation on the Company's assets. For the year under review, the Board has not identified any significant failings or weaknesses in the internal control systems.

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 9 to the financial statements.

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

The following are the key components which the Company has in place to provide effective internal control:

- The Board has agreed clearly defined investment criteria and Platform restrictions, which specify levels of authority and exposure limits. The Investment Manager regularly reports to the Board on compliance with these criteria;
- The Board has a procedure to ensure that the Company can continue to be approved as an investment company by complying with sections 1158/1159 of the Corporation Tax Act 2010;
- The Investment Manager and Administrator prepare forecasts and management accounts, covering investment activities and financial matters, which allow the Board to assess the Company's activities and review its performance;
- Contractual arrangements with the Investment Manager and other third party service providers are in place which specifically define their roles and responsibilities to the Company;
- The services and controls of the Investment Manager and other third party service providers are subject to review by the Management Engagement Committee on an ongoing basis. Regular reports are provided to the Board by the Administrator and the Depositary; and
- The Investment Manager's Management Committee and compliance departments continually review all of the Investment Manager's controls and procedures and report to the Audit and Valuation Committee.

The system of internal control and risk management is designed to meet the Group's particular needs and the risks to which it is exposed. The Board recognises that these control systems can only be designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

### ALTERNATIVE INVESTMENT FUND MANAGEMENT DIRECTIVE DISCLOSURE

#### Quantitative remuneration disclosure

In accordance with 3.3.5 (5) of the FCA's Investment Funds Sourcebook ("FUND") and in accordance with FCA Finalised guidance – General guidance on the AIFM Remuneration Code (SYSC 19B) ("the Guidelines"), dated January 2014, the total remuneration paid by Group companies which include the AIFM during the year was £13.5 million, split £8.2 million into variable and £5.3 million in fixed remuneration. During the year, the average number of beneficiaries at the Group which includes the AIFM were 38 and the aggregate amount of remuneration paid in relation to the Senior Management of the firm was £5.7 million. Fixed remuneration is amounts paid

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

as salaries. Variable remuneration is amounts paid under bonus arrangements and distributions. The AIFM does not consider that any individual member of staff of the AIFM has the ability to materially impact the risk profile of the Company.

### Other disclosures

The AIFMD requires that the AIFM ensures that certain other matters are actioned and or reported to investors. Each of these is set out below.

- Provision and content of an Annual Report (FUND 3.3.2 and 3.3.5). The publication of the Annual Report and Accounts of the Group satisfies these requirements.
- Material change of information. The AIFMD requires certain information to be made available to investors in the Company before they invest and requires that material changes to this information be disclosed in the Annual Report.

### Periodic disclosure (FUND 3.2.5 and 3.2.6)

There are no assets subject to special arrangements due to their illiquid nature and no new arrangements for the managing of the liquidity of the Group.

There is no change to the arrangements, as set out in the prospectus, for managing the Group's liquidity.

The current risk profile of the Group is set out in the Strategic Report: Principal Risks and Uncertainties on pages 18 to 22 and in note 9 Financial instruments and associated risks.

The Company is permitted to be leveraged and the table below sets out the current maximum permitted and actual leverage under the gross and commitment method in accordance with Annex IV Article 8 of the AIFMD.

As a percentage of net asset value	Gross method	Commitment method
Maximum level of leverage	350.0%	250.0%
Leverage as at 31 December 2017	289.7%	181.7%

In accordance with the prospectus the actual leverage employed by the Group as a percentage of NAV was 78.0 per cent. The Group has a maximum limit of 1.5 times of NAV in aggregate (calculated at the time of draw down under any facility that the Group has entered into) as detailed in the Company's prospectuses dated 30 May 2014, 29 January 2015 and 28 July 2015. There have been no breaches of the permitted leverage limits within the reporting period and no changes to maximum level of leverage employed by the Group.

### Other matters

The Investment Manager can confirm that required reporting to the FCA has been undertaken in accordance with FUND 3.4.

### Stuart Cruickshank

On behalf of the Board  
*Chairman*

26 April 2018

## REPORT OF THE AUDIT AND VALUATION COMMITTEE

### MEMBERSHIP OF THE AUDIT AND VALUATION COMMITTEE

The Audit and Valuation Committee comprises all Directors, is chaired by Michael Cassidy and meets at least twice a year. The Corporate Governance Code stipulates that the Chairman of the Company should not be a member of the Audit and Valuation Committee. However, given the size of the Board and Mr Cruickshank's relevant financial experience, it is considered appropriate that he is a member of the Audit and Valuation Committee. The Board is also satisfied that the combined knowledge and experience of its members within the Company's sector enable the Committee to exercise its duties effectively. Representatives of the Auditors, PricewaterhouseCoopers LLP ('PwC') also attend meetings of the Committee.

Full details of the number of committee meetings and attendance by individual directors can be found on page 30.

### VALUATION COMMITTEE

In accordance with the Alternative Investment Fund Managers' Directive, the Alternative Investment Fund Manager ("AIFM" or the "Investment Manager") is responsible for the valuation of the Alternative Investment Fund ("AIF" or the "Company"). Under the terms of reference of the Audit and Valuation Committee, the Committee holds responsibility for valuation. At a meeting held on 4 April 2018 it was agreed that the Valuation Committee, which was not a board committee, would cease to exist. The valuation process will now be managed by the Investment Manager and will involve the finance and investment functions within the Investment Manager with the final valuations being reviewed by the Investment Manager's Valuation Committee.

### THE ROLE OF THE AUDIT AND VALUATION COMMITTEE

The primary role of the Audit and Valuation Committee is to monitor the integrity of the financial statements of the Company, recommend the valuation of the Company's investments to the Board, keep under review the internal controls and risk management system, manage the relationship with the external auditor and monitor the external audit process including the independence and objectivity of the external auditor.

### MATTERS CONSIDERED IN THE YEAR

The Audit and Valuation Committee met twice during the year under review and during those meetings it has:

- reviewed the internal controls and risk management systems of the Company and its third party service providers;
- considered the requirement for an internal audit function;
- monitored the Investment Manager's preparation for the revised impairment approach required by IFRS 9;
- considered the prospects for the Company and concluded on the viability of the Company over the three year period to the AGM in 2021;
- approved the audit plan with the Auditors, including the principal areas of focus and the Auditors' fees;
- reviewed the Group's annual and half year financial statements and advised the Board accordingly;
- met with the Auditor without the presence of the Investment Manager;
- reviewed the whistleblowing policy of the Investment Manager;
- reviewed compliance with the UK Corporate Governance Code/AIC Code; and
- reviewed the Auditor's appointment and independence and considered their re-appointment.

A number of similar matters will be considered again during 2018 as set out in the pre-determined schedule of items for discussion during the year.

### Financial Reporting Council

The Conduct Committee of the Financial Reporting Council ("FRC"), a body appointed by the Secretary of State to review and investigate the annual accounts, Strategic Reports and Directors' Reports of public and large private companies for compliance with the relevant reporting requirements, raised a number of points on the Company's 2015 annual report. The review was opened in October 2016 and formally closed on 2 January 2018 as the merger of the Investment Manager delayed the completion of the review. The Committee has monitored the dialogue between the Company and the FRC and discussed with the Auditor the matters raised and the responses to date provided by the Company. The Committee noted that the Company has responded to all of the points

## REPORT OF THE AUDIT AND VALUATION COMMITTEE (CONTINUED)

raised by the FRC, with additional disclosures being included in respect of principal risks, impairments, credit risk and Eaglewood SPV I LP (the "SPV"). The FRC does not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. It is, however, conducted by the staff of the FRC who have an understanding of the relevant legal and accounting framework. The review does not provide any assurance that the report and accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. The FRC (which includes officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.

### INTERNAL AUDIT

The Board has considered the need for an internal audit function and it has decided that the systems and procedures employed by the Investment Manager and the other third party providers in relation to the Company give sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary. The requirement, however, will regularly be re-visited in accordance with the Committee's terms of reference.

### AUDIT FEES AND NON-AUDIT SERVICES

The breakdown of fees between audit services and non-audit services for the year ended 31 December 2017 are provided in Note 13 of the financial statements. The fees for the non-audit service work carried out by PwC were 8.1 per cent (2016: 16.3 per cent) of the audit fee and related to assurance services and tax compliance services in relation to the Group. The Committee considered that engaging PwC to provide these services was in the best interests of the Company due to their expertise and their knowledge and understanding of the business. To maintain the external auditor's independence and objectivity, an independent partner was appointed to lead on these services.

### EXTERNAL AUDIT

The Committee monitors the Company's relationship with the Auditor and has discussed and considered their independence and objectivity. The Committee is satisfied that PwC are independent considering the term of appointment to date and have been re-assured that no conflicts arose during the year and will continue to monitor this position.

The Audit and Valuation Committee has met with the audit partner and reviewed and assessed PwC's performance to date. The review has involved an examination of the auditor's remuneration, the quality of its work including the quality of the audit report, the quality of the audit partner and audit team, the expertise of the audit firm and the resources available to it, the identification of audit risk, the planning and execution of the audit and the terms of engagement.

The Committee recommends to the Board that, subject to shareholders' approval at the 2018 AGM, PwC be re-appointed as the Auditor for the Company. However, the Board have made the decision to undertake a competitive tender process for the external audit contract in 2018; the process will be overseen by the Audit and Valuation Committee. PwC will be invited to take part in the tender and once complete, the result of the tender process will be announced to the market.

Following completion of the external audit, the Committee obtains feedback on the conduct of the audit. The Auditor is also invited to attend Committee meetings and also meets with the Committee and its Chairman without the presence of the Investment Manager.

The Company has complied throughout 2017 with the provisions of The Statutory Audit Services Order 2014, issued by the Competition and Markets Authority.

## REPORT OF THE AUDIT AND VALUATION COMMITTEE (CONTINUED)

### SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT AND VALUATION COMMITTEE

After discussion with the Investment Manager and the Auditors, the Committee determined that the key risks in relation to the Company's financial statements and how they were addressed were:

Issue considered	How the issue was addressed
The risk of material misstatement due to the valuation of unquoted investments	The valuation is in accordance with the accounting policy set out in Note 2 of the financial statements. Fair Value has been assessed across all unquoted equity positions; the Valuation Committee has determined that the Investment Manager has followed the agreed valuation policy and that the valuations for the unquoted equity investments are reasonable and supportable.
The risk of material misstatement due to the valuation of loans held at amortised cost	The valuation is in accordance with the accounting policy set out in Note 2 of the financial statements. The depository has reported to the Committee on its work in verifying the existence of the UK originated loans. The Investment Manager has confirmed that impairment models have been reviewed for appropriateness and accuracy and the Committee has satisfied itself with the reporting received from the Investment Manager in this regard.
Consolidation	During the prior year, there were a number of changes to the legal and governance arrangements relating to the Eaglewood SPV I LP, as well as the consolidation of Eaglewood fund and a number of new structured entities created in the year under review. The Committee understood the drivers for the changes made, reviewed the assessment of control produced by the Investment Manager and satisfied itself that the considerations and conclusions over control are appropriate and supportable.
The risk of material misstatement of expected credit losses under IFRS 9 – Financial instruments	The roll out of the IFRS 9 implementation programme was a key focus of the Committee with the bulk of the testing and implementation taking place in 2017. During the year the Committee received regular reports on the progress of this project, and challenged the Investment Manager to ensure its implementation runs smoothly. As the Group enters the 2018 financial year, the Committee will continue to monitor progress closely. Further disclosure around the progress is outlined in Note 2 of the financial statements. The annual audit also includes checks on the methodology used and accuracy of expected losses as well as checks that this will be recognised in accordance with the requirements of IFRS 9.
Retention of Investment Trust Status	The Committee receives a report from the Company's administrators and Investment Manager confirming if the Company has remained compliant with the requirements to maintain its Investment Trust status. HMRC approved the investment status of the Company. The Directors regularly review the investments and their mix to ensure they remain diversified, its retained income levels to ensure sufficient distributions are made and the Company's shareholdings to determine if the Company has become a close company.

For and on behalf of the Audit and Valuation Committee

Michael Cassidy

*Chairman of the Audit and Valuation Committee*

26 April 2018

## DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report for the year ended 31 December 2017 has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An ordinary resolution for the approval of the Directors' Remuneration Report will be put to shareholders at the forthcoming Annual General Meeting. Being the third year since the Remuneration Policy was approved by shareholders, a resolution will be included at the 2018 AGM asking shareholders to approve the Remuneration Policy contained on page 40.

Full details of the number of committee meetings and attendance by individual directors can be found on page 30.

### STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

#### Remuneration Committee

The Remuneration Committee is chaired by Mahnaz Safa and consists of all the Directors. It is the responsibility of the Committee to determine the remuneration of each Director and to consider the skills, competence and independence of candidates in the context of the overall Board composition and to nominate candidates to the Board. No Director is involved in deciding their own remuneration.

During the year under review, the Committee met once (while it was still the Remuneration and Nominations Committee) and it has:

- considered market remuneration trends against a comparison of its peer group;
- reviewed the policy on the re-election of Directors at the AGM;
- reviewed the size, composition and structure of the Board, time commitment required of the Directors and the leadership and succession needs of the Company;
- considered and recommended the appointment of a further Non-Executive Director; and
- considered the level of the Directors' fees.

At a meeting held in April 2018 the Remuneration Committee considered the Directors' remuneration and agreed that it remain at the level set in October 2016, i.e. the Chairman fee remain at £45,000 and the Director fee remain at £40,000.

As permitted under the Articles of Association, the Board approved an additional ad hoc payment of £250 per hour to each Director in relation to the additional work carried out in regarding the review of investment management arrangements.

No further changes to the Directors' fees are expected in 2018.

The Board have also considered and agreed upon a formal policy for the approval of Directors' expenses.

#### Remuneration and Nominations Committee

The Remuneration and Nominations Committee ceased to exist on 29 June 2017 and a Remuneration Committee and a separate Nomination Committee were established on that date.

## DIRECTORS' REMUNERATION REPORT (CONTINUED)

### VOTING AT ANNUAL GENERAL MEETING

The Directors' Remuneration Report for the year ended 31 December 2016 and the Directors' Remuneration Policy were approved by shareholders at the AGMs held on 29 June 2017 and 15 June 2015 respectively. The votes cast by proxy were as follows:

	AGM held on 29 June 2017		AGM held on 15 June 2015	
	Directors' Remuneration Report		Directors' Remuneration Policy	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	59,502,953	99.72	30,004,682	99.99
Against	165,921	0.28	1,000	0.001
<b>Total votes cast</b>	<b>59,668,874</b>	<b>100.00</b>	<b>30,005,682</b>	<b>100.00</b>
Number of votes withheld	–	–	–	–

### DIRECTORS' REMUNERATION POLICY

A resolution to approve this Remuneration Policy was last proposed at the AGM of the Company held on 15 June 2015. The resolution was passed, and since then, the Remuneration Policy has remained unchanged. Being the third anniversary since it was last approved by shareholders, a resolution will be proposed at the 2018 AGM to consider the Remuneration Policy set out below, which remains unchanged since it was last approved by shareholders. If approved, the Remuneration Policy provision set out below will apply (i) until they are put to shareholders for renewal of that approval, which must be at intervals of not more than three years; or (ii) the Remuneration Policy is varied, in which event shareholder approval for the new Remuneration Policy will be sought.

The Company has no employees other than its Directors who are all non-executives. When deciding the level of fees the Committee considers the amount of time expected to be spent on the Company's affairs and each Director's associated responsibilities to the Company. It also takes into account the remuneration of Directors of other investment companies of similar size and/or mandate and gives due regard to the limits set out in the Company's Articles of Association, which prohibits the total aggregate annual fees payable to the Directors in respect of any financial period to exceed £500,000.

The Directors do not participate in any discussions relating to their own fee which is determined by the other Directors.

Directors are not eligible for bonuses, share options or long-term incentives schemes or other performance-related benefits. There are no pension arrangements in place for the Directors of the Company.

Under the Articles of Association, if any Director is called upon to perform extra or special services of any kind, he or she is entitled to receive such sum as the Board may think fit for expenses, and also such remuneration as the Board may think fit, either as a fixed sum or as a percentage of profits or otherwise, and such remuneration may, as the Board shall determine, be either in addition to or in substitution for any other remuneration he or she may be entitled to receive.

Directors are also entitled to receive all expenses properly incurred by them in attending general meetings or separate meetings of the holders of any class of shares or meetings of the Board or Committees of the Board or otherwise in or with a view to the performance of their duties.

Fees of any new Director appointed will be on the above basis. Fees payable in respect of subsequent periods will be determined following an annual review. Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board.

## DIRECTORS' REMUNERATION REPORT (CONTINUED)

### TOTAL REMUNERATION PAID TO EACH DIRECTOR (AUDITED)

The Directors who served during the year received the following remuneration set out in the table below.

Directors Remuneration	Total Remuneration 2017 £	Total Remuneration 2016 £
<b>Stuart Cruickshank</b>	89,250	41,250
<b>Simon King</b>	73,000	41,250
<b>Michael Cassidy</b>	96,000	36,250
<b>Mahnaz Safa</b>	61,250	19,230
<b>Total Remuneration</b>	<b>319,500</b>	<b>137,980</b>

The 2017 total remuneration figure for each Director includes payments relating to the additional work carried out regarding the review of investment management arrangements. These fees did not come out of shareholder funds and a table including further detail is set out below.

The Base fee for each Director was most recently approved by the Board at a meeting held on 9 November 2016, being £40,000 per year for each Director and £45,000 per year for the Chairman.

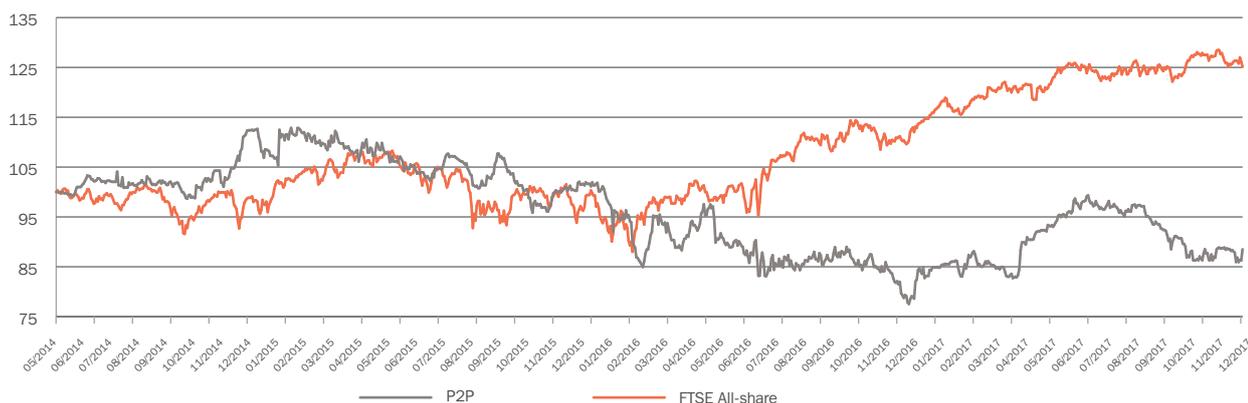
The table below sets out a breakdown of Director's remuneration for 2017.

Directors Remuneration	Breakdown of 2017 remuneration £	Total 2017 Remuneration £
<b>Stuart Cruickshank</b>		89,250
Directors fee	45,000	
Fee for work done in relation the investment management arrangements*	36,250	
Administration fee**	4,000	
Fees as director of Eaglewood SPV I LP**	4,000	
<b>Simon King</b>		73,000
Directors fee	40,000	
Fee for work done in relation the investment management arrangements*	33,000	
<b>Michael Cassidy</b>		96,000
Directors fee	40,000	
Fee for work done in relation the investment management arrangements*	56,000	
<b>Mahnaz Safa</b>		61,250
Directors fee	40,000	
Fee for work done in relation the investment management arrangements*	21,250	

\* Payments relating to the additional work carried out regarding the review of investment management arrangements was covered by the Investment Manager, please see page 39 for further details.

\*\* The Board have agreed an amount of £4,000 per annum to be paid to Mr Cruickshank in relation to administration costs, which are an expense of the Company and do not come out of shareholder funds as was Mr Cruickshank's fee as a Director of Eaglewood SPV I LP.

### COMPANY PERFORMANCE



## DIRECTORS' REMUNERATION REPORT (CONTINUED)

This graph compares the total shareholder return on the Company's share classes from inception to 31 December 2017 with that of the FTSE All- Share Total Return Index (ASXTR Index). This graph assumes that on 30 May 2014, £100 was invested in the Company's share classes and the FTSE All-Share Total Return Index. The graph also assumes the reinvestment of all cash dividends received prior to any tax effect at the closing share price on the day the dividend was paid.

### RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the total amount paid out in remuneration and distribution to shareholders for the financial years 2016 and 2017.

	2017 £	2016 £	Change %
Total Directors' Remuneration	319,500	137,980	131.6%
Total Dividend Payments	38,857,825*	37,943,978**	2.4%
Shares Repurchased	18,133,022	14,476,956	25.3%

\* This figure includes the interim dividends to 31 March 2017, 30 June 2017, 30 September 2017 and 31 December 2017 which were paid to ordinary shareholders on 26 May 2017, 25 August 2017, 24 November 2017 and 16 March 2018 respectively.

\*\* This figure includes the interim dividends to 31 March 2016, 30 June 2016, 30 September 2016 and 31 December 2016 which were paid to ordinary shareholders on 27 May 2016, 26 August 2016, 25 November 2016 and 3 March 2017 respectively.

### DIRECTORS' SERVICE CONTRACTS

No Director has a service contract with the Group and as such is not entitled to compensation payments upon termination of their appointment or loss of office.

A letter of appointment was issued to the Directors at the beginning of their term of office which details their initial three year appointment, subject to retirement by rotation in accordance with the Company's Articles of Association.

### ADVISORS TO THE REMUNERATION COMMITTEE

The Board has not sought the advice or service by any outside person in respect of its consideration of the Directors' remuneration.

### DIRECTORS' INTERESTS (AUDITED)

There is no requirement under the Company's Articles of Association or letters of appointment for Directors to hold shares in the Company. The interests of the Directors (who served during the year) in the shares of the Company, at the end of the year under review were as follows:

Directors	No. of ordinary shares Of £0.01 each
Stuart Cruickshank	–
Simon King	19,895
Michael Cassidy	–
Mahnaz Safa	–

On 10 January 2018 Michael Cassidy purchased 15,000 ordinary shares.

On behalf of the Board  
Mahnaz Safa  
*Chairman of the Remuneration Committee*

26 April 2018

## NOMINATION COMMITTEE REPORT

Full details of the number of committee meetings and attendance by individual directors can be found on page 30.

### MEMBERSHIP AND ROLE OF THE NOMINATION COMMITTEE

The Nomination Committee is chaired by Stuart Cruickshank and consists of all the Directors. The Board is satisfied that the combined knowledge and experience of its members enables the Committee to exercise its duties effectively. The Committee is primarily responsible for keeping the composition of the Board under review and to lead the process for appointments to the Board and its Committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary. The Committee also considers succession planning for the Board, taking into account the skills and expertise that will be needed on the Board in the future.

### RECRUITMENT OF DIRECTORS

During the year ended 31 December 2017, the Committee had reviewed the composition of the Board and in consideration of the size and complexity of the business recommended to the Board that a fifth non-executive director be appointed. An external search agency Lomond Consulting, were engaged to identify candidates to fill this Board position. Further to this process, the Committee agreed that Mr David Fisher was the most suitable candidate and would be appointed to the Board with effect from 19 April 2018. The Company had not had any prior connections with Lomond Consulting, however the Investment Manager had previously engaged with them to assist with recruitment.

### DIVERSITY POLICY

During the period the Board approved and adopted the diversity policy. The policy acknowledges the importance of diversity, including gender diversity, for the Company. The Board acknowledges the benefits of greater diversity, including gender diversity and remains committed to ensuring that the Company's directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives.

Progress against the measurable objectives contained within the policy are set out below:

Objective	Progress
All Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective.	The recent decision to appoint David Fisher to the Board was made on merit and in the context of the skill and knowledge required on the Board.
Long lists of potential non-executive directors should include diverse candidates of appropriate merit.	The list of candidates for the recent recruitment process were diverse and the short list of candidates was 50 per cent female and 50 per cent male.
Only engage executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice.	Lomond Consulting have signed up to the Code of Conduct on gender diversity and best practice.

### Remuneration and Nominations Committee

The Remuneration and Nominations Committee ceased to exist on 29 June 2017 and a Remuneration Committee and a Nomination Committee were established on that date.

On behalf of the Board  
Stuart Cruickshank  
*Chairman of the Nomination Committee*

26 April 2018

## MANAGEMENT ENGAGEMENT COMMITTEE REPORT

### MEMBERSHIP AND ROLE OF THE COMMITTEE

All of the Directors are members of the Management Engagement Committee and the Board is satisfied that the combined knowledge and experience of its members enables the Committee to exercise its duties effectively.

Full details of the number of committee meetings and attendance by individual directors can be found on page 30.

The Management Engagement Committee is primarily responsible for reviewing the appropriateness of the continuing appointment of the Investment Manager, ensuring the terms and conditions of the Investment Manager's continuing appointment align with the investment policy and investment objective of the Company.

### REVIEW OF INVESTMENT MANAGEMENT ARRANGEMENTS

During 2017 a review of the investment management arrangements was undertaken and the Board announced on 24 May 2017 that, following an extensive process, a joint proposal submitted by the existing investment manager at that time, MW Eaglewood Europe LLP ("MW Eaglewood"), and Pollen Street Capital Limited ("Pollen Street") was accepted by the Board. As part of the process, MW Eaglewood merged its operations with Pollen Street in a share for share exchange, with Pollen Street becoming the majority shareholder of the combined investment management group.

### PERFORMANCE OF INVESTMENT MANAGER

The Committee keeps under review the performance of the Investment Manager and the level and terms of the management fee. Following a formal review carried out by the Committee in March 2018, the Directors agreed that the continuing appointment of the Investment Manager on the terms agreed is in the interests of shareholders as a whole.

On behalf of the Board  
Simon King  
*Chairman of the Management Engagement Committee*

26 April 2018

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 Group and Company 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 Group and Company and of the profit or loss of the Group 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 Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Parent Company and the Group 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 the Company's performance, business model and strategy.

Each of the Directors, confirm that, to the best of their knowledge:

- the Group 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 profit of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of P2P Global Investments plc  
Signed on behalf of the Board by

**Stuart Cruickshank**  
*Chairman*

26 April 2018

## INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF P2P GLOBAL INVESTMENTS PLC

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

In our opinion, P2P Global Investments plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and Company statements of financial position as at 31 December 2017; the consolidated statement of comprehensive income, the consolidated and Company statement of changes in shareholders' funds, and the consolidated and Company cash flow statements for the year then ended; and the notes to the consolidated financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Valuation Committee.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 13 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2017 to 31 December 2017.

## INDEPENDENT AUDITORS REPORT (CONTINUED)

TO THE MEMBERS OF P2P GLOBAL INVESTMENTS PLC

### Our audit approach Overview



- Overall Group materiality: £7.9m (2016: £8.5m), based on 1% of total net assets.
  - Overall Company materiality: £7.8m (2016: £8.5m), based on 1% of total net assets.
- 
- The Group invests in secured and unsecured consumer loans, loans to small and medium sized enterprises and secured real estate loans. The origination of these investments is typically undertaken by third party platforms. The Group also makes equity investments in lending platforms, the majority of which are private companies and are unlisted.
  - The Group consolidates entities where it determines it has control and consists of 9 legal entities, and 8 trusts (together "entities"), operating in the UK, Republic of Ireland and United States of America.
  - We performed full scope audits for 7 entities and, due to their size, audited specific balances for a further 10 entities.
  - Our audit work accounted for more than 97% of group total net assets, 89% of group revenues and 87% of group profit.
- 
- Recognition of interest income (Group and Company).
  - Valuation of unquoted investments at fair value (Group and Company).
  - Valuation of loan investments reported at amortised cost less provisions for impairment (Group and Company).
  - Disclosure of the impact of the new IFRS 9 Financial Instruments standard (Group and Company).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

## INDEPENDENT AUDITORS REPORT (CONTINUED)

TO THE MEMBERS OF P2P GLOBAL INVESTMENTS PLC

### Key audit matter

#### Recognition of interest income

##### Group and Company

Interest income is generated by all entities consolidated by the Group. The interest income of the Group is £132m, of which over 95% is generated through platforms and is included within income and gains on investments in Note 7 to the financial statements. This is a key audit matter due to its size and the significant audit effort involved in testing this revenue stream.

Interest income is calculated by applying each borrower's agreed interest rate to their loan principal balance. The calculation is largely automated and performed by the platforms. However, there are a number of inherent risks including the manual input of key contractual terms and the completeness and aggregation of all loans from the multiple platforms which could result in errors.

### How our audit addressed the key audit matter

- Reviewed management's assessment of the risk of misstatement of interest income due to fraud and error and their mitigating controls;
- Reviewed the administrator's report on internal controls relating to the reconciliation, accounting and reporting of interest;
- Obtained comfort over completeness of interest income by testing selected monthly reconciliations for movement in principal and cash balances;
- Validated key inputs of the effective interest rate calculation by obtaining independent confirmation of loan positions from the platforms and testing a sample to borrower agreements;
- Vouched a sample of individual borrower interest payments to cash remitted through the platforms and received by the Group, supporting the existence and accuracy of income from underlying borrowers; and
- Recalculated interest income earned during the period for a sample of loans.

Our testing did not identify material misstatements.

#### Valuation of unlisted equities at fair value

##### Group and Company

Investments reported at fair value through profit or loss include unlisted equity investments of £33m in 2017 in the Group and £27m in the Company, detailed in Note 5 to the financial statements. These investments represent a material balance in the financial statements and the valuations of a number of the investments require estimates and significant judgements to be applied by the Investment Manager and Directors.

Changes to the estimates, assumptions and/or the judgements made can result, either for an individual investment or in aggregate, in a material change to the valuation.

We have assessed the Investment Manager's valuation policy for unlisted equities which sets out the basis of their valuations and compared management's valuation methodology to IFRS requirements and industry guidelines.

On a targeted basis, we have:

- With the assistance of our valuations experts, assessed the appropriateness of the principal assumptions and estimates used within the valuations, taking into account industry and market value considerations. The procedures included:
- Challenging management over the reasonableness of multiples adopted;
- Assessment of the milestone analysis performed by the Investment Manager, considering factors such as buy-ins, funding rounds, and performance of the platforms; and
- Where applicable, obtained evidence relating to funding rounds undertaken by the investee and challenged the Investment Manager as to whether these funding rounds represented an arm's length transaction.

We found the assumptions reasonable and the methodology used to fair value the unlisted investments appropriate.

## INDEPENDENT AUDITORS REPORT (CONTINUED)

TO THE MEMBERS OF P2P GLOBAL INVESTMENTS PLC

### Key audit matter

#### Valuation of loan investments reported at amortised cost less provisions for impairment

##### Group and Company

Loans and receivables recorded at amortised cost represents a material balance in the financial statements. The impairment assessment requires estimates and significant judgements to be applied by the Investment Manager and Directors such that changes to key inputs to the estimates and/or the judgements made can result, either on an individual loan or in aggregate, in a material change to the valuation.

### How our audit addressed the key audit matter

We assessed the valuation of loans at amortised cost and related impairments. For consumer and SME loans we performed the following procedures:

- Obtained independent confirmation of loan books from selected platforms;
- For a sample of loans we re-performed interest repayment calculations and vouched repayments to cash receipts;
- Updated our understanding of management's impairment methodology used under IAS39;
- Obtained support to evidence that management's process to compare the Group's loan loss profile to the experience of the platforms is materially representative;
- For the provisions on loans in arrears, we tested the impairment calculation inputs to information obtained directly from the platforms including testing the data integrity of the arrears analysis to underlying borrower payment records on a sample basis;
- For performing loans, we reviewed the methodology applied by the Investment Manager to calculate the incurred but not reported ("IBNR") provision that has not been recognised, and assessed this quantum against materiality levels; and
- We assessed the appropriateness of the emergence period applied by management in this estimation and the impairment rates, by using our industry knowledge and our understanding of the Group's loan loss profile.

For secured real estate loans, we performed the following procedures:

- Obtained independent confirmation of loan books from selected platforms;
- We assessed the qualification of the experts used by the platforms to value the underlying real estate collateral and to monitor progress against milestones for development loans; and
- We reviewed the watch-list of loans, and management's consideration of impairment indicators and assessment of whether a provision should be recognised.

Based on the work performed above, no material misstatements were identified in the valuation of loans held at amortised cost.

### Disclosure of the impact of the new IFRS 9 standard

##### Group and Company

Under IAS 8, the Group is required to disclose the impact of new accounting standards where this is expected to be material. IFRS 9 requires loans to be assessed for impairment over the course of their expected lives. The standard is effective for periods beginning 1 January 2018 and the expected impact of £19.6m for the Group and £13.8m for the Company is disclosed in Note 2 of the financial statements. The models and assumptions used to develop the impairment expectations are inherently judgemental and complex, heightening the risks of a material error.

We have assessed management's IFRS 9 impairment assessment by performing the following procedures:

- Conducted a review of the Investment Manager's methodology, including key assumptions and parameters to ensure it is in line with IFRS 9, and appropriate given our understanding of the portfolios;
- tested the modelling methodology for the significant portfolios, using our modelling specialists;
- Assessed the reasonableness of the key parameters within the model such as the probabilities of default, loss given default, and exposure at default; and
- Tested the integrity of the data used in the models.

We found the assumptions reasonable and the methodology used to calculate the IFRS 9 impairment charge appropriate.

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)").

## INDEPENDENT AUDITORS REPORT (CONTINUED)

TO THE MEMBERS OF P2P GLOBAL INVESTMENTS PLC

In establishing the overall approach to the audit of the Group, we considered our assessment of the risk of material misstatement. We determined that seven entities generated significant activities or balances to the results of the Group through the consideration of factors such as their contribution to the Group's net assets and to provide sufficient evidence over each line item in the Group's financial statements. We included these as components for full scope audits. We supplemented this with additional testing over certain balances (such as loans at amortised cost, cash, borrowings, interest income, impairment of loans and finance costs) for the further ten entities not fully in scope of the Group audit.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the, Company and Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group financial statements, including but not limited to, the Companies Act 2006, the Listing Rules, UK tax legislation and the entity's responsibilities as an authorised firm with Part 4A permissions under the Financial Services and Markets Act ("FSMA") to undertake credit-related regulated activity. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with regulators, and enquiries of management.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "key audit matters" in the table above. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures, and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

### Group and Company financial statements

#### Overall materiality

**Group** £7.9m (2016: £8.5m).

**Parent** £7.8m (2016: £8.5m).

**How we determined it** 1% of total net assets.

**Rationale for benchmark applied** We believe that total net assets is the primary measure used by the shareholders in assessing the performance of the Group and Company, and this is also a generally accepted auditing benchmark used for Investment Trusts.

## INDEPENDENT AUDITORS REPORT (CONTINUED)

TO THE MEMBERS OF P2P GLOBAL INVESTMENTS PLC

For each component in the scope of our group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.5m and £7.8m. Certain components were audited to a local statutory audit materiality that was less than our overall Group materiality allocation.

We agreed with the Audit and Valuation Committee that we would report to them misstatements identified during our audit above £0.4m (Group and Company audit) (2016: £0.4m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### *Going concern*

In accordance with ISAs (UK) we report as follows:

#### *Reporting obligation*

We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

#### *Outcome*

We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We have nothing to report.

## REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

### *Strategic Report and Report of the Directors*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

## INDEPENDENT AUDITORS REPORT (CONTINUED)

TO THE MEMBERS OF P2P GLOBAL INVESTMENTS PLC

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and the Directors' Report. (CA06)

### *The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group*

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 18 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 26 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

### *Other Code Provisions*

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 45, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 36 to 38 describing the work of the Audit and Valuation Committee does not appropriately address matters communicated by us to the Audit and Valuation Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

### *Directors' Remuneration*

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### *Responsibilities of the Directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on page 45, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## INDEPENDENT AUDITORS REPORT (CONTINUED)

TO THE MEMBERS OF P2P GLOBAL INVESTMENTS PLC

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## OTHER REQUIRED REPORTING

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

### **Appointment**

Following the recommendation of the Audit and Valuation Committee, we were appointed by the members on 12 February 2014 to audit the financial statements for the period ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2014 to 31 December 2017.

Natasha McMillan (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

26 April 2018

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	31 December 2017 £	31 December 2016 £
<b>Non current assets</b>			
Investment assets designated as held at fair value through profit or loss	5	128,686,309	204,496,985
Loans at amortised cost	5	1,118,122,290	973,989,695
		<b>1,246,808,599</b>	<b>1,178,486,680</b>
<b>Current assets</b>			
Derivative financial instruments	5	1,821,193	710,352
Cash and cash equivalents	10	150,701,720	81,211,669
Cash pledged as collateral	11	4,772,022	40,012,074
Interest receivable	14	16,435,471	7,792,172
Other current assets and prepaid expenses		6,753,667	6,717,872
		<b>180,484,073</b>	<b>136,444,139</b>
<b>Total assets</b>		<b>1,427,292,672</b>	<b>1,314,930,819</b>
<b>Current liabilities</b>			
Amounts due to brokers		95,279	330,446
Derivative financial instruments	6	1,226,188	12,043,687
Interest payable		1,737,405	245,045
Investment management fees payable	13	3,347,065	974,559
Performance fees payable	13	3,914,430	916,183
Accrued expenses and other liabilities		4,016,918	4,028,742
		<b>14,337,285</b>	<b>18,538,662</b>
<b>Total assets less current liabilities</b>		<b>1,412,955,387</b>	<b>1,296,392,157</b>
<b>Non current liabilities</b>			
Borrowings	15	615,850,470	414,959,490
Other liabilities	15	7,249,872	30,690,694
<b>Total net assets</b>		<b>789,855,045</b>	<b>850,741,973</b>
<b>Equity attributable to Shareholders of the Company</b>			
Called-up share capital	22	863,068	863,068
Share premium account		27,791,880	27,791,880
Capital reserves		3,417,384	2,532,207
Revenue reserve		(835,582)	4,505,276
Special distributable reserve	22	758,618,295	815,049,542
<b>Total equity</b>		<b>789,855,045</b>	<b>850,741,973</b>
<b>Net Asset Value per Ordinary share</b>	21	<b>989.35p</b>	<b>1,006.49p</b>

The financial statements on pages 54 to 126 were approved by the Board of Directors on 26 April 2018 and signed on its behalf by:

Stuart Cruickshank  
Chairman

26 April 2018

See notes to the consolidated financial statements

## COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	31 December 2017 £	31 December 2016* £
<b>Non-current assets</b>			
Investment assets designated as held at fair value through profit or loss	5	382,063,256	701,260,292
Loans at amortised cost	5	855,873,391	373,584,688
		<b>1,237,936,647</b>	<b>1,074,844,980</b>
<b>Current assets</b>			
Derivative financial instruments	5	1,796,415	308,527
Cash and cash equivalents	10	91,044,304	24,600,070
Cash pledged as collateral	11	2,970,000	36,629,097
Interest receivable	14	13,244,230	4,649,982
Other current assets and prepaid expenses		3,378,619	2,347,060
		<b>112,433,568</b>	<b>68,534,736</b>
<b>Total assets</b>		<b>1,350,370,215</b>	<b>1,143,379,716</b>
<b>Current liabilities</b>			
Amounts due to brokers		95,279	330,446
Derivative financial instruments	6	1,226,188	12,043,687
Interest payable		1,218,467	–
Investment management fees payable	13	1,952,801	268,485
Performance fees payable	13	3,914,430	916,183
Accrued expenses and other liabilities		17,009,262	3,389,669
		<b>25,416,427</b>	<b>16,948,470</b>
<b>Total assets less current liabilities</b>		<b>1,324,953,788</b>	<b>1,126,431,246</b>
<b>Non-current liabilities</b>			
Borrowings	15	200,000,000	162,159,072
Deemed loan	16	335,098,743	113,530,201
<b>Total net assets</b>		<b>789,855,045</b>	<b>850,741,973</b>
<b>Equity attributable to Shareholders of the Company</b>			
Called-up share capital	22	863,068	863,068
Share premium account		27,791,880	27,791,880
Capital reserves		3,417,384	2,532,207
Revenue reserve		(835,582)	4,505,276
Special distributable reserve	22	758,618,295	815,049,542
<b>Total equity</b>		<b>789,855,045</b>	<b>850,741,973</b>
<b>Net Asset Value per Ordinary share</b>	21	<b>989.35p</b>	<b>1,006.49p</b>

Advantage has been taken of the exemption under section 408 of the Companies Act 2006 and accordingly the Company has not presented a Statement of Comprehensive Income for the Company alone. The net profit on ordinary activities after taxation of the Company for the year ended 31 December 2017 was £16,984,946 (2016: £30,974,511).

\* Figures have been restated. Refer to Note 4 for details.

The financial statements on pages 54 to 126 were approved by the Board of Directors on 26 April 2018 and signed on its behalf by:

Stuart Cruickshank  
Chairman

26 April 2018

See notes to the consolidated financial statements

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Revenue £	Capital £	Total £
Net gains on investments		–	1,419,362	1,419,362
Income		130,636,664	–	130,636,664
<b>Total return</b>	<b>7</b>	<b>130,636,664</b>	<b>1,419,362</b>	<b>132,056,026</b>
<b>Expenses</b>				
Investment management fee	13	8,154,749	58,707	8,213,456
Performance fee	13	3,914,430	–	3,914,430
Administration fee	13	580,805	–	580,805
Impairment of loans	12	67,191,370	–	67,191,370
Other expenses		20,586,863	475,478	21,062,341
<b>Total operating expenses</b>		<b>100,428,217</b>	<b>534,185</b>	<b>100,962,402</b>
<b>Net profit on ordinary activities before finance costs and taxation</b>		<b>30,208,447</b>	<b>885,177</b>	<b>31,093,624</b>
Finance costs		14,108,678	–	14,108,678
<b>Net profit on ordinary activities before taxation</b>		<b>16,099,769</b>	<b>885,177</b>	<b>16,984,946</b>
<b>Taxation on ordinary activities</b>	<b>20</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net profit on ordinary activities after taxation</b>	<b>8</b>	<b>16,099,769</b>	<b>885,177</b>	<b>16,984,946</b>
<b>Profit per Ordinary Share (basic and diluted)</b>	<b>8</b>	<b>20.16p</b>	<b>1.11p</b>	<b>21.27p</b>

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

See notes to the consolidated financial statements

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Revenue £	Capital £	Total £
Net gains on investments		–	1,055,572	1,055,572
Income		63,930,998	–	63,930,998
<b>Total return</b>	<b>7</b>	<b>63,930,998</b>	<b>1,055,572</b>	<b>64,986,570</b>
<b>Expenses</b>				
Investment management fee	13	3,516,737	2,564	3,519,301
Performance fee	13	916,183	–	916,183
Administration fee	13	371,212	–	371,212
Impairment of loans	12	16,291,238	–	16,291,238
Other expenses		5,678,985	–	5,678,985
<b>Total operating expenses</b>		<b>26,774,355</b>	<b>2,564</b>	<b>26,776,919</b>
<b>Net profit on ordinary activities before finance costs and taxation</b>		<b>37,156,643</b>	<b>1,053,008</b>	<b>38,209,651</b>
Finance costs		7,235,140	–	7,235,140
<b>Net profit on ordinary activities before taxation</b>		<b>29,921,503</b>	<b>1,053,008</b>	<b>30,974,511</b>
<b>Taxation on ordinary activities</b>	<b>20</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net profit on ordinary activities after taxation</b>	<b>8</b>	<b>29,921,503</b>	<b>1,053,008</b>	<b>30,974,511</b>
<b>Profit per Ordinary Share (basic and diluted)</b>	<b>8</b>	<b>35.40p</b>	<b>1.25p</b>	<b>36.65p</b>

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

See notes to the consolidated financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Share premium £	Capital reserve £	Revenue reserve £	Special distributable reserve £	Total £
<b>Net assets attributable to Shareholders at the beginning of the year</b>	4,467,549	24,187,399	1,479,199	10,430,809	832,647,915	873,212,871
Conversion of C shares to Ordinary Shares	395,519	394,404,481	–	–	–	394,800,000
Cancellation of C Shares converted to Ordinary Shares	(4,000,000)	(390,800,000)	–	–	–	(394,800,000)
Amounts paid on buyback of Ordinary Shares	–	–	–	–	(14,525,745)	(14,525,745)
Return on ordinary activities after taxation	–	–	1,053,008	29,921,503	–	30,974,511
Dividends declared and paid	–	–	–	(35,847,036)	(3,072,628)	(38,919,664)
<b>Net assets attributable to Shareholders at the end of the year</b>	<b>863,068</b>	<b>27,791,880</b>	<b>2,532,207</b>	<b>4,505,276</b>	<b>815,049,542</b>	<b>850,741,973</b>

See notes to the consolidated financial statements

## COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Share premium £	Capital reserve £	Revenue reserve £	Special distributable reserve £	Total £
<b>Net assets attributable to Shareholders at the beginning of the year</b>	4,467,549	24,187,399	1,479,199	10,430,809	832,647,915	873,212,871
Conversion of C shares to Ordinary Shares	395,519	394,404,481	–	–	–	394,800,000
Cancellation of C Shares converted to Ordinary Shares	(4,000,000)	(390,800,000)	–	–	–	(394,800,000)
Amounts paid on buyback of Ordinary Shares	–	–	–	–	(14,525,745)	(14,525,745)
Return on ordinary activities after taxation	–	–	1,053,008	29,921,503	–	30,974,511
Dividends declared and paid	–	–	–	(35,847,036)	(3,072,628)	(38,919,664)
<b>Net assets attributable to Shareholders at the end of the year</b>	<b>863,068</b>	<b>27,791,880</b>	<b>2,532,207</b>	<b>4,505,276</b>	<b>815,049,542</b>	<b>850,741,973</b>

See notes to the consolidated financial statements

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 December 2017 £	31 December 2016 £
<b>Cash flows from operating activities:</b>		
Net return on ordinary activities after taxation	16,984,946	30,974,511
<b>Adjustments to reconcile net return on ordinary activities after taxation to net cash inflow/(outflow) from operating activities:</b>		
Unrealised gain on investment assets	(10,872,993)	(4,146,545)
Realised (gain)/loss on investment assets	(14,112,136)	188,747
Increase in fair value of SPV	–	(133,076,516)
Decrease/(increase) in cash pledged as collateral	35,240,052	(10,989,097)
Increase in interest receivable	(8,643,299)	(5,102,978)
increase in other assets and prepaid expenses	(35,795)	(1,078,913)
(Decrease)/increase in amounts due to brokers	(235,167)	330,446
Increase in interest payable	1,492,360	245,045
Increase in trade and other payables	5,358,929	1,727,548
Impairment of loans	67,191,370	16,291,238
	<b>92,368,267</b>	<b>(104,636,514)</b>
<b>Capital expenditure and financial investments</b>		
Purchase of investments	(178,979,504)	(218,293,895)
Sale of investments	220,755,920	202,876,537
Net purchase of loans	5,001,670	38,998,330
Purchase of loans	(199,924,281)	(78,761,804)
Cash acquired on acquisition of subsidiary	7,248,873	44,892,453
<b>Net cash outflow from capital expenditure and financial investments</b>	<b>(145,897,322)</b>	<b>(10,288,379)</b>
<b>Net cash outflow from operating activities</b>	<b>(53,529,055)</b>	<b>(114,924,893)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from debt issued	769,794,538	304,604,014
Payments for the debt issued	(568,903,558)	(100,661,552)
Amounts paid on buyback of Ordinary Shares	(39,269,058)	(14,525,745)
Dividends declared and paid	(38,602,816)	(38,919,664)
<b>Net cash provided by financing activities</b>	<b>123,019,106</b>	<b>150,497,053</b>
Net change in cash and cash equivalents	69,490,051	35,572,160
Cash and cash equivalents at the beginning of the year	81,211,669	45,639,509
<b>Net cash and cash equivalents</b>	<b>150,701,720</b>	<b>81,211,669</b>

See notes to the consolidated financial statements

## COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	31 December 2017 £	31 December 2016* £
<b>Cash flows from operating activities:</b>		
Net return on ordinary activities after taxation	16,984,946	30,974,511
<b>Adjustments to reconcile net return on ordinary activities after taxation to net cash inflow/(outflow) from operating activities:</b>		
Unrealised gain on investment assets	(13,441,520)	(3,574,055)
Realised (gain)/loss on investment assets	(2,347,236)	188,747
Decrease/(increase) in accrued income	44,280,546	(133,076,516)
Decrease/(increase) in cash pledged as collateral	33,659,097	(10,989,097)
Increase in interest receivable	(8,594,248)	(4,649,982)
Increase in other assets and prepaid expenses	(1,031,559)	(495,230)
(Decrease)/increase in amounts due to brokers	(235,167)	330,446
Increase in interest payable	1,218,467	–
Increase in trade and other payables	18,302,156	1,530,156
Impairment of loans	2,042,885	15,895,431
Write off of loans	17,543,602	–
	<b>108,381,969</b>	<b>(103,865,589)</b>
<b>Capital expenditure and financial investments</b>		
Purchase of investments	(125,380,798)	(172,311,716)
Sale of investments	401,278,987	184,701,147
Net purchases and sales of money market funds	5,001,670	38,998,330
Purchase of loans	(504,375,190)	(187,145,526)
Cash receipt from deemed loans	221,568,542	113,530,201
<b>Net cash outflow from capital expenditure and financial investments</b>	<b>(1,906,789)</b>	<b>(22,227,614)</b>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>106,475,180</b>	<b>(126,093,203)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from debt issued	200,000,000	162,159,073
Payments for the debt issued	(162,159,072)	–
Amounts paid on buyback of Ordinary Shares	(39,269,058)	(14,525,745)
Dividends declared and paid	(38,602,816)	(38,919,664)
<b>Net cash (used in)/provided by financing activities</b>	<b>(40,030,946)</b>	<b>108,713,664</b>
Net change in cash and cash equivalents	66,444,234	(17,379,539)
Cash and cash equivalents at the beginning of the year	24,600,070	41,979,609
<b>Net cash and cash equivalents</b>	<b>91,044,304</b>	<b>24,600,070</b>

\* Figures have been restated. Refer to Note 4 for details.

See notes to the consolidated financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 1. GENERAL INFORMATION

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

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

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

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

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

As at 31 December 2017 the Company had total issued equity in the form of 86,306,803 ordinary shares (31 December 2016: 86,306,803) of which 79,835,549 were outstanding (31 December 2016: 84,525,803), and 6,471,254 were held as treasury shares (31 December 2016: 1,781,000). These shares are listed on the Premium listing segment of the Official List of the UK Listing Authority and trade on the London Stock Exchange's main market for listed securities.

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation and consolidation

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Where presentational guidance set out in the Statement of Recommended Practice (“SORP”) for investment trusts issued by the Association of Investment Companies (“AIC”) in November 2014 is consistent with the requirements of IFRS, the Directors have sought to prepare the consolidated financial statements on a basis compliant with the recommendations of the SORP.

#### Consolidation

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

Associates are entities over which the Group has significant influence, but does not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights.

No associates are presented on the Statement of Financial Position as the Group elects to hold such investments at fair value through profit and loss. This treatment is permitted by International Accounting Standards (“IAS”) 28 Investment in Associates and Joint Ventures, which permits investments held by entities that are venture capital organizations, mutual funds or similar entities to be excluded from its measurement methodology requirements where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement. Changes in fair value of associates are recognised in the Statement of Comprehensive Income in the period in which the change occurs.

The disclosures required by Section 409 of the Companies Act 2006 for associated undertakings are included in Note 19 to the financial statements.

As at 31 December 2017, the Company controls eight legal entities listed below as well as nine Trusts which are subsidiaries that the Company controls (together “the Group”).

Name of entity	Registered Office
P2PCL1 PLC	Winchester House, 1 Great Winchester St, London, EC2N 2DB, United Kingdom
Eaglewood SPV I LP	350 Park Avenue, 25th Floor, New York, NY 10022, USA
Eaglewood Income Fund I, LP	350 Park Avenue, 25th Floor, New York, NY 10022, USA
Marketplace Originated Consumer Assets 2016-1 PLC	35 Great St. Helen’s, London EC3A 6AP, United Kingdom
P2P BL-2 Limited	35 Great St. Helen’s, London EC3A 6AP, United Kingdom
P2P BL-3 Limited	Winchester House, 1 Great Winchester St, London, EC2N 2DB, United Kingdom
Marketplace Originated Consumer Assets 2017-1 PLC	35 Great St. Helen’s, London EC3A 6AP, United Kingdom
Greenwood I Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom
Certificated Loan Warehouse Trust	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
EW-PFL Trust	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
EW-PFL Security Trust	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
EW-PFL Financing Trust	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
SPV I Loan Trust	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
Payoff Consumer Loan Trust	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
BFCL Trust	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
Eaglewood Consumer Loan Trust 2014-1	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA
Eaglewood LC Trust	500 Delaware Avenue, 11th Floor, Wilmington, DE 19801, USA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company controls P2PCL1 PLC, a limited liability company incorporated in England and Wales, through its ownership of one class A Share which confers control of 100 per cent. of the voting rights in that entity.

The Company invests in a special purpose vehicle, Eaglewood SPV I LP (the “SPV” or the “Subsidiary”) and at 31 December 2017 is the sole Limited Partner in that SPV. The principal activity of Eaglewood SPV I LP is to invest in alternative finance investments and related instruments, including marketplace loans, which is aligned with the Company’s investment objective. The Company’s position with regards to the SPV is that of an investor where its maximum loss is restricted to its investment in the vehicle and in return for this, it receives a quarterly income distribution. Prior to 31 December 2016 the financial statements of the Company did not consolidate the SPV as the Company did not exercise control over its activities, which were instead exercised by the General Partner.

In December 2016, the parent of the General Partner undertook a review of the legal and corporate governance arrangements of the SPV. As a result of that review, on 31 December 2016, the SPV’s Limited Partnership Agreement was amended. This included, amongst other alterations, the addition of a clause by which the General Partner (“GP”) of the SPV can be replaced by notice from at least 75 per cent. of the Limited Partner interests. Furthermore, the composition of the board of managers of the General Partner was changed. Two of the three representatives from the group of the Investment Manager resigned and, on 22 December 2016, Stuart Cruickshank and an independent non-executive were both appointed to the Board as managers.

These changes resulted in the Group determining that the General Partner was then exercising its decision making powers in a capacity as an agent for the Group. Therefore the Group determined that it controlled the SPV and consolidated it from 31 December 2016.

The Company controls Eaglewood Income Fund I, LP (the “Eaglewood Fund”), a Delaware limited partnership established on 3 February 2012, through the control of the SPV. As at 31 December 2017, the SPV is the sole limited partner in the Eaglewood Fund. The Eaglewood Fund is an open ended private investment fund, offering monthly subscriptions and quarterly redemptions, with 90 days’ notice. The Eaglewood Fund is managed by the investment manager, PSC Eaglewood Americas LLC. It employs a strategy that primarily involves leveraged investment in monthly amortising unsecured US consumer loans originated by a single Platform with terms of three to five years.

Previously the financial statements of the Group did not consolidate the Eaglewood Fund as the Group did not exercise control over its activities, which were instead exercised by the GP of the Eaglewood Fund. It was the Directors’ judgement that the GP had a significant exposure to the variable returns of the Eaglewood Fund through its performance fee arrangements. As the GP had the decision making powers and in the Directors’ judgement was acting as the principal, the Directors’ determination was that the Group did not have control over the Eaglewood Fund and as a result did not consolidate it as at 31 December 2016. As at 31 December 2016, the SPV held 79 per cent. of the limited partner interests.

During the period the GP has undertaken a complete review of the Eaglewood Fund investment strategy, in light of its continued underperformance. This review concluded that the structure of the Eaglewood Fund was no longer appropriate to meet the original objectives of the investors and it was considered to be in the best interest of the investors to make compulsory redemptions. It was determined that the Eaglewood Fund structure could continue to be utilised to purchase platform loans on behalf of the Company, and therefore, all investors other than the SPV were redeemed on 30 September 2017. As a result of the structural changes, the SPV became the sole investor in the Eaglewood Fund, effective as of 1 October 2017. By virtue of the Company being the sole limited partner of the SPV, these structural changes have been assessed to result in the Company gaining control of Eaglewood Fund. On this basis, the Eaglewood Fund has been consolidated from 1 October 2017. Further details of the impact of this consolidation can be found in Note 3.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The Company also controls Greenwood I Limited (“Greenwood”) a limited company incorporated under the Law of England and Wales. The principal activity of Greenwood is to invest in secured consumer loans originated by a single platform. The Company employs Greenwood as a vehicle to invest indirectly in the loans originated through the platform, by providing financing to Greenwood. As at 31 December 2017, the Company is the sole investor of Greenwood.

The Company also controls a number of trusts (“Trusts”) through its control of the SPV and the Eaglewood Fund. The SPV and the Eaglewood Fund control a Trust if they are exposed to, or have the rights to, variable returns from their involvement with the Trust and have the ability to affect those returns through its power over the Trust. As at 31 December 2017, the SPV is the sole beneficial owner of Certified Loan Warehouse Trust, EW-PFL Trust, SPV I Loan Trust, Payoff Consumer Loan Trust, EW-PFL Security Trust and EW-PFL Financing Trust while the Eaglewood Fund is the sole beneficial owner of Eaglewood Consumer Loan Trust 2014-1 and Eaglewood LC Trust. The SPV is also a beneficial owner and holds a controlling interest in BFCL Trust.

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

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

The consolidated financial statements have been prepared 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 Group and the Company have adequate financial resources to enable them to continue operations for a period of no less than 12 months from the reporting date. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) Foreign currency

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

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 Consolidated Statement of Financial Position date are translated into 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, including loans at amortised cost, or liabilities, are taken to the capital return column of the Consolidated Statement of Comprehensive Income. Foreign exchange gains and losses arising on investments held at fair value are included within changes in fair value.

#### (c) Presentation of Consolidated 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 Consolidated Statement of Comprehensive Income between items of revenue and capital nature has been presented alongside the Consolidated Statement of Comprehensive Income. Net profit on ordinary activities before finance costs and taxation in the revenue column is the measure the Directors believe appropriate in assessing the Group'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 Consolidated 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.

#### (d) 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 EIR 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 EIR, the Group 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 EIR and all other premiums or discounts above or below market rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Consolidated Statement of Comprehensive Income on an ex-dividend basis.

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

#### (e) Expenses, fees and commissions

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

Gains and losses arising from derivative instruments are credited or charged to the Consolidated Statement of Comprehensive Income. All other expenses are accounted for on an accruals basis.

#### (f) 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 Consolidated 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 Group.

#### (g) Taxation

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting 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 Consolidated 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 Consolidated 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 consolidated 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 reporting 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 reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax is charged or credited in the Consolidated 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.

#### (h) Financial assets and financial liabilities

The Group 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, option contracts, money market funds, unlisted equities positions, equities, fixed income securities, investment in other funds and in the Eaglewood Fund in the prior year. 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, the Eaglewood Fund prior to consolidation and the subsidiaries (other than debt securities issued by them) are carried at fair value. This is determined using the NAV for the units at the balance sheet date as provided by the relevant fund administrator.

The unlisted equities are valued at fair value. The fair value is based on primary issuance of stock, secondary market transactions, earnings multiples or third party valuations which are considered representative of the fair value. Gains and losses arising from the changes in the fair values are recognised in the Consolidated 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 Group'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 EIR method less provisions for impairment.

##### (iii) *Deemed loans*

The deemed loans are a non-derivative financial liability with fixed or determinable repayments that are not quoted in an active market. Deemed loans in relation to the Group relate to loans originated by the Group and subsequently securitised in an SPV to reduce the cost of borrowing. Although the loans are no longer legally owned by the Company, the Company maintains the economic benefit of the underlying assets and therefore does not meet the criteria to derecognise. Derecognition cannot be achieved by merely transferring the legal title of a financial asset to another party. The substance of the arrangement must be assessed in order to determine whether an entity has transferred the economic exposure associated with the rights inherent in the asset. Loans and related transaction costs are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the EIR method. IAS makes it clear that assets should only appear on one statement of financial position. IFRS require a reporting entity, as part of the derecognition assessment, to consider whether the transfer includes a transfer to a consolidated subsidiary. The practical application of the IAS 39 derecognition requirements can be complex and require a significant degree of professional judgement to be applied. Derecognition cannot be achieved by merely transferring the legal title to a financial asset to another party. The substance of the arrangement must be assessed in order to determine whether an entity has transferred the economic exposure associated with the rights inherent in the asset (i.e., its risks and rewards) and, in some cases, control of those rights.

In the case of the Company, it has not met the requirements of derecognition given the economic exposure associated with the rights inherent in the assets (i.e., its risks and rewards), have been retained. As such the Company fails to meet the requirements for derecognition and recognises the financial assets as deemed loans to the securitised SPVs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (iv) *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.

#### (v) *Impairment of financial assets*

##### *Assets carried at amortised cost*

The Group assesses at each reporting 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;
- breach of loan covenants or conditions;
- debt being restructured to reduce the burden on the borrower; or
- deterioration in value of collateral in the case of secured lending.

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

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

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 Consolidated Statement of Comprehensive Income.

##### ***SME and consumer loan impairment allowance***

For unsecured and secured consumer and SME lending portfolios, the impairment trigger is generally when the balance is one or more payments in arrears. While the trigger is based on the payment performance of an individual loan, the assessment of future cash flows uses historical experience of cohorts of similar portfolios such that the assessment is considered to be collective. Assets are included into a cohort of financial assets with similar risk characteristics and collectively assessed for impairment. The characteristics currently utilised are product type and geographical location, as different borrower behaviours are observed based on these characteristics.

Future cash flows are estimated on the basis of the contractual cash flows and historical loss experience for assets in such a cohort. Historical loss experience is estimated from the roll rate to default and loss given default for historical loans that would or had formed part of such a cohort. These historic loans will be either those previously held by the Group or, where available, the complete historic loan book from the marketplace lending platforms.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### **Secured real estate loan impairment allowance**

Due to their size and nature, the impairment allowance for secured real estate loans is determined on a specific basis.

In assessing objective evidence of a loss event for secured real estate loans, the following key indicators are considered:

- contractually due payments being in arrears;
- breach of covenants;
- the probability of the borrower entering bankruptcy;
- restructuring of the debt relating to the borrower's financial difficulties ('forbearance'); and
- deterioration in value of collateral due to either idiosyncratic events or macroeconomic conditions.

Where there is objective evidence of impairment, cash flows are assessed on a case by case basis considering the following factors:

- aggregate exposure to the customer;
- the viability of the customer's business model and their capacity to trade successfully out of financial difficulties to service debt obligations;
- the amount and timing of expected receipts and recoveries of collateral;
- the extent of other creditors' claims ranking ahead of the Group's; and
- the likely deduction of any costs involved in recovery of amounts outstanding.

#### **Write offs**

The Group is not in possession of personal identifying information on borrowers and therefore generally restricts itself to writing off on the basis of observed payment records (or lack thereof). The assumption is that even after a loan has been placed into default, there will likely be ongoing collections efforts. Also, any sales to debt collection agencies typically take some time to execute. Therefore, an unsecured consumer loan is normally written off when 120 days have elapsed without a payment being made, and the loan has been in a defaulted state throughout this period. Unsecured SME loans often have a lengthier legal process before collections can be made from any guarantors, so such a loan is written off when 240 days have elapsed without a payment being made, and the loan has been in a defaulted state throughout this period. Secured loans are written off when the proceeds from realising any available collateral have been received or where there is no realistic prospect of recovery and the amount of the loss has been determined. This policy was implemented in 2017. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the Consolidated Statement of Comprehensive Income.

When the Group becomes aware of special circumstances that make any further collections unlikely (such as fraud, insolvency, or deceased with no known executors or next of kin), a decision may be made to write off a loan earlier than after the periods indicated above.

#### **(vi) Financial liabilities**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (vii) Derivatives

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

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

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

#### (viii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Consolidated 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.

#### (i) 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.

#### (j) 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.

Cash pledged as collateral comprises cash posted to derivative counterparties to mitigate credit risk arising on the mark to market of the underlying derivative position.

#### (k) Current liabilities

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

#### (l) Shares

Ordinary and treasury 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, legal fees, accounting and other professional advisers, printing costs and stamp duties.

The Group's equity NAV per unit is calculated by dividing the equity less net assets attributable to the holder of redeemable shares divided by the total number of outstanding shares.

Treasury shares have no entitlements to vote and are held by the Company.

#### (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;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- cost of own shares bought back; and
- 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 Consolidated Statement of Comprehensive Income except the cost of own shares bought back which is accounted for in the Consolidated Statement of Changes in Shareholders' Funds.

#### (n) Segmental reporting

The Board and Investment Manager consider investment activity in Credit Assets and selected Equity Assets as the single operating segment of the Group, being the sole purpose for its existence. No other activities are performed. Whilst visibility over originations, portfolios, structured facilities and equity assets is afforded at an operational level, all are considered 'routes to market' for acquiring interests in credit assets, and thus act merely as indicators of the key drivers of financial performance and position of the Group. The four routes to market are not determinants of resource allocations, rather each investment opportunity is considered on its own merits. Additionally, there are no segment managers directly accountable for the individual routes to market. The Directors are of the opinion that the Group is engaged in a single segment of business.

#### (o) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS adopted in the EU requires the Company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amount, actual results may differ ultimately from those estimates.

The areas requiring a higher degree of judgement concern the impairment policy for loans at amortised cost and the basis for consolidation, while assumptions and estimates are significant in relation to the valuation of unquoted investments and the impairment of loans at amortised cost. These areas are significant to the financial statements and are described below.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### *Impairment of loans held at amortised cost*

The Group's loans and receivables are held at amortised costs less impairments. Impairment is an estimate as is measured as the difference between an asset's carrying amount and the present value of management's estimate of future cash flows discounted at the asset's original EIR.

The Group applies a collective provisioning basis for unsecured and secured consumer and SME loans. The impairment trigger for such loans will generally be a payment being more than 15 days in arrears. Key assumptions included in the measurement of impairment are:

- the roll rate to default as a function of the number of days a payment is past due;
- the bucketing of such roll rate data;
- the loss given default; and
- the emergence period in respect of loans and receivables that have not shown objective evidence of an impairment trigger.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

These assumptions applied by the Group are initially drawn from the assessment of observed historical data reported by the peer to peer lending platforms which are used by the Group.

The loss given default assumptions are made considering any security posted against a loan, any platform sale agreements for non-performing loans, actual recoveries observed over time on comparable loans, or as determined by the Investment Manager and approved by the Valuation Committee. Such data may be limited to the loans held by the Group or will comprise the entire loan book of the platform. The historical data is collated, and then applied, by product type and geography. Where a specific platform has materially different risk profile, then those loans will be treated separately based on the historical data in relation to that platform only.

The roll rate data is bucketed into the following categories, 15-30 days late, 31-60 days late, 61-90 days late and 90+ days late. This is on the basis that loans generally pay monthly and therefore each bucket represents an increasing number of missed payments.

Whilst estimating future cashflows is a key area of judgement, the Investment Manager continually monitors the performance of the Group's portfolio against these assumptions. The probabilities of roll rate to default and probabilities of loss given default are evaluated using current data in order to inform the Group's assessment of their continued appropriateness, and where appropriate will be updated to reflect current economic conditions.

The emergence period for loans that have incurred losses that have not yet been reported is mostly relevant for unsecured consumer loans. Given the underlying cause of a default is usually the loss of a borrower's income, it is assumed that the emergence period of an observable impairment trigger will typically be short and weighted towards the shorter periods.

Loans are determined to be in arrears once they are in excess of 15 days overdue. Whilst this represents a judgement by the Group, it has been the Group's experience that loans which are less than 15 days past due are typically late due to operational reasons.

Sensitivity analysis about significant areas of estimation uncertainty and critical judgements in relation to the impairment of loans are described in Note 12.

The secured real estate loans held by the Group, due to their size and nature, are individually assessed for impairment. In calculating the provisions for secured loans, estimates of discounted cash flows are made on the basis of the planned strategy for each loan (such as working out, divestment etc.). These estimates are judgemental as they include assumptions for underlying property values and estimated future expected cash flows for income and any development costs.

For secured real estate loans there is no impairment at year end (2016: £Nil), however significant judgement is required when assessing the losses incurred but not reported on these loans. In general these loans have low loan to value ("LTV") parameters, with the weighted average being below 70 per cent. It would therefore require an average reduction greater than 30 per cent. in the value of property collateral for the loans not to be fully covered in case of default. With the implementation of IFRS 9 an expected credit loss treatment is used and is modelled based on the original LTV adjusted for property price drops under various macro scenarios as well as taking into account completion risk, sale costs, impaired collateral and forced sale discounts. IFRS 9 also requires assuming maximum drawdown on available lines, therefore exposure at default ("EAD") is the current outstanding balance plus any amount still to be drawn. Given the move to an expected credit loss model under IFRS 9 a provision will be booked for secured real estate loans for 1 January 2018.

#### **Valuation of unquoted investments**

The valuation of unquoted investments and investments for which there is an inactive market is a key area of judgement and may cause material adjustment to the carrying value of those assets and liabilities. These are valued in accordance with the techniques set out in Note 2(h).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The unquoted equity assets are valued on periodic basis using techniques including a market approach, costs approach and/or income approach. The valuation process is collaborative, involving the finance and investment functions within the Investment Manager with the final valuations being reviewed by the Board's Audit and Valuation Committee. The specific techniques used typically include earnings multiples, discounted cash flow analysis, the value of recent transactions, and, where appropriate, industry rules of thumb. The valuations often reflect a synthesis of a number of different approaches in determining the final fair value estimate. The individual approach for each investment will vary depending on relevant factors that a market participant would take into account in pricing the asset. These might include the specific industry dynamics, the Company's stage of development, profitability, growth prospects or risk as well as the rights associated with the particular security.

Increases or decreases in any of the inputs in isolation may result in higher or lower fair value measurements. Changes in fair value of all investments held at fair value are recognised in the Statement of Comprehensive Income as a capital item. On disposal, realised gains and losses are also recognised in the Statement of Comprehensive Income as a capital item. Transaction costs are included within gains or losses on investments held at fair value, although any related interest income, dividend income and finance costs are disclosed separately in the financial statements. Sensitivity analysis has been included in Note 5.

#### **Consolidation**

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

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

##### **Accounting standards effective**

Amendments to IAS 7, "Statement of cash flows", effective 1 January 2017. These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Please refer to Note 15 for further details.

##### **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 2018. This is the converged standard on revenue recognition and replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. The new standards only impact is expected to be on the presentation of the 31 December 2018 financial results given that interest on fair value loans will no longer be able to be presented through interest income but Fair Value Through Profit and Loss (FVTPL).

IFRS 9 "Financial Instruments", brings together the classification and measurement, impairment and hedge accounting phases of the IASB project to replace IAS 39, and is effective for annual periods beginning on or after 1 January 2018. The key elements of the standard are as follows:

##### **Classification and measurement**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL: (a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

#### Business model assessment

The Company will make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Investment Manager.

The information that will be considered includes:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the contractual terms of the instrument will be considered. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment the following features will be considered:

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

#### Impairment

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The measurement of expected credit losses will primarily be based on the product of the instrument's probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"), discounted to the reporting date. The main difference between Stage 1 and Stage 2 is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios.

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognised. Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39. Assets can move in both directions through the stages of the impairment model.

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

- Qualitative; e.g. breaches of covenant;
- Quantitative; e.g. overdue status; and
- Based on data developed internally and obtained from external sources.

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

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

The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency.

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

The base case will represent a most likely outcome and be aligned with information used for other purposes, such as strategic planning and budgeting. The other scenarios will represent more optimistic and more pessimistic outcomes.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Hedge accounting*

The new requirements align hedge accounting more closely with risk management. The revised standard also establishes a more principles-based approach to hedge accounting.

To manage the transition to IFRS 9, the Investment Manager implemented a comprehensive program that focuses on key areas of impact, including financial reporting, data, systems and processes. Throughout the project, the Investment Manager has provided updates to the Audit and Valuation Committee, to ensure escalation of key issues and risks. As part of the implementation of IFRS 9 the Investment Manager has:

- reviewed the classification and measurement of financial instruments under the requirements of IFRS 9;
- developed and validated a set of IFRS 9 models for calculating expected credit losses on the Group and Company's loan portfolios; and
- implement internal governance processes which are appropriate for IFRS 9.

The new classification and measurement and impairment requirements will be applied by adjusting the Consolidated Statement of Financial Position on 1 January 2018, the date of initial application, with no restatement of comparative period financial information. Based on current estimates, the adoption of IFRS 9 is expected to result in a reduction to reserves as at 31 December 2017 of approximately £19.6 million, net of taxes. Please see table below for impact upon type of exposure. The impact is primarily attributable to increases in the allowance for credit losses under the new impairment requirements. We continue to monitor and validate certain elements of the impairment models and assumptions underpinning the estimates provided above. We expect some additional volatility in impairment charges under IFRS 9 when compared to the current IAS 39 impairment model due to the forward looking nature of expected credit losses.

	Real Estate (UK) £'m	SME (UK) £'m	SME (US) £'m	Consumer (UK) £'m	Consumer (US) £'m	Consumer (Other) £'m	Total £'m
IFRS 9 impact Group	2.2	2.9	0.0	5.8	8.4	0.3	19.6
IFRS 9 impact Company	2.2	2.9	0.0	5.8	–	0.3	11.2

### 3. BUSINESS COMBINATION

As of 1 October 2017, the Company gained control of the Eaglewood Fund, by virtue of being the sole limited partner of the SPV and the SPV becoming the sole limited partner in the Eaglewood Fund. This control was gained after the SPV became the sole investor of the Eaglewood Fund following a structural review undertaken by the general partner. The Eaglewood Fund was consolidated as at 1 October 2017 following the compulsory redemption of the other investors, driven by the general partner, in light of the underperformance. (see Note 2(a) for further details).

The Consolidated Statement of Financial Position shows the underlying assets and liabilities of the Eaglewood Fund. The consolidation impacts the presentation of the Consolidated Statement of Financial Position. In the 2016 Annual Report and the comparatives included within this report, the Eaglewood Fund is presented as a single line item contained within Investment assets designated as held at fair value through profit or loss. Previously the financial statements of the Group did not consolidate the Eaglewood Fund as the Group did not exercise control over its activities, which was instead exercised by the General Partner ("GP") of the Eaglewood Fund. It was the Directors' judgement that the GP had a significant exposure to the variable returns of the Eaglewood Fund through its performance fee arrangements. As the GP had the decision making powers and in the Directors' judgement was acting as the principal, the Directors' determination was that the Group did not have control over the Eaglewood Fund and as a result did not consolidate it as at 31 December 2016. The consolidation of the Eaglewood Fund has had no impact on the Company Statement of Financial Position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. BUSINESS COMBINATION (continued)

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. BUSINESS COMBINATION (continued)

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

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

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

At the start of the year, the Eaglewood Fund was the primary beneficiary of EW-LC Trust ("LC Trust"), MW-EW Financing Trust I ("EW Financing Trust"), Eaglewood Warehouse Trust I ("Warehouse I"), Eaglewood Warehouse Trust II ("Warehouse II") and Eaglewood Consumer Loan Trust 2014-1 ("ECLT").

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. RESTATEMENT OF COMPARATIVE INFORMATION

In the prior year, the Company Statement of Financial Position did not reflect the individual loans held by P2PCL1 PLC and MOCA 2016. The loans were originated in P2PGI and then sold to the SPEs, whereon the loans were derecognised. Prior year comparatives have been restated to address these loan investments. IAS 39 requires that an entity evaluates whether, and to what extent, a financial asset is derecognised. Derecognition cannot be achieved by merely transferring the legal title to a financial asset to another party. The substance of the arrangement must be assessed in order to determine whether an entity has transferred the economic exposure associated with the rights inherent in the asset (i.e., its risks and rewards) and, in some cases, control of those rights.

In the case of the Company, it has not met the requirements of derecognition as it has not transferred the economic exposure associated with the rights inherent in the assets (i.e., its risks and rewards) and therefore continues to recognise the financial assets transferred. Therefore, it is required to recognise the financial assets transferred and there is a restatement of 2016 to reflect the derecognition of loans carried at amortised cost and recognition of deemed loans. The disclosure on the following pages show the impact of the Company's Statement of Financial Position and Statement of Consolidated Cashflow. There was no impact on the Consolidated Statement of Financial Position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)

Restatement of Company Statement of Financial Position	31 December 2016 £	Adjustment £	31 December 2016 Restated £
<b>Non-current assets</b>			
Investment assets designated as held at fair value through profit or loss	701,260,292	–	701,260,292
Investment in debt securities at amortised cost	34,047,662	(34,047,662)	–
Loans at amortised cost	226,006,825	147,577,863	373,584,688
	<b>961,314,779</b>	<b>113,530,201</b>	<b>1,074,844,980</b>
<b>Current assets</b>			
Derivative financial instruments	308,527	–	308,527
Cash and cash equivalents	24,600,070	–	24,600,070
Cash pledged as collateral	36,629,097	–	36,629,097
Interest receivable	4,649,982	–	4,649,982
Other current assets and prepaid expenses	2,347,060	–	2,347,060
	<b>68,534,736</b>	<b>–</b>	<b>68,534,736</b>
<b>Total assets</b>	<b>1,029,849,515</b>	<b>113,530,201</b>	<b>1,143,379,716</b>
<b>Current liabilities</b>			
Amounts due to brokers	330,446	–	330,446
Derivative financial instruments	12,043,687	–	12,043,687
Investment management fees payable	268,485	–	268,485
Performance fees payable	916,183	–	916,183
Accrued expenses and other liabilities	3,389,669	–	3,389,669
<b>Total current liabilities</b>	<b>16,948,470</b>	<b>–</b>	<b>16,948,470</b>
<b>Total assets less current liabilities</b>	<b>1,012,901,045</b>	<b>–</b>	<b>1,126,431,246</b>
<b>Non-current liabilities</b>			
Borrowings	162,159,072	–	162,159,072
Deemed loan	–	113,530,201	113,530,201
<b>Total net assets</b>	<b>850,741,973</b>	<b>–</b>	<b>850,741,973</b>
<b>Equity attributable to Shareholders of the Company</b>			
Called-up share capital	863,068	–	863,068
Share premium account	27,791,880	–	27,791,880
Capital reserves	2,532,207	–	2,532,207
Revenue reserve	4,505,276	–	4,505,276
Special distributable reserve	815,049,542	–	815,049,542
<b>Total equity</b>	<b>850,741,973</b>	<b>–</b>	<b>850,741,973</b>
<b>Net Asset Value per Ordinary share</b>	<b>1,006.49p</b>	<b>–</b>	<b>1,006.49p</b>
<b>Net Profit on Ordinary activities after taxation</b>	<b>30,974,511</b>	<b>–</b>	<b>30,974,511</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. RESTATEMENT OF COMPARATIVE INFORMATION (continued)

Restatement of Company Cash Flow Statement	31 December 2016 £	Adjustment £	31 December 2016 Restated £
<b>Cash flows from operating activities:</b>			
Net return on ordinary activities after taxation	30,974,511	–	30,974,511
<b>Adjustments to reconcile net return on ordinary activities after taxation to net cash outflow from operating activities:</b>			
Unrealised gain/(loss) on investment assets	(7,704,500)	2,721,052	(4,983,448)
Realised gain on investment assets	2,602,849	(2,414,102)	188,747
Increase in accrued income	(133,076,516)	–	(133,076,516)
Increase in cash pledged as collateral	(10,989,097)	–	(10,989,097)
Increase in other assets and prepaid expenses	(5,145,212)	–	(5,145,212)
Increase in amounts due to brokers	330,446	–	330,446
Increase in trade and other payables	1,530,156	–	1,530,156
Impairment of loans	15,895,431	1,409,393	17,304,824
	<b>(105,581,932)</b>	<b>1,716,343</b>	<b>(103,865,589)</b>
<b>Capital expenditure and financial investments</b>			
Purchase of investments	(252,087,497)	79,775,781	(172,311,716)
Sale of investments	232,145,609	(47,444,462)	184,701,147
Net purchases and sales of money market funds	38,998,330	–	38,998,330
Purchase of loans at amortised cost	(39,567,713)	(147,577,863)	(187,145,576)
Cash receipt from deemed loans	–	113,530,201	113,530,201
<b>Net cash outflow from capital expenditure and financial investments</b>	<b>(20,511,271)</b>	<b>(1,716,343)</b>	<b>(22,227,614)</b>
<b>Net cash outflow from operating activities</b>	<b>(126,093,203)</b>	<b>–</b>	<b>(126,093,203)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from subscription of Ordinary Shares	–	–	–
Proceeds from debt issued	162,159,073	–	162,159,073
Share issue costs	–	–	–
Amounts paid on buyback of Ordinary Shares	(14,525,745)	–	(14,525,745)
Dividends declared and paid	(38,919,664)	–	(38,919,664)
<b>Total equity</b>	<b>108,713,664</b>	<b>–</b>	<b>108,713,664</b>
Net change in cash and cash equivalents	(17,379,539)	–	(17,379,539)
Cash and cash equivalents at the beginning of the year	41,979,609	–	41,979,609
<b>Net cash and cash equivalents</b>	<b>24,600,070</b>	<b>–</b>	<b>24,600,070</b>

The investment in debt securities at amortised cost has been reduced by £34,047,662 to eliminate the Company's investment in P2PCL1 PLC and MOCA 2016. Loans at amortised cost have been increased by £147,577,863 to reflect the underlying loans held by P2PCL1 PLC and MOCA 2016. The deemed loans within non-current liabilities have been increased by £113,530,201 to reflect the offsetting liability arising from the above adjustment.

The Company Cash Flow Statement has been restated to remove gains, losses and cashflows resulting from the Company's holdings in P2PCL1 PLC and MOCA 2016 as follows: the unrealised loss on investment assets is reduced by £2,721,052, realised gain on investment assets is reduced by £2,414,102, the purchase of investments is reduced by £79,775,781 and the sale of investments is reduced by £47,444,462. The purchase of loans has increased by £147,577,863 and the cash receipt for deemed loans has increased by £113,530,201 to reflect the cashflows relating to the deemed loans.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. 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.

One investment in fixed income security issued by a fund is valued based on the NAV as calculated by the fund's Administrator at the balance sheet date. The constitutional and offering documentation of the fund sets out the valuation methodology, the applicable generally accepted accounting principles and the frequency, by which its assets are to be valued and the NAV are to be calculated. No adjustments have been determined to be necessary to the NAV as supplied by the Administrator as this reflects the fair value of the underlying investments under the relevant valuation methodology. The NAV is the value of all the assets of the fund less its liabilities to creditors (including provisions for such liabilities) determined in accordance with applicable accounting standards. The NAV of the fund is sensitive to movements in interest rates due to its investment in fixed rate loans.

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

The investments in unlisted equities are valued using several different techniques, primarily recent transactions and recent rounds of funding by the investee entities.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. FAIR VALUE MEASUREMENT (continued)

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

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

The following table analyses within the fair value hierarchy the Group's assets and liabilities measured at fair value at 31 December 2016:

	Total £	Level 1 £	Level 2 £	Level 3 £
<b>Investment assets at fair value through profit or loss</b>				
Fixed income	54,648,494	–	9,402,625	45,245,869
Investment in money market funds	5,001,670	5,001,670	–	–
Investment in other funds	112,025,624	–	–	112,025,624
Unlisted equities	32,575,147	–	–	32,575,147
Equities	246,050	246,050	–	–
<b>Total</b>	<b>204,496,985</b>	<b>5,247,720</b>	<b>9,402,625</b>	<b>189,846,640</b>
<b>Derivative financial assets</b>				
Forward foreign exchange contracts	1,091	–	1,091	–
Option contracts	709,261	–	709,261	–
<b>Total</b>	<b>710,352</b>	<b>–</b>	<b>710,352</b>	<b>–</b>
<b>Derivative financial liabilities</b>				
Forward foreign exchange contracts	(12,043,687)	–	(12,043,687)	–
<b>Total</b>	<b>(12,043,687)</b>	<b>–</b>	<b>(12,043,687)</b>	<b>–</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. FAIR VALUE MEASUREMENT (continued)

The following table presents the movement in the Group's Level 3 positions for the year ended 31 December 2017.

	Fixed income £	Unlisted equities £	Investments in other funds £	Investments in the Eaglewood Fund £	Total £
Opening balance	45,245,869	32,575,147	10,731	112,014,893	189,846,640
Impact of consolidation*	9,600,086	–	–	(103,039,625)	(93,439,539)
Purchases	76,695,599	2,754,182	–	–	79,449,781
Sales	(65,960,536)	(822,627)	(6,870)	–	(66,790,033)
Net change in realised/ unrealised gains/(losses)	1,337,581	(1,824,264)	(3,861)	(8,975,268)	(9,465,812)
<b>Closing balance</b>	<b>66,918,599</b>	<b>32,682,438</b>	<b>–</b>	<b>–</b>	<b>99,601,037</b>
<b>Change in unrealised gains/(losses) on investments still held as at 31 December 2017</b>	<b>238,337</b>	<b>(667,848)</b>	<b>–</b>	<b>–</b>	<b>(429,511)</b>

\* This reflects the impact of the consolidation of the Eaglewood Fund. Prior year figures do not consolidate the Eaglewood Fund, therefore the investment in the Eaglewood Fund itself is included as a Level 3 opening position. During the year ended 31 December 2017 control was gained of the Eaglewood Fund (refer to Note 3 for details) therefore the closing balance above does not reflect investment in the Eaglewood Fund but instead reflects all the underlying Level 3 positions held by the Eaglewood Fund at year end.

The following table presents the movement in the Group's Level 3 positions for the year ended 31 December 2016.

	Fixed income £	Unlisted equities £	Investments in other funds £	Investments in the SPV £	Total £
Opening balance	2,509,318	13,033,545	–	484,034,539	499,577,402
Purchases	65,337,380	22,889,833	–	376,353,148	464,580,361
Sales	(23,027,421)	(15,750,088)	–	(375,918,203)	(414,695,712)
Net change in realised/ unrealised gains	426,592	3,644,789	–	133,076,516	137,147,897
Impact of consolidation*	–	8,757,068	112,025,624	(617,546,000)	(496,763,308)
<b>Closing balance</b>	<b>45,245,869</b>	<b>32,575,147</b>	<b>112,025,624</b>	<b>–</b>	<b>189,846,640</b>
<b>Change in unrealised gains on investments still held as at 31 December 2016</b>	<b>263,023</b>	<b>3,790,166</b>	<b>38,910,520</b>	<b>–</b>	<b>42,963,709</b>

\* This reflects the impact of the consolidation of the SPV. 2015 figures did not consolidate the SPV, therefore the investment in the SPV itself is included as a Level 3 opening position. During the year ended 31 December 2016, control was gained of the SPV (refer to Note 2 for details) therefore the closing balance above does not reflect investment in the SPV but instead reflects all the underlying Level 3 positions held by the SPV at year end.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. FAIR VALUE MEASUREMENT (continued)

Quantitative information regarding the unobservable inputs for the Group's Level 3 positions as at 31 December 2017 is given below:

	Fair value at 31 December 2017 £	Valuation technique	5% change in price £
Fixed income*	23,212,144	Recent transactions	1,160,607
Fixed income*	34,106,369	Broker quotes	1,705,318

\* A 5% sensitivity to change in price has been presented for fixed income positions to better reflect the perceived uncertainty in the valuation of these positions.

Quantitative information regarding the unobservable inputs for the Group's Level 3 positions as at 31 December 2017 is given below:

	Fair value at 31 December 2017 £	Valuation technique	20% change in price £
Unlisted equities	28,236,702	Recent transactions	5,647,340
Unlisted equities	1,048,221	Residual value	209,644

	Fair value at 31 December 2017 £	Valuation technique	5% change in default rate £
Junior debt	9,600,086	Discounted cash flow	233,271

	Fair value at 31 December 2017 £	Valuation technique	Earnings multiple increased by 1 £
Unlisted equities	3,397,515	Earnings multiple	522,695

Quantitative information regarding the unobservable inputs for the Group's Level 3 positions as at 31 December 2016 is given below:

	Fair value at 31 December 2016 £	Valuation technique	1% change in price £
Fixed income	10,730,454	Recent transactions	536,522
Fixed income	34,515,415	Broker quotes	1,725,771

	Fair value at 31 December 2016 £	Valuation technique	20% change in price £
Unlisted equities	29,177,632	Recent transactions	5,835,526
Investments in other funds	112,025,624	Net Asset Value	22,405,125

	Fair value at 31 December 2016 £	Valuation technique	Earnings multiple increased by 1 £
Unlisted equities	3,397,515	Earnings multiple	522,695

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. FAIR VALUE MEASUREMENT (continued)

#### Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table presents the fair value of the Group's assets and liabilities (by class) not measured at fair value through profit and loss at 31 December 2017 but for which fair value is disclosed:

	Total £	Level 1 £	Level 2 £	Level 3 £
<b>Assets</b>				
Cash and cash equivalents	150,701,720	150,701,720	–	–
Cash pledged as collateral	4,772,022	4,772,022	–	–
Interest receivable	16,435,471	–	16,435,471	–
Loans at amortised cost	1,124,126,709	–	–	1,124,126,709
<b>Total</b>	<b>1,296,035,922</b>	<b>155,473,742</b>	<b>16,435,471</b>	<b>1,124,126,709</b>
<b>Liabilities</b>				
Amounts due to brokers	95,279	–	95,279	–
Interest payable	1,737,405	–	1,737,405	–
Investment management fees payable	3,347,065	–	3,347,065	–
Performance fees payable	3,914,430	–	3,914,430	–
Borrowings	615,850,470	–	615,850,470	–
Other liabilities	7,249,872	–	7,249,872	–
<b>Total</b>	<b>632,194,521</b>	<b>–</b>	<b>632,194,521</b>	<b>–</b>

The following table presents the fair value of the Group's assets and liabilities (by class) not measured at fair value through profit and loss at 31 December 2016 but for which fair value is disclosed:

	Total £	Level 1 £	Level 2 £	Level 3 £
<b>Assets</b>				
Cash and cash equivalents	81,211,669	81,211,669	–	–
Cash pledged as collateral	40,012,074	40,012,074	–	–
Interest receivable	7,792,172	–	7,792,172	–
Loans at amortised cost	973,989,695	–	–	973,989,695
<b>Total</b>	<b>1,103,005,610</b>	<b>121,223,743</b>	<b>7,792,172</b>	<b>973,989,695</b>
<b>Liabilities</b>				
Amounts due to brokers	330,446	–	330,446	–
Investment management fees payable	974,559	–	974,559	–
Performance fees payable	916,183	–	916,183	–
Borrowings	414,959,490	–	414,959,490	–
Other liabilities	30,690,694	–	4,549,005	26,141,689
<b>Total</b>	<b>447,871,372</b>	<b>–</b>	<b>421,729,683</b>	<b>26,141,689</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. FAIR VALUE MEASUREMENT (continued)

The table below provides details of the loans at amortised cost held by the Group at 31 December 2017.

	Amortised cost before impairment £	Accumulated impairment £	Amortised cost £	Carrying value £
Loans at amortised cost	1,176,336,407	(58,214,117)	1,118,122,290	1,118,122,290
<b>Total</b>	<b>1,176,336,407</b>	<b>(58,214,117)</b>	<b>1,118,122,290</b>	<b>1,118,122,290</b>

The table below provides details of the loans at amortised cost held by the Group at 31 December 2016.

	Amortised cost before impairment £	Accumulated impairment £	Amortised cost £	Carrying value £
Loans at amortised cost	1,018,199,789	(44,210,094)	973,989,695	973,989,695
<b>Total</b>	<b>1,018,199,789</b>	<b>(44,210,094)</b>	<b>973,989,695</b>	<b>973,989,695</b>

Further details on the accumulated impairment included in the Consolidated Statement of Financial Position for the year is reported in Note 12.

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

	Total £	Level 1 £	Level 2 £	Level 3 £
<b>Investment assets at fair value through profit or loss</b>				
Investment in subsidiaries	269,055,797	–	–	269,055,797
Fixed income	86,216,505	–	28,897,992	57,318,513
Unlisted equities	26,603,674	–	–	26,603,674
Equities	187,280	187,280	–	–
<b>Total</b>	<b>382,063,256</b>	<b>187,280</b>	<b>28,897,992</b>	<b>352,977,984</b>
<b>Derivative financial assets</b>				
Forward foreign exchange contracts	1,796,415	–	1,796,415	–
<b>Total</b>	<b>1,796,415</b>	<b>–</b>	<b>1,796,415</b>	<b>–</b>
<b>Derivative financial liabilities</b>				
Forward foreign exchange contracts	(1,226,188)	–	(1,226,188)	–
<b>Total</b>	<b>(1,226,188)</b>	<b>–</b>	<b>(1,226,188)</b>	<b>–</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. FAIR VALUE MEASUREMENT (continued)

The following table analyses within the fair value hierarchy the Company's assets and liabilities measured at fair value at 31 December 2016:

	Total £	Level 1 £	Level 2 £	Level 3 £
<b>Investment assets at fair value through profit or loss</b>				
Investment in subsidiaries	617,546,001	–	–	617,546,001
Fixed income	54,648,494	–	9,402,625	45,245,869
Investment in money market funds	5,001,670	5,001,670	–	–
Unlisted equities	23,818,077	–	–	23,818,077
Equities	246,050	246,050	–	–
<b>Total</b>	<b>701,260,292</b>	<b>5,247,720</b>	<b>9,402,625</b>	<b>686,609,947</b>
<b>Derivative financial assets</b>				
Forward foreign exchange contracts	1,091	–	1,091	–
Option contracts	307,436	–	307,436	–
<b>Total</b>	<b>308,527</b>	<b>–</b>	<b>308,527</b>	<b>–</b>
<b>Derivative financial liabilities</b>				
Forward foreign exchange contracts	(12,043,687)	–	(12,043,687)	–
<b>Total</b>	<b>(12,043,687)</b>	<b>–</b>	<b>(12,043,687)</b>	<b>–</b>

The following table presents the movement in the Company's Level 3 positions for the year ended 31 December 2017.

	Fixed income £	Unlisted equities £	Investments in* the SPV £	Total £
Opening balance	45,245,868	23,818,079	617,546,000	686,609,947
Purchases	76,695,599	2,754,183	–	79,449,782
Sales	(65,960,536)	(822,629)	(304,209,657)	(370,992,822)
Net change in realised/ unrealised gains/(losses)	1,337,582	854,041	(44,280,546)	(42,088,923)
<b>Closing balance</b>	<b>57,318,513</b>	<b>26,603,674</b>	<b>269,055,797</b>	<b>352,977,984</b>
<b>Change in unrealised gains/(losses) on investments still held as at 31 December 2017</b>	<b>238,337</b>	<b>1,697,533</b>	<b>(30,841,222)</b>	<b>(28,905,352)</b>

\* This reflects the impact of the consolidation of the Eaglewood Fund. Prior year figures do not consolidate the Eaglewood Fund, therefore the investment in the Eaglewood Fund itself is included as a Level 3 opening position. During the year ended 31 December 2017 control was gained of the Eaglewood Fund (refer to Note 2 for details) therefore the closing balance above does not reflect investment in the Eaglewood Fund but instead reflects all the underlying Level 3 positions held by the Eaglewood Fund at year end.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. FAIR VALUE MEASUREMENT (continued)

The following table presents the movement in the Company's Level 3 positions for the year ended 31 December 2016.

	Fixed income £	Unlisted equities £	Investments in* the SPV £	Total £
Opening balance	2,509,318	13,033,545	484,034,540	499,577,403
Purchases	65,337,380	22,889,833	376,353,148	464,580,361
Sales	(23,027,421)	(15,750,088)	(375,918,204)	(414,695,713)
Net change in realised/unrealised gains	426,591	3,644,789	133,076,516	137,147,896
<b>Closing balance</b>	<b>45,245,868</b>	<b>23,818,079</b>	<b>617,546,000</b>	<b>686,609,947</b>
<b>Change in unrealised gains on investments still held as at 31 December 2016</b>	<b>263,023</b>	<b>3,790,166</b>	<b>125,544,867</b>	<b>129,598,056</b>

\* This reflects the impact of the consolidation of the SPV. 2015 figures did not consolidate the SPV, therefore the investment in the SPV itself is included as a Level 3 opening position. During the year ended 31 December 2016, control was gained of the SPV (refer to Note 2 for details) therefore the closing balance above does not reflect investment in the SPV but instead reflects all the underlying Level 3 positions held by the SPV at year end.

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

Quantitative information regarding the unobservable inputs for the Company's Level 3 positions as at 31 December 2017 is given below:

	Fair value at 31 December 2017 £	Valuation technique	5% change in price £
Fixed income	23,212,144	Recent transactions	1,160,607
Fixed income	34,106,369	Broker quotes	1,705,318
	Fair value at 31 December 2017 £	Valuation technique	20% change in price £
Unlisted equities	22,157,939	Recent transactions	4,431,588
Unlisted equities	1,048,221	Residual value	209,644
Investment in subsidiaries	269,055,797	Net Asset Value	53,811,159
	Fair value at 31 December 2017 £	Valuation technique	Earnings multiple increased by 1 £
Unlisted equities	3,397,515	Earnings multiple	522,695

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. FAIR VALUE MEASUREMENT (continued)

Quantitative information regarding the unobservable inputs for the Company's Level 3 positions as at 31 December 2016 is given below:

	Fair value at 31 December 2016 £	Valuation technique	5% change in price £
Fixed income	10,730,454	Recent transactions	536,522
Fixed income	34,515,415	Broker quotes	1,725,771

	Fair value at 31 December 2016 £	Valuation technique	20% change in price £
Unlisted equities	20,420,562	Recent transactions	4,084,112
Investment in subsidiaries	617,546,001	Net Asset Value	123,509,200

	Fair value at 31 December 2016 £	Valuation technique	Earnings multiple increased by 1 £
Unlisted equities	3,397,515	Earnings multiple	522,695

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

The investments in unlisted equities are valued using several different techniques, primarily recent transactions and recent rounds of funding by the investee entities.

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

#### 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 2017 but for which fair value is disclosed:

	Total £	Level 1 £	Level 2 £	Level 3 £
<b>Fair value of loans</b>				
<b>Assets</b>				
Cash and cash equivalents	91,044,304	91,044,304	–	–
Cash pledged as collateral	2,970,000	2,970,000	–	–
Interest receivable	13,244,230	–	13,244,230	–
Loans at amortised cost	861,400,394	–	–	861,400,394
<b>Total</b>	<b>968,658,928</b>	<b>94,014,304</b>	<b>13,244,230</b>	<b>861,400,394</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. FAIR VALUE MEASUREMENT (continued)

	Total £	Level 1 £	Level 2 £	Level 3 £
<b>Liabilities</b>				
Amounts due to brokers	95,279	–	95,279	–
Interest payable	1,218,467	–	1,218,467	–
Investment management fees payable	1,952,801	–	1,952,801	–
Performance fees payable	3,914,430	–	3,914,430	–
Borrowings	200,000,000	–	200,000,000	–
Deemed loans	335,098,743	–	–	335,098,743
<b>Total</b>	<b>542,279,720</b>	<b>–</b>	<b>207,180,977</b>	<b>335,098,743</b>

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 2016 but for which fair value is disclosed:

Restated	Total £	Level 1 £	Level 2 £	Level 3 £
<b>Assets</b>				
Cash and cash equivalents	24,600,070	24,600,070	–	–
Cash pledged as collateral	36,629,097	36,629,097	–	–
Interest receivable	4,649,982	–	4,649,982	–
Loans at amortised cost	373,584,688	–	–	373,584,688
<b>Total</b>	<b>439,463,837</b>	<b>61,229,167</b>	<b>4,649,982</b>	<b>373,584,688</b>
<b>Liabilities</b>				
Amounts due to brokers	330,446	–	330,446	–
Investment management fees payable	268,485	–	268,485	–
Performance fees payable	916,183	–	916,183	–
Borrowings	162,159,072	–	162,159,072	–
Deemed loans	113,530,201	–	–	113,530,201
<b>Total</b>	<b>272,204,387</b>	<b>–</b>	<b>163,674,186</b>	<b>113,530,201</b>

The table below provides details of the loans at amortised cost held by the Company at 31 December 2017.

	Amortised cost before impairment £	Accumulated impairment £	Amortised cost £	Carrying value £
Loans at amortised cost	887,215,675	(31,342,284)	855,873,391	855,873,391
<b>Total</b>	<b>887,215,675</b>	<b>(31,342,284)</b>	<b>855,873,391</b>	<b>855,873,391</b>

The table below provides details of the loans at amortised cost held by the Company at 31 December 2016.

Restated	Amortised cost before impairment £	Accumulated impairment £	Amortised cost £	Carrying value £
Loans at amortised cost	396,526,941	(22,942,253)	373,584,688	373,584,688
<b>Total</b>	<b>396,526,941</b>	<b>(22,942,253)</b>	<b>373,584,688</b>	<b>373,584,688</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. FAIR VALUE MEASUREMENT (continued)

#### Investments in subsidiaries measured at fair value

The Company's investments in subsidiaries, measured at fair value, as at 31 December 2017 and 31 December 2016, consist of:

	31 December 2017 £	31 December 2016 £
Investment in SPV partnership interest held at fair value	269,055,797	617,546,000
Investment in P2PCL1 Class A Share at fair value	1	1

### 6. DERIVATIVES

Typically, derivative contracts serve as components of the Group's investment strategy and are utilised primarily to structure and hedge investments to enhance performance and reduce risk to the Group (the Group 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 derivative contracts that the Group currently holds are forward foreign exchange contracts and option contracts.

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

#### Forward contracts

Forward contracts entered into by the Group 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 Consolidated Statement of Comprehensive Income.

As of 31 December 2017, the following forward foreign exchange contracts were included in the Group's Consolidated Statement of Financial Position at fair value through profit or loss:

#### Assets

Settlement date	Purchase currency	Purchase amount	Sale currency	Sale amount	Fair value £
07 March 2018	GBP	257,098,917	USD	(346,050,000)	1,796,415
					<b>1,796,415</b>

#### Liabilities

Settlement date	Purchase currency	Purchase amount	Sale currency	Sale amount	Fair value £
07 March 2018	GBP	112,528,780	EUR	(127,000,000)	(394,076)
07 March 2018	GBP	31,497,106	NZD	(61,500,000)	(746,625)
07 March 2018	GBP	5,338,099	AUD	(9,400,000)	(85,487)
					<b>(1,226,188)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. DERIVATIVES (continued)

As of 31 December 2016, the following forward foreign exchange contracts were included in the Group's Consolidated Statement of Financial Position at fair value through profit or loss:

<b>Assets</b>					
Settlement date	Purchase currency	Purchase amount	Sale currency	Sale amount	Fair value £
07 March 2017	GBP	708,028	AUD	(1,210,000)	1,091
					<b>1,091</b>
<b>Liabilities</b>					
Settlement date	Purchase currency	Purchase amount	Sale currency	Sale amount	Fair value £
07 March 2017	GBP	14,553,639	EUR	(17,200,000)	(150,375)
07 March 2017	GBP	28,631,973	NZD	(51,250,000)	(190,499)
07 March 2017	GBP	516,459,377	USD	(653,600,000)	(11,702,813)
					<b>(12,043,687)</b>

All forward contracts held by the Group are held at the Company level, therefore no separate tables are presented for the Company.

#### Option contracts

The option contracts presented in the tables in Note 5 are interest rate caps entered into by the Group. An interest rate cap is an interest rate agreement in which the seller agrees to compensate the buyer for the amount by which the reference rate exceeds a specified rate on a series of dates during the life of the contract.

#### Offsetting

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

At 31 December 2017 and 31 December 2016, none of the financial assets and financial liabilities met the eligibility criteria and therefore none were presented net on the Consolidated Statement of Financial Position. Accordingly the amounts disclosed in the following tables as "Net amounts of recognised assets presented in the Consolidated 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 2017 and 31 December 2016.

The columns "related amounts not eligible to be set-off in the Consolidated 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. DERIVATIVES (continued)

#### Financial assets and collateral received by counterparty

31 December 2017	Net amounts of recognised assets presented in the Consolidated Statement of Financial Position	Related amounts not eligible to be set-off in the Consolidated Statement of Financial Position	Collateral received	Net amount
Forward contracts	£	Financial instruments	£	£
<b>Counterparty</b>				
Deutsche Bank	1,796,415	(1,226,188)	–	570,227
<b>Total</b>	<b>1,796,415</b>	<b>(1,226,188)</b>	<b>–</b>	<b>570,227</b>

#### Financial liabilities and collateral pledged by counterparty

31 December 2017	Net amounts of recognised liabilities presented in the Consolidated Statement of Financial Position	Related amounts not eligible to be set-off in the Consolidated Statement of Financial Position	Collateral pledged	Net amount
Forward contracts	£	Financial instruments	£	£
<b>Counterparty</b>				
Deutsche Bank	(1,226,188)	1,226,188	–	–
<b>Total</b>	<b>(1,226,188)</b>	<b>1,226,188</b>	<b>–</b>	<b>–</b>

#### Financial assets and collateral received by counterparty

31 December 2016	Net amounts of recognised assets presented in the Consolidated Statement of Financial Position	Related amounts not eligible to be set-off in the Consolidated Statement of Financial Position	Collateral received	Net amount
Forward contracts	£	Financial instruments	£	£
<b>Counterparty</b>				
Deutsche Bank	710,352	(1,091)	–	709,261
<b>Total</b>	<b>710,352</b>	<b>(1,091)</b>	<b>–</b>	<b>709,261</b>

#### Financial liabilities and collateral pledged by counterparty

31 December 2016	Net amounts of recognised liabilities presented in the Consolidated Statement of Financial Position	Related amounts not eligible to be set-off in the Consolidated Statement of Financial Position	Collateral pledged	Net amount
Forward contracts	£	Financial instruments	£	£
<b>Counterparty</b>				
Deutsche Bank	(12,043,687)	1,091	12,042,596	–
<b>Total</b>	<b>(12,043,687)</b>	<b>1,091</b>	<b>12,042,596</b>	<b>–</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. INCOME AND GAINS ON INVESTMENTS

	31 December 2017 £	31 December 2016 £
<b>Income</b>		
Loss on foreign exchange*	(3,106,905)	(531,141)
Distributed income from the SPV**	–	27,651,303
Interest income***	132,440,033	37,039,776
Gain/(loss) on IR/currency swap	885,161	(336,078)
Other income	418,375	107,138
	<b>130,636,664</b>	<b>63,930,998</b>
<b>Net gains on investments</b>		
(Loss)/gain on investment in unlisted equities	(681,840)	563,835
Gain on investment in other funds****	–	105,213,476
Gain on fixed income	2,398,675	278,054
Loss on option contracts	(247,879)	(124,917)
Loss on listed equities	(50,070)	(288,618)
Gain/(loss) on foreign exchange***	476	(104,586,258)
<b>Total</b>	<b>1,419,362</b>	<b>1,055,572</b>

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

\*\* Distributed income from the SPV arises in the period from 1 January 2016 up to consolidation of the SPV on 31 December 2016.

\*\*\* As a result of a change to the legal and corporate governance arrangements of the SPV as stated in the prior year's accounts, the SPV was consolidated from 31 December 2016. Due to the date of consolidation, the profit relating to the SPV investment was netted in income in the Consolidated Statement of Comprehensive Income in the prior year, and did not reflect the gross income and expenses. For 2017, the gross income and expense numbers have been reflected in the Consolidated Statement of Comprehensive Income, resulting in a significant increase in the income, investment management fee and impairments when compared to the prior year.

\*\*\*\* The gain on investment in other funds to 31 December 2016 primarily arises from the investment in the SPV. The gain during the period is driven by the movement in GBP USD spot rates from 1.24 to 1.30 during the period. The associated foreign exchange exposure is hedged using forward contracts leading to an offsetting loss on foreign exchange.

Realised and unrealised gains and losses on financial instruments are shown in the table below:

	31 December 2017		
	Gains £	Losses £	Total £
Realised on financial instruments	24,667,080	(21,142,248)	3,542,832
Unrealised on financial instruments	7,004,054	(9,109,524)	(2,105,470)
	31 December 2016		
	Gains £	Losses £	Total £
Realised on financial instruments	106,037,502	(105,621,525)	415,977
Unrealised on financial instruments	4,499,223	(3,859,628)	639,595

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. EARNINGS PER SHARE

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

	31 December 2017 £	31 December 2016 £
Group profit for year	16,984,946	30,974,511
Number of ordinary shares held at year end	79,835,549	84,525,803
Earnings per ordinary share (basic and diluted)	21.27p	36.65p

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

### 9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

#### Management of risk

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Strategic Report on pages 18 to 22. This note is incorporated in accordance with IFRS 7 and refers to the identification, measurement and management of risks potentially affecting the value of financial instruments.

The Group's financial instruments may comprise:

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

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

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

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

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

#### Market risk

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

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

#### Market price risk

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

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

#### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Loans held by the Group at amortised cost, with a fixed interest rate, are not exposed to interest rate changes. Fixed income securities with fixed interest rates are exposed to fair value interest rate risk. As at 31 December 2017 the Group had 1.75% (2016: 0.42%) of the total assets classified as bonds with a fixed interest rate.

Financial instruments with a floating interest rate that resets as market rates change are exposed to cash flow interest rate risk. At 31 December 2017 the Group had 10.97% (2016: 9.22%) of the total assets classified as cash and cash equivalents and 3.72% (2016: 3.47%) of fixed income securities with floating interest rates. As at 31 December 2017, 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 £2,097,823 (2016: £1,671,774). 1% is considered to be a reasonably possible movement in interest rates.

The Group has entered into various credit facilities which are subject to a variable interest rate. As at 31 December 2017 the Group had £458,978,564 drawn down under these facilities. Please see Note 15 for further details. A 1% increase/decrease, with all other variables held constant, the change in the value of future expected cash flows of these liabilities with a floating rate would have been £3,482,726.

The Group 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 Group holds financial assets and liabilities.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

#### Concentration of foreign currency exposure

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

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

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

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

The below table presents the net exposure to foreign currency at 31 December 2016. The table includes forward foreign exchange contracts at their notional exposure value and excludes all GBP assets and liabilities recorded on the Consolidated Statement of Financial Position.

	Total asset £	Total liability £	Forward contract £	Net exposure after forward contract £
Australian Dollar	733,530	(16,516)	(706,937)	10,077
Euro	13,975,254	–	(14,704,013)	(728,759)
US Dollar	618,712,597	(92,622,674)	(528,162,190)	(2,072,267)
New Zealand Dollar	27,533,170	(1,615,324)	(28,822,472)	(2,904,626)

If the GBP exchange rate simultaneously increased/decreased by 10% against the above currencies, the impact on profit would be an increase/decrease of £569,558. 10% is considered to be a reasonably possible movement in foreign exchange rates. The total GBP exposure as of 31 December 2016 is £241,161,024.

#### Liquidity risk

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

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

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

The liquidity profile of the Group's borrowings is detailed in Note 15.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

#### Credit risk

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

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

The Platforms will undertake the primary credit risk assessment when originating loans or receivables. The investment manager, in selecting Platforms from which to acquire loan exposures, conducts detailed initial due diligence on, including but not limited to, their credit risk assessment processes, their operational systems and controls plus their ongoing viability. It also conducts due diligence on an ongoing basis and monitors the performance of acquired loans and the entire platform loan book if available. The investment manager also re-underwrites some loans originated by Platforms. As at 31 December 2017, this comprises all secured real estate loans only. This is due to the bespoke nature of the underlying collateral and their large size.

As at 31 December 2017, the Group has not directly originated any loans that do not involve Platforms.

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

#### Loans at amortised cost

The analysis of lending has been presented based upon the type of exposure and geography.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

	Secured		Unsecured				Total £
	Real Estate (UK) £	SME (UK) £	SME (US) £	Consumer (UK) £	Consumer (US) £	Consumer (Other) £	
<b>Group as at 31 December 2016</b>							
Neither past due nor impaired	49,101,547	31,276,927	23,992,419	263,608,464	570,181,388	20,821,437	958,982,182
Past due but not impaired	–	–	–	–	–	–	–
Impaired	–	2,708,433	4,284,232	23,905,838	26,094,868	2,224,236	59,217,607
<b>Gross</b>	<b>49,101,547</b>	<b>33,985,360</b>	<b>28,276,651</b>	<b>287,514,302</b>	<b>596,276,256</b>	<b>23,045,673</b>	<b>1,018,199,789</b>
Allowance for impairment losses	–	(2,203,601)	(2,916,346)	(18,613,742)	(18,844,520)	(1,631,885)	(44,210,094)
<b>Net</b>	<b>49,101,547</b>	<b>31,781,759</b>	<b>25,360,305</b>	<b>268,900,560</b>	<b>577,431,736</b>	<b>21,413,788</b>	<b>973,989,695</b>

	Secured		Unsecured				Total £
	Real Estate (UK) £	SME (UK) £	SME (US) £	Consumer (UK) £	Consumer (US) £	Consumer (Other) £	
<b>Company as at 31 December 2017</b>							
Neither past due nor impaired	199,287,205	215,180,640	26,618	406,581,075	–	23,004,229	844,079,767
Past due but not impaired	–	–	–	–	–	–	–
Impaired	–	10,943,594	–	29,802,654	–	2,389,663	43,135,911
<b>Gross</b>	<b>199,287,205</b>	<b>226,124,234</b>	<b>26,618</b>	<b>436,383,729</b>	<b>–</b>	<b>25,393,892</b>	<b>887,215,678</b>
Allowance for impairment losses	–	(6,911,908)	–	(22,773,125)	–	(1,657,254)	(31,342,287)
<b>Net</b>	<b>199,287,205</b>	<b>219,212,326</b>	<b>26,618</b>	<b>413,610,604</b>	<b>–</b>	<b>23,736,638</b>	<b>855,873,391</b>

	Secured		Unsecured				Total £
	Real Estate (UK) £	SME (UK) £	SME (US) £	Consumer (UK) £	Consumer (US) £	Consumer (Other) £	
<b>Company Restated as at 31 December 2016</b>							
Neither past due nor impaired	49,101,548	31,276,927	263,465	265,505,372	–	20,821,437	366,968,749
Past due but not impaired	–	–	–	–	–	–	–
Impaired	–	2,708,433	512,034	24,113,490	–	2,224,236	29,558,193
<b>Gross</b>	<b>49,101,548</b>	<b>33,985,360</b>	<b>775,499</b>	<b>289,618,862</b>	<b>–</b>	<b>23,045,673</b>	<b>396,526,942</b>
Allowance for impairment losses	–	(2,203,601)	(458,960)	(18,647,808)	–	(1,631,885)	(22,942,254)
<b>Net</b>	<b>49,101,548</b>	<b>31,781,759</b>	<b>316,539</b>	<b>270,971,054</b>	<b>–</b>	<b>21,413,788</b>	<b>373,584,688</b>

**Presentation of comparative information relating to the credit risk within the Eaglewood Fund**

As at 31 December 2016, the Group also had indirect exposure credit risk in relation to loans and receivables and other investments held through the SPV's investment in the Eaglewood Fund. As at 31 December 2017 the Eaglewood Fund is consolidated within the Group, owing to a change in control set out in Note 3, and therefore the exposures held through the Eaglewood Fund are included within the 2017 Group figures. For comparative information purposes, the standalone exposures held through the Eaglewood Fund as at 31 December 2016 are also presented. Such exposures are not directly reconcilable to the 2016 Annual Report.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Eaglewood Fund as at 31 December 2016	Unsecured Consumer (US) £	Total £
Neither past due nor impaired	508,966,340	49,101,547
Past due but not impaired	–	–
Impaired	18,301,458	18,301,458
Gross	527,267,798	527,267,798
Allowance for impairment losses	(14,321,863)	(14,321,863)
Net	512,945,935	512,945,935

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

#### Impaired assets

The table below shows the movement of impaired loan balances:

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

\* This is introduced in 2017. Please refer to Note 2 (h)(v) for more details.

Group as at 31 December 2016	Real Estate (UK) £	SME (UK) £	SME (US) £	Consumer (UK) £	Consumer (US) £	Consumer (Other) £	Total £
At 1 January 2016	–	993,831	387,702	6,794,920	–	574,980	8,751,433
Classified as impaired during the year	–	1,714,602	3,896,530	17,110,918	26,094,868	1,649,256	50,466,174
Transferred from impaired to unimpaired	–	–	–	–	–	–	–
Amounts written off	–	–	–	–	–	–	–
<b>As at 31 December 2016</b>	<b>–</b>	<b>2,708,433</b>	<b>4,284,232</b>	<b>23,905,838</b>	<b>26,094,868</b>	<b>2,224,236</b>	<b>59,217,607</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Company as at 31 December 2017	Real Estate (UK) £	SME (UK) £	SME (US) £	Consumer (UK) £	Consumer (US) £	Consumer (Other) £	Total £
At 1 January 2017	–	2,708,433	512,034	24,113,490	–	2,224,236	29,558,193
Classified as impaired during the year	–	9,155,323	0	20,844,617	–	1,193,601	31,193,542
Transferred from impaired to unimpaired	–	–	(72,221)	–	–	–	(72,221)
Amounts written off*	–	(920,163)	(439,813)	(15,155,452)	–	(1,028,174)	(17,543,602)
<b>As at 31 December 2017</b>	<b>–</b>	<b>10,943,594</b>	<b>–</b>	<b>29,802,654</b>	<b>–</b>	<b>2,389,663</b>	<b>43,135,911</b>

\* This is introduced in 2017. Please refer to Note 2 (h)(v) for more details.

Restated Company as at 31 December 2016	Real Estate (UK) £	SME (UK) £	SME (US) £	Consumer (UK) £	Consumer (US) £	Consumer (Other) £	Total £
At 1 January 2016	–	993,831	387,702	5,404,592	–	574,980	7,361,105
Classified as impaired during the year	–	1,714,603	124,331	18,708,898	–	1,649,257	22,197,088
Transferred from impaired to unimpaired	–	–	–	–	–	–	–
Amounts written off	–	–	–	–	–	–	–
<b>As at 31 December 2016</b>	<b>–</b>	<b>2,708,433</b>	<b>512,034</b>	<b>24,113,490</b>	<b>–</b>	<b>2,224,236</b>	<b>29,558,193</b>

Eaglewood Fund* As at 31 December 2016	Real Estate (UK) £	SME (UK) £	SME (US) £	Consumer (UK) £	Consumer (US) £	Consumer (Other) £	Total £
At 1 January 2016	–	–	–	–	14,132,490	–	14,132,490
Classified as impaired during the year	–	–	–	–	21,828,219	–	21,828,219
Transferred from impaired to unimpaired	–	–	–	–	–	–	–
Amounts written off	–	–	–	–	(21,638,846)	–	(21,638,846)
<b>As at 31 December 2016</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,321,863</b>	<b>–</b>	<b>14,321,863</b>

\* For comparative information purposes only.

**Internal grade**

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

**Credit quality of loans**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

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

Group as at 31 December 2016 Internal grade	Real Estate (UK) £	SME (UK) £	SME (US) £	Consumer (UK) £	Consumer (US) £	Consumer (Other) £	Total £
A	31,656,329	306,844	1,004,236	92,344,058	34,816,494	–	160,127,961
B	17,445,218	26,120,277	7,033,918	84,019,722	97,758,642	11,237,274	243,615,051
C	–	4,185,744	2,196,550	11,987,899	219,551,545	8,549,018	246,470,756
D	–	1,168,894	–	80,548,881	216,891,966	1,193,260	299,803,001
E	–	–	15,125,601	–	8,413,089	434,236	23,972,926
<b>Total</b>	<b>49,101,547</b>	<b>31,781,759</b>	<b>25,360,305</b>	<b>268,900,560</b>	<b>577,431,736</b>	<b>21,413,788</b>	<b>973,989,695</b>

Restated Company as at 31 December 2016 Internal grade	Real Estate (UK) £	SME (UK) £	SME (US) £	Consumer (UK) £	Consumer (US) £	Consumer (Other) £	Total £
A	31,656,329	306,844	–	5,629,041	–	–	37,592,214
B	17,445,218	26,120,277	316,539	24,439,049	–	11,237,274	79,558,357
C	–	4,185,744	–	12,090,024	–	8,549,018	24,824,786
D	–	1,168,894	–	81,235,078	–	1,193,260	83,597,232
E	–	–	–	–	–	434,236	434,236
<b>Total</b>	<b>49,101,547</b>	<b>31,781,759</b>	<b>316,539</b>	<b>123,393,192</b>	<b>–</b>	<b>21,413,788</b>	<b>226,006,825</b>

Eaglewood Fund as at 31 December 2016* Internal grade	Consumer (US) £	Total £
A	100,373,221	100,373,221
B	222,539,664	222,539,664
C	141,271,937	141,271,937
D	40,033,943	40,033,943
E	8,727,170	8,727,170
<b>Total</b>	<b>512,945,935</b>	<b>512,945,935</b>

\* For comparative information purposes only.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

#### Collateral held as security for financial assets

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

#### Real Estate UK

Real estate loans are secured against collateral as follows:

Loan to value	31 December 2017 £	31 December 2016 £
Less than 70%	150,027,504	49,101,547
Between 70% - 75%	48,598,293	–
Between 75% - 80%	661,411	–
Greater than 80%	–	–

#### Maximum credit exposure loan commitments

The Company has provided credit facilities that are undrawn as at 31 December 2017. These primarily relate to secured real estate loans. The undrawn balance as at 31 December 2017 was £119,824,226 (2016: £31,047,126).

#### Platform restrictions

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

#### Asset class restrictions

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

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

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

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

At any given time, 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 (taking into account both Credit Assets acquired by the Company directly and, on a look-through basis, any Credit Assets held by another investment fund managed by the Investment Manager, the Sub-Manager or their affiliates in which the Company invests (proportionate to the percentage interest the Company has in such investment fund)).

#### Other restrictions

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

The Company will not invest in collateralised debt obligations.

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that counterparties fail to perform their obligations as of 31 December 2017 and 31 December 2016 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Consolidated Statement of Financial Position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. CASH AND CASH EQUIVALENTS

	Group 31 December 2017 £	Group 31 December 2016 £
Cash held at bank	150,701,720	81,211,669
<b>Total</b>	<b>150,701,720</b>	<b>81,211,669</b>

	Company 31 December 2017 £	Company 31 December 2016 £
Cash held at bank	91,044,304	24,600,070
<b>Total</b>	<b>91,044,304</b>	<b>24,600,070</b>

### 11. CASH PLEDGED AS COLLATERAL

	Group 31 December 2017 £	Group 31 December 2016 £
Cash collateral	4,772,022	40,012,074
<b>Total</b>	<b>4,772,022</b>	<b>40,012,074</b>

	Company 31 December 2017 £	Company 31 December 2016 £
Cash collateral	2,970,000	36,629,097
<b>Total</b>	<b>2,970,000</b>	<b>36,629,097</b>

Cash collateral refers to cash posted, on a daily basis, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined results occur.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. IMPAIRMENT OF INVESTMENTS AT AMORTISED COST

The Group assesses at each Statement of Financial Position 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 Group 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 Group.

#### Accumulated allowance for impairment losses on loans and receivables

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

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

Group as at 31 December 2016	Real Estate £	SME (UK) £	SME (US) £	Consumer (UK) £	Consumer (US) £	Consumer (Other) £	Total £
At 1 January 2016	–	766,141	254,318	4,946,674	–	402,507	6,369,640
Charge to the statement of comprehensive income	–	1,437,460	146,187	13,667,068	–	1,040,523	16,291,238
Impact due to consolidation	–	–	2,457,798	–	18,844,520	–	21,302,318
Foreign exchange impact	–	–	58,043	–	–	188,855	246,898
<b>At 31 December 2016</b>	<b>–</b>	<b>2,203,601</b>	<b>2,916,346</b>	<b>18,613,742</b>	<b>18,844,520</b>	<b>1,631,885</b>	<b>44,210,094</b>

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

Group	2017		2016	
	Impairment £	Balances £	Impairment £	Balances £
Loans with payments 15-30 days past due	2,365,236	6,111,408	3,053,074	6,848,722
Loans with payments 30-60 days past due	4,027,049	7,080,898	4,743,156	7,694,609
Loans with payments more than 60 days past due	51,821,832	61,774,466	36,413,864	44,674,276
<b>Total</b>	<b>58,214,117</b>	<b>74,966,772</b>	<b>44,210,094</b>	<b>59,217,607</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. IMPAIRMENT OF INVESTMENTS AT AMORTISED COST (continued)

Company	2017		2016 Restated	
	Impairment £	Balances £	Impairment £	Balances £
Loans with payments 15-30 days past due	1,380,728.96	4,316,476	1,076,466	3,132,834
Loans with payments 30-60 days past due	2,137,111.02	4,345,929	1,558,618	2,987,710
Loans with payments more than 60 days past due	27,824,444.15	34,473,506	20,307,170	23,437,649
<b>Total</b>	<b>31,342,284</b>	<b>43,135,911</b>	<b>22,942,254</b>	<b>29,558,193</b>

Eaglewood Fund*	2016	
	Impairment £	Balances £
Loans with payments 15-30 days past due	1,402,700	2,603,378
Loans with payments 30-60 days past due	2,118,691	3,145,793
Loans with payments more than 60 days past due	10,800,472	12,552,288
<b>Total</b>	<b>14,321,863</b>	<b>18,301,459</b>

\* For comparative information purposes only.

Loans and advances to customers are classified as past due but not impaired when the customer has failed to make a payment when contractually due but there is no evidence of impairment. This includes loans which are individually assessed for impairment but where the value of security is sufficient to meet the required repayments. This also includes loans to customers which are past due for technical reasons such as delays in payment processing or rescheduling of payment terms. As at 31 December 2017 there were £10.5 million (2016: Nil) of loans that were past contractual maturity but not impaired, all of which were related to real estate. Although they were past contractual maturity they had all had extensions to the original contract given the value of security. Given the value of the security is sufficient to meet the required repayments, these were not impaired.

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

	Group 2017 £	Group 2016 £
Roll rate to default: +2%	815,805	710,135
Roll rate to default: -2%	(1,250,694)	(912,849)
Loss given default: +5%	3,194,327	2,500,321
Loss given default: -5%	(3,276,731)	(2,392,513)

	Company 2017 £	Company 2016 £
Roll rate to default: +2%	543,382	195,602
Roll rate to default: -2%	(676,079)	(412,861)
Loss given default: +5%	1,705,871	1,130,474
Loss given default: -5%	(1,788,275)	(1,213,046)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. IMPAIRMENT OF INVESTMENTS AT AMORTISED COST (continued)

	Eaglewood Fund* 2016 £
Roll rate to default: +2%	150,403
Roll rate to default: -2%	(328,694)
Loss given default: +5%	797,431
Loss given default: -5%	(797,431)

\* For comparative information purposes only.

As at 31 December 2017, there is no impairment charge in relation to secured real estate loans for the Company or the Group (2016: Nil). In calculating if any provision is required estimates of discounted cash flows are made for each loan. A 5% movement in the discounted cash flows would not result in any impairment charge for the Company or Group (2016: Nil).

### 13. FEES AND EXPENSES

#### Investment management and performance fees

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

The management fee is payable monthly in arrears and is at the rate of 1/12 of 1.0 per cent per month of NAV (the "Management Fee"). For the period from admission to trading on the London Stock Exchange's main market for listed securities (the "Admission") until the date on which 90 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 Group other than Credit Assets (including any cash) will be excluded from the calculation of NAV for the purposes of determining the Management Fee.

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

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

Management fees charged for the year ended 31 December 2017 totalled £8,213,456 (2016: £3,519,301) of which £3,347,065 was payable at the year-end (2016: £974,559). The increase on 2016 fee was driven by the consolidation of the SPV whereby £8.5m of management fees in 2016 were netted in income and not reflected in the gross expense figure.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. FEES AND EXPENSES (continued)

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 NAV at the end of a Calculation Period exceeds the High Water Mark. From 1 January 2018, the performance fee will be subject to a hurdle of 5% with full catch up. The performance fee shall be payable to the Investment Manager in arrears within 30 calendar days of the end of the relevant Calculation Period.

Performance fees for the year ended 31 December 2017 totalled £3,914,430 (2016: £916,183) of which £3,914,430 was payable at the year-end (2016: £916,183). Increase on 2016 fee, driven by consolidation of the SPV whereby £4.1m of performance fee in 2016 were netted in income and not reflected in the gross expense figure.

“Adjusted Net Value” means the NAV adjusted for: (i) any increases or decreases in NAV arising from issues or repurchases of ordinary or C shares during the relevant Calculation Period; (ii) adding back the aggregate amount of any dividends or distributions (for which no adjustment has already been made under (i)) made by the Group at any time during the relevant Calculation Period; (iii) before deduction for any accrued performance fees; and (iv) to the extent that the Group invests in any other investment fund or via any special purpose vehicle 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 year ended 31 December 2017 totalled £580,805 (2016: £371,212) of which £91,058 was payable at the year-end (2016: £49,555).

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, Link Company Matters Limited is entitled to an annual fee of £55,000 (exclusive of VAT and disbursements). During the year, Capita Company Secretarial Services Limited changed its name to Link Company Matters Limited.

#### 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). The Registrar changed its name from Capita Asset Services to Link Market Services Limited during the year.

#### Depositary

On 21 July 2017, the Company appointed Citco Custody (UK) Limited as Depositary to replace Deutsche Bank Luxembourg, S.A. Under the terms of the Depositary Agreement, the Depositary is entitled to be paid a fee of up to 0.04% per annum of NAV, subject to a minimum monthly fee of £3,000 (exclusive of VAT). Prior to 21 July 2017, Deutsche Bank Luxembourg was entitled to be paid a fee of up to 0.025% per annum of NAV, subject to a minimum monthly fee of £3,000 (exclusive of VAT).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. FEES AND EXPENSES (continued)

#### Other operational expenses

Other on-going operational expenses (excluding fees paid to service providers as detailed above) of the Group will be borne by the Group 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, and the Directors relating to the Group will be borne by the Group.

#### Auditors' remuneration

Remuneration for all work carried out for the Group by the statutory audit firm in each of the following categories of work is disclosed below:

- the audit of the financial statements; and
- other non-audit services.

	2017			2016		
	Company £	Subsidiaries £	Group £	Company £	Subsidiaries £	Group £
Audit	206,500	163,500	370,000	157,080	60,390	217,470
Non-audit services						
Tax compliance services	–	–	–	–	7,500	7,500
Other assurance services	32,500	–	32,500	35,000	–	35,000
<b>Total</b>	<b>239,000</b>	<b>163,500</b>	<b>402,500</b>	<b>192,080</b>	<b>67,890</b>	<b>259,970</b>

An additional £120,000 fee in relation to the 2016 audit was incurred in 2017, and not included in the table above.

### 14. INTEREST RECEIVABLE

Interest income is recognised on an accruals basis and is earned from investments in fixed income securities and loans and broker balances. Below tables show the interest receivables of the Group and the Company as at 31 December 2017 and at 31 December 2016.

	Group 31 December 2017 £	Group 31 December 2016 £
Interest receivable	16,435,471	7,792,172
<b>Total</b>	<b>16,435,471</b>	<b>7,792,172</b>

	Company 31 December 2017 £	Company 31 December 2016 £
Interest receivable	13,244,230	4,649,982
<b>Total</b>	<b>13,244,230</b>	<b>4,649,982</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. NON CURRENT LIABILITIES

	Group 31 December 2017 £	Group 31 December 2016 £
Revolving bank facilities	119,984,414	255,146,924
Amortising bank facilities	–	46,474,118
Principal protected notes	244,477,005	113,338,448
Term facilities	251,389,051	–
<b>Total borrowings</b>	<b>615,850,470</b>	<b>414,959,490</b>
Other liabilities	7,249,872	30,690,694

	Company 31 December 2017 £	Company 31 December 2016 £
Term Facility	200,000,000	–
Revolving bank facilities	–	162,159,072
<b>Total</b>	<b>200,000,000</b>	<b>162,159,072</b>

Included within term bank facilities above is a £200,000,000 secured 3-year GBP loan facility entered into by the Company on 16 December 2015 with a consortium of institutional lenders. The facility is secured by way of fixed and floating charges; interest on the loan is paid quarterly and is charged on LIBOR plus margin. For the purpose of calculating facility drawdown limits, non-Sterling advances are converted into Sterling equivalents using the spot rate at the time of the respective advance. This may result in a difference between the facility amount and the value presented on the Statement of Financial Position.

During July 2017, the Company entered into a revolving facility with a European Bank to fund its SME loan originations. The maximum size of the facility is £160m and matures within 3 years from its closing date. Its interest is paid on a monthly basis linked to 1-month LIBOR + margin.

During the year ended 31 December 2016, MOCA 2016 issued notes as securitisations of loans. These were issued in the form of principal protected notes (“PPNs”). The PPNs amortise, in order of seniority, on a monthly basis based on the receipts arising on the underlying loan assets. Consequently, the weighted average life of the PPNs is expected to be significantly shorter than the contractual maturity of October 2024. The PPNs held by third parties pay interest at one month LIBOR plus a range of margins. The original principal balance was £129,000,000 and has amortised down to £64,156,634 (31 December 2016: £113,338,448) as at 31 December 2017.

During the year ended 31 December 2017, MOCA 2017 issued notes as securitisations of loans. These were issued in the form of PPNs. The PPNs amortise, in order of seniority, on a monthly basis based on the receipts arising on the underlying loan assets. Consequently, the weighted average life of the PPNs is expected to be significantly shorter than the contractual maturity of December 2027. The PPNs held by third parties pay interest at one month LIBOR plus a range of margins. The original principal balance was £216,480,810 and has amortised down to £200,269,056 as at 31 December 2017.

The Group’s other non-current liabilities, as at 31 December 2017 of £7,249,872 (31 December 2016: £30,690,694), are comprised of £7,249,872 (31 December 2016: £26,141,689) being amounts due to two loan trusts owned by the SPV and £Nil (31 December 2016: £4,549,005) of accrued performance allocation to the GP of the SPV. The amounts due to the loan trusts relate to co-investments with Platforms in pools of loan assets which provide the SPV with first loss protection. The amounts due to the loan trusts do not have a fixed maturity so are excluded from the table. The amounts due to the SPV GP are due within one year.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. NON CURRENT LIABILITIES (continued)

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

The above cashflows do not take into account future interest payments given no reliable basis to base future cashflows.

2016	<1 year £	1-3 years £	3-5 years £	> 5 years £	Total £
Revolving bank facilities	–	255,146,924	–	–	255,146,924
Amortising bank facilities*	–	–	–	46,474,118	46,474,118
Principal protected notes	–	–	–	113,338,448	113,338,448
<b>Total</b>	<b>–</b>	<b>255,146,924</b>	<b>–</b>	<b>159,812,566</b>	<b>414,959,490</b>

\* The amortising bank facility is secured by a pool of amortising US consumer loans. As the underlying assets pay down, the proceeds are utilised to pay down the outstanding borrowing under the facility. Consequently, the weighted average life of the facility is expected to be significantly shorter than the contractual maturity (which is greater than five years as at 31 December 2016).

The below table analyses the Company's borrowings into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the final scheduled maturity date.

2017	<1 year £	1-3 years £	3-5 years £	> 5 years £	Total £
Term bank facilities	200,000,000	–	–	–	200,000,000
<b>Total</b>	<b>200,000,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>200,000,000</b>

2016	<1 year £	1-3 years £	3-5 years £	> 5 years £	Total £
Revolving bank facilities	–	162,159,072	–	–	162,159,072
<b>Total</b>	<b>–</b>	<b>162,159,072</b>	<b>–</b>	<b>–</b>	<b>162,159,072</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. NON CURRENT LIABILITIES (continued)

As part of the amendments made to IAS 7, "Statement of Cash Flows", effective 1 January 2017, an entity is required to disclosure changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. As at the 31 December 2017 the below changes occurred:

Group	Opening balance as at 1 January 2017 £	Payments £	Acquisitions/ drawdowns £	Foreign exchange movements £	Closing balance as at 31 December 2017 £
Borrowings	414,959,490	(568,903,558)	769,794,538	–	615,850,470
<b>Total liabilities from financing activities</b>	<b>414,959,490</b>	<b>(568,903,558)</b>	<b>769,794,538</b>	<b>–</b>	<b>615,850,470</b>

Company	Opening balance as at 1 January 2017 £	Payments £	Acquisitions/ drawdowns £	Foreign exchange movements £	Closing balance as at 31 December 2017 £
Borrowings	162,159,072	(162,159,072)	200,000,000	–	200,000,000
<b>Total liabilities from financing activities</b>	<b>162,159,072</b>	<b>(162,159,072)</b>	<b>200,000,000</b>	<b>–</b>	<b>200,000,000</b>

### 16. DEEMED LOANS

The Group has no deemed loans as at 31 December 2017 and 31 December 2016.

The below tables show the Company's deemed loans as at 31 December 2017 and 31 December 2016.

Company	Opening balance as at 1 January 2017 £	Increase/ (Decrease) £	Closing balance as at 31 December 2017 £
Deemed loans	113,530,201	221,568,542	335,098,743
<b>Total deemed loans</b>	<b>113,530,201</b>	<b>221,568,542</b>	<b>335,098,743</b>

Company	Opening balance as at 1 January 2016 £	Increase/ (Decrease) £	Closing balance as at 31 December 2016 £
Deemed loans	–	113,530,201	113,530,201
<b>Total deemed loans</b>	<b>–</b>	<b>113,530,201</b>	<b>113,530,201</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. STRUCTURED ENTITIES

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

Structured entities are assessed for consolidation in accordance with the accounting policy set out in Note 2. The following structured entities are consolidated in the Group's results.

Structured entity	Nature of business	Principal place of business and incorporation
Eaglewood Income Fund I, LP	Alternative finance investments	Delaware USA
Eaglewood SPV I LP	Alternative finance investments	Delaware USA
Marketplace Originated Consumer Assets 2016-1	Securitisation of UK consumer loans	England and Wales
Marketplace Originated Consumer Assets 2017-1	Securitisation of UK consumer loans	England and Wales
P2P BL-2 Limited	Term facility	England and Wales
P2P BL-3 PLC	Term facility	England and Wales
Certificated Loan Warehouse Trust	Alternative finance investments	Delaware USA
EW-PFL Trust	Alternative finance investments	Delaware USA
SPV I Loan Trust	Alternative finance investments	Delaware USA
Payoff Consumer Loan Trust	Alternative finance investments	Delaware USA
BFCL Trust	Alternative finance investments	Delaware USA
EW-PFL Security Trust	Alternative finance investments	Delaware USA
EW-PFL Financing Trust	Alternative finance investments	Delaware USA
Greenwood I Limited	Alternative finance investments	England and Wales
Eaglewood Consumer Loan Trust 2014-1	Alternative finance investments	Delaware USA
Eaglewood LC Trust	Alternative finance investments	Delaware USA

Further details on the activities of these consolidated structured entities are set out in Note 2.

The following structured entity is not consolidated in the Group's results, the Eaglewood Fund only retained 25 per cent pari passu of the residual note, therefore does not have control. Please refer to note 3 for more details. The structured entity is treated as an associate. Please see note 19 for more details.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. SUBSIDIARIES

#### Subsidiaries by virtue of ownership

The subsidiaries for the Group by virtue of ownership are set out below:

Name	Principal place of business and incorporation	Nature of business	Ownership interest (%)	Percentage of voting rights held (%)
P2PCL1 PLC	England and Wales	Alternative finance investments	100	100

The Company holds the single Class A share in P2PCL1 PLC which conveys control of its voting rights.

P2PCL1 PLC was set up to invest in UK consumer loans originated by a Platform, funded by a Variable Funding Note issuance programme. The senior funding was fully repaid in November 2017. As at 31 December 2017, P2PCL1 held unencumbered loan assets and cash of £96,228 (2016: £21,324,078) which are available for transfer within the Group.

The Company invested in debt securities in the form of junior notes issued by P2PCL1 PLC which provided exposure to the excess cashflows arising from its loan assets.

P2PCL1 PLC has started the liquidation process subsequent to 31 December 2017. The Deed of Termination is dated 3 March 2018.

#### Subsidiaries by virtue of control

Details of consolidated structured entities are provided in notes 2 & 17.

#### Accounting for investment in subsidiaries

The Company's investments in subsidiaries, as at 31 December 2017, consist of:

	31 December 2017 £	31 December 2016 £
<b>Investments in subsidiaries</b>		
Investments in SPV partnership interest	269,055,797	617,546,000
Investments in Greenwood Limited	29,600,000	–

The investments in debt securities issued by P2PCL1, MOCA, MOCA 2017, P2P BL-2 and P2P BL-3 are not presented in Company Statement of Financial Position because the loans held by the subsidiaries are consolidated in the Company Statement of Financial Position. See Note 2h(iii). The investments in Trusts and Eaglewood Fund are consolidated by the SPV and are directly held by the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. INVESTMENTS IN ASSOCIATES

The below companies are associates within the Group accounts:

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

As at 31 December 2017, the group has three associates, one being Zorin Finance Limited (“Zorin”) a UK platform originating secured real estate loans, Castlehaven Finance (“Castlehaven”) European platform originating secured real estate loans and the other being EW – Financing Trust whereby the Eaglewood Fund holds a 25% residual rate. The investments are accounted for at fair value through profit or loss. No dividends were declared during the period in respect of the investment.

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

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

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

The unaudited net assets of Zorin as at 31 December 2017 were £6,185,093 (31 December 2016: £4,426,490), and the profit after tax was £1,842,164 (31 December 2016: £923,577).

The Group also has a direct equity ownership of Castlehaven of 25%. It also has provided £5,326,040 of debt funding to the platform in the form of a convertible loan notes of which, as at 31 December 2017, £2,663,020 has been drawn.

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

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

The unaudited net assets of Castlehaven as at 31 December 2017 were £1,073,576, and the loss after tax was £(£259,758).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. 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 an investment trust the Company is exempt from corporation tax on capital gains. The Company's revenue income from loans and other investments 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 Group, 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 19.25% (2016: 20%).

The differences are explained below:

2017	Revenue £	Capital £	Total £
Net profit on ordinary activities before taxation	16,099,769	885,177	16,984,446
Tax at the standard UK corporation tax rate of 19.25%	3,099,206	170,397	3,269,603
Effects of:	–	–	–
Capital items exempt from corporation tax	–	(170,397)	(170,397)
Non-taxable income	(3,099,206)	–	(3,099,206)
<b>Total tax charge</b>	<b>–</b>	<b>–</b>	<b>–</b>
2016	Revenue £	Capital £	Total £
Net profit on ordinary activities before taxation	29,921,503	1,053,008	30,974,511
Tax at the standard UK corporation tax rate of 20%	5,984,301	210,602	6,194,903
Effects of:	–	–	–
Capital items exempt from corporation tax	–	(210,602)	(210,602)
Non-taxable income	(5,984,301)	–	(5,984,301)
<b>Total tax charge</b>	<b>–</b>	<b>–</b>	<b>–</b>

#### 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.

There was no tax charge incurred during the year end 31 December 2017 (2016: £Nil).

There is also no tax payable or receivable as at 31 December 2017 (2016: £Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. NET ASSET VALUE PER SHARE

	Group 31 December 2017	Group 31 December 2016
<b>Ordinary Shares</b>		
Net assets attributable at end of year (£)	789,855,045	850,741,973
Shares in issue	79,835,549	84,525,803
Net asset value per ordinary share (pence)	989.35	1,006.49
	Company 31 December 2017	Company 31 December 2016
<b>Ordinary Shares</b>		
Net assets attributable at end of year (£)	789,855,045	850,741,973
Shares in issue	79,835,549	84,525,803
Net asset value per ordinary share (pence)	989.35	1,006.49

### 22. SHAREHOLDERS' CAPITAL

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

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

Set out below is the issued share capital of the Company as at 31 December 2016:

	Nominal value £	Number of shares	Voting rights of shares
Ordinary Shares	845,258	84,525,803	84,525,803
Ordinary Shares held in Treasury	17,810	1,781,000	–
<b>Total</b>	<b>863,068</b>	<b>86,306,803</b>	<b>84,525,803</b>

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.

#### Rights attaching to the ordinary shares

The holders of ordinary shares shall be entitled to all of the Company's net assets.

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. SHAREHOLDERS' CAPITAL (continued)

#### 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 AGM of the Company to be held in 2021 and, if passed, every five years thereafter. Upon any such resolution not being passed, proposals will be put forward to the effect that the Company be wound up, liquidated, reconstructed or unitised.

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

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

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

The table below shows the movement in shares during the period ended 31 December 2016.

For the year ended 31 December 2016	Shares in issue at the beginning of the year	Buy back of Ordinary Shares	Conversion of C Shares	Shares in issue at the end of the year
Ordinary Shares	46,754,919	(1,781,000)	39,551,884	84,525,803
C Shares	40,000,000	–	(40,000,000)	–
Treasury Shares	–	1,781,000	–	1,781,000

Cash consideration was received for all subscriptions for shares.

#### Share Buy Back

During the year ended 31 December 2016 the Company commenced a share buy back programme. All shares bought back are held in treasury at the end of the period. As at 31 December 2017, the Company had bought back 6,471,254 (31 December 2016: 1,781,000) shares.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. SHAREHOLDERS' CAPITAL (continued)

The Company has engaged Liberum Capital Limited to effect on-market purchases of its shares on its behalf. Both parties can terminate the contract without cause at any point other than during a closed period. As a result, no liability has been recognised as at 31 December 2017 other than in relation to those shares acquired pending settlement.

2017	Ordinary Shares purchased	Average price per share	Lowest price per share	Highest price per share	Total Treasury Shares
January	510,837	802.8p	775.5p	815.0p	2,291,837
February	380,572	801.4p	775.6p	822.5p	2,672,409
March	603,288	780.9p	765.0p	797.0p	3,275,697
April	328,830	820.7p	772.5p	850.0p	3,604,527
May	336,489	872.1p	850.0p	887.0p	3,941,016
June	440,255	894.5p	880.5p	900.0p	4,381,271
July	475,000	884.4p	870.5p	900.0p	4,856,271
August	550,000	868.5p	844.5p	890.0p	5,406,271
September	227,703	837.8p	833.0p	845.5p	5,633,974
October*	–	–p	–p	–p	5,633,974
November*	–	–p	–p	–p	5,633,974
December	837,280	812.6p	797.0p	829.5p	6,471,254

\* Closed period

#### Special Distributable Reserve

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

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

The cost of the buy back of ordinary shares as detailed above was funded by the special distributable reserve. Also, dividends were paid out of the special distributable reserve. Therefore the closing balance in the special distributable reserve has been reduced to £758,618,295 (2016: £815,049,542).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23. DIVIDENDS PER SHARE

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

Period to	Share Class	Amount	Payment date	31 December	31 December
				2017	2016
				Group and Company	Group and Company
				£	£
31 December 2015	Ordinary	13.7p	4 March 2016	–	6,405,424
31 December 2015	C	9.5p	4 March 2016	–	3,800,000
31 March 2016	Ordinary	11.5p	27 May 2016	–	9,925,282
30 June 2016	Ordinary	11.0p	26 August 2016	–	9,429,841
30 September 2016	Ordinary	11.0p	25 November 2016	–	9,359,117
31 December 2016	Ordinary	11.0p	3 March 2017	9,229,740	–
31 March 2017	Ordinary	12.0p	26 May 2017	9,924,273	–
30 June 2017	Ordinary	12.0p	25 August 2017	9,768,064	–
30 September 2017	Ordinary	12.0p	24 November 2017	9,680,739	–
31 December 2017	Ordinary	12.0p	16 March 2018	9,484,849	–
<b>Total</b>				<b>48,087,665</b>	<b>38,919,664</b>

### 24. RELATED PARTY TRANSACTIONS

The remuneration of the Directors is set out in the Directors' Remuneration Report on pages 39 to 42. There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was interested, and which are or were significant in relation to the Company's business.

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

All of the Directors are also entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, Board or Committee meetings or otherwise in connection with the performance of their duties. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Group.

Investment management fees and performance fees for the year ended 31 December 2017 and 31 December 2016 are paid by the Group to the Investment Manager and these are presented on the Consolidated Statement of Comprehensive Income. Details of Investment management fees and performance fees paid during the year are disclosed in Note 13.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24. RELATED PARTY TRANSACTIONS (continued)

As at 31 December 2017, the Directors' interests in the Group's shares were as follows:

	31 December 2017	31 December 2016
Simon King – Ordinary Shares	19,895	19,895

Partners and Principals of the Investment Manager held 67,743 (2016: 1,790,644) ordinary shares. This significant reduction from the prior year was a direct result of the merger of Pollen Street and MWE.

On 15 September 2017, MW Eaglewood Europe LLP who used to serve as the investment manager to the Company merged with Pollen Street Capital Limited to form PSC Eaglewood Europe LLP. Since the merger, PSC Eaglewood Europe LLP has replaced MW Eaglewood LLP as the investment manager for the Company. The Investment Manager absorbed all costs related to the merger process on behalf of the Company. These costs and expenses are presented in the below table.

	£
JPM Corporate Advisor Fees	480,000
Directors' Fees	162,868
Board Legal Fees	76,800
Link Company Matters Fees	30,106
<b>Total</b>	<b>749,774</b>

There is no balances outstanding as of 31 December 2017.

### 25. SUBSEQUENT EVENTS

The Company intends to continue the share buy back programme in 2018 and as at 23 April 2018, 8,014,646 shares are held in treasury.

An interim dividend of 12.0p per Ordinary Share was declared by the Board on 26 January 2018 in respect of the three month period to 31 December 2017, which was paid on 16 March 2018 to shareholders on the register as of 8 February 2018.

P2PCL1 PLC has started the liquidation process subsequent to 31 December 2017. The Deed of Termination is dated 3 March 2018. P2PCL1 is a limited liability company incorporated in England and Wales and was controlled by the Company through its ownership of one Class A Share which conferred the Company 100 per cent of the voting rights in the entity.

David Fisher was appointed an independent non-executive Director of the Company with effect from 19 April 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 26. APPROVAL OF P2P GLOBAL INVESTMENTS PLC CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Directors on 26 April 2018.

# SHAREHOLDER INFORMATION

## SHAREHOLDER INFORMATION

### 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 below investment objectives were approved at a general meeting of the Company's Shareholders on 19 December 2017. The new investment policy as adopted at that meeting is as follows:

The Company's investment objective is to provide shareholders with an attractive level of dividend income and capital growth through investment in the acquisition of loans to:

- (i) consumers, loans to small and medium-sized enterprises ("SMEs") and other counterparties, corporate loans, real estate loans and advances and loans against corporate trade receivables and other assets, together with related investments ("Credit Assets"); and
- (ii) equity assets that are aligned with the Company's strategy and that present opportunities to enhance the Company's returns from its investments ("Equity Assets"). The Company may invest in Credit Assets and Equity Assets relating to a broad range of sectors, provided that such investment is in accordance with the Company's investment strategy.

When the Company has incurred borrowings in line with its borrowing policy, the Company will target the payment of dividends which equate to a yield of 6.0 - 8.0 per cent per ordinary share per annum on the issue price for the IPO placing, based upon the average number of shares in issue for the period, payable in quarterly instalments (the "Target Dividend"). Investors should note that the Target Dividend, including its declaration and payment dates, is a target only and not a profit forecast.

The Company believes that certain sub-segments linked to these Credit Assets have the potential to provide attractive returns for investors on a risk-adjusted basis, and that changes in the focus of mainstream lenders together with the implementation of new models that make the best use of data, analytics and technology, provide an opportunity to deliver attractive products to borrowers while generating attractive returns for the Company.

The Company enters into loan origination and service agreements with selected third parties, originators, platforms and partners. The Company and the Investment Manager will also actively seek opportunities to acquire portfolios from third parties and make investments in loans to specialist lenders.

### Asset allocation and risk diversification

Credit Assets invested in by the Company will consist of debt obligations, both secured and unsecured, within a range of sub-sectors selected based on their risk/return characteristics. These sub-categories may include, but are not limited to, personal loans, loans against corporate trade receivables and other assets as well as loans secured against real estate and investments in loans to specialist lenders to provide structured finance for consumer, SME and other counter party lending.

The Company's investment in Credit Assets will encompass the following investment models:

- (i) investment, or acquisition of interests, in Credit Assets, whether offered to the Company by origination platforms that allow non-bank capital to: (a) lend or advance capital to consumers, SME borrowers or corporate borrowers; and/or (b) advance capital against corporate trade receivables ("Platforms") or by other third parties;
- (ii) investment, or acquisition of interests, in loans (which may be secured or unsecured) to specialist lenders for the purpose of providing wholesale finance to those specialist lenders, secured against (amongst other things) granular portfolios of Credit Assets; and
- (iii) the acquisition by the Company of interests in portfolios of Credit Assets from third parties.

## SHAREHOLDER INFORMATION (CONTINUED)

The Company may undertake such investments directly, or through its subsidiaries or special purpose vehicles (“SPVs”). It is also possible that the Company may use alternative investment structures which achieve comparable commercial results to the investments described above (such as, without limitation, sub-participations in loans, credit-linked securities or fund structures), but which offer enhanced returns for the Company or other efficiencies (such as, without limitation, efficiencies as to origination, funding, servicing or administration of the relevant Credit Assets). Any such use of alternative investment structures will be subject always to the diversification requirements of this investment policy.

The Company may also invest (in aggregate) up to 10 per cent of Gross in Equity Assets, calculated, in each case, at the time of acquisition of any relevant Equity Assets based on the consideration payable for those Equity Assets and the aggregate consideration paid for all previous investments in Equity Assets which form part of the Company’s investments. 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.

### Platform restrictions

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

### Asset Class restrictions

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

The Company will not invest more than 20 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 apply, in each case at the time of investment by the Company, to both Credit Assets acquired by the Company directly and on a look-through basis to any Credit Assets held by another investment fund which is managed by the Investment Manager, the Sub-Manager or their affiliates in which the Company invests (proportionate to the percentage interest the Company has in such investment fund). It is intended that:

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

## SHAREHOLDER INFORMATION (CONTINUED)

At any given time, 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 (taking into account both Credit Assets acquired by the Company directly and, on a look-through basis, any Credit Assets held by another investment fund managed by the Investment Manager, the Sub-Manager or their affiliates in which the Company invests (proportionate to the percentage interest the Company has in such investment fund)).

### Other restrictions

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

The Company will not invest in collateralised debt obligations.

### Borrowing

Borrowings may be employed (through banks or other facilities on a secured or unsecured basis) at the level of the Company and/or at the level of any investee entity (including, without limitation, any other investment fund in which the Company invests or any SPV that may be established by the Company in connection with obtaining leverage against any of its assets or any issuer vehicle of facilities, securities or other interests backed by a portfolio of Credit Assets).

The aggregate leverage of the Company, whether incurred directly or indirectly through a subsidiary or an SPV established by the Company (in each case calculated at the time of drawdown under any facility the Company, subsidiary or SPV has entered into), and any investment fund which is managed by the Investment Manager, the Sub-Manager or their affiliates and in which the Company invests (on a look-through basis, proportionate to the percentage interest the Company retains in the most junior tranche of such investment fund) shall not exceed 1.5 times NAV.

The Company may seek to securitise portfolios of Credit Assets and may establish one or more SPVs in connection with any such securitisation. The Company may also use SPVs in connection with obtaining leverage against Credit Assets 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.

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

### SHARE REGISTER ENQUIRIES

The registers for the ordinary shares are maintained by Link Market Services. In the event of queries regarding your holding, please contact the Registrar by telephone on 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales). If calling from overseas please use the following number: +44 371664 0300. Similarly you can email enquiries@linkgroup.co.uk.

Changes in name or address must be notified in writing to the Registrar: Shareholder Services, Link Market Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

### CHANGE OF ADDRESS

Communications with shareholders are mailed to the last address held on the share register. Any change or amendment should be notified to Link Market Services at the address given above, under the signature of the registered holder.

## SHAREHOLDER INFORMATION (CONTINUED)

### SHARE CAPITAL AND NET ASSET VALUE INFORMATION

The Company's Ordinary Shares of £0.01 each are listed on the London Stock Exchange:

SEDOL Number	BLP57Y9
ISIN Number	GB00BLP57Y95

The codes above may be required to access trading information relating to the Company.

The Company releases its net asset value per share to the London Stock Exchange monthly.

### ANNUAL AND HALF-YEARLY REPORTS

Copies of the Annual and half-Yearly Reports are available from the Company Secretary on telephone +44 (0)207 954 9792 and are available on the Company's website [www.p2pgi.com](http://www.p2pgi.com).

### ASSOCIATION OF INVESTMENT COMPANIES

The Company is a member of the Association of Investment Companies.

### PROVISIONAL FINANCIAL CALENDAR

April 2018	Announcement of annual results
May 2018	Posting of Annual Report
8 June 2018	Annual General Meeting
May 2018	Payment of interim dividend to 31 March 2018
30 June 2018	Half-year End
August 2018	Announcement of half-yearly results
August 2018	Payment of interim dividend to 30 June 2018
November 2018	Payment of interim dividend to 30 September 2018
31 December 2018	Year End

Investors should note that the dividends referred to above, including their declaration and payment dates, are targets only and not profit forecasts.

### DIVIDENDS

Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandate forms may be obtained from Link Market Services, The Registry, Beckenham Road, Beckenham, Kent BR3 4TU. The Company operates the BACS system for the payment of dividends. Where dividends are paid directly into shareholders' bank accounts, dividend tax confirmations are sent to shareholders' registered addresses.

### DIVIDEND REINVESTMENT PLAN (DRIP)

A DRIP service is provided by Link Market Services, a trading name of Link Market Services Trustees Ltd. The DRIP allows eligible shareholders to use the whole of their cash dividend to buy additional shares in the Company, thereby increasing their shareholding.

Additional information, including details of how to sign up, can be obtained from the Company's website at [www.p2pgi.com](http://www.p2pgi.com) and from Link Market Services. If you have queries in relation to this service, you can contact Link Market Services by telephone by calling within the UK 0871 664 0300, calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales or email Link Market Services at [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk).

## GLOSSARY OF TERMS

### NAV (CUM INCOME)

The value of investments and cash, including current year revenue, less liabilities.

### NAV PER SHARE (CUM INCOME)

The value of investments and cash, including current year revenue, less liabilities, divided by ordinary shares in issue.

### NAV (EX INCOME)

The value of investments and cash, excluding current year revenue, less liabilities.

### NAV PER SHARE (EX INCOME)

The value of investments and cash, including current year revenue, less liabilities, divided by ordinary shares in issue.

### SHARE PRICE

Closing mid-market share price at month end (excluding dividends reinvested).

### DISCOUNT/PREMIUM

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

### MARKET CAPITALISATION

Month end closing mid-market share price multiplied by the number of shares outstanding at month end.

### TOTAL NAV RETURN

The theoretical total return on shareholders' funds per share reflecting the change in Net Asset Value (NAV) assuming that dividends paid to shareholders were reinvested at NAV at the time dividend was announced.

### DIVIDEND

Reflecting the ex-dividend date during the month.

### YTD NAV PER SHARE RETURN

Year to date net asset value per share return including dividends.

### DISCOUNTS TO NAV (CUM INCOME)

Share price divided by NAV per share (cum Income) minus 100%.

### SECURED LENDING

Assets with granular underlying collateral or structured protection.

### GROSS ASSETS

Gross assets.

### PLATFORM

Credit Assets

## CONTACT DETAILS OF THE ADVISORS

### DIRECTORS

Stuart Cruickshank (Chairman)  
Michael Cassidy  
Simon King  
Mahnaz Safa  
David Fisher

### SECRETARY AND REGISTERED OFFICE

Link Company Matters Limited  
6th Floor, 65 Gresham Street  
London EC2V 7NQ  
United Kingdom

### AUDITOR

PricewaterhouseCoopers LLP  
7 More London  
Riverside  
London SE1 2RT  
United Kingdom

### SOLICITORS

Stephenson Harwood LLP  
1 Finsbury Circus  
London EC2M 7SH  
United Kingdom

### DEPOSITARY AND CUSTODIAN

Citco Custody (UK) Limited  
7 Albemarle Street  
London, W1S 4HQ  
United Kingdom

### COMPANY NUMBER

8805459

### WEBSITE ADDRESS

[www.p2pgi.com](http://www.p2pgi.com)

Telephone: 0871 664 0300  
Calls cost 12p per minute plus your phone company's access charge.  
If calling from overseas, please dial +44 (0) 371 664 0300.

### PUBLIC RELATIONS

Boscobel & Partners Ltd  
53-59 Chandos Place  
London WC2N 4HS  
United Kingdom  
T: +44 (0)203 642 1310

### REGISTRAR

Link Market Services Limited  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
United Kingdom

### INVESTMENT MANAGER AND ALTERNATIVE INVESTMENT FUND MANAGER

PSC Eaglewood Europe LLP  
8 Hanover Street  
London W1S 1YQ  
United Kingdom  
Telephone: +44 (0) 20 7316 2038

### SUB MANAGER

PSC Eaglewood Americas LLC  
19th Floor, 747 Third Avenue  
New York NY10022  
USA

### ADMINISTRATOR AND EXTERNAL VALUER

Citco Fund Services (Ireland) Limited  
Custom house Plaza, Block 6  
International Financial Services Centre  
Dublin 1  
Ireland

### BROKERS

Liberum Capital Limited  
Level 12, Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9LY  
United Kingdom

J.P. Morgan Securities plc  
25 Bank Street  
London E14 5JP  
United Kingdom



[www.p2pgi.com](http://www.p2pgi.com)

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

An investment company as defined under Section 833 of the Companies Act 2006.

Registered in England No. 08805459

A member of the Association of Investment Companies.