NEUBERGER | BERMAN

INTERIM REPORT

CONSOLIDATED FINANCIAL STATEMENTS

NB Distressed Debt Investment Fund Limited

PERIOD ENDED 30 JUNE 2012

PARTNERING WITH CLIENTS FOR OVER 70 YEARS

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COMPANY OVERVIEW

The Company's investment objective is to provide investors with attractive risk-adjusted returns through long-biased, opportunistic stressed, distressed and special situation credit-related investments while seeking to limit downside risk by, amongst other things, focusing on senior and senior secured debt with both collateral and structural protection.

The Company expects that, during the initial investment/reinvestment period, it will be invested in 40 to 50 holdings diversified across distressed and specialist situations investments, with a focus on senior debt backed by hard assets. After this period, which ends in mid-2013, the portfolio will be runoff and distributions of capital proceeds of realising investments will commence. The portfolio is managed by the Distressed Debt team at Neuberger Berman, which sits within one of the largest and most experienced credit teams in the industry.

Company	**NB Distressed Debt Investment Fund Limited (the "Company")** • Guernsey incorporated, closed-ended investment company • Trading on the Specialist Fund Market of the London Stock Exchange and listed on the Channel Islands Stock Exchange • 444,270,312 Ordinary Shares outstanding
Investment Manager **Sub-Investment Manager**	**Neuberger Berman Europe Limited (the "Investment Manager")** **Neuberger Berman Fixed Income LLC (the "Sub-Investment Manager")** • A large team of 110 fixed income investment professionals • Portfolio Managers have an average of 20 years of industry experience • Total fixed income assets of over $89 billion • Over $11 billion in high yield bonds and loans • Non-investment grade research team of over 20 analysts

(US$ in millions, except per share data)	At 30 June 2012	At 31 December 2011
Net Asset Value	$451.1	$429.7
Net Asset Value per share	$1.0153	$0.9672
Investments	$443.1	$420.3
- Distressed Portfolio	$371.4	$364.0
- Temporary Investments	$71.7	$56.3
Cash and Cash Equivalents	$28.9	$51.3

CHAIRMAN'S STATEMENT

Dear Shareholder,

I have pleasure in presenting you with the Interim Report of NB Distressed Debt Investment Fund Limited ("the Company") for the period 1 January 2012 to 30 June 2012.

Portfolio and Company Performance

The Company remains fully invested with approximately 82% of the portfolio invested in distressed assets. The investment manager continues to hold an allocation to cash with a view to taking advantage of investment opportunities as they arise.

The Company's investment base is well diversified across 15 industries, in 44 companies, with no single investment representing more than 7% of the Company's total assets.

I am pleased to announce that the company exited three further investments between 1 January 2012 and 30 June 2012, bringing the total number of realisations since inception to eight. Each of the exits in the period generated returns for the company of between 13% and 23% of the capital deployed. Further details of these realisations are noted in the Investment Manager's report.

As the process of realisation continues, the Investment Manager is working to replace these assets and has a number of bids in the market for loans which they believe have the potential to offer positive returns for the Company and will complement the existing portfolio.

The Investment Manager achieved a key restructuring milestone in the second quarter with three of the Company's loan investments. These loan investments represented around 9% of the total portfolio and as a result of a restructuring the Company is now a shareholder rather than a creditor. The restructuring has resulted in uplift in the market values of these assets which had an overall positive impact on the Company's NAV.

In the period to 30 June 2012, the Net Asset Value ("NAV") total return per ordinary share between 31 December 2011 and 30 June 2012 increased by 4.97%, from $0.9672 to $1.0153 per share. As at 30 June 2012, the share price was trading at a premium of 2.14% to the NAV. I am also pleased to report that the share price traded at a premium to NAV for the majority of the period.

Outlook

Looking to the remainder of 2012, your Board continues to be satisfied with the portfolio's performance to date and the strategy that is being applied by the Investment Manager. The Investment Manager will continue to update you on the Company's progress by way of the quarterly factsheets and investment manager updates.

I would like to close by thanking you for your commitment and I look forward to updating you on the Company's progress later on this year.

Robin Monro-Davies
Chairman
28 August 2012

INVESTMENT MANAGER'S REPORT

Summary

We continue to see significant upside potential in the existing portfolio, which we expect to realise as we restructure and exit investments. In the first half of 2012 we exited three deals, contributing to an increase in our NAV. In the second quarter, we reached key restructuring milestones on multiple investments which we anticipate will ultimately result in profitable exits.

Portfolio

As at 30 June 2012, approximately 82% of NBDDIF's NAV was invested in distressed assets, with investments in 44 companies diversified across 15 industries. We are actively looking to replace assets harvested in the first half of the year, and are bidding on additional distressed loans at prices which we believe have potential to positively contribute to results. NBDDIF's NAV increased 4.97% during the first half of 2012, to $1.0153 from $0.9672 per share. In the second quarter, NAV increased 2.1%, primarily due to the mark-ups of several positions which reached key restructuring milestones. These gains were offset by the markdown of a position which detracted 2.2%. Negative events in the restructuring of this company resulted in a mark-to-market loss, although in our view we expect the value of the ultimate realisation to likely be higher than the current mark.

In the second quarter we achieved a key restructuring milestone on three loans collateralised by multifamily residential properties, representing over 9% of the portfolio. By taking title to the properties through subsidiary entities NBDDIF is now a co-owner (rather than a creditor) and can potentially monetise the investments at levels higher than the acquisition cost. Additionally, a plan of reorganisation we sponsored for a portfolio healthcare company received creditor approval and we anticipate receiving the restructured debt in the second half of 2012. We also executed a debt restructuring proposal for one of our power generation investments, which allowed us to monetise a portion of our debt holding above the acquisition price. These examples demonstrate how we are unlocking value we believe to be embedded in the portfolio.

In 2012, we have seen a slowdown in bank asset sales in the wake of the European sovereign debt crisis and government actions to stabilise the financial system. However, over $1.8 trillion of nonperforming loans remain on banks' balance sheets and need to be addressed. By necessity, banks continue to sell distressed loans which will likely accelerate from the current slower-than-expected pace. In the second quarter, we added incrementally to existing names and initiated a position in a new multifamily residential opportunity. Similar to other multifamily residential investments in the portfolio, we believe we are creating a valuation basis at a discount to comparable non-distressed investments. We believe these investments will provide us with the opportunity to participate in a nascent recovery in the US real estate market and we are also actively assessing other promising US real estate related investments.

Investment Exits During the period to 30 June 2012

Realisation 1 in the period: We purchased an approximately US $22 million equity interest of a post-reorganisation power generation company in the process of being liquidated. At the time of our investment the company owned two natural gas-fired power plants in the southeastern United States. Net of distributable cash our entry price valued the power plants at approximately $150 per kW. Subsequently the company announced that the plants would be sold to a local utility company for a valuation of approximately $400 per kW. Our investment return was comprised of a liquidating dividend of $9.6m, and the sale of our remaining equity interest of $16.2m in the secondary market, for a total income of $3.8m.

Realisation 2 in the period: We purchased an investment in a 1st lien term loan at a cost of US $7.9 million, which represented a 16% discount to par value. The term loan was secured by telecommunications and broadcasting infrastructure in northwest Europe. Our investment thesis was that the debt would likely be refinanced or in the event of default we would end up with control of the assets at an attractive valuation relative to comparable assets. The company did not subsequently default, and due to market conditions a near-term refinancing looked unlikely. We sold our position in the secondary market at 90% of par for $8.6m sales proceeds, resulting in total income (including earned interest) of $1.0m.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Realisation 3 in the period: We purchased approximately US $13.4 million face value of a 1st lien term loan at 84.45%, secured by plastic film manufacturing assets primarily located in Western Europe and North America. Our investment thesis was that the debt would either be refinanced or that in the event of default we would end up in control of the assets at an attractive valuation relative to comparable companies. Subsequent to our purchase, the company required a waiver in order to avoid violating debt covenants. In order to avoid a default and debt restructuring, the company's 2nd lien lenders secured sufficient capital to refinance the 1st lien debt in full. Total income from this investment (including earned interest) was approximately $2.6 million.

Outlook

We expect to continue to restructure the portfolio of investments within the Company throughout the remainder of 2012, and will ensure that these are regularly communicated to investors by way of the quarterly factsheets and Investment Manager updates.

FORWARD-LOOKING STATEMENTS

This report includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They include statements regarding the intentions, beliefs or current expectations of the Company concerning, amongst other things, the investment objectives and investment policy, financing strategies, investment performance, results of operations, financial condition, prospects, and dividend policy of the Company and the markets in which it, and its portfolio of investments, invest and/or operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual investment performance, results of operations, financial condition, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the investment performance, results of operations, financial condition of the Company, and the development of its financing strategies, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to:

- changes in economic conditions generally and the Company's ability to achieve its investment objective and returns on equity for investors;
- foreign exchange mismatches with respect to exposed assets;
- changes in interest rates and/or credit spreads, as well as the success of the Company's investment strategy in relation to such changes and the management of the uninvested cash reserve;
- impairments in the value of the Company's investments;
- the availability and cost of capital for future investments;
- the departure of key personnel employed by the Investment Manager and Sub-Investment Manager;
- the failure of the Investment Manager to perform its obligations under the Investment Management Agreement with the Company or the termination of the Investment Manager;
- the failure of the Sub-Investment Manager to perform its obligations under the Sub-Investment Management Agreement with the Investment Manager or the termination of the Sub-Investment Manager;
- changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to the Company or Portfolio Companies; and
- general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events.

Forward-looking statements speak only as at the date of this document. Although the Company and the Investment Manager undertake no obligation to revise or update any forward looking statements contained herein (save where required by the Prospectus Rules or Disclosure and Transparency Rules or rules of the CISX), whether as a result of new information, future events, conditions or circumstances, any change in the Company's or the Investment Manager's expectations with regard thereto or otherwise.

RISK FACTORS

The following has been extracted from the Prospectus of the Company dated September 2010:

The Company's returns and operating cash flows will depend on many factors, including the price and performance of its investments, the availability and liquidity of investment opportunities falling within the Company's investment objective and policy, the level and volatility of interest rates, readily accessible short-term and borrowings, conditions in the financial markets, real estate market and economy, the financial performance of Portfolio Companies, the timing of restructurings and exits and the Company's ability to successfully operate its business and execute its investment strategy. There can be no assurance that the Company's investment strategy will be successful.

The Company's target return of 20 percent per annum gross of management fees and other operating expenses is based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies, and the actual rate of return may be materially lower than the Target Return

The Company's Target Return is a target only and is based on estimates and assumptions about a variety of factors including, without limitation, asset mix, value, volatility, holding periods, performance of underlying Portfolio Companies, investment liquidity, changes in current market conditions, interest rates, government regulations or other policies, the worldwide economic environment, changes in law and taxation, natural disasters, terrorism, social unrest and civil disturbances or the occurrence of risks described in the prospectus for the Company, which are inherently subject to significant business, economic and market uncertainties and contingencies, all of which are beyond the Company's control and which may adversely affect the Company's ability to achieve its Target Return. Such Target Return is also based on the assumption that the Company will be able to implement its investment policy and strategy successfully as well as market conditions and the economic environment at the time of assessing the proposed target return, and is therefore subject to change. There is no guarantee or assurance that the Target Return or actual returns can be achieved at or near the levels set forth in the prospectus for the Company. Accordingly, the actual rate of return achieved may be materially lower than the Target Return, or may result in a loss, which could have a material adverse effect on the Company's profitability, NAV and the price of the Ordinary Shares.

Potential investors should not place any reliance on the Target Return set forth in the prospectus for the Company and should make their own determination as to whether the Target Return is reasonable or achievable in deciding whether to invest in the Company. The Company does not intend to regularly publish target returns or to update or otherwise revise its Target Return to reflect subsequent events or circumstances. A failure to achieve the Target Return set forth in the prospectus for the Company may adversely affect the Company's business, financial condition and results of operations.

Holders of Ordinary Shares have limited voting rights

The Ordinary Shares do not carry voting rights in relation to the election of the Company's board of directors and generally have no voting rights, except: (i) that certain fundamental changes to the Company and the terms of the Ordinary Shares and certain other matters (such as the voluntary liquidation or winding-up of the Company; any change in the rights conferred upon any shares in the Company, or any amendment to the Articles adverse to the Ordinary Shareholders; merger, consolidation or the sale of substantially all of the assets of the Company; the change in domicile of the Company and the termination by the Company of the Investment Management Agreement) require the consent of the Ordinary Shareholders by ordinary resolution (such that the Ordinary Shareholders may veto, but cannot force the Company to take, any such actions); and (ii) as may be required by Guernsey law. Further, Ordinary Shareholders cannot direct the Directors to redeem or repurchase any shares or return capital or liquidate the Company. The limited voting rights of the holders of the Ordinary Shares limit their ability to have an impact on Board decisions or Company policy and may adversely affect the value of such shares.

RISK FACTORS (CONTINUED)

The Company may be unable to realise value from its investments and investors could lose all or part of their investment

Investments made by the Company may not appreciate in value and, in fact, may decline in value. A substantial component of the Investment Managers' analysis of the desirability of making a given investment relates to the estimated residual or recovery value of such investments in the event of the insolvency of the issuer or the borrower. This residual or recovery value will be driven primarily by the value of the underlying assets constituting the collateral for such investment. The value of collateral can, however, be extremely difficult to predict and in certain market circumstances there could be little, if any, market for such assets. Moreover, depending upon the status of these assets at the time of an issuer's default, they may be substantially worthless. The types of collateral owned by the issuers in which the Company invests will vary widely, but are expected primarily to be hard assets such as aircraft, office buildings, power stations and commercial property. During times of recession and economic contraction, there may be little or no ability to realise value on any of these assets, or the value which can be realised may be substantially below the assessed value of the collateral. Furthermore, due to the illiquid nature of many of the investments the Company has made and expects to make, the Investment Managers are unable to predict with confidence, what, if any, exit strategy for a given investment will ultimately be available to the Company and the Company may be unable to realise value from these investments. Accordingly, there can be no assurance that the Company's investments will generate gains or income or that any gains or income that may be generated will be sufficient to offset any losses that may be sustained. As a result, investing in the Company is speculative and involves a high degree of risk. The Company's performance may be volatile and investors could lose all or part of their investment. Past performance is no indication of future results and there can be no assurance that the Company will achieve results comparable to any past performance achieved by the Investment Managers or any employee of the Investment Managers described in the prospectus for the Company.

Gains from the Company's investments may require significant time to materialise or may not materialise at all

There is likely to be a significant period between the date that the Company makes an investment and the date that any gain or loss on such investment is realised. Based on the Investment Managers' experience with investments generally comparable to those expected to be made by the Company, it is likely that no significant return, if any, from the disposition of any of the Company's investments will be realised until year four after the IPO. Return on the Company's investments, therefore, is not likely to be realised for a substantial time period, if at all.

Global capital markets have been experiencing volatility, disruption and instability. Material changes affecting global debt and equity capital markets may have a negative effect on the Company's business, financial condition and results of operations

Global capital markets have been experiencing extreme volatility and disruption for more than two years as evidenced by a lack of liquidity in the equity and debt capital markets, significant write-offs in the financial services sector, the repricing of credit risk in the credit market and the failure of major financial institutions. Despite actions of government authorities, these events have contributed to worsening general economic conditions that have materially and adversely affected the broader financial and credit markets and reduced the availability of debt and equity capital. Continued or recurring market deterioration may materially adversely affect the ability of a Portfolio Company to refinance its outstanding debt. Further, such financial market disruptions may have a negative effect on the valuations of the Company's investments, or the ability to restructure investments, and on the potential for liquidity events involving its investments. In the future, non-performing assets in the Company Portfolio may cause the value of its investment portfolio to decrease if the Company is required to write down the values of its investments. Adverse economic conditions may also decrease the value of collateral securing some of its loans. In the event of sustained market improvement, the Company may have access to only a limited number of potential investment opportunities, which also would result in limited returns to Shareholders. Depending on market conditions, the Company may incur substantial realised losses and may suffer additional unrealised losses in future periods, which may adversely affect its business, financial condition and results of operations.

RISK FACTORS (CONTINUED)

With respect to investments that do not have a readily ascertainable market quotation in an active market, the Sub-Investment Manager will value such investments at fair value and such valuations will be inherently uncertain

With respect to investments comprised in the Company Portfolio that do not have a readily available market quotation, such as unquoted investments or investments which are listed but deemed to be illiquid, the Sub-Investment Manager will value such investments at fair value on each NAV Calculation Date in accordance with the customary valuation methods, policies and procedures of the Sub-Investment Manager. Because of the inherent uncertainty and subjectivity of determining the fair value of investments that do not have a readily ascertainable market quotation in an active market, the fair value of the Company's investments as determined in good faith by the Sub-Investment Manager may differ significantly from the values that would have been used had a ready market existed for such investments. The reliability of the NAV calculations published by the Company will be impacted accordingly.

The Ordinary Shares may trade at a discount to NAV and Shareholders may be unable to realise their investments through the secondary market at NAV

The Ordinary Shares may trade at a discount to NAV per Ordinary Share for a variety of reasons, including due to market conditions or to the extent investors undervalue the management activities of the Investment Managers or discount their valuation methodology and judgments. While the Directors may seek to mitigate any discount to NAV through discount management mechanisms they consider appropriate, there can be no guarantee that they will do so or that such mechanisms will be successful and the Directors accept no responsibility for any failure of any such strategy to effect a reduction in any discount.

The due diligence process that the Investment Managers undertake in evaluating specific investment ideas for the Company may not reveal all facts that may be relevant in connection with an investment and any corporate mismanagement, fraud or accounting irregularities may materially affect the integrity of the Investment Managers' due diligence on investment opportunities

When conducting due diligence and making an assessment regarding an investment, the Investment Managers will be required to rely on resources available to them, including internal sources of information as well as information provided by existing and potential Portfolio Companies any equity sponsor(s), lenders and other independent sources. The due diligence process may at times be required to rely on limited or incomplete information particularly with respect to newly established companies for which only limited information may be available. In addition, the Investment Managers will continue to select investments for the Company in part on the basis of information and data relating to potential investments filed with various government regulators and publicly available or made directly available to the Investment Managers by such issuers or third parties. Although the Investment managers evaluate all such information and data and seek independent corroboration when they consider it appropriate and reasonably available, the Investment Managers are not and will not be in a position to confirm the completeness, genuineness or accuracy of such information and data. The Investment Managers are dependent upon the integrity of the management of the entities filing such information and of such third parties as well as the financial reporting process in general. Recent events have demonstrated the material losses that investors such as the Company may incur as a result of corporate mismanagement, fraud and accounting irregularities. In addition, investment analyses and decisions by the Investment Managers may be undertaken on an expedited basis in order to make it possible for the Company to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. Furthermore, the Investment Managers are unlikely to have sufficient time to evaluate fully such information even if it is available. Accordingly, due to a number of factors, the Company cannot guarantee that the due diligence investigation it carries out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Any failure by the Company to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which may have a material adverse effect on the Company's business, financial condition, results of operations or the value of the New Ordinary Shares. Due diligence may also be costly, which will decrease the Company's overall profit from an investment.

DIRECTORS

Robin Monro-Davies (Chairman)

Robin Monro-Davies served as a regular officer in the Royal Navy from 1958-1968, operating as a carrier pilot mainly in the Far East. He subsequently obtained a Master of Science degree from the Sloan School of Management, Massachusetts Institute of Technology in Boston (**"MIT"**). On leaving MIT, Mr. Monro-Davies spent a year as an investment analyst on Wall Street and then joined Fox-Pitt Kelton (**"FPK"**). FPK became one of the U.K.'s leading independent brokerage and research houses and Mr. Monro-Davies was appointed joint Chief Executive Officer (CEO) in 1976. In 1978, Mr. Monro-Davies was appointed CEO of IBCA, FPK's newly established independent bank credit rating business, in addition to his role as FPK's CEO. He continued as CEO of IBCA following his retirement from FPK in 1992, developing the business to become Fitch, the world's third largest rating agency. Mr. Monro-Davies retired as CEO of Fitch at the end of 2001. Since then he has acted in various non executive roles and currently is a Board Member of AXA UK, Assured Guaranty Limited in Bermuda and HSBC Bank plc. He is also on the board of a listed investment trust. Mr. Monro-Davies was educated at St. Paul's School, London, and the Britannia Royal Naval College, Dartmouth.

Talmai Morgan

Talmai Morgan qualified as a barrister in the United Kingdom in 1976. He moved to Guernsey in 1988 where he worked for Barings as general counsel and then for the Bank of Bermuda as managing director of Bermuda Trust (Guernsey) Limited. From January 1999 to June 2004, Mr. Morgan was director of Fiduciary Services and Enforcement at the Guernsey Financial Services Commission (Guernsey's financial regulatory agency) where he was responsible for the design and subsequent implementation of Guernsey's law relating to the regulation of fiduciaries, administration businesses and company directors. Mr. Morgan was also involved in working groups of the Financial Action Task Force and the Offshore Group of Banking Supervisors. From July 2004 to May 2005, Mr. Morgan served as chief executive of Guernsey Finance, which is the official body for the promotion of the Guernsey finance industry. Mr. Morgan is now the chairman or a non-executive director of a number of investment-companies including companies listed on the LSE. He holds an M.A. in economics and law from the University of Cambridge. Mr Morgan is a director of NB Private Equity Partners Limited alongside Mr Hallam and Mr Sherwell.

John Hallam

John Hallam is a fellow of the Institute of Chartered Accountants in England and Wales and qualified as an accountant in 1971. Previously, Mr. Hallam was a partner at PricewaterhouseCoopers and retired in 1999 after 27 years with the firm in Guernsey and in other countries. Mr. Hallam is currently chairman of Dexion Absolute Ltd and Partners Group Global Opportunities Ltd. He is also a director of a number of other financial services companies, some of which are listed on the LSE. Mr. Hallam served for many years as a member and latterly chairman of the GFSC, from which he retired in 2006. Mr Hallam is a director of NB Private Equity Partners Limited alongside Mr Morgan and Mr Sherwell.

Christopher Sherwell

Christopher Sherwell is a non-executive director of a number of investment-related companies. Mr. Sherwell was managing director of Schroders (C.I.) Limited from April 2000 to January 2004. He remained a non-executive director of Schroders (C.I.) Limited until he stepped down at the end of December 2008. His other directorships include chairmanship of Goldman Sachs Dynamic Opportunities Limited, a fund of hedge funds. Before joining Schroders in 1993, he worked as Far East regional strategist with Smith New Court Securities in London and then in Hong Kong. Mr. Sherwell was previously a journalist, working for the Financial Times. Mr. Sherwell received a B.Sc. (Gen) from the University of London in 1968, an M.A. from the University of Oxford in 1971 and a M.Phil. from the University of Oxford in 1973. Mr Sherwell is a director of NB Private Equity Partners Limited alongside Mr Hallam and Mr Morgan.

DIRECTORS (CONTINUED)

Michael J. Holmberg

Michael J. Holmberg, Managing Director, joined NB Group in 2009. Michael is the co-head of distressed portfolio management. Prior to joining NB Group, Michael founded Newberry Capital Management LLC in 2006 and prior to that Michael founded and managed Ritchie Capital Management's Special Credit Opportunities Group. He was also a managing director at Strategic Value Partners and Moore Strategic Value Partners. He began investing in distressed and credit oriented strategies as a portfolio manager at Continental Bank/Bank of America, where he established the bank's global proprietary capital account. Michael received an AB in economics from Kenyon College and an MBA from the University of Chicago.

Patrick H. Flynn

Patrick H. Flynn, Managing Director, joined NB Group in 2006. Patrick is the co-head of distressed portfolio management. He came to NB Group with more than 15 years of experience, including positions with Putnam Investments, UBS and JP Morgan Chase. Most recently, Patrick served as director of research at DDJ Capital Management, LLC. He holds an AB from Columbia University and a MBA in Finance and Economics from the University of Chicago. Patrick has been awarded the Chartered Financial Analyst designation.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements have been prepared in conformity with an applicable set of accounting standards;
- the Chairman's Statement and Manager's Report meet the requirements of an interim management report, and include a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board of Directors on 28 August 2012.

By order of the Board

John Hallam	Christopher Sherwell
Director	Director

INDEPENDENT ACCOUNTANT'S REPORT TO NB DISTRESSED DEBT INVESTMENT FUND LIMITED

The Board of Directors
NB Distressed Debt Investment Fund Limited:

We have reviewed the accompanying Consolidated Statement of Assets and Liabilities of NB Distressed Debt Investment Fund Limited including the Condensed Consolidated Schedule of Investments, as of 30 June 2012, and the related Consolidated Statements of Operations, Changes in Net Assets and Cash Flows for the six-month periods ended 30 June 2012 and 30 June 2011. This interim financial information is the responsibility of the Company's management.

This report is made solely to the Company in accordance with the terms of our engagement dated 15 June 2012. Our reviews have been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusion we have reached.

The Directors are responsible for the preparation and fair presentation of the unaudited consolidated financial statements in conformity with U.S. generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the unaudited consolidated financial statements.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Consolidated Statement of Assets and Liabilities of NB Distressed Debt Investment Fund Limited including the Condensed Consolidated Schedule of Investments as of 31 December 2011, and the related Consolidated Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended (not presented herein) and in our report dated 20 April 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying Consolidated Statement of Assets and Liabilities as of 31 December 2011, is fairly stated, in all material respects, in relation to the Consolidated Statement of Assets and Liabilities from which it has been derived.

KPMG CHANNEL ISLANDS LIMITED
GUERNSEY
CHARTERED ACCOUNTANTS
28 August 2012

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
30 June 2012 and 31 December 2011

(Expressed in United States dollars)

		2012 (Unaudited)		2011 (Audited)
Assets				
Investments, at fair value	$	443,096,812	$	420,330,876
(2012: cost of $463,464,560. 2011: cost of $440,234,699)				
Cash and cash equivalents		28,861,130		51,264,893
	$	471,957,942	$	471,595,769
Other assets:				
Receivables for investments sold		3,092,620		668,145
Interest receivables		1,753,576		1,521,807
Other receivables and prepayments		1,848		32,208
Total assets	$	476,805,986	$	473,817,929
Liabilities				
Payables for investments purchased	$	24,799,448	$	43,095,401
Payables to Investment Manager and affiliates		525,459		537,300
Accrued expenses and other liabilities		396,182		482,846
Total liabilities	$	25,721,089	$	44,115,547
Net assets	$	**451,084,897**	**$**	**429,702,382**
Analysis of Net Assets:				
Class A shares	$	2	$	2
(2 shares issued)				
Ordinary shares		436,657,543		436,657,543
(2012: 444,270,312, 2011: 444,270,312)				
Accumulated Earnings/(Deficit)		14,427,352		(6,955,163)
Net assets	**$**	**451,084,897**	**$**	**429,702,382**
Net asset value per ordinary share	$	1.0153	$	0.9672

The financial statements on pages 13 to 34 were approved and authorised for issue by the Board of Directors on 28 August 2012, and signed on its behalf by:

John Hallam
Director

Christopher Sherwell
Director

The accompanying notes are an integral part of the consolidated financial statements.

CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS
30 June 2012 and 31 December 2011

(Expressed in United States dollars)

30 June 2012 (Unaudited)		Cost	Fair Value	% (1)
Distressed Portfolio				
Bank Debt Investments	$	160,787,603	143,431,264	31.80
Real Estate Development		53,306,336	53,284,513	11.81
Private Equity		48,685,737	50,733,685	11.25
Limited Partnership Units		32,173,608	47,244,493	10.47
Fixed Rate Bonds		47,929,026	27,493,947	6.10
Public Equity		22,733,013	23,526,216	5.22
Trade Claim (2)		13,003,102	10,944,360	2.43
Ownership in Senior Living Facility		8,946,724	9,890,472	2.19
Floating Rate Corporate Loan Notes		1,361,058	1,374,322	0.30
Bankruptcy Claim		265,351	1,309,013	0.29
Credit Default Swaps		1,102,299	1,210,675	0.27
Asset Backed Securities		1,481,378	932,922	0.21
		391,775,235	371,375,882	82.34
Temporary Investments				
U.S. Government and agency obligations		58,170,536	58,193,559	12.90
Floating Rate Corporate Loan Notes		13,518,789	13,527,371	3.00
		71,689,325	71,720,930	15.90
	$	**463,464,560**	**443,096,812**	**98.23**

31 December 2011 (Audited)		Cost	Fair Value	% (1)
Distressed Portfolio				
Bank Debt Investments	$	212,793,315	194,361,201	45.23
Private Equity		46,883,966	46,200,674	10.75
Limited Partnership Units		33,328,436	42,270,650	9.84
Fixed Rate Bonds		41,571,577	36,177,458	8.42
Public Equity		22,733,013	19,964,845	4.65
Trade Claim (2)		11,984,428	10,441,238	2.43
Ownership in Senior Living Facility		8,926,540	8,900,000	2.07
Floating Rate Corporate Loan Notes		3,009,026	3,039,231	0.71
Credit Default Swaps		922,299	1,310,795	0.31
Asset Backed Securities		1,570,288	1,112,528	0.26
Bankruptcy Claim		265,351	265,351	0.06
		383,988,239	364,043,971	84.73
Temporary Investments				
U.S. Government and agency obligations		32,196,500	32,211,308	7.50
Floating Rate Corporate Loan Notes		24,049,960	24,075,597	5.60
		56,246,460	56,286,905	13.10
	$	**440,234,699**	**420,330,876**	**97.83**

(1) This represents the percentage of Fair Value to total Net Asset Value.

(2) The trade claim is structured through a fully funded total return swap with a major US financial institution.

The accompanying notes are an integral part of the consolidated financial statements.

CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
30 June 2012 and 31 December 2011

(Expressed in United States dollars)

Investments with the following issuers comprising greater than 5% of Net Asset Value:

30 June 2012 (Unaudited)	Country	Industry	Nominal	Cost ($)	Fair Value ($)	%
Fixed Rate Bonds						
US Treasury Bill 0% 12-13/09/2012	United States	Government	26,000,000	25,980,940	25,995,918	5.76
US Treasury Bill 0% 12-01/11/2012	United States	Government	15,000,000	14,989,617	14,994,540	3.32
			41,000,000	40,970,557	40,990,458	9.08
Grant Park Syndicated Holdings	United States	Real Estate Development	224,504	31,514,938	31,509,116	6.98
Grant Park Syndicated Holdings	United States	Real Estate Development	1,206	169,283	169,283	0.04
			225,710	31,684,221	31,678,399	7.02
			41,225,710	72,654,778	72,668,857	16.10

There were no issuers comprising greater than 5% of Net Asset Value as at 31 December 2011.

The accompanying notes are an integral part of the consolidated financial statements.

CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
30 June 2012 and 31 December 2011

(Expressed in United States dollars)

		Cost 30 June 2012 (Unaudited)	Fair Value 30 June 2012 (Unaudited)	Cost 31 December 2011 (Audited)	Fair Value 31 December 2011 (Audited)
Geographic diversity of Portfolio					
Distressed Portfolio					
Australia	$	31,422,943	31,399,854	29,924,411	28,233,594
Belgium		4,597,582	4,029,442	4,684,942	4,197,023
Brazil		13,003,102	10,944,360	12,906,727	11,752,033
Cayman Islands		3,201,639	6,558,037	3,454,873	4,784,001
Germany		25,171,535	36,455,032	37,829,849	43,840,689
Great Britain		-	-	8,278,614	8,177,118
India		403,233	542,745	414,425	626,315
Ireland		-	-	387,786	495,923
Japan		479,864	38,690	841,489	457,670
Switzerland		15,124,450	4,226,710	-	-
United States (U.S.A.)		298,370,887	277,181,012	285,265,123	261,479,605
Temporary Investments					
United States (U.S.A.)		71,689,325	71,720,930	56,246,460	56,286,905
	$	463,464,560	443,096,812	440,234,699	420,330,876

The accompanying notes are an integral part of the consolidated financial statements.

CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
30 June 2012 and 31 December 2011

(Expressed in United States dollars)

		Cost 30 June 2012 (Unaudited)	Fair Value 30 June 2012 (Unaudited)	Cost 31 December 2011 (Audited)	Fair Value 31 December 2011 (Audited)
Industry diversity of Portfolio					
Distressed Portfolio					
Air Transport	$	1,481,378	932,922	1,570,288	1,112,528
Broadcasting		30,741,173	29,300,210	30,962,835	26,744,467
Building and Development		24,010,313	20,943,148	18,423,129	16,190,077
Commercial Mortgage		9,644,483	9,600,782	41,213,412	40,962,806
Containers and Glass products		13,657	13,657	11,537,822	10,920,000
Financial Intermediary		42,737,231	61,494,723	56,161,527	66,047,415
Food Products		1,645,499	1,615,291	5,043,920	2,868,169
Healthcare		12,981,481	13,952,522	12,961,297	12,962,050
Lodging and Casinos		37,108,563	34,162,025	36,132,277	34,194,972
Oil and Gas		15,124,450	4,226,710	-	-
Real Estate Development		53,306,336	53,284,513	-	-
Real Estate Trust		12,247,340	14,143,787	12,247,340	12,223,387
Surface Transport		44,192,502	29,168,680	41,454,034	30,518,797
Telecommunications		2,201,315	2,111,665	10,444,113	10,084,491
Utilities		104,339,514	96,425,247	105,836,245	99,214,812
Temporary Investments					
Financial Intermediary		13,518,789	13,527,371	41,249,390	41,287,922
US Government and Agency		58,170,536	58,193,559	14,997,070	14,998,983
	$	463,464,560	443,096,812	440,234,699	420,330,876

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS
30 June 2012 and 30 June 2011

(Expressed in United States dollars)

		30 June 2012 (Unaudited)		30 June 2011 (Unaudited)
Income				
Interest income	$	7,165,503	$	6,631,579
Dividend income ((net of withholding tax $131,165) (2011: nil))		306,052		-
Expenses				
Investment management and services		3,270,232		3,362,737
Professional and other expenses		738,627		890,488
Administration fees		238,742		246,326
Loan administration and custody fees		186,185		196,144
Directors' fees and travel expenses		101,479		104,411
		4,535,265		4,800,106
Net investment income	$	2,936,290	$	1,831,473
Realised and unrealised gains and losses from investments and foreign exchange				
Net realised gain on investments	$	3,610,633	$	2,818,303
Gain on non-cash reorganisations		15,299,517		148,686
Net change in unrealised (loss)/gain on investments		(463,925)		23,981,350
Net realised and unrealised gains	$	18,446,225	$	26,948,339
Net increase in net assets resulting from operations	$	21,382,515	$	28,779,812
Gain per ordinary share	$	0.0481	$	0.0655

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
30 June 2012 and 30 June 2011

(Expressed in United States dollars)

		30 June 2012 (Unaudited)		30 June 2011 (Unaudited)
Net assets at beginning of period	$	429,702,382	$	429,340,437
Proceeds from issuance of ordinary shares		-		-
Net investment income		2,936,290		1,831,473
Realised gains from investments and foreign exchange		3,610,633		2,818,303
Gain on non-cash reorganisations		15,299,517		148,686
Unrealised (loss)/gains from investments and foreign exchange		(463,925)		23,981,350
Net assets at end of period	**$**	**451,084,897**	**$**	**458,120,249**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
30 June 2012 and 30 June 2011

(Expressed in United States dollars)

		30 June 2012 (Unaudited)		30 June 2011 (Unaudited)
Cash flows from operating activities:				
Net increase in net assets resulting from operations	$	21,382,515		28,779,812
Adjustment to reconcile net increase/ (decrease) in net assets resulting from operations:				
Net realised gain on investments		(3,610,633)		(2,992,391)
Gain on non-cash reorganisations		(15,299,517)		(148,686)
Net change in unrealised loss/(gain) on investments		463,925		(23,981,350)
Accretion of discount on loans and bonds		(750,897)		(1,805,880)
Changes in receivables for investments sold		(2,424,475)		(1,279,192)
Changes in interest receivables		(231,769)		(1,056,217)
Changes in other receivables and prepayments		30,360		19,290
Changes in payables for investments purchased		(18,295,953)		38,705,870
Changes in payables, accrued expenses and other liabilities		(98,505)		94,171
Credit default swap payments		(180,000)		(739,299)
Purchase of investments		(126,877,833)		(329,019,986)
Sale of investments		123,489,019		318,395,577
Net cash provided by operating activities	$	22,403,763	$	24,971,719
Net (decrease)/increase in cash and cash equivalents	**$**	**(22,403,763)**	**$**	**24,971,719**
Cash and cash equivalents at beginning of period		51,264,893		21,808,522
Cash and cash equivalents at end of period	**$**	**28,861,130**	**$**	**46,780,241**

Supplemental non-cash flow operating activities

Purchases of, and proceeds from sales of, investments exclude $53,306,337 (30 June 2011: $5,064,951), related to the value of non-cash investment transactions, including reorganisations and exchanges.

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF BUSINESS

NB Distressed Debt Investment Fund Limited (the "Company" or the "Fund") is a closed-ended investment company registered and incorporated in Guernsey under The Companies (Guernsey) Law, 2008 (as amended), on 20 April 2010, with registration number 51774. The Company's shares were admitted to the Specialist Fund Market of the London Stock Exchange (the "SFM") and to listing and trading on the Channel Islands Stock Exchange ("CISX") on 10 June 2010.

The Board is responsible for managing the business affairs of the Company but has delegated certain functions to the Investment Manager under the Investment Management Agreement dated 5 May 2010, subsequently amended and restated on 17 June 2010.

The Investment Manager of the Company is Neuberger Berman Europe Limited, an indirect wholly-owned subsidiary of Neuberger Berman Group ("NB Group"). Under the Sub-Investment Management Agreement dated 9 June 2010, the Investment Manager has delegated certain of its responsibilities and functions to the Sub-Investment Manager, Neuberger Berman Fixed Income LLC, also an indirect wholly-owned subsidiary of NB Group (together the "Investment Managers").

The Investment Managers are responsible for the discretionary management of the assets held in the Company Portfolio and will conduct the day-to-day management of the Company's assets (including un-invested cash). The Investment Managers are not required to and generally will not submit individual investment decisions for approval by the Board.

The Company's investment objective is to provide investors with attractive risk-adjusted returns through long-biased, opportunistic stressed, distressed and special situation credit-related investments while seeking to limit downside risk.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The accompanying consolidated financial statements have been presented on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("US GAAP"). The financial statements give a true and fair view and are in compliance with The Companies (Guernsey) Law, 2008 (as amended). The functional and reporting currency of the Company is the United States Dollar ("USD").

Principles of consolidation

The consolidated financial statements include the results of the Company and its wholly owned subsidiaries, London Adams LLC, London Dearborn LLC, London Granite LLC, London Jackson LLC, London Madison LLC, London Mayslake LLC, London Monroe LLC, London O Homes LLC, London Quincy LLC, London Randolph LLC, London Wabash LLC, London Washington LLC, London Tides LLC, together the Group. Each of these wholly owned subsidiaries, incorporated in Delaware, operate in the United States.

During the period ended 30 June 2012, London Washington LLC, London Jackson LLC, London Tides LLC and London Randolph LLC had commenced operations.

All inter-company balances have been eliminated fully on consolidation.

Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires that the Directors make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Such estimates and associated assumptions are generally based on historical experience and various other factors that are believed to be reasonable under the circumstances, and form the basis of making the judgments about attributing values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from such accounting estimates in amounts that may have a material impact on the Financial Statements of the Company.

Revenue recognition

Interest earned on debt instruments is accounted for, gross of applicable withholding taxes and it is recognised as income over the terms of the loans. Discounts received or premiums paid in connection with the acquisition of loans are amortised into interest income using the effective interest method over the contractual life of the related loan.

Payment-in-kind (PIK) interest is computed at the contractual rate specified in the loan agreement for any portion of the interest which may be added to the principal balance of a loan rather than paid in cash by obligator on the scheduled interest payment date. PIK interest is periodically added to the principal balance of the loan and recorded as interest income. The Manager places a receivable on non accrual status when the collection of principal or interest is deemed doubtful. Dividend income is recognised on the ex-dividend date. Realised gains and losses are determined using the specific identification method.

For the period ended 30 June 2012, $750,897 (30 June 2011: $1,805,880) was recorded to reflect accretion of discount on loans and bonds during the period.

Cash and cash equivalents

The Company's cash and cash equivalents comprise cash in hand and demand deposits and highly liquid investments with original maturities of less than 90 days that are both readily convertible to known amounts of cash and so near maturity that they represent insignificant risk of changes in value.

At 30 June 2012, the Company held cash balances in various currencies to the value of $28,861,130 (31 December 2011: $51,264,893). These balances consisted of Sterling: $4,856 (31 December 2011: $51,084), Euro: $256,001 (31 December 2011: $48,062), U.S. Dollar: $28,279,030 (31 December 2011: $50,884,904), and Australian Dollar: $321,243 (31 December 2011: $280,843).

Valuation of investments

The Company carries investments on its books at fair value in accordance with US GAAP, with changes in fair value recognised within the Consolidated Statement of Operations in each reporting period. Quoted investments are valued according to their bid price as at the close of the relevant reporting date. Investments in private securities are priced at the bid price using a pricing service for private loans. If a price cannot be ascertained from the above sources, the Company will seek bid prices from third party broker/dealer quotes for the investments.

In cases where no third party price is available, or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the investment, the Sub-Investment Manager determines the valuation based on the Sub-Investment Manager's fair valuation policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation of investments (continued)

The overall criterion for fair value is a price at which a round lot of the securities involved would change hands in a transaction between a willing buyer and a willing seller, neither being under compulsion to buy or sell and both having the same knowledge of the relevant facts.

Consistent with the above criterion, the following criteria are considered when applicable:

- Valuation of other securities by the same issuer for which market quotations are available;
- Reasons for absence of market quotations;
- The soundness of the security, its interest yield, the date of maturity, the credit standing of the issue and the current general interest rates;
- Recent sales prices and/or bid and asked quotations for the security;
- Value of similar securities of issuers in the same or similar industries for which market quotations are available;
- Economic outlook of the industry;
- Issuer's position in the industry;
- The financial statements of the issuer; and
- The nature and duration of any restriction on disposition of the security.

Realised gains and losses on investments

All investment transactions are recorded on a trade date basis. Upon sale or maturity, the difference between the consideration received and the cost of the investment is recognised as a realised gain or loss. The cost is determined based on the average cost method.

All transactions relating to the reorganisation of current investments are recorded at the date of such reorganisation. The difference between the fair value of the new consideration received and the cost of the original investment is recognised as a gain or loss and presented separately on the Consolidated Statement of Operations in the line "Gain on non-cash reorganisations".

Operating expenses

Operating expenses are recognised on an accruals basis. Operating expenses include amounts directly or indirectly incurred by the Company as part of its operations.

Performance fee

Performance fee amounts due on investments (see note 4) are computed and accrued at each period end date based on period-to-date results in accordance with the terms of the agreements.

Currency translation

Monetary assets and liabilities denominated in a currency other than U.S. dollars are translated into U.S. dollar equivalents using spot rates as at the period end date. On initial recognition, a foreign currency transaction is recorded and translates at the spot exchange rate at the transaction date. Non monetary assets and liabilities are translated at the historic exchange rate.

The Company does not separate the changes relating to currency exchange rates from those relating to changes in fair value of the investments held. These fluctuations are included in the net realised gain/(loss) and net change in unrealised gain/(loss) on investments in the Consolidated Statements of Operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Payables on investments purchased

At 30 June 2012, the amount payable on investments purchased represents amounts due for investments purchased that have been contracted for but not settled on the balance sheet date.

Income taxes

The Company is exempt from Guernsey tax on income derived from non-Guernsey sources. However, certain of its underlying investments may generate income that is subject to tax in other jurisdictions, principally in the United States.

In accordance with US GAAP, Management is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognised is measured as the largest amount of benefit that is greater than fifty percent likely of being realised upon ultimate settlement. De-recognition of a tax benefit previously recognised could result in the Company recording a tax liability that would reduce net assets. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities.

Income derived from investments may be subject to withholding or other taxes imposed by the US or other countries. Such taxes are reflected in the Consolidated Statement of Operations.

As of 30 June 2012, the Company has recorded no liability for net unrecognised tax benefits relating to uncertain tax positions they have taken or expect to take in future tax returns.

NOTE 3 – RECENT STANDARDS AND PRONOUNCEMENTS

In May 2011, the FASB issued the ASU 2011 – 04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs". The guidance clarifies how a principal market is determined, addresses the fair value measurement of instruments with offsetting market or counterparty credit risks and the concept of valuation premise and highest and best use, extends the prohibition on blockage factors to all three levels of the fair value hierarchy, and requires additional disclosures.

For Level 3 fair value measurements, the ASU requires these additional disclosures:

- Quantitative information about significant unobservable inputs used for all Level 3 measurements;
- A qualitative discussion about the sensitivity of the fair value measurement to changes in the unobservable inputs and the interrelationship between inputs (required only for public entities); and
- A description of the entity's valuation process.

These disclosure requirements have been fully implemented for the period ended 30 June 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – AGREEMENTS AND RELATED PARTIES

Investment Management Fees

The Investment Manager is entitled to a management fee, which shall accrue daily, and be payable monthly in arrears, at a rate of 0.125 percent per month of the Company's Net Asset Value ("NAV"). For the period ended 30 June 2012, the management fee expense was $3,270,232 (30 June 2011: $3,362,737).

Performance Fees

In addition, the Investment Manager is entitled to a performance fee. The performance fee will only become payable once the Company has made aggregate distributions in cash to Ordinary Shareholders (which shall include the aggregate price of all Shares repurchased or redeemed by the company) equal to the aggregate gross proceeds of issuing Ordinary Shares (the "Contributed Capital") plus such amounts as will result in Ordinary Shareholders having received a realised (cash-paid) IRR in respect of the Contributed Capital equal to Preferred Return, following which there will be a 100 percent catch up to the Investment Manager until the Investment Manager has received 20 percent of all amounts in excess of Contributed Capital distributed to Ordinary Shareholders and paid to the Investment Manager as a performance fee with, thereafter, all amounts distributed by the Company 20:80 between the Investment Manager's performance fee and the cash distributed to the Ordinary Shareholders respectively. For the purposes of financial reporting the performance fee is recognised on an accrual basis; no such accrual is required in these financial statements as the IRR, as described above, has not been reached.

Considering the net asset value of the fund as at 30 June 2012, a performance fee would not be payable as the level of return required for such fees would not be reached if the Company was to realise all investments at the balance sheet date.

Administration and Custody Agreement

The Company has appointed BNP Paribas Fund Services (Guernsey) Limited as Administrator, Secretary, Custodian and Designated Manager of the Company pursuant to the Administration and Custody Agreement. In such capacity, the Administrator is responsible for the day–to-day administration of the Company (including but not limited to the calculation and publications of the estimated daily Net Asset Value), general secretarial functions (including but not limited to the maintenance of the Company's accounting and statutory records) and certain safekeeping and custody services. The Administrator is entitled to a fee based on 0.11 percent per annum of the net asset value of the Company subject to an annual minimum of £100,000.

The Secretary is entitled to an annual fee of £36,000 plus fees for ad-hoc board meetings and services. The Custodian is entitled to a fee of 0.02 percent of the Market Value of the portfolio or a minimum annual fee of £20,000 and a fee of 0.08 percent per annum of the net asset value, minimum annual fee of £75,000 in respect of portfolio and loan administration.

For the period ended 30 June 2012, the administration fee expense was $238,742 (30 June 2011: $246,326) the secretarial fee was $28,129 (30 June 2011: $28,639) and the custodian and loan administration fee expense was $173,951 (30 June 2011: $196,144).

Directors' remuneration and other interests

The Directors are related parties and are remunerated for their services at a fee of $45,000 each per annum ($60,000 for the Chairman). In addition, the chairman of the Audit Committee receives an additional $5,000 for his services in this role. Each of Michael J. Holmberg and Patrick H. Flynn, the non-independent Directors, have waived their fees for their services as Directors. For the period ended 30 June 2012, the directors' fees and travel expenses amounted to $101,479 (30 June 2011: $104,411).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – DERIVATIVES

The Company may be subject to credit risk in the normal course of pursuing its investment objective. Credit default swap agreements involve one party making a stream of payments (referred to as the buyer of protection) to another party (the seller of protection) in exchange for the right to receive a specified return if a credit event occurs for the referenced entity, obligation or index. A credit event is defined under the terms of each swap agreement and may include, but is not limited to, underlying entity default, bankruptcy, write-down, principal shortfall, or interest shortfall.

The Company can be either a seller or buyer of protection when entering into a credit default swap agreement. If a Fund is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. Until a credit event occurs, recovery values are determined by market makers considering either industry standard recovery rates or entity specific factors and considerations. When a credit event occurs, the recovery value is determined by a facilitated auction, administered by ISDA, whereby a minimum number of allowable broker bids, together with a specified valuation method, are used to calculate the settlement value.

Either as a seller of protection or a buyer of protection of a credit default swap agreement, a Fund's maximum risk of loss from counterparty risk is the fair value of the agreement.

During the period, the Company entered into a single credit default swap agreement only, in order to provide a measure of protection against defaults of a sovereign issue.

The following table presents the fair values of derivative instruments:

	Asset Derivatives			
	30 June 2012		31 December 2011	
	Statement of Assets and Liabilities location	**Fair Value US$**	**Statement of Assets and Liabilities location**	**Fair Value US$**
Primary underlying risk: Credit				
Credit default swap	Investments	1,210,675	Investments	1,310,795
Total derivatives		**1,210,675**		**1,310,795**

The following table presents the impact of derivative instruments on the Consolidated Statement of Operations in conformity with US GAAP:

	Location of gain recognised on Statement of Operations	**Amount of gain recognised in income on derivative US$**	
Primary underlying risk: Credit		**30 June 2012**	**31 December 2011**
Credit default swap	Net change in unrealised gain	(100,120)	388,496
Total		**(100,120)**	**388,496**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – UNFUNDED LOAN COMMITMENTS

As at 30 June 2012, the Company has no unfunded loan commitments.

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

A financial instrument is defined by ASC 825, Financial Instruments, as cash, evidence of an ownership interest in an entity, or a contract that creates a contractual obligation or right to deliver to or receive cash or another financial instrument from a second entity on potentially favourable terms. Fair value estimates are made at a discrete point in time, based on relevant market data, information about the financial instruments, and other factors.

Fair value was determined using available market information and appropriate valuation methodologies. Estimates of fair value of financial instruments without quoted market prices are subjective in nature and involve various assumptions and estimates that are matters of judgement. Accordingly, fair values are not necessarily indicative of the amounts realised on disposition of financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value amounts.

The following estimates and assumptions were used at 30 June 2012 to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents – The carrying value is a reasonable estimate of fair value due to the short-term nature of these instruments.

- Receivables for investments sold – The carrying value reasonably approximates fair value as they reflect the value at which investments are sold to a willing buyer and settlement period on their balances is short term.

- Interest receivables – The carrying value reasonably approximates fair value.

- Other receivables and prepayments – The carrying value reasonably approximates fair value.

- Quoted investments are valued according to their bid price as at the close of the relevant reporting date. Investments in private securities are priced at the bid price using a pricing service for private loans. If a price cannot be ascertained from the above sources, the Company will seek bid prices from third party broker/dealer quotes for the investments.

  In cases where no third party price is available, or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the investment, the Sub-Investment Manager determines the valuation based on the Sub-Investment Manager's fair valuation policy.

- Payables for investments purchased – The carrying value reasonably approximates fair value as they reflect the value at which investments are purchased from a willing seller and settlement period on their balances is short term.

- Payables to Investment Manager and affiliates – The carrying value reasonably approximates fair value.

- Accrued expenses and other liabilities – The carrying value reasonably approximates fair value.

The Company categorises its investments as follows based on the inputs used in valuation techniques:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2: Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly; and

Level 3: Significant unobservable inputs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Further to using the above inputs in investment valuations, the Company employs the net asset valuation policy approved by the board of directors that is consistent with ASC 820-10. The sources of inputs are evaluated in line with the Company's valuation policy. This includes any markets in which the Company's investments are trading, or any markets in which securities with similar attributes are trading, in determining fair value. The Company's valuation policy considers the fact that unobservable inputs must be used to determine the fair value of investments where there is not a readily available market valuation.

The table below details the Company's investments that were accounted for at fair value as at 30 June 2012.

	Investments at Fair Value as at 30 June 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Bank Debt Investments	-	139,394,817	4,036,448	143,431,265
Real Estate Developments		-	53,284,513	53,284,513
Private Equity	-	7,726,006	43,007,679	50,733,685
Limited Partnership Units	-	-	47,244,493	47,244,493
Fixed Rate Bonds	-	27,493,946	-	27,493,946
U.S. Government and Agency Obligations	-	58,193,559	-	58,193,559
Floating Rate Corporate Loan Notes	-	14,901,693	-	14,901,693
Public Equity	14,207,306	9,318,910	-	23,526,216
Trade Claim	-	-	10,944,360	10,944,360
Ownership in Senior Living Facility	-	-	9,890,472	9,890,472
Asset Backed Securities	-	-	932,922	932,922
Bankruptcy Claim	-	-	1,309,013	1,309,013
Credit Default Swaps	-	1,210,675	-	1,210,675
Total investments that are accounted for at fair value	**$14,207,306**	**$258,239,606**	**$170,649,900**	**$443,096,812**

	Investments at Fair Value as at 31 December 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Bank Debt Investments	-	153,398,395	40,962,806	194,361,201
Private Equity	-	7,173,830	39,026,844	46,200,674
Limited Partnership Units	-	-	42,270,650	42,270,650
Fixed Rate Bonds	-	29,563,047	6,614,411	36,177,458
U.S. Government and Agency Obligations	-	32,211,308	-	32,211,308
Floating Rate Corporate Loan Notes	-	27,114,828	-	27,114,828
Public Equity	13,292,812	6,672,033	-	19,964,845
Trade Claim	-	-	10,441,238	10,441,238
Ownership in Senior Living Facility	-	-	8,900,000	8,900,000
Asset Backed Securities	-	-	1,112,528	1,112,528
Bankruptcy Claim	-	-	265,351	265,351
Credit Default Swaps	-	1,310,795	-	1,310,795
Total investments that are accounted for at fair value	**$13,292,812**	**$257,444,236**	**$149,593,828**	**$420,330,876**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 as of June 30, 2012. The table is not intended to be all-inclusive, but instead captures the significant unobservable inputs relevant to our determination of fair values.

Asset Category	Fair Value ($)	Primary Valuation Technique	Unobservable Input	Range	Weighted Average
Asset Backed securities	932,922	Broker Pricing	Aircraft Liquidation Value	$1.50MM - $6.00MM Per Aircraft	$3.50MM Per Aircraft
Bank Debt Investments	4,036,448	Broker Pricing	Letter of Intent	Sale at 89% of outstanding principal	N/A
Bankruptcy claim: Financial Intermediaries	432,000	Broker Pricing	Claim Liquidation Value	1.50%-2.00% of Claim Value	1.75
Bankruptcy claim: REITs/REOCs	877,013	Broker Pricing	Bankruptcy analysis	$.16-.17/share	N/A
Limited Partnership units	47,244,493	Third Party Valuations Adjusted Using Management Assumptions	Third Party Valuations; Adjustments to Third Party Values	0%-111% of Third Party Valuation	33% discount to Third Party Valuations
Ownership of business	9,890,472	Discounted Cash Flow (DCF) and Market Comp Analysis (Third Party Appraisal)	Discount Rate and Sales Per Unit	10%-15%(DCF)/$47,000-$55,000 per unit (Sales Comp)	12% (DCF)/$51,280 per unit (Sales Comp)
Private Equity: Building and Development	2,148,094	Broker Pricing	Price to Book	1.75	N/A
Private Equity: Commercial Mortgage	9,600,782	Discounted Cash Flow	Appraisal and Auction Price	Discount Rate: 14%, Auction Price of 59.125% for Debt	N/A
Private Equity: Utilities	31,258,803	Broker Pricing	$/kW multiple	400-650 $/k W	492.70 $/k W
Real Estate Development	53,284,513	Discounted Cash Flow and Market Comp Analysis (Third Party Appraisal)	Discount rate, Sales price per square foot	10% Discount Rate, $200 - $548 per square foot	10% Discount rate, $421 sales per square foot
Trade Claim: Surface Transport	10,944,360	Broker Pricing	Discount rate and Weighted Average Life	20% discount rate and 6.33 WAL	N/A
Total	**170,649,900**				

Changes in any of the above inputs may positively or adversely impact the fair value of the relevant investments.

Level 3 assets are valued using single bid-side broker quotes or by good faith methods of the manager. For single broker quotes, the manager uses unobservable inputs to assess the reasonableness of the broker quote. For good faith valuations, the manager directly uses unobservable inputs to produce valuations. The significant unobservable inputs used in Level 3 assets are outlined in the table above. These inputs vary by asset class. For example, real estate asset valuations may utilise discounted cash flow models using an average value per square foot and appropriate discount rate. Energy assets may be based primarily on average value per kilowatt. Other assets may be based on analysis of the liquidation of the underlying assets. In general, increases/ (decreases) to per unit valuation inputs such as value per square foot, kilowatt, etc. will result in increases/(decreases) to investment value. Similarly, increases/ (decreases) of asset realization inputs (liquidation estimate, letter of intent, etc.) will also result in increases/ (decreases) in value. In situations where discounted cash flow models are used, increasing/ (decreasing) discount rates or increasing/ (decreasing) weighted average life, in isolation, will generally result in decreased/ (increased) valuations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a reconciliation of opening and closing balances of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs:

For the period ended 30 June 2012		Bank Debt Investments		Private Equity		Real Estate Development		Limited Partnership Units		Trade Claim
Balance, 31 December 2011	$	40,962,806	$	39,026,844	$	-	$	42,270,649	$	10,441,238
Purchases		1,129,416		24,883,115		-		-		1,018,673
Sales and distributions		(91,220)		(22,911,798)		-		(1,322,709)		-
Restructured assets		(53,306,337)		-		53,306,337		-		-
Non-cash gain on restructuring		15,659,288		(359,771)		-		-		-
Payable on restructuring		32,862		-		-		-		-
Realised gains on sale of investments		3,862		185,721		-		167,882		-
Unrealised (loss)/gain on investments		(354,229)		2,183,568		(21,824)		6,128,671		(515,551)
Transfers in and/or (out) of level 3		-		-		-		-		-
Balance, 30 June 2012	**$**	**4,036,448**	**$**	**43,007,679**	**$**	**53,284,513**	**$**	**47,244,493**	**$**	**10,944,360**
Change in unrealised gain/(loss) on investments included in Statement of Operation for Level 3 investments held as of 30 June 2012	**$**	**(80,222)**	**$**	**3,571,019**	**$**	**(21,824)**	**$**	**6,236,808**	**$**	**(515,551)**

		Bankruptcy Claim		Ownership in Senior Living Facility		Fixed Rate Bonds		Asset Backed Securities		Total
Balance, 31 December 2011	$	265,351	$	8,900,000	$	6,614,411	$	1,112,529		149,593,828
Purchases		-		46,724		-		-		27,077,928
Sales and distributions		-		-		-		(174,977)		(24,500,704)
Restructured assets		-		-		-		-		-
Non-cash gain on restructuring		-		-		-		-		15,299,517
Payable on restructuring		-		-		-		-		32,862
Realised gains on sale of investments		-		-		-		86,066		443,531
Unrealised (loss)/gain on investments		1,043,662		943,748		2,386,219		(90,696)		11,703,568
Transfers in and/or (out) of level 3*		-		-		(9,000,630)		-		(9,000,630)
Balance, 30 June 2012	**$**	**1,309,013**	**$**	**9,890,472**	**$**	**-**	**$**	**932,922**	**$**	**170,649,900**
Change in unrealised gain/(loss) on investments included in Statement of Operation for Level 3 investments held as of 30 June 2012	**$**	**1,043,662**	**$**	**943,748**	**$**	**-**	**$**	**(90,696)**	**$**	**11,086,944**

*transferred to level 2 from level 3 in the period due to level 2 pricing sources becoming available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

For the year ended 31 December 2011

		Bank Debt Investments		Private Equity		Limited Partnership Units		Trade Claim		Bankruptcy Claim
Balance, 31 December 2010	$	40,911,070	$	-	$	16,019,498	$	-	$	-
Purchases		13,564,448		37,692,424		17,308,937		11,984,428		265,351
Sales and distributions		(13,795,741)		-		-		-		-
Realised gains on sale of investments		540,641		-		-		-		-
Unrealised (loss)/gain on investments		(257,612)		1,334,420		8,942,214		(1,543,190)		-
Transfers in and/or (out) of level 3		-		-		-		-		-
Balance, 31 December 2011	**$**	**40,962,806**	**$**	**39,026,844**	**$**	**42,270,649**	**$**	**10,441,238**	**$**	**265,351**
Change in unrealised gain/(loss) on investments included in Statement of Operation for Level 3 investments held as of 31 December 2011	**$**	**944,889**	**$**	**1,334,420**	**$**	**8,942,214**	**$**	**(1,543,190)**	**$**	**-**

		Ownership in Senior Living Facility		Fixed Rate Bonds		Asset Backed Securities		Total
Balance, 31 December 2010	$	-	$	-	$	-	$	56,930,568
Purchases		8,926,540		9,000,630		-		98,742,758
Sales and distributions		-		-		(1,804,507)		(15,600,248)
Realised gains on sale of investments		-		-		887,593		1,428,234
Unrealised (loss)/gain on investments		(26,540)		(2,386,219)		(457,760)		5,605,313
Transfers in and/or (out) of level 3*		-		-		2,487,203		2,487,203
Balance, 31 December 2011	**$**	**8,900,000**	**$**	**6,614,411**	**$**	**1,112,529**	**$**	**149,593,828**
Change in unrealised gain/(loss) on investments included in Statement of Operation for Level 3 investments held as of 31 December 2011	**$**	**(26,540)**	**$**	**(2,386,219)**	**$**	**(457,760)**	**$**	**6,807,814**

There were no transfers between level 1 and level 2 during the period ended 30 June 2012 and the year ended 31 December 2011. The Company accounts for transfers at the end of the reporting period in which such transfers occur.

*transferred from level 2 to level 3 in the period due to revised pricing sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 – RISKS

The Company is subject to various risks, including, but not limited to, market risk, credit risk and liquidity risk. The Investment Manager attempts to monitor and manage these risks on an ongoing basis. While the Investment Manager generally seeks to hedge certain portfolio risks, the Investment Manager is not required and may not attempt to hedge all market or other risks in the portfolio, and it may decide to only partially hedge certain risks. The Company does not have any material exposure to currency risk as at 30 June 2012.

Market Risk
Market risk is the potential for changes in the value of investments. Categories of market risk include, but are not limited to interest rates. Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads.

Credit Risk
The Company may invest in a range of corporate and other bonds and other credit sensitive securities. Until such investments are sold or are paid in full at maturity, the Company is exposed to credit risk relating to whether the issuer will meet its obligations when the securities come due. Distressed debt securities by nature are securities in companies which are in default or are heading into default and will expose the Company to a higher than normal amount of credit risk.

The cash and other liquid securities held can subject the Company to a concentration of credit risk. The Investment Manager attempts to mitigate the credit risk that exists with cash deposits and other liquid securities by regularly monitoring the credit ratings of such financial institutions and at times attempting to hold a significant amount of the Company's cash and cash equivalents in U.S. Treasuries or other highly liquid securities.

Credit risk is the risk of losses due to the failure of counterparty to perform according to the terms of a contract. Since the Company does not clear all of its own securities transactions, it has established accounts with other financial institutions for this purpose. This can, and often does, result in a concentration of credit risk with one or more of these institutions. Such risk, however, is partially mitigated by the obligation of certain of these financial institutions to comply with rules and regulations governing financial institutions in countries where they conduct their business activities.

These rules and regulations generally require maintenance of minimum net capital and may also require segregation of customers' funds and financial instruments from the holdings of the financial institutions themselves. The Company actively reviews and attempts to manage exposures to various financial institutions in an attempt to mitigate these risks.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its obligations as and when these fall due. Liquidity risk is managed by the Investment Manager so as to ensure that the Company maintains sufficient working capital in cash or near cash form so as to be able to meet the Company's ongoing requirements as these are budgeted for.

Other Risks
Legal, tax and regulatory changes could occur during the term of the Company that may adversely affect the Company. The regulatory environment for alternative investment vehicles is evolving, and changes in the regulation of alternative investment vehicles may adversely affect the value of investments held by the Company or the ability of the Company to pursue its trading strategies. The effect of any future regulatory change on the Company could be substantial and adverse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 – SHARE CAPITAL

The Company's share capital consist of (a) 10,000 Class A Shares authorised, of par value $1 each (which carry extensive voting rights); and (b) an unlimited number of shares of no par value which may upon issue by designated as Ordinary Shares or Subscription Shares (each of which carry limited voting rights) or Capital Distributions Shares.

The Ordinary Shares (and not the Class A Shares) carry rights to receive all income and capital returns distributed by the Company.

The issued share capital of the Company is denominated in U.S. Dollars and consists of Ordinary Shares (which carry limited voting rights) and Class A Shares (which carry extensive voting rights). The Class A Shares are held by the Trustee pursuant to a purpose trust established under Guernsey law. Under the terms of the Trust Deed, the Trustee holds the Class A Shares for the purpose of exercising the rights conferred by such shares in the manner it considers, in its absolute discretion, to be in the best interests of the Ordinary Shareholders as a whole.

As at the 30 June 2012, the Company had following shares in issue:

	30 June 2012	31 December 2011
Issued and fully paid up:		
Class A Shares	2	2
Ordinary shares of no par value	444,270,312	444,270,312

Note 10 – Financial highlights

	Period ended 30 June 2012 Ordinary Share Class	Period ended 30 June 2011 Ordinary Share Class
Opening Balance	0.9672	0.9754
Income / loss from investment operations (a)		
Net investment income	0.0066	0.0036
Net realised and unrealised gain from investments	0.0415	0.0618
Total gain from operations	0.0481	0.0654
Net asset value per share at the end of the period	**$1.0153**	**$1.0408**

Total return* (b)	**30 June 2012 Ordinary Share Class**	**30 June 2011 Ordinary Share Class**
Total return before performance fees	4.97%	6.70%
Performance fees	-	-
Total return after performance fees	4.97%	6.70%

Ratios to average net assets (b)	**30 June 2012 Ordinary Share Class**	**30 June 2011 Ordinary Share Class**
Net investment income before performance fees (c)	1.33%	0.69%
Performance fees	-	-
Expenses (c)	(2.05)%	(2.26)%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 – FINANCIAL HIGHLIGHTS (CONTINUED)

(a) Average shares outstanding were used for calculation.
(b) An individual shareholder's return may vary from these returns based on the timing of the shareholder's subscriptions.
(c) Annualised.

*Total return is calculated for the ordinary share class only, which is calculated based on movement in the net asset value, and does not reflect any movement in the market value. An ordinary shareholder's return may vary from these returns based on participation in new issues, the timing of capital transactions etc. Subscription shares are not presented as they are not profit participating shares.

As discussed in Note 2, in cases where no third party price is available, or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the investment, the Sub-Investment Manager determines the valuation based on the Sub-Investment Manager's fair valuation policy.

When publishing the NAV per Ordinary Share on a daily basis, the Company utilizes the best available information on such date. However, prior to the issuance of financial statements, U.S. GAAP requires that the Company recognise the effects of all subsequent events that provide additional evidence about conditions that existed as of the date of the consolidated financial statements. Consequently, in preparing the consolidated financial statements, the Investment Manager adjusted the fair valuations assigned to certain investments based on newly available information that provided additional fair value information as of 30 June 2012. This additional information included appraisals for certain real estate investments. The impact of this valuation adjustment on the Company's NAV and NAV per ordinary share is detailed below:

	Total ($)	Per Ordinary Share (%)
Initial Net Assets at 30 June 2012	436,030,690	0.9815
Valuation Adjustment	15,054,207	0.0338
Net Assets as at 30 June 2012 per consolidated financial statements	451,084,897	1.0153

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Company through 28 August 2012, the date the consolidated financial statements are available to be issued, and has concluded there are not any material events that require disclosure or adjustment of the consolidated financial statements other than those listed below.

DIRECTORS, MANAGER AND ADVISERS

Directors

Robin Monro-Davies (Chairman)
Talmai Morgan
John Hallam
Christopher Sherwell
Michael Holmberg
Patrick Flynn

All c/o the Company's registered office.

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