NEUBERGER | BERMAN

INTERIM REPORT

UNAUDITED FINANCIAL STATEMENTS

Distressed Debt Investment Fund Limited

PERIOD ENDED 30 JUNE 2011

PARTNERING WITH CLIENTS FOR OVER 70 YEARS

30 August 2011

FOR IMMEDIATE RELEASE

RELEASED BY BNP PARIBAS FUND SERVICES (GUERNSEY) LIMITED
FINAL RESULTS ANNOUNCEMENT

THE BOARD OF DIRECTORS OF NB DISTRESSED DEBT INVESTMENT FUND LIMITED ANNOUNCES INTERIM RESULTS FOR THE PERIOD FROM 1 JANUARY 2011 TO 30 JUNE 2011

A copy of the Company's Interim Report and Consolidated Financial Statements will be available via the following link:

WWW.NBDDIF.COM

COMPANY OVERVIEW

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

The Company invests in distressed and special situations investments, with a focus on senior debt backed by hard assets. The portfolio is managed by the Distressed Debt team at Neuberger Berman, which sits within one of the largest and most experienced credit teams in the industry.

Company	**NB Distressed Debt Investment Fund Limited (the "Company")** • Guernsey incorporated, closed-ended investment company • Admitted to trading on the Specialist Fund Market of the London Stock Exchange and listed on the Channel Islands Stock Exchange • IPO on 10 June 2010 raising $197.2 million • Second offering on 20 October 2010 raising $244.2 million • 440,169,296 Ordinary Shares outstanding • 39,437,205 Subscription Shares outstanding
Investment Manager	**Neuberger Berman Europe Limited (the "Investment Manager")** • Access to a large team of over 121 fixed income investment professionals • Portfolio Managers have an average of 20 years of industry experience • Total fixed income assets of over $80 billion • Over $11 billion in high yield bonds, loans and distressed assets

(US$ in millions, except per share data)	At 30 June 2011	At 31 December 2010
Net Asset Value	$458.1	$429.3
Net Asset Value per share	$1.0408	$0.9754
Investments	$510.2	$470.7
- Distressed Portfolio	$384.6	$131.3
- Temporary Investments	$125.6	$339.4
Cash and Cash Equivalents	$46.8	$21.8

CHAIRMAN'S STATEMENT

Dear Shareholder,

In the six months to 30 June 2011, NB Distressed Debt Investment Fund Limited (the "Company") has continued to make good progress in an uncertain economic climate. The majority of the Company's capital has now been deployed and, importantly, the Investment Manager has continued to maintain its price discipline in making investments.

Portfolio and Company Performance

During the period, the net asset value total return per ordinary share was 6.6%.

As at 30 June 2011 the Company had deployed approximately 84% of the capital raised, investing in 47 different companies, across 13 different sectors and with an average cost of investments of 55% of face value, against the Company's expectation of 60% at the time of the IPO. It is the intention of the Company to maintain between 5% and 10% of the portfolio in cash and cash equivalents as a reserve for investments in existing companies as well as new opportunities.

Post 30 June 2011 Updates

The Company has made further investments, such that at the time of writing it is approximately 87% invested. The recent dramatic market volatility undoubtedly affords further opportunities, although the Investment Manager is continuing to be rigorous in applying its pricing discipline. The Investment Manager has identified a significant pipeline of investment opportunities in the distressed environment.

The Company's NAV was affected by market volatility starting in early August which has reduced the year-to-date increase in NAV to 1.4% as at the date of this report. This decline in NAV was solely the result of mark-downs on various investments by brokers who provide pricing information. However, we remain confident in the ultimate value of the assets securing our debt positions.

Outlook

The Investment Manager continues to see many opportunities in mid- and small-cap loans backed by hard assets. The flow of investment opportunities has been high and, in addition to the names owned in the portfolio, the Investment Manager has performed due diligence on more than 120 other companies across multiple sectors. Particularly promising is the activity that the Investment Manager sees from US and European commercial banks seeking to dispose of distressed loans. There remain many excellent investment opportunities outside of the US with the number of non US investments as at 30 June 2011 being 26, representing 24% of NAV.

I would like to close by thanking you for your continued commitment, and I look forward to updating you further on the Company's progress in due course.

Robin Monro-Davies
Chairman
August 2011

INVESTMENT MANAGER'S REPORT

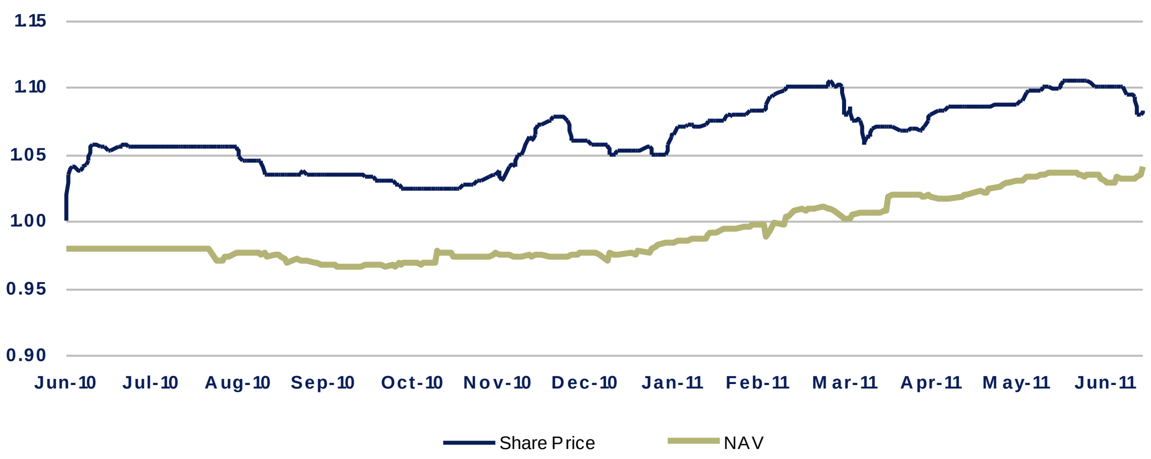
Market Environment

The Investment Manager believes that the fundamentals for distressed investing remain favourable. As has been widely reported, the European sovereign debt crisis and related issues have impacted risk appetites globally. We have seen European and other global commercial banks actively offer individual loans and loan portfolios at discounts. In 2011 U.S. larger cap public companies have continued to benefit from improving access to credit markets. However, smaller private companies still face a constrained commercial lending environment. The public high yield bond market saw $191 billion of issuance in the first half of 2011 vs. $119 billion in the same period of 2010. Conversely, Commercial and Industrial Loans have stagnated, remaining on average at $1.2 trillion in 2011 year to date compared to a peak of $1.6 trillion in 2008. We believe that the relative lack of capital for U.S. private companies will continue to result in opportunities for investing in distressed loans.

Performance

We remain pleased with the distressed market environment and the portfolio's performance to date. As at 30 June 2011, approximately 84% of NBDDIF's NAV was invested in distressed assets and we are in exclusive negotiations to purchase assets which would deploy around 10% of additional capital. Going forwards, we expect to maintain between 5% and 10% of the portfolio in cash and cash equivalents as a reserve for follow-on investments in existing portfolio companies as well as for new opportunities.

NBDDIF currently has investments in 47 companies and, accordingly, a significant amount of due diligence has been completed by the team. Sticking to our price discipline has resulted in lower-than-expected prices, with an average price of approximately 55% of face value against the expected level of 60%. Industry diversification remains strong with the portfolio invested across 13 industries. NBDDIF's NAV increased 6.70% in the first half of 2011, from $0.9754 to $1.0408 per share.



We see significant upside potential in the existing portfolio which we expect to realize as we restructure and exit investments. We anticipate a robust environment for redeployment of capital through the end of the investment period in June 2013.

INVESTMENT MANAGER'S REPORT (CONTINUED)

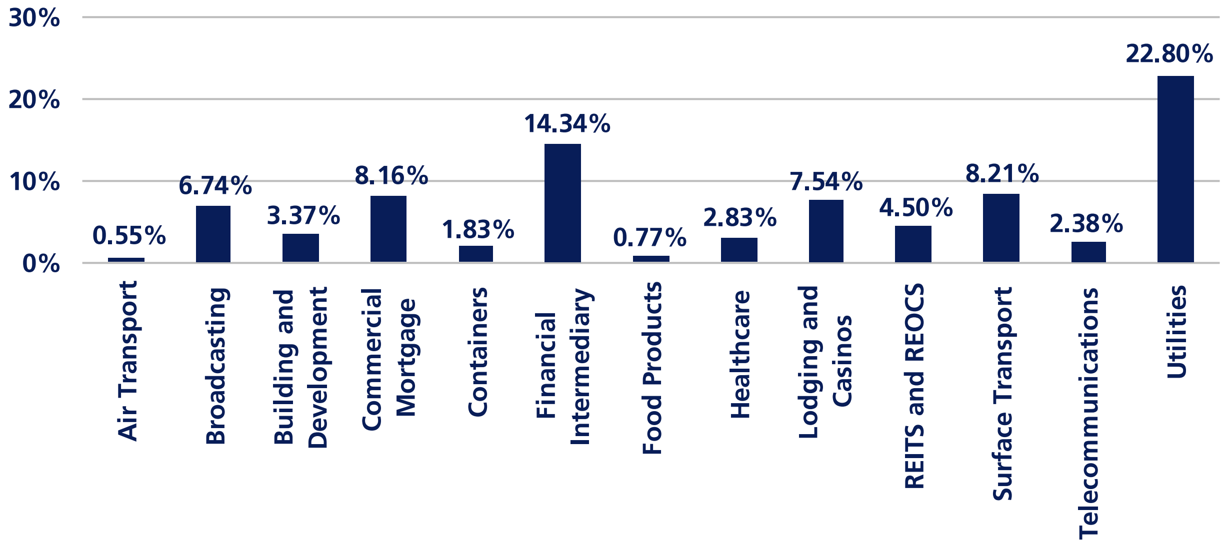
Investment Pipeline

We continue to see a strong opportunity set in middle-market and small-cap loans backed by hard assets. The flow of investment opportunities has been strong: in addition to the names owned in the portfolio, we have performed due diligence on more than 120 other companies across multiple sectors. Particularly promising is the activity we see from US and European commercial banks seeking to dispose of distressed loans. We have identified a number of attractive opportunities outside of the US with approximately 24% of the portfolio invested in non-North American investments as of 30 June 2011.

Portfolio Analysis

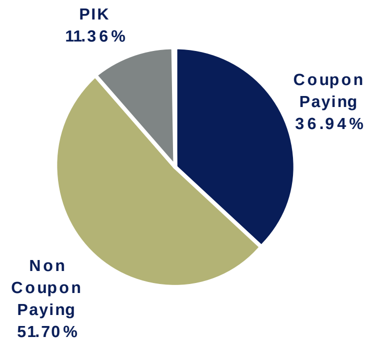
As at 30 June 2011, the company's portfolio was allocated in the following approximate proportions:

SECTOR BREAKDOWN (excluding temporary investments)*



As at 30 June 2011, approximately 84% of the portfolio relative to NAV was invested into distressed assets across 13 different sectors, with the remainder of the portfolio being invested in short term assets and cash or cash equivalents:

COUPON PAYMENTS
(excluding temporary investments)



COUNTRY BREAKDOWN
(including temporary investments)

Australia	8.34%
Belgium	1.03%
Brazil	2.67%
Cayman Islands	1.46%
Germany	8.31%
UK	1.91%
India	0.12%
Ireland	0.15%
Japan	0.15%
US	75.86%
Total	100.00%

*Distressed loan portfolio by industry as a percentage of NAV

FORWARD-LOOKING STATEMENTS

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

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

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

RISK FACTORS

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

The Company is a recently formed company with a limited operating history. Because the Company's operating history is limited, investors have a limited basis on which to evaluate the Company's ability to achieve its investment objective and provide a satisfactory investment return. In addition, the portfolio managers only worked together as a group for a limited period and there can be no assurance that they will continue to be compatible with one another. The prior performance and investment profile of the Investment Manager and Sub-Investment Manager (together the "Investment Managers") are being provided for illustrative purposes only and may not be indicative of the likely performance or investment profile of the Company. Past performance is never indicative of future results.

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

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

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

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

Holders of Ordinary Shares have limited voting rights

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

RISK FACTORS (CONTINUED)

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

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

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

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

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

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

RISK FACTORS (CONTINUED)

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

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

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

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

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

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

DIRECTORS

Robin Monro-Davies (Chairman)

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

Talmai Morgan

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

John Hallam

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

Christopher Sherwell

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

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.

DIRECTORS (CONTINUED)

Patrick H. Flynn

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

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

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

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

Signed on behalf of the Board of Directors on 25 August 2011

By order of the Board

Robin Monro-Davies	John Hallam
Director	Director

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

We have reviewed the accompanying unaudited consolidated Statement of Assets and Liabilities of NB Distressed Debt Investment Fund Limited (the "Company"), including the unaudited Condensed Schedule of Investments, as of 30 June 2011 and the related unaudited Consolidated Statements of Operations, unaudited Changes in Net Assets and unaudited Cash Flows for the period from 1 January 2011 to 30 June 2011. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the unaudited consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

This report is made solely to the Company in accordance with the terms of our engagement dated 15 July 2011. 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 conclusion we have reached.

Based on our review, we are not aware of any material modifications that should be made to the accompanying unaudited consolidated financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

KPMG Channel Islands Limited

Chartered Accountants
Guernsey
25 August 2011

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES 30 JUNE 2011 AND 31 DECEMBER 2010

(Expressed in United States dollars)

Assets		2011 (Unaudited)		2010 (Audited)
Investments, at fair value	$	510,242,325	$	470,739,677
(2011: cost of $488,128,690. 2010: cost of $472,557,325)				
Cash and cash equivalents		46,780,241		21,808,522
	$	557,022,566	$	492,548,199
Other assets:				
Receivables for investments sold		7,893,750		6,614,558
Interest receivables		1,628,760		572,543
Credit default swap		789,366		-
Other receivables and prepayments		56,350		75,640
Total assets	$	567,390,792	$	499,810,940
Liabilities				
Payables for investments purchased	$	108,321,999	$	69,616,129
Payables to Investment Manager and affiliates		568,965		536,691
Accrued expenses and other liabilities		379,579		317,683
Total liabilities	$	109,270,543	$	70,470,503
Class A shares	$	2	$	2
(2 shares issued)				
Ordinary shares		432,556,527		432,556,527
(440,169,296 shares issued)				
Retained earnings / (loss)		25,563,720		(3,216,092)
Total net assets	$	458,120,249	$	429,340,437
Total liabilities and net assets	$	567,390,792	$	499,810,940
Net asset value per ordinary share	$	1.0408	$	0.9754

The financial statements on pages 1 to 30 were approved and authorised for issue by the Board of Directors on 25 August 2011, and signed on its behalf by:

Robin Monro-Davies
Director

John Hallam
Director

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

FINANCIAL STATEMENT CONDENSED SCHEDULE OF INVESTMENTS
30 JUNE 2011 AND 31 DECEMBER 2010

(Expressed in United States dollars)

30 June 2011 (Unaudited)		Amortised Cost	Fair Value	Fair Value as % of Net Assets
Distressed Portfolio				
Bank Debt Investments	$	230,585,736	242,896,212	53.01
Fixed Rate Bonds		43,540,599	43,952,695	9.59
Private Equity		40,010,861	42,710,457	9.32
Limited Partnership Units		34,032,511	40,284,895	8.79
Trade Claim (1)		11,965,947	12,236,656	2.67
Asset Backed Securities		2,360,370	2,497,679	0.55
		362,496,024	384,578,594	83.93
Temporary Investments (2)				
Floating rate corporate loan notes		88,441,342	88,446,936	19.30
U.S. Government and agency obligations		37,191,324	37,216,795	8.12
		125,632,666	125,663,731	27.43
	$	**488,128,690**	**510,242,325**	**111.36**

31 December 2010 (Audited)		Amortised Cost	Fair Value	Fair Value as % of Net Assets
Distressed Portfolio				
Bank Debt Investments	$	110,409,382	109,071,085	25.40
Limited Partnership Units		16,019,498	16,019,498	3.73
Fixed Rate Bonds		4,101,175	3,736,250	0.87
Asset Backed Securities		2,487,203	2,447,432	0.57
		133,017,258	131,274,265	30.57
Temporary Investments (2)				
Floating rate corporate loan notes		161,521,958	161,468,180	37.61
Fixed rate corporate loan notes		8,871,386	8,870,572	2.07
U.S. Government and agency obligations		169,146,723	169,126,660	39.39
		339,540,067	339,465,412	79.07
	$	**472,557,325**	**470,739,677**	**109.64**

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

(2) The surplus cash in the Company has been invested in cash, cash equivalents, money market instruments, government securities and other investment grade securities with short term maturities. All of these investments are issued by United States government and agencies or banks and other financial institutions.

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

FINANCIAL STATEMENT CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
30 JUNE 2011 AND 31 DECEMBER 2010

(Expressed in United States dollars)

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

30 June 2011 (Unaudited)	Country	Industry	Nominal	Amortized Cost	Fair Value	%
Floating rate corporate loan notes						
Bank of America Corporation FRN (maturity dates ranging from 02/12/2011 through to 30/04/2012)	United States	Financial Services	34,500,000	34,615,016	34,617,920	7.56
Goldman Sachs FRN 05/12/2011	United States	Financial Services	28,000,000	28,102,990	28,103,796	6.13
			62,500,000	**62,718,005**	**62,721,716**	**13.69**
Bank Debt Investments						
YRC Worldwide Secured Term Loan (maturity 17/08/2012)	United States	Surface Transport	25,131,531	15,703,519	25,327,809	5.53
			25,131,531	**15,703,519**	**25,327,809**	**5.53**

31 December 2010 (Audited)	Country	Industry	Nominal	Amortized Cost	Fair Value	%
Floating rate corporate loan notes						
Bank of America Corporation FRN (maturity dates ranging from 02/12/2011 through to 30/04/2012)	United States	Financial Services	34,500,000	34,742,095	34,743,899	8.09
JP Morgan Chase & Co FRN (maturity dates ranging from 23/02/2011 through to 26/12/2012)	United States	Financial Services	32,150,000	32,322,648	32,296,684	7.52
Goldman Sachs FRN 05/12/2011	United States	Financial Services	28,000,000	28,221,827	28,217,924	6.57
Morgan Stanley FRN (maturity dates ranging from 22/09/2011 through to 13/03/2012)	United States	Financial Services	22,000,000	22,075,975	22,067,927	5.14
			116,650,000	**117,362,545**	**117,326,434**	**27.32**

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

FINANCIAL STATEMENT CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
30 JUNE 2011 AND 31 DECEMBER 2010

(Expressed in United States dollars)

31 December 2010 (Audited) continued	Country	Industry	Nominal	Amortised Cost	Fair Value	%
U.S. Government and agency obligations						
U.S. Treasury Bill (maturity dates ranging from 03/03/2011 through to 21/04/2011)	United States	Government and agency	57,000,000	56,972,516	56,978,350	13.27
Federal Farm Credit Bank FRN (maturity dates ranging from 25/01/2012 through to 13/08/2012)	United States	Government and agency	35,000,000	34,986,823	34,973,570	8.15
Federal National Mortgage Association FRN (maturity dates ranging from 24/01/2011 through to 17/09/2012)	United States	Government and agency	27,200,000	27,198,544	27,190,780	6.33
Federal Home Loan Mortgage Corporation FRN (maturity dates ranging from 11/01/2012 through to 29/12/2011)	United States	Government and agency	25,000,000	24,995,379	24,994,910	5.82
Federal Home Loan Bank FRN 08/01/2011	United States	Government and agency	25,000,000	24,993,461	24,989,050	5.82
			169,200,000	**169,146,723**	**169,126,660**	**39.39**

		Fair Value 30 June 2011 (Unaudited)	Fair Value 31 December 2010 (Audited)*
Geographic diversity of Portfolio			
Distressed Portfolio			
Australia	$	38,169,911	9,982,350
Belgium		4,732,311	-
Brazil		12,236,656	-
Cayman Islands		6,665,612	2,832,198
Germany		38,035,715	16,134,254
Great Britain		8,750,676	8,184,156
India		560,850	143,824
Ireland		672,589	110,467
Japan		686,927	443,918
United States (U.S.A.)		274,067,347	93,443,098
Temporary Investments			
United States (U.S.A.)		125,663,731	339,465,412
	$	**510,242,325**	**470,739,677**

*Figures reanalysed to show temporary investments separately

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

FINANCIAL STATEMENT CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
30 JUNE 2011 AND 31 DECEMBER 2010

(Expressed in United States dollars)

		Fair Value 30 June 2011 (Unaudited)	Fair Value 31 December 2010 (Audited)*
Industry diversity of Portfolio			
Distressed Portfolio			
Air Transport	$	2,497,679	2,447,433
Broadcasting		12,974,400	-
Building and Development		15,434,957	5,866,886
Commercial Mortgage		37,363,036	32,211,070
Containers and glass products		8,366,700	4,221,900
Financial Intermediary		65,639,707	19,719,499
Food Products		3,507,360	2,820,810
Healthcare		12,961,991	8,736,250
Lodging and Casinos		34,499,332	7,884,100
Real Estate trust		20,623,272	9,982,350
Surface Transport		37,564,465	17,792,802
Telecommunications		28,784,250	11,659,155
Utilities		104,361,445	7,932,010
Temporary Investments			
Financial Intermediary		88,446,936	170,338,752
US Government and Agency		37,216,795	169,126,660
	$	**510,242,325**	**470,739,677**

*Figures reanalyzed to show temporary investments separately

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

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE PERIOD FROM 1 JANUARY 2011 TO 30 JUNE 2011

(Expressed in United States dollars)

		30 June 2011 (Unaudited)		20 April 2010 to 31 December 2010 (Audited)
Interest income	**$**	6,631,579	$	2,760,523
Expenses				
Investment management and services		3,362,737		2,305,838
Legal, professional and administration costs		1,163,964		595,101
Administration fees		246,326		194,380
Loan administration and custody fees		196,144		127,942
Directors' fees and travel expenses		104,411		149,118
		5,073,582		3,372,379
Net investment income/(loss)	$	**1,557,997**	**$**	**(611,856)**
Realised and unrealised gains and losses				
Net realised gain/(loss) on investments	$	3,414,553	$	(512,887)
Net change in unrealised gain/(loss)				
- on investments		23,931,283		(1,817,649)
- on credit default swap		50,067		-
Realised loss on foreign currency		(174,088)		(273,700)
Net realised and unrealised gains and losses	**$**	**27,221,815**	**$**	**(2,604,236)**
Net increase/(decrease) in net assets resulting from operations	**$**	**28,779,812**	**$**	**(3,216,092)**
Gain/(loss) per ordinary share	**$**	**0.0655**	**$**	**(0.0114)**

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD FROM 1 JANUARY 2011 TO 30 JUNE 2011

(Expressed in United States dollars)

		30 June 2011 (Unaudited)		20 April 2010 to 31 December 2010 (Audited)
Net assets at beginning of period	**$**	429,340,437	**$**	**-**
Proceeds from issuance of ordinary shares		-		432,556,529
Net increase/(decrease) in net assets resulting from operations	$	28,779,812	$	(3,216,092)
Net assets at end of period	**$**	**458,120,249**	**$**	**429,340,437**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY 2011 TO 30 JUNE 2011

(Expressed in United States dollars)

		30 June 2011 (Unaudited)		20 April 2010 to 31 December 2010 (Audited)
Cash flows from operating activities:				
Net increase/(decrease) in net assets resulting from operations		28,779,812		(3,216,092)
Adjustment to reconcile net increase/ (decrease) in net assets resulting from operations:				
Net realised (gains) / loss on investments		(3,414,553)		512,887
Net change in unrealised (gains) / loss: on investments		(23,931,283)		1,817,649
- on credit default swap		(50,067)		-
Accretion of discount on loans and bonds		(1,805,880)		(1,029,427)
PIK interest		-		(33,659)
Changes in receivables for investments sold		(1,279,192)		(6,614,558)
Changes in interest receivables		(1,056,217)		(572,543)
Changes in other receivables and prepayments		19,290		(75,640)
Changes in payables for investments purchased		38,705,870		69,616,129
Changes in payables, accrued expenses and other liabilities		94,171		854,374
Credit default swap payments		(739,299)		-
Purchase of investments		(329,019,986)		(738,671,714)
Sale of investments		318,669,053		266,664,587
Net cash provided by/(used in) operating activities	$	24,971,719	$	(410,748,007)
Cash flows from financing activities:				
Proceeds from issuance of ordinary shares	$	-	$	432,556,529
Net cash provided by financing activities	$	-	$	432,556,529
Net increase in cash and cash equivalents	**$**	**24,971,719**	**$**	**21,808,522**
Cash and cash equivalents at beginning of period		21,808,522		-
Cash and cash equivalents at end of period	**$**	**46,780,241**	**$**	**21,808,522**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 1 – DESCRIPTION OF BUSINESS

NB Distressed Debt Investment Fund Limited (the "Company") is a closed-ended investment company registered and incorporated in Guernsey under the Companies (Guernsey) Law, 2008 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 the Channel Islands Stock Exchange ("CISX") on 10 June 2010.

The Initial Public Offering of the Company took place in June 2010, raising gross proceeds of approximately $197.2 million. Subsequently, the Company raised further gross proceeds of approximately $244.2 million at a price of $1.005 per ordinary share by means of a Secondary Placing in October 2010.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The accompanying consolidated financial statements have been presented on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. The functional and reporting currency of the Company is the United States Dollar.

In June 2009, the Financial Accounting Standards Board (FASB) codified its standards and accounting principles for financial statements issued for the period ending after September 15, 2009. Starting with the accompanying consolidated financial statements, the Company will make reference to U.S. generally accepted accounting principles (U.S. GAAP) issued by the FASB as Accounting Standards Codification (ASC).

Principles of Consolidation

The consolidated financial statements include the results of the Company and all of its wholly owned subsidiaries, together the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

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

Revenue recognition

Interest earned on debt instruments is accounted for, gross of applicable withholding taxes and it is recognised as income over the terms of the loans. All fees earned and direct costs incurred in connection with the origination of loans are capitalized and amortised as an adjustment to interest income over the life of the related loan using the effective interest rate method. Discounts received or premiums paid in connection with the acquisition of loans are amortized into interest income using the effective interest method over the contractual life of the related loan. Payment-in-kind (PIK) interest is computed at the contractual rate specified in the loan agreement for any portion of the interest which may be added to the principal balance of a loan rather than paid in cash by obligator on the scheduled interest payment date. PIK interest is periodically added to the principal balance of the loan and recorded as interest income. The Manager places a receivable on non accrual status when the collection of principal or interest is deemed doubtful. Divided income is recognised on the ex-dividend date. Realised gains and losses are determined using the specific identification method.

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 or cash and so near maturity that they represent an insignificant risk of changes in value.

Valuation of Investments

The Company carries investments on its books at fair value in accordance with U.S. 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 and for private equity investments, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Realised Gains and Losses on Investments

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

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.

Issuance cost

In line with the Prospectus, all expenses incurred for the initial and secondary placing were borne by the Company up to a maximum of 2 percent of the Gross Issue Proceeds. Any expenses exceeding this amount were paid by the Investment Manager. These expenses include placing fees and commissions; registration, listing and admission fees; the cost of settlement and escrow arrangements; printing, advertising and distribution costs; legal fees, and any other applicable expenses incurred in connection with the offering of shares.

All such expenses are charged to capital, reducing the issue proceeds received. During 2010, there were 440,169,297 ordinary shares issued (2011: nil), with proceeds raised of $432,556,529, net of issue costs of $8,827,683 (2011: nil).

Performance fee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currency translation

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

Credit Default Swap Agreements

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

A Fund 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 Fund owns or has exposure to the referenced obligation) or to take an active long or short position with respect to the likelihood of a particular issuer's default. If a credit event occurs and cash settlement is not elected, a variety of other deliverable obligations may be delivered in lieu of the specific referenced obligation. The ability to deliver other obligations may result in a cheapest-to-deliver option (the buyer of protection's right to choose the deliverable obligation with the lowest value following a credit event).

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

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

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

Payables on investments purchased

At 30 June 2011, the amount payable on investments purchased represents amounts due for investments purchased that have been contracted for but not settled on the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 3 – RECENT STANDARDS AND PRONOUNCEMENTS

On 21 January 2010, the FASB issued the ASU 2010 – 06, "Improving Disclosures about Fair Value Measurement," an amendment to Subtopic 820 – 10 which requires the following disclosures upon the fair value of investments:-

1) a reporting entity should disclose the amounts of significant transfers in and/or out of Level I and Level 2 fair value measurements and the reason for the transfers;

2) the reasons for any transfers in and out of Level 3; and

3) Information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis.

ASU 2010 - 06 also clarifies the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements, except for the requirement to disclose information about purchases, sales, issuances and settlements in the reconciliation of recurring Level 3 measurements on a gross basis, which are not yet effective.

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

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

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

Nonpublic entities are required to adopt the ASU in annual periods beginning after December 15, 2011. Nonpublic entities also are permitted to early-adopt the ASU for any interim period beginning after December 15, 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 4 – AGREEMENTS AND RELATED PARTIES

Investment Management Agreement

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 revised on 17 June 2010.

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

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

The Investment Manager is entitled to a management fee, which shall accrue daily, and be payable monthly in arrear, at a rate of 0.125 percent per month of the Company's NAV. For the period ended 30 June 2011, the management fee expense was $3,362,737 (2010: $2,305,838).

In addition, the Investment Manager is entitled a performance fee by the Company. The performance fee will only become payable once the Company has made aggregate distributions in cash to Ordinary Shareholders (which shall include the aggregate price of all Shares repurchased or redeemed by the company) equal to the aggregate gross proceeds of issuing Ordinary Shares (the "Contributed Capital") plus such amounts as will result in Ordinary Shareholders having received a realised (cash-paid) IRR in respect of the Contributed Capital equal to preferred Return (6 percent), following which there will be a 100 percent catch up to the Investment Manager until the Investment Manager has received 20 percent of all amounts in excess of Contributed Capital distributed to Ordinary Shareholders and paid to the Investment Manager as a performance fee with, thereafter, all amounts distributed by the Company 20:80 between the Investment Manager's performance fee and the cash distributed to the Ordinary Shareholders respectively. For the purposes of financial reporting the performance fee is recognised on an accrual basis; no such accrual is required in these financial statements as the IRR, as described above, has not been reached.

Administration and Custody Agreement

The Company has appointed BNP Paribas Fund Services (Guernsey) Limited as Administrator, Secretary, Custodian and Designated Manager of the Company pursuant to the Administration and Custody Agreement.

In such capacity, the Administrator is responsible for the day–to-day administration of the Company (including but not limited to the calculation and publications of the estimated daily Net Asset Value), general secretarial functions (including but not limited to the maintenance of the Company's accounting and statutory records) and certain safekeeping and custody services. The Administrator is entitled to a fee based on 0.11 percent per annum of the net asset value of the Company, subject to an annual minimum of £100,000.

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

For the period ended 30 June 2011, the administration fee expense was $246,326 (2010: $194,380), the secretarial fee was $28,639 (2010: $38,078) and the custodian and loan administration fee expense was $196,144 (2010: $160,481).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 5 – DIRECTORS' REMUNERATION AND OTHER INTERESTS

The Directors are related parties and are remunerated for their services at a fee of $45,000 per annum ($60,000 for the Chairman). In addition, the chairman of the Audit Committee receives an additional $5,000 for his services in this role. Each of Michael Holmberg and Patrick Flynn, the non-independent Directors, has waived their fees for their services as Directors. For the period ended 30 June 2011, the directors' fees and travel expenses amounted to $104,411 (2010: $149,118).

NOTE 6 - BANK DEBT INVESTMENTS

The Company generally purchases bank debt investments in the secondary market. Bank debt consists primarily of senior term loans, revolvers and second lien loans. The Company primarily purchases bank debt of borrowers which are experiencing varying degrees of financial distress. The loans purchased by the Company are generally marketable and traded in the secondary market for distressed bank debt. Loans purchased by the Company are typically senior in the issuer's capital structure.

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The following estimates and assumptions were used at 30 June 2011 to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents – The carrying value is a reasonable estimate of fair value due to the short-term nature of these instruments.
- Receivables for Investments Sold – The carrying value reasonably approximates fair value as they reflects the value at which investments are sold to a willing buyer and settlement period on their balances is short term.
- Interest receivables – The carrying value reasonably approximates fair value.
- Other receivables and prepayments – The carrying value reasonably approximates fair value.
- The valuation of distressed investments is estimated based on bid levels in the secondary market based on independent pricing services, at 30 June 2011, with the exception of $49,184,836 (2010: $24,719,498) Level 3 investments valued using good faith valuation and $84,309,334 (2010: $32,211,070) priced from a single broker source.
- Payables for investments purchased – The carrying value reasonably approximates fair value as they reflect the value at which investments are purchased from a willing seller and settlement period on their balances is short term.
- Payables to Investment Manager and affiliates – The carrying value reasonably approximates fair value.
- Accrued expenses and other liabilities – The carrying value reasonably approximates fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Other asset: Credit default swap

Counter party	Issuer	Spread	Expiration date	Notional amount	Upfront payments	Unrealised Appreciation
Merrill Lynch International	Federative Republic of Brazil	130	20/06/2018	36,000,000	$739,299	$50,067
Total						

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

The table below details the Company's investments that were accounted for at fair value as at 30 June 2011.

Investments at Fair Value as at 30 June 2011				
	Level 1	Level 2	Level 3	Total
Distressed Portfolio				
Bank debt investments	-	196,633,235	46,262,977	242,896,212
Fixed Rate Bonds	-	43,952,695	-	43,952,695
Private Equity	-	10,498,494	32,211,963	42,710,457
Limited Partnership Units	-	-	40,284,895	40,284,895
Trade Claim	-	-	12,236,656	12,236,656
Asset Backed Securities	-	-	2,497,679	2,497,679
Temporary Investments				
Floating rate corporate loan issues	-	88,446,936	-	88,446,936
U.S. Government and agency obligations	-	37,216,795	-	37,216,795
Other Financial Instrument				
Credit default swap	-	789,366	-	789,366
Total investments that are accounted for at fair value	**-**	**$377,537,521**	**$133,494,170**	**$ 511,031,691**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Investments at Fair Value as at 31 December 2010	Level 1	Level 2	Level 3	Total
Distressed Portfolio				
Bank debt investments	-	68,160,015	40,911,070	109,071,085
Limited Partnership Units	-	-	16,019,498	16,019,498
Fixed Rate Bonds	-	3,736,250	-	3,736,250
Asset Backed Securities	-	2,447,432	-	2,447,432
Temporary Investments				
Floating rate corporate loan issues	-	161,468,180	-	161,468,180
Fixed rate corporate loan issues	-	8,870,572	-	8,870,572
U.S. Government and agency obligations	-	169,126,660	-	169,126,660
Total investments that are accounted for at fair value	**-**	**$413,809,109**	**$56,930,568**	**$ 470,739,677**

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:

	Bank debt investments	Private Equity	Limited Partnership Units	Trade claim	Asset Backed Securities	Total 2011
Balance, beginning of the period	40,911,070	-	16,019,498	-	-	56,930,568
Transfer from level 2 to level 3	-	-	-	-	2,487,203	2,487,203
Purchases	16,756,381	29,217,774	18,013,013	11,965,946	-	75,953,114
Sales, maturities and paydowns	(13,795,741)	-	-	-	(269,533)	(14,065,274)
Realised gains	540,641	-	-	-	132,577	673,218
Total unrealised gains / (losses)	1,850,626	2,994,189	6,252,384	270,710	147,432	11,515,341
Fair value, end of the period	**46,262,977**	**32,211,963**	**40,284,895**	**12,236,656**	**2,497,679**	**133,494,170**

	Bank debt investments	Private Equity	Limited Partnership Units	Trade claim	Asset Backed Securities	Total 2010
Balance, beginning of the period	-	-	-	-	-	-
Purchases	42,113,571	-	16,019,498	-	-	58,133,069
Total unrealised gains / (losses)	(1,202,501)	-	-	-	-	(1,202,501)
Fair value, end of the period	**40,911,070**	**-**	16,019,498	**-**	**-**	**56,930,568**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 8 – UNFUNDED LOAN COMMITMENTS

As at 30 June 2011, the Company had no unfunded loan commitments.

NOTE 9 – RISKS

The Company is subject to various risks, including, but not limited to, market risk, credit risk and liquidity risk. The Investment Manager attempts to monitor and manage these risks on an ongoing basis. While the Investment Manager generally seeks to hedge certain portfolio risks, the Investment Manager is not required and may not attempt to hedge all market or other risks in the portfolio, and it may decide to only partially hedge certain risks. The Company does not have any material exposure to currency risk as at 30 June 2011.

Market Risk

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

Credit Risk

The Company may invest in a range of corporate and other bonds and other credit sensitive securities. Until such investments are sold or are paid in full at maturity, the Company is exposed to credit risk relating to whether the issuer will meet its obligations when the securities come due.

Distressed debt securities by nature are securities in companies which are in default or are heading into default and will expose the Company to a higher than normal amount of credit risk.

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

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

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

Liquidity Risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 9 – 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. The effect of any future regulatory change on the Company could be substantial and adverse.

NOTE 10 – INCOME TAXES

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

In accordance with U.S. GAAP, the Management is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position.

The tax benefit to be recognised is measured as the largest amount of benefit that is greater than fifty percent likely of being realised upon ultimate settlement. De-recognition of a tax benefit previously recognised could result in the Company recording a tax liability that would reduce net assets. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities.

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

As of 30 June 2011, the Company has recorded no liability for net unrecognised tax benefits relating to uncertain tax positions they have taken or expect to take in future tax returns.

NOTE 11 – SHARE CAPITAL

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

As at the 30 June 2011, the Company had following shares in issue:

	30 June 2011	31 December 2010
Issued and fully paid up:		
Class A Shares	2	2
Ordinary shares of no par value (a)	440,169,296	440,169,296
Subscriptions shares of no par value	39,437,205	39,437,205

(a) Issued during 2010, with proceeds raised of $432,556,527, net of issue costs of $8,827,683.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 12 – CREDIT DEFAULT SWAP

The following table presents the fair values of derivative instruments:

	Asset Derivatives			
	30 June 2011		31 December 2010	
	Statement of Assets and Liabilities location	Fair Value US$	Statement of Assets and Liabilities location	Fair Value US$
Primary underlying risk: Credit				
Credit default swap	Assets	789,366	-	-
Total derivatives		**789,366**		**-**

The upfront payments made in respect of this instrument amount to $739,299 which constitutes the initial cost exclusive of $56,000 premium paid.

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

Primary underlying risk	Location of gain/(loss) recognised on Statement of Operations	Amount of gain/(loss) recognised in income on derivative US$	
Credit		**30 June 2011**	**31 December 2010**
Credit default swap	Net change in unrealised gain	50,067	-
Total		**50,067**	**-**

NOTE 13 – FINANCIAL HIGHLIGHTS (ORDINARY SHARE CLASS)

Per share operating performance	30 June 2011 (Unaudited)	31 December 2010 (Audited)
Opening balance	0.9754	-
Net proceeds per share at the initial offering	-	0.9800
Impact of second offering	-	0.0068
Income from investment operations (a)		
Net investment income /(loss)	0.0035	(0.0022)
Net realised and unrealised gain / (loss) from investments	0.0618	(0.0092)
Total gain / (loss) from operations	0.0654	(0.0114)
Net asset value per share at the end of the period	**1.0408**	**0.9754**

Total return* (b)	30 June 2011 (Unaudited)	31 December 2010 (Audited)
Total return before performance fees	6.70%	(0.47)%
Performance fees	-	-
Total return after performance fees	6.70%	(0.47)%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2011

NOTE 13 – FINANCIAL HIGHLIGHTS (ORDINARY SHARE CLASS) (CONTINUED)

Ratios to average net assets	30 June 2011 (Unaudited, annualised)	31 December 2010 (Audited)
Net investment gain/(loss) (c)	0.69%	(0.40%)
Expenses (c)	(2.26%)	(2.20%)

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

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

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Company through 25 August 2011, the date the consolidated financial statements are available to be issued, and has concluded there are not any material events that require disclosure or adjustment of the consolidated financial statements other than those listed below.

NEUBERGER | BERMAN

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Talmai Morgan
John Hallam
Christopher Sherwell
Michael Holmberg
Patrick Flynn

All c/o the Company's registered office.

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