NEUBERGER BERMAN

INTERIM REPORT

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NB Distressed Debt Investment Fund Limited

SIX MONTHS ENDED 30 JUNE 2014

PARTNERING WITH CLIENTS FOR OVER 70 YEARS

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COMPANY OVERVIEW

The investment objective of NB Distressed Debt Investment Fund Limited and its subsidiaries (together the ''Company'') 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 consists of three different share classes, with different capital return profiles and in some instances different geographical remits.

The Ordinary Share Class ("NBDD") and the Extended Life Share Class ("NBDX") have been returning capital and capital profits respectively. On 12 February 2014, investors in these share classes received their maiden capital return, made by way of a compulsory partial redemption. The capital return totalled $28 million in respect of the NBDD share class and $21 million in respect of the NBDX share class.

On 3 March 2014, the Company announced that it had raised gross proceeds of approximately £111 million through the creation of a New Global Share Class ("NBDG"). 110,785,785 New Global Shares were admitted to trading on the Specialist Fund Market and the Official List of the Channel Islands Securities Exchange on 4 March 2014 under ISIN GG00BH7JH183.

NBDG has the remit to invest in the global distressed market with a focus on Europe and North America where the Manager has seen a growing pipeline of opportunities. The creation of NBDG has not impacted the structure or strategy of the existing Ordinary Share Class and Extended Life Share Class.

In May 2014, the Company conducted a further capital return in respect of the NBDD share class and returned a total (before expenses) of $15 million to shareholders.

During the period, the portfolio was managed by the Distressed Debt team at Neuberger Berman Europe Limited, which sits within one of the largest and most experienced credit teams in the industry. On 17 July 2014 Neuberger Berman Fixed Income LLC took over responsibility for managing the portfolio, please see note 11 – Subsequent Events, for further details.

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 Securities Exchange • 335,188,578 Extended Life Shares outstanding • 89,160,296 Ordinary Shares outstanding • 110,785,785 New Global 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 140 fixed income investment professionals • Portfolio Managers have an average of 23 years of industry experience • Total fixed income assets of over $103 billion • Over $40 billion in high yield bonds and loans • Non-investment grade research team of over 20 analysts

COMPANY OVERVIEW (CONTINUED)

(USD in millions, except per share data)	At 30 June 2014 Ordinary Share Class	At 30 June 2014 Extended Life Share Class	At 30 June 2014 New Global Share Class	At 30 June 2014 Aggregated
Net Asset Value	$111.8	$429.1	$182.3	$723.2
Net Asset Value per share	$1.2538	$1.2801	$1.6459	
Investments	$107.8	$417.1	$211.0	$735.9
- Distressed Portfolio	$103.3	$402.1	$93.1	$598.5
- Temporary Investments	$4.5	$15.0	$117.9	$137.4
Cash and Cash Equivalents	$10.0	$28.9	$21.6	$60.5

(US$ in millions, except per share data)	At 31 December 2013 Ordinary Share Class	At 31 December 2013 Extended Life Share Class	At 31 December 2013 Aggregated
Net Asset Value	$151.3	$430.2	$581.5
Net Asset Value per share	$1.2189	$1.2218	-
Investments	$143.2	$410.3	$553.5
- Distressed Portfolio	$116.2	$380.3	$496.5
- Temporary Investments	$27.0	$30.0	$57.0
Cash and Cash Equivalents	$7.2	$24.1	$31.3

CHAIRMAN'S STATEMENT

Dear Shareholder,

I have the pleasure to present the Interim Report of NB Distressed Debt Investment Fund Limited and its subsidiaries (together "the Company") for the six months ended 30 June 2014.

Portfolio and Company Performance

The Company has three classes of shares, each of which offers exposure to opportunities in credit-related investments. As of the close of the six-month reporting period, the investment base for the Company's Ordinary Shares ("NBDD") was well diversified across 15 industries in 42 companies, with no single investment representing more than 8% of the Company's total assets. The investment base for the Company's Extended Life Shares ("NBDX") was well diversified across 16 industries in 54 companies, with no single investment representing more than 6% of the Company's total assets. The investment base for the Company's Global Shares ("NBDG") was diversified across 8 industries in 19 companies, with no single investment representing more than 5.5% of the Company's total assets.

As at 30 June 2014 the market value of the Company's investments was $736 million.

The Company exited three investments during the period. These exits generated $2.3 million of total income for NBDD and $5.9 million of total income for NBDX. There were no exits for NBDG during the period. The total number of exits for the Company since inception is 23, of which 22 have been at a profit and 1 at a modest loss.

During the first half of 2014, the Net Asset Value ("NAV") total return for NBDD increased by 2.87%, from $1.2189 to $1.2538 per share. NBDX's NAV per share increased by 4.78%, from $1.2218 to $1.2801 per share. NBDG's NAV per share decreased by 1.79%, from £0.9800 to £0.9625 per share.

Outlook

Since the period end, we have announced a new distribution for NBDD and NBDX, please see Note 11 – subsequent events, for further details.

Looking ahead to the remainder of 2014, your Board continues to be satisfied with the Company's performance 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 fact sheets and Investment Manager updates.

Finally, we would like to close by thanking you for your commitment and look forward to reporting to you on the Company's progress later on this year.

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Robin Monro-Davies
Chairman
22 August 2014

INVESTMENT MANAGER'S REPORT

Market Update

We continue to experience an improving environment for distressed debt in our sectors of interest. We believe the pipeline of opportunities in real estate, transportation and energy debt is particularly compelling, both in the U.S. and Europe. European Union (EU) banks, in particular, increased their disposal of European and U.S. loans and assets to €64 billion in 2013, versus €46 billion in 2012, €36 billion in 2011 and €11 billion in 2010. Debt sales for 2014 are estimated to be over €80 billion. However, over €1 trillion of non-performing loans remain on EU bank's balance sheets.[1] The European Central Bank (ECB) is scheduled to assume supervisory authority for all euro-area lenders later in 2014. We believe that an ECB-sponsored harmonization of an NPL (Nonperforming Loan) definition across countries may facilitate further recognition and disposal of distressed loans. In the U.S., we continue to see a healthy pipeline of distressed assets in real estate, energy and other asset-intensive sectors.

Ordinary Share Class Portfolio ("NBDD")

Summary

We were gratified to see the positive NAV movement achieved in the first half of 2014 for NBDD. On 10 June 2013, the Investment Period of NBDD expired. The assets of NBDDIF attributable to NBDD were placed into run-off following such expiration. The net proceeds from the realization of such assets will be distributed to the NBDD Shareholders in such times and in such amounts as determined by the Board of Directors. The Company expects to make a third distribution to shareholders in the third quarter of 2014. We continue to see significant upside potential in the existing portfolio, which we expect to realise as we restructure and exit investments.

Portfolio Update

As at 30 June 2014, 98.0% of NBDD's NAV was invested in distressed assets (92.4%) and restricted cash (5.6%). Year-to-date NAV increased 2.9% in the first half of 2014, to $1.2538 from $1.2189 per share. During the first half of 2014, NBDD's NAV was reduced by an accrual for performance fees of $0.0378 per share, or approximately 3.0% of NBDD's NAV. As of 30 June 2014, the total accrual for performance fees, including amounts previously accrued through 31 December 2013, was $0.0540 per share. Performance comparison versus other distressed debt managers is indicated by the HFRI Distressed/Restructuring Index, which returned 5.5% in the first half of 2014.

Exits

During the first quarter, there were no new exits, although NBDD did receive distributions from multiple investments that were in the process of being wound down. During the second quarter, we saw our 21st, 22nd and 23rd exits since inception.

Distributions

The Investment Manager has recommended to the Board of Directors a $7,000,000 distribution ($0.0785/share) to the Ordinary share class investors in the third quarter of 2014. To date $43 million has been distributed to shareholders and the above amount would bring the total amount distributed to $50 million since the inception of the realization phase for this share class. A separate announcement will be made in connection with this capital return.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Extended Life Share Class Portfolio ("NBDX")

Summary

We were gratified to see the positive NAV movement achieved in the first half of 2014 for NBDX. In the second quarter, we exited three positions, which contributed to the increase in NBDX's NAV. We continue to see significant upside potential in the existing portfolio, which we expect to realise as we restructure and exit investments. We believe the pipeline of distressed debt opportunities remains robust in our sectors of interest.

Portfolio Update

As at 30 June 2014, 97.5% of NBDX's NAV was either invested in distressed assets (93.7% of NAV), restricted cash (3.8%) or allocated to fund the scheduled capital profits return to shareholders (1.0% of NAV). Cash available for new investments and working capital ended the quarter at 1.5% of NAV. NBDX's NAV per share increased 4.8% in the first half of 2014, to $1.2801 from $1.2218 per share. Performance comparison versus other distressed debt managers is indicated by the HFRI Distressed/Restructuring Index[2] which returned 5.5% in the first half of 2014. In the first quarter of 2014, NBDX's NAV per share increased 3.1%. The first quarter NAV increase was primarily generated by mark-to-market gains on positions that reached key restructuring milestones or made progress post-reorganization. In the second quarter of 2014, NBDX's NAV per share increased 1.6% primarily due to mark-to-market gains on positions that reached key restructuring milestones and the reversal of an accrual for performance fees.

Exits

During the first quarter, there were no new exits, although NBDX did receive distributions from multiple investments that were in the process of being wound down. We also added incrementally to existing names and initiated positions in the shipping, lodging & casinos and surface transportation industries. We continued to actively bid on additional distressed loans although we were more constrained by cash levels than earlier in the life of NBDX.

During the second quarter, we added incrementally to existing names and initiated new positions in the shipping and surface transportation industries. During the quarter we saw our 21st, 22nd and 23rd exits since inception.

Distributions

In July 2014, the Board of the Company resolved to return $4 million (equivalent to approximately $0.01250 per share) to holders of NBDX shares by way of a compulsory partial redemption of NBDX shares. The current return comprises the total capital profit from investment exits from the NBDX portfolio in the period from 1 January 2014 through 30 June 2014. To date $21 million has been distributed to shareholders and the above amount would bring the total amount distributed to $25 million for this share class.

INVESTMENT MANAGER'S REPORT (CONTINUED)

New Global Share Class Portfolio ("NBDG")

Summary

We remain pleased with the distressed market environment and the capital deployment to date for NBDG. We see significant upside potential in the existing portfolio, which we expect to realise as we restructure and exit investments. We believe the pipeline of distressed debt opportunities remains robust in our sectors of interest.

Portfolio Update

As at 30 June 2014 over 51% of NBDG's NAV has been invested in distressed assets. NBDG had investments in 19 names and in 8 different industries. The largest sector concentrations were in lodging & casinos, shipping, power generation and surface transportation. Since quarter end we have added exposure to European real estate and U.S. power generation and metals companies.

We believe that the level of deployment achieved since the launch of the Fund on 4 March 2014 is indicative of the healthy opportunity set in distressed debt in our sectors of interest. During the first quarter, NBDG's NAV per share decreased 0.5% to £0.9755 from £0.9800 per share. The first quarter NAV decrease was primarily generated by mark-to-market decreases on positions which had been recently acquired. NBDDIF positions are valued on the bid side immediately after acquisition, which was a key factor in the mark-to-market decrease in the quarter. During the second quarter, NBDG's NAV per share decreased 1.3%, to £0.9625 from £0.9755 per share. The primary drivers of the NAV decrease were secondary market price declines of acquired assets. NBDDIF positions are valued on the bid side immediately after acquisition, which was a factor in the mark-to-market decrease in the quarter.

Exits

There were no exits for NBDG during the first half of 2014.

[1] *Source: Data from PWC Market Update Report dated March 2014.*

[2] *The HFRI Distressed/Restructuring Index reflects distressed restructuring strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings (provided by Hedge Fund Research, Inc.).*

DIRECTORS BIOGRAPHIES

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 Chairman of Assured Guaranty Limited in Bermuda and HSBC Bank Middle East. He is also on the board of two listed investment trusts. Mr Monro-Davies was educated at St. Paul's School, London, and the Britannia Royal Naval College, Dartmouth.

John Hallam (Chairman of the Audit Committee)

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 BH Global Limited alongside Mr Morgan and a number of other financial services companies, some of which are listed on the London Stock Exchange ("LSE"). Mr Hallam served for many years as a member and latterly chairman of the Guernsey Financial Services Commission ("GFSC"), from which he retired in 2006. Mr Hallam is a director of NB Private Equity Partners Limited, which is a publicly listed investment company to which a member of the Neuberger Berman Group ("NB Group") provides investment and accounting services, alongside Mr Morgan and Mr Sherwell.

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 GFSC 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. His other directorships include BH Global Limited alongside Mr Hallam. Mr Morgan is also currently the chairman or 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, which is a publicly listed investment company to which a member of the NB Group provides investment and accounting services, alongside Mr Hallam 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. 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, which is a publicly listed investment company to which a member of the NB Group provides investment and accounting services, alongside Mr Hallam and Mr Morgan.

DIRECTORS BIOGRAPHIES (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. 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' RESPONSIBILITIES STATEMENT

The principal risks and uncertainties of the Company remain unchanged from what was disclosed in the 2013 annual report. The Board's view is that these risks remain appropriate for the remainder of 2014.

We confirm that to the best of our knowledge:

- the unaudited consolidated interim financial statements have been prepared in conformity with U.S. generally accepted accounting principles, gives a true and fair view of the assets, liabilities, financial position and return of the undertakings included in the consolidation as a whole as required by DTR 4.2.4R; and

- the Chairman's Statement the Investment Manager's Report, and the notes to the unaudited consolidated interim financial statements meet the requirements of an interim management report, and include a fair view of the information required by:

  1. DTR 4.2.7R of the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, 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

  2. DTR 4.2.8R of the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, 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 Company 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 22 August 2014.

By order of the Board

John Hallam	Talmai Morgan
Director	Director
22 August 2014	22 August 2014

INDEPENDENT REVIEW REPORT TO NB DISTRESSED DEBT INVESTMENT FUND LIMITED

Introduction

We have been engaged by NB Distressed Debt Investment Fund Limited (the "Company") to review the unaudited consolidated interim financial statements (the "financial statements") of the Company together with its subsidiaries (together the "Group") included in the interim report for the six months ended 30 June 2014 which comprises the unaudited consolidated statement of assets and liabilities, unaudited condensed consolidated schedule of investments, unaudited consolidated statement of operations, unaudited consolidated statement of changes in net assets, unaudited consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial statements.

This report is made solely to the Company in accordance with the terms of our engagement letter dated 20 June 2014 to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has 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 conclusions we have reached.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the DTR of the UK FCA.

The financial statements included in this interim report have been prepared in conformity with U.S generally accepted accounting principles.

Our responsibility

Our responsibility is to express to the Company a conclusion on the financial statements included in the interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT TO NB DISTRESSED DEBT INVESTMENT FUND LIMITED (CONTINUED)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements included in the interim report for the six month period ended 30 June 2014 do not give a true and fair view of the financial position of the Group as at 30 June 2014 and of its financial performance and its cash flows for the six month period then ended in conformity with U.S. generally accepted accounting principles and the DTR of the UK FCA.

Dermot A. Dempsey
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants
20 New Street
St. Peter Port
Guernsey

22 August 2014

UNAUDITED CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
As at 30 June 2014 and 31 December 2013

(Expressed in United States Dollars)

Assets		30 June 2014 (Unaudited)		31 December 2013 (Audited)
Investments, at fair value	$	735,908,019	$	553,543,404
(2014: cost of $672,749,952; 2013: cost of $507,887,695)				
Forward currency contracts		-		224,257
Cash and cash equivalents		60,508,375		31,307,207
	$	796,416,394	$	585,074,868
Other assets:				
Interest receivables		1,629,355		1,221,658
Receivables for investments sold		1,689,996		15,781,861
Other receivables and prepayments		871,216		1,615,551
Total assets	**$**	**800,606,961**	**$**	**603,693,938**
Liabilities				
Payables for investments purchased	$	67,128,645	$	17,456,481
Credit default swap		105,478		33,864
Forward currency contracts		617,677		-
Accrued expenses and other liabilities		733,923		506,147
Payables to Investment Manager and affiliates		5,613,830		2,176,922
Deferred tax liability		3,197,678		1,998,684
Total liabilities	**$**	**77,397,231**	**$**	**22,172,098**
Net Assets	**$**	**723,209,730**	**$**	**581,521,840**
Net asset value per Extended Life Share	**$**	**1.2801**	**$**	**1.2218**
Net assets attributable to Extended Life Shares	**$**	**429,080,473**	**$**	**430,177,579**
Net asset value per Ordinary Share	**$**	**1.2538**	**$**	**1.2189**
Net assets attributable to Ordinary Shares	**$**	**111,788,854**	**$**	**151,344,261**
Net asset value per New Global Share	**£**	**0.9625**	**£**	**-**
Net assets attributable to New Global Shares	**£**	**106,635,494**	**£**	**-**
Net asset value per New Global Share (USD equivalent)	**$**	**1.6459**	**$**	**-**
Net assets attributable to New Global Shares (USD equivalent)	**$**	**182,340,403**	**$**	**-**

The unaudited consolidated interim financial statements on pages 12 to 45 were approved and authorized for issue by the Board of Directors on 22 August 2014, and signed on its behalf by:

John Hallam
Director

Talmai Morgan
Director

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

UNAUDITED CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS
As at 30 June 2014

(Expressed in United States Dollars)

30 June 2014		Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Fund % (i)
Distressed Portfolio							
Bank Debt Investments	$	238,873,851	241,237,635	30.43	35.19	30.85	33.36
Private Equity		114,151,471	145,414,480	19.47	22.95	13.81	20.11
Limited Partnership Units		30,854,852	49,221,270	12.31	8.27	-	6.81
Public Note		26,301,576	22,267,019	2.26	3.12	3.49	3.08
Private Equity: Real Estate Development		25,550,052	31,874,052	7.97	5.35	-	4.41
Private Note		21,464,317	22,270,392	1.48	4.81	-	3.08
Fixed Rate Bonds		17,617,158	20,590,270	2.35	3.24	2.22	2.85
Trade Claim (ii)		14,181,173	14,094,776	3.22	2.16	0.67	1.95
Private Placement Bonds		10,182,702	8,734,734	2.18	1.47	-	1.21
Ownership in Senior Living Facility		9,814,920	11,160,285	2.79	1.87	-	1.54
Commercial Mortgage		6,232,217	5,975,883	1.49	1.00	-	0.83
Public Equity		21,992,797	25,619,851	6.40	4.30	-	3.54
		537,217,086	598,460,647	92.35	93.73	51.04	82.77
Temporary Investments							
U.S. Government and agency obligations		19,499,102	19,499,523	4.03	3.50	-	2.70
UK Treasury Bills		116,033,764	117,947,849	-	-	64.69	16.31
		135,532,866	137,447,372	4.03	3.50	64.69	19.01
Total Investments	**$**	**672,749,952**	**735,908,019**	**96.38**	**97.23**	**115.73**	**101.78**
Extended Life Shares		370,875,875	417,122,979	**-**	97.23	-	-
Ordinary Shares		90,536,875	107,742,202	96.38	-	-	-
New Global Shares		211,337,202	211,042,838	**-**	-	115.73	-
		672,749,952	**735,908,019**	**96.38**	**97.23**	**115.73**	**101.78**
Credit Default Swap							
Extended Life Shares		(75,088)	(75,812)	-	(0.02)	-	-
Ordinary Shares		(29,357)	(29,666)	(0.03)	-	-	-
New Global Shares		-	-	-	-	-	-
		(104,445)	**(105,478)**	**(0.03)**	**(0.02)**	**-**	**(0.01)**
Forward Currency Contracts							
Extended Life Shares		-	(413,819)	-	(0.10)	-	-
Ordinary Shares		-	(203,858)	(0.18)	-	-	-
New Global Shares		-	-	-	-	-	-
		-	**(617,677)**	**(0.18)**	**(0.10)**	**-**	**(0.09)**

(i) This represents the percentage of Fair Value attributed to total Net Asset Value, Ordinary Share Net Asset Value, Extended Life Share Net Asset Value and New Global Share Net Asset Value.

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

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

UNAUDITED CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
As at 31 December 2013

(Expressed in United States Dollars)

(Audited) 31 December 2013		Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	Total Fund % (i)
Distressed Portfolio						
Bank Debt Investments	$	177,299,881	170,260,017	26.54	30.23	29.28
Private Equity		78,649,532	102,245,157	13.44	19.03	17.58
Limited Partnership Units		31,701,905	51,996,494	9.60	8.71	8.94
Private Equity: Real Estate Development		39,073,097	45,067,302	8.32	7.55	7.75
Fixed Rate Bonds		19,461,567	23,428,780	3.57	4.19	4.03
Public Equity		21,029,175	22,481,550	4.15	3.77	3.87
Private Note		21,464,317	21,089,387	1.03	4.54	3.63
Public Note		16,455,344	16,132,324	2.00	3.05	2.77
Ownership in Senior Living Facility		9,693,512	12,203,418	2.26	2.04	2.10
Commercial Mortgage		13,183,956	13,183,956	2.44	2.21	2.27
Trade Claim (ii)		13,066,759	10,601,910	1.96	1.78	1.82
Private Placement Bonds		9,815,969	7,855,963	1.45	1.32	1.35
		450,895,014	496,546,258	76.76	88.42	85.39
Temporary Investments						
U.S. Government and agency obligations		56,992,681	56,997,146	17.84	6.97	9.80
	$	507,887,695	553,543,404	94.60	95.39	95.19
Extended Life Shares		377,486,203	410,378,281	-	95.39	-
Ordinary Shares		130,401,492	143,165,123	94.60	-	-
		507,887,695	553,543,404	94.60	95.39	95.19
Credit Default Swap		(93,354)	(33,864)	-	-	-
Extended Life Shares		(67,264)	(24,400)	-	-	-
Ordinary Shares		(26,090)	(9,464)	-	-	-
		(93,354)	(33,864)	-	-	-
Forward Currency Contracts			224,257	0.01	0.03	0.04
Extended Life Shares		-	161,029	-	0.03	-
Ordinary Shares		-	63,228	0.01	-	-
		-	224,257	0.01	0.03	0.04

(i) This represents the percentage of Fair Value attributed to total Net Asset Value, Ordinary Share Net Asset Value and Extended Life Share Net Asset Value.

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

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

UNAUDITED CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
As at 30 June 2014 and 31 December 2013

(Expressed in United States Dollars)

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

30 June 2014	Country	Industry	Nominal	Cost	Fair Value	Ordinary Shares % (ii)	Extended Life Shares % (ii)	New Global Shares % (ii)	Total Fund % (ii)
Distressed Portfolio				**$**	**$**				
Newhall Holding Company LLC	United States	Building and Development	8,720,143	16,961,756	37,060,607	7.47	5.74	2.23	5.12
Temporary Investments									
UK Treasury Bill 0% 14-01/09/2014	United Kingdom	Government	24,000,000	40,462,290	41,008,626	-	-	22.49	5.67
UK Treasury Bill 0% 14-07/07/2014	United Kingdom	Government	25,000,000	41,999,224	42,745,533	-	-	23.44	5.91
UK Treasury Bill 0% 14-14/07/2014	United Kingdom	Government	20,000,000	33,572,251	34,193,690	-	-	18.75	4.73
				132,995,521	**155,008,456**	**7.47**	**5.74**	**66.91**	**21.43**

(Audited) 31 December 2013	Country	Industry	Nominal	Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	Total Fund % (i)
Temporary Investments				**$**	**$**			
US Treasury Bill 0% 13-13/03/2014	United States	Government	35,000,000	34,996,185	34,997,277	9.91	4.65	6.02
US Treasury Bill 0% 13-23/01/2014	United States	Government	15,000,000	14,998,692	14,999,913	6.61	1.16	2.58
US Treasury Bill 0% 13-09/01/2014	United States	Government	5,000,000	4,998,240	4,999,985	-	1.16	0.86
US Treasury Bill 0% 13-06/02/2014	United States	Government	2,000,000	1,999,564	1,999,971	1.32	-	0.34
				56,992,681	**56,997,146**	**17.84**	**6.97**	**9.80**

(i) This represents the percentage of Fair Value attributed to total Net Asset Value, Ordinary Share Net Asset Value and Extended Life Share Net Asset Value.

(ii) This represents the percentage of Fair Value attributed to total Net Asset Value, Ordinary Share Net Asset Value, Extended Life Share Net Asset Value and New Global Share Class Net Asset Value.

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

UNAUDITED CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
As at 30 June 2014
(Expressed in United States Dollars)

		Cost 30 June 2014	Fair Value 30 June 2014	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Fund % (i)
Geographic diversity of Portfolio							
Distressed Portfolio							
Australia	$	20,806,435	19,539,567	4.88	3.28	-	2.70
Bermuda		2,235,811	2,150,822	-	0.19	0.74	0.30
Brazil		13,066,759	12,864,776	3.22	2.16	-	1.78
Cayman Islands		4,484,177	6,701,206	1.68	1.13	-	0.93
China		5,292,103	5,303,609	-	-	2.91	0.73
Denmark		15,336,265	14,647,499	-	1.90	3.57	2.03
Germany		35,700,705	47,429,002	11.86	7.96	-	6.56
Greece		3,798,360	3,459,966	0.87	0.58	-	0.48
India		366,231	328,251	0.08	0.06	-	0.05
Japan		486,440	-	-	-	-	-
Luxembourg		2,553,851	10,895,901	2.72	1.83	-	1.51
Marshall Islands		14,270,267	14,628,499	-	2.02	3.26	2.02
Norway		3,672,254	3,811,200	0.95	0.64	-	0.53
Republic of Korea		1,114,414	1,230,000	-	-	0.67	0.17
Spain		31,030,166	29,601,385	-	2.67	9.95	4.09
United Kingdom		11,286,046	12,154,467	0.51	1.32	3.25	1.68
United States (U.S.A.)		371,716,802	413,714,497	65.58	67.99	26.69	57.21
Temporary Investments							
United Kingdom		116,033,764	117,947,849	-	-	64.69	16.31
United States (U.S.A.)		19,499,102	19,499,523	4.03	3.50	-	2.70
	$	**672,749,952**	**735,908,019**	**96.38**	**97.23**	**115.73**	**101.78**

(i) This represents the percentage of Fair Value attributed to total Net Asset Value, Ordinary Share Net Asset Value, Extended Life Share Net Asset Value and New Global Share Class Net Asset Value.

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

UNAUDITED CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
As at 31 December 2013
(Expressed in United States Dollars)

(Audited)		Cost 31 December 2013	Fair Value 31 December 2013	Ordinary Shares % (i)	Extended Life Shares % (i)	Total Fund % (i)
Geographic diversity of Portfolio						
Distressed Portfolio						
Australia	$	21,191,867	19,580,235	3.62	3.29	3.37
Belgium		628,357	21,124	-	-	-
Brazil		13,066,759	10,601,910	1.96	1.78	1.82
Cayman Islands		3,744,639	6,888,420	1.27	1.15	1.18
Germany		35,757,322	48,492,957	8.95	8.12	8.34
Great Britain		1,143,270	1,683,601	0.31	0.28	0.29
Greece		3,195,850	3,513,450	0.65	0.59	0.60
India		362,110	369,355	0.07	0.06	0.06
Japan		486,440	-	-	-	-
Luxembourg		2,553,851	10,280,562	1.90	1.72	1.77
Marshall Islands		8,321,150	8,321,150	-	1.93	1.43
Netherlands		-	-	-	-	-
Switzerland		-	-	-	-	-
United States (U.S.A.)		360,443,399	386,793,494	58.03	69.50	66.53
Temporary Investments						
United States (U.S.A.)		56,992,681	56,997,146	17.84	6.97	9.80
	$	**507,887,695**	**553,543,404**	**94.60**	**95.39**	**95.19**

(i) This represents the percentage of Fair Value attributed to total Net Asset Value, Ordinary Share Net Asset Value and Extended Life Share Net Asset Value.

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

UNAUDITED CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
As at 30 June 2014
(Expressed in United States Dollars)

		Cost 30 June 2014	Fair Value 30 June 2014	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Fund % (i)
Industry diversity of Portfolio							
Distressed Portfolio							
Air Transport	$	5,182,164	5,161,000	1.29	0.87	-	0.71
Building and Development		27,462,755	47,146,493	9.99	7.44	2.23	6.52
Chemicals and Plastics		1,674,750	1,702,554	-	-	0.93	0.24
Commercial Mortgage		29,339,717	29,050,883	1.49	6.38	-	4.02
Containers and Packaging		3,697,120	12,940,890	3.24	2.17	-	1.79
Cosmetics and Toiletries		6,406,517	6,553,609	-	-	3.58	0.90
Financial Intermediary		60,242,966	78,436,971	14.29	14.56	-	10.85
Forest Products		10,182,702	8,734,734	2.18	1.47	-	1.21
Healthcare		14,189,829	18,528,735	4.63	3.11	-	2.56
Industrial		19,977,006	16,259,999	2.26	2.12	2.55	2.25
Leisure		20,085,115	21,100,528	5.28	3.54	-	2.92
Lodging and Casinos		70,903,708	74,546,116	5.52	10.16	13.59	10.31
Non Ferrous Metals/Minerals		7,640,231	7,464,225	-	0.75	2.33	1.03
Real Estate Development		25,550,052	31,874,052	7.97	5.35	-	4.41
Real Estate Trust		21,029,175	24,646,440	6.16	4.14	-	3.41
Shipping		52,910,807	53,197,023	2.79	8.45	7.58	7.36
Surface Transport		43,522,843	42,436,913	3.22	5.41	8.57	5.87
Utilities		117,219,629	118,699,482	22.04	17.81	9.68	16.41
Temporary Investments							
UK Treasury Bills		116,033,764	117,947,849	-	-	64.69	16.31
US Government and Agency		19,499,104	19,499,523	4.03	3.50	-	2.70
	$	**672,749,952**	**735,908,019**	**96.38**	**97.23**	**115.73**	**101.78**

(i) This represents the percentage of Fair Value attributed to total Net Asset Value, Ordinary Share Net Asset Value, Extended Life Share Net Asset Value and New Global Share Class Net Asset Value.

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

UNAUDITED CONDENSED CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)
As at 31 December 2013

(Expressed in United States Dollars)

(Audited)		Cost 31 December 2013	Fair Value 31 December 2013	Ordinary Shares % (i)	Extended Life Shares % (i)	Total Fund % (i)
Industry diversity of Portfolio						
Distressed Portfolio						
Air Transport	$	4,994,413	5,359,500	0.99	0.90	0.92
Broadcasting		6,834,331	7,405,133	1.37	1.24	1.27
Building and Development		23,223,511	35,224,733	6.08	6.05	6.06
Commercial Mortgage		36,919,814	36,280,081	2.44	7.58	6.24
Containers and Packaging		3,697,121	11,964,162	2.21	2.00	2.06
Financial Intermediary		61,090,020	80,179,697	11.02	14.76	13.79
Forest Products		10,140,441	8,159,689	1.51	1.37	1.40
Healthcare		14,147,401	19,067,682	3.52	3.19	3.28
Industrial		11,805,524	11,708,840	1.99	2.02	2.01
Leisure		18,932,072	20,570,313	3.80	3.44	3.54
Lodging and Casinos		31,869,045	34,277,028	3.80	6.63	5.89
Non Ferrous Metals/Minerals		2,701,650	2,506,350	-	0.58	0.43
Real Estate Development		39,073,097	45,067,302	8.32	7.55	7.75
Real Estate Trust		21,029,175	22,481,550	4.15	3.77	3.87
Shipping		24,819,139	25,461,189	1.98	5.22	4.38
Surface Transport		13,066,759	10,601,910	1.96	1.78	1.82
Utilities		126,551,501	120,231,099	21.62	20.34	20.68
Temporary Investments						
US Government and Agency		56,992,681	56,997,146	17.84	6.97	9.80
	$	**507,887,695**	**553,543,404**	**94.60**	**95.39**	**95.19**

(i) This represents the percentage of Fair Value attributed to total Net Asset Value, Ordinary Share Net Asset Value and Extended Life Share Net Asset Value.

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

UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS 30 June 2014 and 30 June 2013

(Expressed in United States Dollars)

		30 June 2014		30 June 2013
Income				
Interest income	$	6,947,383	$	7,500,337
Dividend income net of withholding tax: (2014; $62,449, 2013; $36,615)	$	102,047	$	85,436
Expenses				
Investment management fee	$	4,380,161	$	4,141,480
Performance fee	$	3,373,219	$	-
Professional and other expenses	$	1,306,877	$	1,814,413
Administration fees	$	351,813	$	250,137
Loan administration and custody fees	$	227,430	$	182,400
Directors' fees and expenses	$	190,057	$	99,452
	$	**9,829,557**	**$**	**6,487,882**
Net investment (loss)/income	**$**	**(2,780,127)**	$	**1,097,891**
Realised and unrealised gains from investments and foreign exchange				
Net realised gain on investments, credit default swap and forward currency transactions	$	11,531,835	$	4,934,146
Net change in unrealised gain on investments, credit default swap and forward currency transactions	$	17,187,063	$	41,261,670
Income taxes from net realised/unrealised gains on investments	$	(1,418,974)	$	(99,251)
Realised and unrealised gains from investments and foreign exchange	**$**	**27,299,924**	**$**	**46,096,565**
Net increase in net assets resulting from operations	**$**	**24,519,797**	**$**	**47,194,456**

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
30 June 2014
(Expressed in United States Dollars)

		30 June 2014 Ordinary Shares	30 June 2014 Extended Life Shares	30 June 2014 New Global Shares	30 June 2014 Aggregated
Net assets at the beginning of the period	$	151,344,261	430,177,579	-	581,521,840
Net investment (loss) /income		(3,411,443)	371,628	259,688	(2,780,127)
Net realised gain / (loss) on investments, credit default swap and forward currency transactions		3,078,839	7,667,843	785,153	11,531,835
Net change in unrealised gain / (loss) on investments, credit default swap and forward currency transactions		4,148,970	12,745,294	292,799	17,187,063
Income taxes from net realised/unrealised gains from investments		(389,812)	(1,005,010)	(24,152)	(1,418,974)
Net proceeds from issuance of shares		-	-	181,026,915	181,026,915
Distribution		(42,981,961)	(20,876,861)	-	(63,858,822)
Net assets at the end of the period	$	**111,788,854**	**429,080,473**	**182,340,403**	**723,209,730**

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS 30 June 2013

(Expressed in United States Dollars)

		30 June 2013 Ordinary Shares	30 June 2013 Extended Life Shares	30 June 2013 Aggregated
Net assets at beginning of period	$	478,265,391	-	478,265,391
Net increase in assets before Share Class split on 12 April 2013				
Net investment income		1,311,662	-	1,311,662
Net realised gain on investments, credit default swap and forward currency transactions		2,934,434	-	2,934,434
Net change in unrealised gain on investments, credit default swap and forward currency transactions		21,827,953	-	21,827,953
Transfer of Net Assets from Ordinary to Extended Life Share Class		(363,391,416)	363,391,416	-
Net increase in assets after Share Class split on 12 April 2013				
Net investment income/(loss)		20,298	(333,320)	(313,022)
Net realised gain on investments, credit default swap and forward currency transactions		561,229	1,438,483	1,999,712
Net change in unrealised gain on investments, credit default swap and forward currency transactions		5,433,793	13,999,924	19,433,717
Net assets at the end of the period	$	**146,963,344**	**378,496,503**	**525,459,847**

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
30 June 2014 and 30 June 2013

(Expressed in United States Dollars)

		30 June 2014		30 June 2013
Cash flows from operating activities:				
Net increase in assets resulting from operations	$	24,519,797		47,194,456
Adjustment to reconcile net increase/(decrease) in net assets resulting from operations to net cash flow (used in)/provided by operations:				
Net realised gain on investments		(11,531,835)		(4,934,146)
Net change in unrealised gain on investments and forward foreign currency transactions		(17,187,063)		(41,261,670)
Accretion of discount on loans and bonds		(1,592,585)		(1,772,331)
Changes in interest receivables		(407,697)		(1,184,247)
Changes in receivables for investments sold		14,091,865		(7,626,197)
Changes in other receivables and prepayments		744,335		(811)
Changes in payables for investments purchased		49,672,164		(30,802,505)
Changes in payables, accrued expenses and other liabilities		3,664,684		829,642
Change in deferred tax liability		1,198,994		-
Credit default swap		104,449		218,176
Cash (paid)/received on settled forward foreign currency contracts		412,518		19,088
Purchase of investments		(612,938,613)		(146,232,395)
Sale of investments		460,694,903		157,974,091
Net cash used in by operating activities	$	(88,554,084)	$	(27,578,849)
Cash flows from financing activities:				
Proceeds from issuance of shares		181,026,915		-
Distributions paid		(63,858,822)		-
Net cash provided by financing activities	$	117,168,093	$	-
Net increase/(decrease) in cash and cash equivalents	**$**	**28,614,009**	**$**	**(27,578,849)**
Cash and cash equivalents at the beginning of the period		31,307,207		55,096,277
Effect of exchange rate changes on cash and cash equivalents		587,159		-
Cash and cash equivalents at the end of the period	**$**	**60,508,375**	**$**	**27,517,428**

Supplemental non-cash flow operating activities

During the period $(2,160,145) (30 June 2013: $Nil) is excluded from purchases of and proceeds from sales of investments related to the value of non-cash investment transactions, including reorganisations and exchanges. Tax paid during the period was $220,424 (30 June 2013; $99,521).

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM 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 Securities Exchange ("CISE") 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, 6 March 2013, 28 January 2014 and further amended and restated on 17 July 2014.

During the period, the Investment Manager of the Company was 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, during the period, the Investment Manager had 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 Management Agreement was amended and restated on 17 July 2014 and Neuberger Berman Fixed Income LLC was appointed the Investment Manager, please see Note 11 – Subsequent Events, for further details.

During the period, the Investment Managers were 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.

The Company's share capital is denominated in U.S Dollars for Ordinary Shares (Ordinary Share and Extended Life Share) and Pound Sterling for New Global Shares.

New Global Share Class

On 3 March 2014, the Company raised gross proceeds of approximately £111 million ($185 million) through the issue of 110,785,785 New Global Shares. The net proceeds were approximately £108 million ($181 million). On 4 March 2014, 109,519,377 New Global Shares were admitted to trading on the SFM and the official list of the CISE. Following the admission, the Company had 101,252,892 Ordinary Shares; 335,188,578 Extended Life Shares; and 110,785,785 New Global Shares in issue.

The New Global Share Class is similar to the existing share classes save for a broader geographic focus. Key features of the New Global Shares are set out below:

- The New Global Shares are subject to an investment period commencing on the date of Admission and ending on 31 March 2017 following which the New Global Share Portfolio will be placed into runoff.
- Following the end of the Investment Period all capital and profits from realisations will be returned to shareholders.
- The New Global Share Class has a greater focus on Europe where the Investment Manager is seeing a number of attractive opportunities. The New Global Share Class has a minimum exposure of 80 per cent. to Europe, North America and Australia.
- Cash fully deployed in 6 to 9 months with no fees charged on cash until the proceeds of the Issue are 85 per cent. invested.
- The New Global Share Class is subject of a share buyback program in order to seek to restrict any discount to less than 5 per cent. in normal market conditions, subject to available cash resources.
- The New Global Share Class is denominated in Sterling.

The creation of a New Global Share Class has not impacted the structure or strategy of the existing Ordinary Share Class and Extended Life Share Class.

Issue costs for the New Global Share Class were GBP 2,215,716 which were netted against share capital.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – DESCRIPTION OF BUSINESS (CONTINUED)

Distribution Policy

Income

The Company will pay out in each year, in respect of each share class of, all net income received on investments of the Company attributable to such share class, as appropriate. It is not anticipated that income on the portfolio will be material and therefore any dividends may be on an ad-hoc basis. It is a requirement of an exception to the United Kingdom offshore fund rules that all income from the Company's portfolio (after deduction of reasonable expenses) is to be paid to investors. This dividend policy should ensure that this requirement will be met. The exact amount of such dividend in respect of any class of Shares will be variable depending on the amounts of income received by the Company attributable to such share class and will only be made available in accordance with applicable law at the relevant time, including the Companies (Guernsey) Law, 2008 ("Companies Law") (and, in particular, will be subject to the Company passing the solvency test contained in the Companies Law at the relevant time). The amount of dividends paid in respect of one class of Shares may be different from that of another class.

Capital

Following the expiry of any investment period the capital proceeds attributable to the corresponding share class (as determined by the Directors in accordance with the Articles), will, at such times and in such amounts as the Directors shall in their absolute discretion determine, be distributed to Shareholders of that class pro rata to their respective holdings of the relevant Shares. The amount and timing of any such return of capital will be solely within the discretion of the Directors to determine.

Any capital return will only be made by the Company in accordance with the articles of incorporation of the Company and applicable law at the relevant time, including the Companies Law (and, in particular, will be subject to the Company passing the solvency test contained in the Companies Law at the relevant time).

Although the Directors intend to return capital to shareholders in such manner so that shareholders who are ordinarily resident in the United Kingdom, or who carry on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected, may be liable to United Kingdom tax on chargeable gains on such distributions, they may, at their sole discretion, return capital to shareholders by way of a dividend in circumstances where, in the opinion of the Directors, it would be reasonably practicable to do so.

Distributions

On 29 January 2014 (the "Redemption Date"), the Company made its maiden distributions for the Ordinary Share Class ("NBDD") and the Extended Life Share Class ("NBDX"). The Company returned a total (before expenses) of $48,883,631 to shareholders:

- $27,998,770 in relation to the NBDD share class (equivalent to approximately $0.2255 per NBDD share). 22,907,579 Ordinary Shares were redeemed and cancelled; and
- $20,884,861 in relation to the NBDX share class (equivalent to approximately $0.0593 per NBDX share). 16,900,236 Extended Life Shares were redeemed and cancelled.

On the Redemption Date the existing ISIN number GG00B64GWK95 for the NBDD shares and the existing ISIN number GG00B9CBV553 for the NBDX shares were disabled in CREST and expired. The new ISIN number for the NBDD shares is GG00BJ05NQ40 and the new ISIN number for the NBDX shares is GG00BJ05NR56 in respect of the remaining shares which have not been redeemed. The new ISIN numbers were enabled and available for transactions from and including 30 January 2014.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – DESCRIPTION OF BUSINESS (CONTINUED)

Distribution Policy (continued)

Capital Distributions (continued)

On 2 May 2014 the Company returned a total (before expenses) of $14,999,191 to shareholders by way of a distribution for NBDD and the payment of this redemption money was made on 16 May 2014. 12,092,596 Ordinary Shares were redeemed and cancelled.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The unaudited interim consolidated financial statements ("the financial statements") give a true and fair view of the assets, liabilities, financial position and return and are prepared in conformity with US generally accepted accounting principles ("US GAAP"). The functional and reporting currency is the United States Dollar ("USD").

Principles of Consolidation

The financial statements include the results of the Company and its wholly owned subsidiaries, London Adams LLC, London Dearborn LLC, London Granite Ridge LLC, London Jackson LLC, London Madison LLC, London Mayslake LLC, London Randolph LLC, London Wabash LLC, London Washington LLC, London Tides LLC, London Randolph Holdco LLC, London Washington Holdco LLC, London Jackson Holdco LLC, London Tides Holdco LLC, London Wacker LLC, London Granite Ridge (Global) LLC and London Madison (Global) LLC. Each of these wholly owned subsidiaries, incorporated in Delaware, operate in the United States.

On 27 June 2014, wholly owned subsidiaries London Lux Masterco 1 SARL, London Lux Debtco 1 SARL and London Lux Propco 1 SARL were incorporated.

During the period ended 30 June 2014, no subsidiaries were cancelled.

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

Use of Estimates

The preparation of financial statements in conformity with US 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 judgements 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.

Valuation of Investments accounting policy and Note 7 'Fair Valuation of Financial Instruments' discloses further detail on the use of estimates.

Revenue Recognition

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

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

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 the 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 average cost method.

For the period ended 30 June 2014, $1,592,585 (30 June 2013: $1,772,331) 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 on 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 2014, the Company held cash balances in various currencies to the value of $60,508,375 (31 December 2013: $31,307,207). These balances consisted of Sterling: $18,600,564 (31 December 2013: $15,201), Euro: $4,008,726 (31 December 2013: $2,978,790), U.S. Dollar: $37,378,601 (31 December 2013: $28,148,055), and Australian Dollar: $520,484 (31 December 2013: $165,161).

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.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

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 ask 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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation of Investments (continued)

As part of the Company's investment strategy, the Company enters into over-the-counter ("OTC") derivative contracts which include forward currency contracts and credit default swaps.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies on the reporting date and unrealised gains or losses are recorded daily. Forward contracts are generally categorised in Level 2 of the fair value hierarchy.

Credit default swaps are entered into on the OTC market. The fair value for a credit default swap contract is derived using a pricing model that is widely accepted by marketplace participants.

The pricing model takes into account multiple inputs including specific contract terms, interest rate yield curves, interest rates, credit curves, recovery rates, and current credit spreads obtained from swap counterparties and other market participants. Many inputs into the model do not require material subjectivity as they are observable in the marketplace or set per the contract. Other than the contract terms, valuation is heavily determined by the difference between the contract spread and the current market spread. The contract spread (or rate) is generally fixed and the market spread is determined by the credit risk of the underlying debt or reference entity. If the underlying debt is liquid and the OTC market for the current spread is active, credit default swaps are categorised in Level 2 of the fair value hierarchy. If the underlying debt is illiquid and the OTC market for the current spread is not active, credit default swaps are categorised in Level 3 of the fair value hierarchy.

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.

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.

Following the creation of the Extended Life Share Class and the New Global Share Class, each Share Class will bear their respective pro rata share based on their respective NAVs of the ongoing costs and expenses of the Company. Each Share Class will also bear all costs and expenses of the Company determined by the Directors to be attributable solely to it.

Performance Fee

Performance fee amounts (see note 4) are computed and accrued daily 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 sales and purchases transaction is recorded and translated at the spot exchange rate at the transaction date and for all other transactions the average rate is applied. Non-monetary assets and liabilities are translated at the historic exchange rate.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currency Translation (continued)

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

Payables on Investments Purchased

At 30 June 2014, the amount payable on investments purchased represents amounts due for investments purchased that have been contracted for but not settled on the Consolidated Statement of Assets and Liabilities date.

Income Taxes

The Company is not subject to income taxes in Guernsey; however it may be subject to taxes imposed by other countries on income it derives from investments. Such taxes are reflected in the Consolidated Statement of Operations. During the period ended 30 June 2014, the Company recorded current income tax expense of $220,424 (30 June 2013: $99,251). Deferred taxes are recorded to reflect the tax consequences of future years' differences between the tax basis of assets and their financial reporting basis. The amount of deferred tax expense for the period ended 30 June 2014 is equal to $1,198,550 (31 December 2013: $1,998,684). Total income tax expense for the period ended 30 June 2014 was $1,418,974 (30 June 2013: $99,251).

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 pronouncement 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. There were no uncertain tax positions as at 30 June 2014 or 31 December 2013. The Company is subject to examination for US Federal and state tax returns for calendar years 2011 – 2013.

NOTE 3 – RECENT STANDARDS AND PRONOUNCEMENTS

In June 2013, the FASB issued ASU 2013-08, Financial Services — Investment Companies Topic 946 ("ASU 2013-08") which amends the scope, measurement, and disclosure requirements for investment companies. ASU 2013-08:

(i) amends the criteria for an entity to qualify as an investment company,

(ii) requires an investment company to measure non-controlling ownership interests in other investment companies at fair value rather than using the equity method of accounting, and

(iii) introduces new disclosures. This guidance is effective for the Company's fiscal year beginning January 1, 2014. Earlier application is prohibited.

The company meets the required characteristics to qualify as an investment company and the adoption of this guidance did not have a material impact on the Company's financial results and consolidated interim financial statements.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – MATERIAL 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 2014, the management fee expense was $4,380,161 (30 June 2013: $4,141,480). As at 30 June 2014, the investment manager fee payable was $796,547 (31 December 2013: $732,858).

For the New Global Shares the management fee, which shall accrue daily, and be payable monthly in arrears, at a rate of 0.125 per cent. per month of the NAV of the New Global Share Class Fund (excluding, until such time as the New Global Share Class Fund is 85 per cent. invested, any cash balances (or cash equivalents)) calculated as at the last business day of the relevant month.

Performance Fees

In addition, the Investment Manager is entitled to a performance fee. The performance fee for Ordinary, Extended Life and New Global Shares (the "Shareholders") will only become payable once the Company has made aggregate distributions in cash to the Shareholders (which shall include the aggregate price of all Shares repurchased or redeemed by the company) equal to the aggregate gross proceeds of issuing Shares (the "Contributed Capital") plus such amounts as will result in the 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 the 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 Shareholders.

The preferred rate of return for Ordinary Shares is an annualised 6%, Extended Life Shares is an annualised 8% and New Global Shares is an annualised 8%. For the purposes of financial reporting the performance fee is recognised on an accrual basis.

The cumulative performance fee for the Ordinary, Extended Life and New Global Share of $4,817,283 (30 June 2013: $Nil), $Nil (30 June 2013: $Nil), and $Nil (30 June 2013: Nil) respectively would be payable if the Company was to realise all investments at the Consolidated Statement of Assets and Liabilities date. For the period ended 30 June 2014, the performance fee expense for the Ordinary, Extended Life and New Global Share was $3,373,219 (30 June 2013: $Nil), $Nil (30 June 2013: $Nil), and $Nil (30 June 2013: Nil) respectively.

The performance fee is included in the Consolidated Statement of Operations. The performance fee outstanding is included in payables to investment manager and affiliates in the Consolidated Statement of Assets and Liabilities.

Administration and Custody Agreement

The Company has appointed BNP Paribas Securities Services S.C.A., Guernsey Branch 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 publication 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. From 1 October 2012, the Administrator is entitled to a fee based on 0.10 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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – MATERIAL AGREEMENTS AND RELATED PARTIES (CONTINUED)

Administration and Custody Agreement (continued)

The Custodian is entitled to a fee of 0.02 percent for transactions on the U.S. Market and Euroclear; or 0.04 per cent for unlisted equities of the Market Value of the portfolio subject to a minimum annual fee of £20,000. The loan administration fee is 0.08 percent per annum of the average market value of the loan assets with a minimum annual fee of £75,000 in respect of portfolio and loan administration.

For the period ended 30 June 2014, the administration fee expense was $351,813 (30 June 2013: $250,137), the secretarial fee was $27,588 (30 June 2013: $26,915) and the custodian and loan administration fee expense was $227,430 (30 June 2013: $167,048). As at 30 June 2014, the administration fee payable is $194,695 (31 December 2013: $130,600), the secretarial fee payable is $12,773 (31 December 2013: $13,613) and the custodian and loan administration fee payable is $101,186 (31 December 2013: $85,344).

Directors' Remuneration and Other Interests

The Directors are related parties and are remunerated for their services at a fee of $45,000 and £10,000 each per annum ($60,000 and £10,000 for the Chairman). It was resolved at a meeting of the Board of Directors on 16 January 2014 that the Directors' remuneration would increase by £10,000 (previously $45,000) each per annum with immediate effect and that each Director would be entitled to a one off payment of £10,000 in regard to additional work on the New Global Share Class. 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 2014, the directors' fees and travel expenses amounted to $190,057 (30 June 2013: $99,452). As at 30 June 2014, the directors' fee payable is $59,837 (30 June 2013: $49,863).

Other Interests

In 2013, the Company transferred 10.35% of its interest in a loan to Meridian Sunrise Village LLC to the NB Distressed Debt Master Fund LP (the "Private Fund"), a fund managed by the Sub-Investment Manager, for $1,121,857. Also in 2013, the Company assigned 35% of its interest in units of GV Holdings, LLC to the Private Fund for $1,225,000.

NOTE 5 – DERIVATIVES

The Company may enter into credit default swap agreements and forward currency contracts in the normal course of pursuing its investment objective. As a result of these the Company may be subject to credit and foreign currency risk.

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 may use credit default swap agreements on corporate or sovereign issues to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where a Company owns or has exposure to the referenced obligation). During the period, the Company entered into a single credit default swap agreement to provide a measure of protection against defaults of a sovereign issue.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – DERIVATIVES (CONTINUED)

The Company can be either a seller or buyer of protection when entering into a credit default swap agreement. If the Company is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Company 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. Either as a seller of protection or a buyer of protection of a credit default swap agreement, the Company's maximum risk of loss from counterparty risk is the fair value of the agreement.

In a forward currency contract, the Company agrees to receive or deliver a fixed quantity of one currency for another, at a pre-determined price at a future date.

Purchases and sales of forward currency contracts having the same notional value, settlement date and counterparty are generally offset (which result in a net foreign currency position of zero with the counterparty) and any realised gains or losses are recognised on settlement date. The fair value of forward currency contracts is based on the price at which a new forward foreign currency contract of the same notional value, currency and maturity could be affected at the close of business in the principal currency markets in which these currencies are traded.

The Company may, from time to time, hold derivative financial instruments for the purposes of hedging foreign currency exposure. These derivatives are measured at fair value in accordance with US GAAP, with changes in fair value recognised within the Consolidated Statement of Operations in each reporting period. Offsetting of financial assets and financial liabilities is permitted only when:

- The parties owe each other determinable amounts
- There is a right and intention to set-off
- The right of set-off is enforceable by law

Forward exchange contracts are subject to credit and market risk. Forward foreign exchange contracts result in exposure to market risk based on the changes in foreign currency exchange rates relative to contracted amounts. As a result, a relatively small foreign currency exchange rates movement may result in substantial losses to the Company. Credit risk is where the financial condition of an issuer of a security or instrument may cause it to default or become unable to pay interest or principal due on the security. Any trading counterparty to a derivative contract might default on their obligations. The effect of such derivative instruments on the Company’s financial position and financial performance as reflected in the Consolidated Statement of Assets and Liabilities and Consolidated Statement of Operations are presented in the summary below.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – DERIVATIVES (CONTINUED)

The following table presents the fair values of derivative instruments:

The notional outstanding as at 30 June 2014 and 31 December 2013 is representative of the exposure over the period/year (or similar).

30 June 2014		**Notional**			
	Buy/Sell Currency	**Foreign Currency**	**USD**	**Fair Value / USD Equivalent**	**Settlement Date Month/Year**
Forward currency contracts	USD/BRL	28,879,784	12,365,670	(698,049)	July 2014
	USD/EUR	26,303,514	36,056,641	154,445	July 2014
	USD/EUR	599,963	821,407	(3,369)	July 2014
	USD/GBP	1,471,390	2,439,417	(76,363)	July 2014
	EUR/USD	1,000,000	1,363,460	5,659	July 2014
				(617,677)	
Credit default swap (purchased protection) Federal Republic of Brazil 12.25% 06/03/2030	n/a	n/a	(12,800,000)	**(105,478)**	September 2015

31 December 2013		**Notional**			
	Buy/Sell Currency	**Foreign Currency**	**USD**	**Fair Value / USD Equivalent**	**Settlement Date Month/Year**
Forward currency contracts	USD/BRL	24,406,306	10,827,997	508,725	January 2014
	USD/EUR	16,942,660	23,093,393	(252,596)	January 2014
	USD/GBP	1,303,693	2,109,326	(49,685)	January 2014
	USD/BRL	874,200	389,307	19,689	January 2014
	USD/EUR	720,918	991,520	(1,876)	January 2014
				224,257	
Credit default swap (purchased protection) Federal Republic of Brazil 12.25% 06/03/2030	n/a	n/a	(12,100,000)	**(33,864)**	June 2014

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

Primary underlying risk	**Location of gain/(loss) recognised in Consolidated Statement of Operations**	**Amount of gain/(loss) recognised in income on derivative (US$)**	
Credit		**30 June 2014**	**31 December 2013**
Credit default swap	Net change in unrealised gain/(loss) on investments, credit default swap and forward currency contracts	(60,524)	503,113
Credit default swap	Net realised gain/(loss) on investments, credit default swap and forward currency contracts	93,354	(471,333)
Foreign Currency			
Forward currency contracts	Net change in unrealised gain/(loss) on investments, credit default swap and forward currency contracts	841,934	505,890
Forward currency contracts	Net realised (loss) on investments, credit default swap and forward currency contracts	(337,331)	(269,494)
Total		**537,433**	**268,176**

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – DERIVATIVES (CONTINUED)

The following table presents, as of 30 June 2014 and 31 December 2013, the gross and net derivatives assets and liabilities by contract type and amount for those derivatives contracts for which netting is permissible under U.S. GAAP. Derivatives assets and liabilities have been netted with respect to those assets as to which the netting requirements have been met.

Off setting of derivative assets	Gross amounts of recognised assets	Gross amounts offset in the Consolidated Statement of Assets and Liabilities	Net amounts offset in the Consolidated Statement of Assets and Liabilities
30 June 2014			
Forward Currency Contracts	160,104	(160,104)	-
31 December 2013			
Forward Currency Contracts	528,414	(304,157)	224,257

Offsetting of derivative liabilities	Gross amounts of recognised liabilities	Gross amounts offset in the Consolidated Statement of Assets and Liabilities	Net amounts offset in the Consolidated Statement of Assets and Liabilities
30 June 2014			
Forward Currency Contracts	777,781	(160,104)	617,677
Credit Default Swap	105,478	-	105,478
	883,259	(160,104)	883,259
31 December 2013			
Forward Currency Contracts	304,157	(304,157)	-
Credit Default Swap	33,864	-	33,864
	338,021	**(304,157)**	**33,864**

NOTE 6 – UNFUNDED LOAN COMMITMENTS

As at 30 June 2014, 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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following estimates and assumptions were used at 30 June 2014 and 31 December 2013 to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents - The carrying value reasonably approximates 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 & 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 and Accrued expenses and other liabilities - The carrying value reasonably approximates fair value.

- Forward currency contracts are revalued using the exchange rate prevailing at the Consolidated Statement of Assets and Liabilities date.

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

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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The table below details the Company's investments that were accounted for at fair value as at 30 June 2014.

Investments at Fair Value as at 30 June 2014

	Level 1	Level 2	Level 3	Total
Bank Debt Investments	-	104,078,679	137,158,956	241,237,635
Commercial Mortgage	-	-	5,975,883	5,975,883
Limited Partnership Units	-	-	49,221,270	49,221,270
Private Equity	-	67,181,954	78,232,526	145,414,480
Private Equity: Real Estate Development	-	-	31,874,052	31,874,052
Private Placement Bonds	-	-	8,734,734	8,734,734
Fixed Rate Bonds	-	20,590,270	-	20,590,270
U.S. Government and Agency Obligations	-	19,499,523	-	19,499,523
UK Treasury Bills	-	117,947,849	-	117,947,849
Public Equity	24,646,440	973,411	-	25,619,851
Public Note	-	22,267,019	-	22,267,019
Trade Claim	-	-	14,094,776	14,094,776
Ownership in Senior Living Facility	-	-	11,160,285	11,160,285
Private Note	-	-	22,270,392	22,270,392
Total investments that are accounted for at fair value	**24,646,440**	**352,538,705**	**358,722,874**	**735,908,019**

Investments at Fair Value as at 31 December 2013

	Level 1	Level 2	Level 3	Total
Bank Debt Investments	-	105,755,222	64,504,795	170,260,017
Commercial Mortgage	-	-	13,183,956	13,183,956
Limited Partnership Units	-	-	51,996,494	51,996,494
Private Equity	-	43,085,074	59,160,083	102,245,157
Private Equity: Real Estate Development	-	-	45,067,302	45,067,302
Private Placement Bonds	-	-	7,855,963	7,855,963
Fixed Rate Bonds	-	23,428,780	-	23,428,780
U.S. Government and Agency Obligations	-	56,997,146	-	56,997,146
Public Equity	22,481,550	-	-	22,481,550
Public Note	-	16,132,324	-	16,132,324
Trade Claim	-	-	10,601,910	10,601,910
Ownership in Senior Living Facility	-	-	12,203,418	12,203,418
Private Note	-	-	21,089,387	21,089,387
Total investments that are accounted for at fair value	**22,481,550**	**245,398,546**	**285,663,308**	**553,543,404**

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM 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 30 June 2014. The table is not intended to be all-inclusive, but instead captures the significant unobservable inputs relevant to our determination of fair values.

Category	Fair Value ($)	Primary Valuation Technique	Unobservable inputs	Range	Weighted Average
Bank Debt Investments: Aircraft	5,161,000	Broker Pricing	Aircraft Liquidation Value	$4MM - $35MM Per Aircraft	$20MM Per Aircraft
Bank Debt Investments: Commercial Mortgage	5,975,883	Broker Pricing	Third Party Appraisal Market Comp Analysis	8%-14% and $50 - $200 per square foot	10.7% and approx. $82.35 per square foot
Bank Debt Investments: Casino and Lodging	10,138,725	Broker Pricing	Market Comp Analysis	5%-7.5% and $40,000 - $60,000 per room	6% and $50,000 per room
Bank Debt Investments: Land	22,066,937	Broker Pricing	Comparable sales	1.5MM - 2.00MM per acre	1.75MM per acre
Bank Debt Investments: Leisure	21,100,528	Broker Pricing	Sale of company	Implied Enterprise Value of $342MM	N/A
Bank Debt Investments: Shipping	50,651,106	Broker Pricing	EBITDA Multiple or Fleet Appraisal	8x – 15x for EBITDA Multiple, Fleet valued at 125% of loan.	11.5x
Bank Debt Investments: Surface Transportation	19,462,660	Broker Pricing	Expected Recovery	80-100 Cents on the Dollar	90 Cents on the Dollar
Bank Debt Investments: Utilities	8,578,000	Broker Pricing	EBITDA Multiple	9.5x	N/A
Limited Partnership Units	49,221,270	Net Asset Value	Net Asset Value	N/A	N/A
Ownership in Senior Living Facility	11,160,285	Discounted Cash Flow (DCF)	Third Party Appraisal	10.75%	N/A
Private Equity: Commercial Mortgage	23,075,000	Broker Pricing	Price to Book Value	$300 - $500 per square foot	Approx. $375 per square foot
Private Equity: Building and Development	3,446,298	Broker Pricing	Price to Book Value	1.50x - 2.50x	1.69x
Private Equity: Containers and Packaging	12,940,891	Broker Pricing	EBITDA Multiple	5-7x	6x
Private Equity: Financial Intermediaries	1,574,287	Broker Pricing	Purchase Offer	$26 per share	N/A
Private Equity: Real Estate Development	31,874,052	Discounted Cash Flow (DCF)	Third Party Appraisal Market Comp Analysis	9%-11% and $200 - $500 per square foot	10% and approx. $345 per square foot
Private Equity: Utilities	37,196,050	Broker Pricing	$/kW multiple	400-650 $/kW	525 $/kW
Private Note: Financial Intermediaries	22,270,392	Broker Pricing	Expected Recovery	16-33 Cents on the Dollar	23 Cents on the Dollar
Private Placement Bonds	8,734,734	Broker Pricing	EBITDA Multiple	4-6x	5x
Trade Claim: Shipping	1,230,000	Broker Pricing	Discounted Cash Flow (DCF)	7%	N/A
Trade Claim: Surface Transport	12,864,776	Broker Pricing	Discount Rate & Weighted Average Life	20% discount rate and 5.83 WAL	N/A
Total	**358,722,874**				

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 realisation 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.

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 as of 31 December 2013.

Category	Fair Value ($)	Primary Valuation Technique	Unobservable inputs	Range	Weighted Average
Bank Debt Investments: Aircraft	5,359,500	Broker Pricing	Aircraft Liquidation Value	$4MM - $35MM Per Aircraft	$20MM Per Aircraft
Bank Debt Investments: Commercial Mortgage	13,183,956	Third Party Appraisal Market Comp Analysis	Third Party Appraisal Market Comp Analysis	8% - 14% and $53 - $264 per square foot	12% and approx. $74 per square foot
Bank Debt Investments: Land	20,616,936	Broker Pricing	Comparable sales	1.5MM - 2.00MM per acre	1.75MM per acre
Bank Debt Investments: Leisure	20,570,313	Broker Pricing	Sale of Company	Implied Enterprise Value of $342MM	N/A
Bank Debt Investments: Other	303,726	Broker Pricing	EBITDA Multiple	5.0x	N/A
Bank Debt Investments: Shipping	11,894,150	Broker Pricing	EBITDA Multiple or Fleet Appraisal	9X for EBITDA Multiple, Fleet Valued at 125% of loan	N/A
Bank Debt Investments: Utilities	5,760,170	Broker Pricing	EBITDA Multiple or $/kW	7.0Xx for EBITDA Multiple, 575 $/kW	N/A
Limited Partnership Units	51,996,494	Third Party Valuations Adjusted Using Management Assumptions	Third Party Valuations; Adjustments to Third Party Values	0%-30% Discount of Third Party Valuation	15% discount to Third Party Valuations
Ownership in Senior Living Facility	12,203,418	Discounted Cash Flow (DCF)	Third Party Appraisal	9.75%	N/A
Private Equity: Commercial Mortgage	23,075,000	Broker Pricing	Price to Book Value	$350-450 per square foot	$400
Private Equity: Building and Development	3,350,568	Broker Pricing	Price to Book Value	1.50x - 2.50x	1.69x
Private Equity: Containers and Packaging	11,964,162	Broker Pricing	EBITDA Multiple	4.75 - 6x	5.82x
Private Equity: Financial Intermediaries	1,574,287	Broker Pricing	Purchase Offer	$26 per share	N/A
Private Equity: Real Estate Development	45,067,302	Discounted Cash Flow (DCF)	Third Party Appraisal Market Comp Analysis	9%-11% and $200 - $500 per square foot	10% and approx. $345 per square foot
Private Equity: Utilities	19,196,066	Broker Pricing	$/kW multiple	400-465 $/kW	443 $/kW
Private Note: Financial Intermediaries	21,089,387	Broker Pricing	Expected Recovery	16-33 Cents on the Dollar	23 Cents on the Dollar
Private Placement Bond	7,855,963	Broker Pricing	EBITDA Multiple	5X	N/A
Trade Claim: Surface Transport	10,601,910	Broker Pricing	Discount Rate & Weighted Average Life	20% discount rate and 5.83 WAL	N/A
Total	**285,663,308**				

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM 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 2014

	Bank Debt Investments	Private Equity	Private Equity: Real Estate Development	Private Placement Bonds	Limited Partnership Units	Trade Claim	Private Note
Balance, 31 December 2013	$ 64,504,795	$ 59,160,083	$ 45,067,302	$ 7,855,963	$ 51,996,494	$ 10,601,910	$ 21,089,387
Purchases	71,376,221	15,559,670	-	10,146,803	-	1,114,415	-
Sales and distributions	(509,276)	-	(15,670,306)	(10,268,256)	(1,715,279)	-	-
Realised gain/(loss) on sale of investments	(573,964)	-	2,147,261	345,021	868,224	-	-
Unrealised gain/(loss) on investments	2,361,180	3,512,773	329,795	655,203	(1,928,169)	2,378,451	1,181,005
Transfers into or (out of) level 3	-	-	-	-	-	-	-
Balance, 30 June 2014	**$ 137,158,956**	**$ 78,232,526**	**$ 31,874,052**	**$ 8,734,734**	**$ 49,221,270**	**$ 14,094,776**	**$ 22,270,392**
Change in unrealised gain/(loss) on investments included in Consolidated Statement of Operation for Level 3 investments held as of 30 June 2014	**$ 1,762,953**	**$ 3,512,773**	**$ 329,795**	**$ (1,304,803)**	**$ (1,928,169)**	**$ 2,378,451**	**$ 1,181,006**

	Ownership in Senior Living Facility	Commercial Mortgage	Total
Balance, 31 December 2013	$ 12,203,418	$ 13,183,956	285,663,308
Purchases	121,408	-	98,318,517
Sales and distributions	-	(8,002,050)	(36,165,167)
Restructuring assets	-	- [i]	-
Realised gains/(loss) on sale of investments	-	705,781	3,492,323
Unrealised gain/(loss) on investments	(1,164,541)	88,196	7,413,893
Transfers into or (out of) level 3	-	-	-
Balance, 30 June 2014	**$ 11,160,285**	**$ 5,975,883**	**358,722,874**
Change in unrealised gain/(loss) on investments included in Consolidated Statement of Operation for Level 3 investments held as of 30 June 2014	**$ (1,164,541)**	**$ 88,196**	**4,855,661**

The Company's policy is to recognise transfers into and out of various levels as of the actual date of the event or change in circumstances that caused the transfer.

i) There was a restructuring on a 1:1 basis from AW Plano to DI Albuquerque.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM 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 year ended 31 December 2013

	Bank Debt Investments	Private Equity	Private Equity: Real Estate Development	Private Placement Bonds	Limited Partnership Units	Trade Claim	Private Note
Balance, 31 December 2012	$ 30,234,768 [ii]	$ 48,088,830 [ii]	$ 67,168,150	$ 9,854,912	$ 50,093,828	$ 11,233,247	$ -
Purchases	42,380,337	30,710,009	-	-	-	-	21,464,317
Sales and distributions	(13,005,908)	(8,593,673)	(26,189,673)	-	(1,714,286)	-	-
Realised gain/(loss) on sale of investments	(306,667)	1,051,991	-	-	1,496,561	-	-
Unrealised gain/(loss) on investments	5,202,265	10,384,476	4,088,825	(1,998,949)	2,120,391	(631,337)	(374,930)
Transfers into or (out of) level 3	-	(22,481,550) [i]	-	-		-	-
Balance, 31 December 2013	**$ 64,504,795**	**$ 59,160,083**	**$ 45,067,302**	**$ 7,855,963**	**$ 51,996,494**	**$ 10,601,910**	**$ 21,089,387**
Change in unrealised gain/(loss) on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2013	**$ 5,219,731**	**$ 9,040,425**	**$ 4,088,824**	**$ (1,998,949)**	**$ 2,120,391**	**$ (631,337)**	**$ (374,930)**

	Bankruptcy Claim	Ownership in Senior Living Facility	Fixed Rate Bonds	Asset Backed Securities	Commercial Mortgage	Total
Balance, 31 December 2012	$ 686,341	$ 10,098,587	$ 1,486,368	$ 660,791	$ -	229,605,822
Purchases	239,586	410,053	166,069	17	25,710,269	121,080,657
Sales and distributions	(371,518)	-	(3,413,567)	(520,499)	(13,124,929)	(66,934,053)
Realised gains/(loss) on sale of investments	-	-	-	(783,362)	598,616	2,057,139
Unrealised gain/(loss) on investments	(554,409)	1,694,778	1,761,130	643,053	-	22,335,293
Transfers into or (out of) level 3	-	-	-	-	-	(22,481,550)
Balance, 31 December 2013	**$ -**	**$ 12,203,418**	**$ -**	**$ -**	**$ 13,183,956**	**285,663,308**
Change in unrealised gain/(loss) on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2013	**$ -**	**$ 1,694,779**	**$ -**	**$ -**	**$ -**	**19,158,934**

The Company's policy is to recognise transfers into and out of various levels as of the actual date of the event or change in circumstances that caused the transfer.

i) Transferred to level 1 from level 3 in the year due to public offering of equity security.

ii) These balances have been reclassified to conform to the 2014 presentation.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM 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.

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. Details of the Company's investment portfolio at 30 June 2014 are disclosed in the condensed consolidated schedule of investments. Each separate investment exceeding 5% of net assets is disclosed separately.

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.

The credit risk relating to derivatives is detailed in note 5.

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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 – RISKS (CONTINUED)

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.

NOTE 9 – SHARE CAPITAL

The Company's share capital consists of:

10,000 Class A Shares authorised, of par value $1 each (which carry extensive voting rights); and, an unlimited number of shares of no par value which may upon issue be designated as Ordinary Shares (Ordinary Share, Extended Life Share Classes and New Global Shares) and or Subscription Shares (each of which carry limited voting rights) or Capital Distributions Shares.

The issued share capital of the Company is denominated in U.S. Dollars which consists of Ordinary Shares and Class A Shares and in Pound Sterling which consists of New Global Shares. Ordinary Shareholders and New Global Shareholders have the right to attend and vote at any general meeting of the Company. Class A Shareholders do not have the right to attend and vote at a general meeting of the Company save where there are no other shares of the Company is issue. 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.

The original investment period expired on 10 June 2013 and a proposal was made to Ordinary Shareholders to extend the investment period by 21 months to 31 March 2015. A vote was held at a class meeting of Shareholders on 8 April 2013 where the majority of shareholders voted in favour of the proposed extension.

Following this meeting and with the Ordinary Shareholders approval of the extension, a new Extended Life Share class was created (the "Extended Life Shares") which consists of 72% of initial Investors who elected to convert their Ordinary Shares to Extended Life Shares. The rest of investors remain invested on the basis of the current investment period.

The Extended Life Share class are subject to a new capital return policy pursuant to which the Company will seek to return to the holders of Extended Life Shares all capital profits arising from the exit of any assets attributable to the Extended Life Shares (net of any amount that the directors estimate may become payable as performance fee).

On 27 February 2014, the Company issued 110,785,785 New Global Shares.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 – SHARE CAPITAL (CONTINUED)

As at the 30 June 2014, the Company had the following number of shares in issue:

	30 June 2014	31 December 2013
Issued and fully paid up:		
Class A Shares	2	2
Extended Life Share Class of no par value	335,188,578	352,088,814
Ordinary Shares Class of no par value	89,160,296	124,160,471
New Global Share Class of no par value	110,785,785	-

Reconciliation of number of shares in issue in each class:

	Ordinary Shares	Extended Life Shares	New Global Shares	Total
Balance as at 31 December 2013	124,160,471	352,088,814	-	476,249,285
Shares issued during the period	-	-	110,785,785	110,785,785
Shares redeemed during the period	(35,000,175)	(16,900,236)	-	(51,900,411)
Balance as at 30 June 2014	89,160,296	335,188,578	110,785,785	535,134,659

NOTE 10 – FINANCIAL HIGHLIGHTS

Per share operating performance	Ordinary Shares USD Period ended 30 June 2014	Extended Life Shares USD Period ended 30 June 2014	New Global Shares GBP 4 March 2014 to 30 June 2014	Ordinary Shares USD Year ended 31 December 2013	Extended Life Shares USD 12 April 2013 to 31 December 2013
Opening Balance	1.2189	1.2218	-	1.0765	1.1353
Proceeds/Redemptions of Shares	0.0011	-	0.98	-	0.0021
Income/(loss) from investment operations (i)					
Net investment (loss)/income	(0.0337)	0.0011	0.0014	(0.0031)	(0.0006)
Net realised and unrealised gain / (loss) from investments and foreign exchange	0.0675	0.0572	(0.0175)	0.1455	0.0850
Total from investment operations	**0.0338**	**0.0583**	**(0.0175)**	**0.1424**	**0.0844**
Net asset value per share at the end of the period/year	**1.2538**	**1.2801**	**0.9625**	**1.2189**	**1.2218**

Total return* (ii)	Ordinary Shares Period ended 30 June 2014	Extended Life Shares Period ended 30 June 2014	New Global Shares 4 March 2014 to 30 June 2014	Ordinary Shares Year ended 31 December 2013	Extended Life Shares 12 April 2013 to 31 December 2013
Total return before performance fees	5.59%	4.78%	(1.79)%	14.31%	7.62%
Performance fees	(2.72)%	-	-	(1.08)%	-
Total return after performance fees	**2.87%**	**4.78%**	**(1.79)%**	**13.23%**	**7.62%**

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 – FINANCIAL HIGHLIGHTS (CONTINUED)

Ratios to average net assets (ii)	Ordinary Shares Period ended 30 June 2014	Extended Life Shares Period ended 30 June 2014	New Global Shares 4 March 2014 to 30 June 2014	Ordinary Shares Year ended 31 December 2013	Extended Life Shares 12 April 2013 to 31 December 2013
Net investment income after performance fee	(2.83)%	0.09%	0.14%	(0.26)%	0.19%
Expenses before performance fee	(1.15)%	(1.07)%	(0.30)%	(2.08)%	(2.42)%
Performance fee	(2.80)%	-	-	(0.99)%	-
Total expenses after performance fees	**(3.95)%**	**(1.07)%**	**(0.30)%**	**(3.07)%**	**(2.42)%**

(i) Average numbers of shares outstanding were used for calculation.
(ii) An individual shareholder's return may vary from these returns based on the timing of the shareholder's subscriptions.

*Total return is calculated for the Ordinary, Extended Life Share and New Global 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. Class A shares are not presented as they are not profit participating shares.

NOTE 11 - SUBSEQUENT EVENTS

Distributions

On 1 August 2014 the Board of NB Distressed Debt Investment Fund Limited (the "Company") announced a further distribution for both the Ordinary Share Class ("NBDD") and the Extended Life Share Class ("NBDX").

The Company has resolved to return a total (before expenses) of $7.0 million to NBDD shareholders (equivalent to approximately $0.0785 per NBDD share) by way of a compulsory partial redemption of NBDD shares at a price equal to $1.2593 per NBDD share. The amount applied to the partial redemption of NBDD shares was after the deduction of costs and expenses of this partial redemption, of approximately $8,000.

The Company further resolved to return a total (before expenses) of $4.19 million to NBDX shareholders (equivalent to approximately $0.0125 per NBDX share) by way of a compulsory partial redemption of NBDX shares at a price equal to $1.2786 per NBDX share. The amount applied to the partial redemption of NBDX shares was after the deduction of costs and expenses of this partial redemption, of approximately $8,000.

The redemption of both the NBDD and NBDX shares (the "Redemptions") was effected pro rata to holdings of NBDD and NDBX shares on the NBDD and NBDX registers at the close of business on 12 August 2014 (the "Redemption Date"), being the record date for the Redemptions. Approximately 6.23 per cent. of the NBDD issued share capital (that was 6.23 NBDD shares for every 100 held (the "NBDD Redemption Ratio")) and approximately 0.98 per cent. of the NBDX issued share capital (that was 0.98 NBDX shares for every 100 held (the "NBDX Redemption Ratio")) were redeemed on the Redemption Date. Fractions of shares produced by the NBDD Redemption Ratio or the NBDX Redemption Ratio were not redeemed and so the number of shares of the relevant class redeemed from each shareholder will be rounded down to the nearest whole number of shares.

All of the NBDD and NBDX shares redeemed on the Redemption Date will be cancelled.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 – SUBSEQUENT EVENTS (CONTINUED)

Investment Management Agreement

During the period, Neuberger Berman Europe Limited ("the Manager") was investment manager with sole responsibility for managing the assets of the Group. The Manager appointed Neuberger Berman Fixed Income LLC as sub-investment manager to the Company pursuant to the terms of a sub-investment management agreement dated 9 June 2010 (as amended, the "Sub-Investment Management Agreement"). Neuberger Berman Fixed Income LLC, in its capacity as sub-investment manager, had carried out the entirety of the portfolio and risk management functions for the Company, under authority derived from the Manager.

On 17 July 2014, the Company appointed Neuberger Berman Fixed Income LLC directly to act as investment manager and provide the Group with discretionary investment management services and be responsible for the performance of portfolio and risk management on the same terms as currently apply to the Manager.

The Sub-Investment Management Agreement between the Manager and Neuberger Berman Fixed Income LLC was terminated on 17 July 2014.

DIRECTORS, MANAGERS AND ADVISERS

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

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Sub-Investment Manager

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