NEUBERGER | BERMAN

ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

NB Distressed Debt Investment Fund Limited

YEAR ENDED 31 DECEMBER 2015

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, the Ordinary Share Class ("NBDD"), the Extended Life Share Class ("NBDX") and the New Global Share Class ("NBDG"), with different capital return profiles and, in some instances, different geographical remits.

NBDD and NBDX have been returning capital and capital profits. The tables below show the capital movements and capital distributions returned to investors by share class since this process began, including those distributions recently announced.

Summary of Capital Movements

	Ordinary Share Class (USD)	Extended Life Share Class (USD)	New Global Share Class (GBP)
At 31 December 2014			
Original Capital Invested	(124,500,202)	(359,359,794)	(110,785,785)
Total Distributions & Buybacks to 31 December 2014	60,965,847	25,058,806	-
31 December 2014 NAV	93,920,322	395,281,487	98,152,965
Value in Excess of Original Capital Invested	30,385,966	60,980,499	(12,632,820)
% of Original Capital Invested	124%	117%	89%
At 31 December 2015			
Total Distributions & Buybacks to 31 December 2015	93,433,659	93,053,293	2,898,235
31 December 2015 NAV	54,610,406	270,818,231	78,344,071
Value in Excess of Original Capital Invested	23,543,863	4,511,730	(29,543,479)
% of Original Capital Invested	119%	101%	73%

Summary of Distributions

(USD in millions)	Ordinary Share Class	Extended Life Share Class	New Global Share Class	Aggregated
Date				
12 February 2014	28.0	21.0	-	49.0
16 May 2014	15.0	-	-	15.0
27 August 2014	7.0	4.0	-	11.0
15 December 2014	11.0	-	-	11.0
4 March 2015	5.0	8.9	-	13.9
8 May 2015	12.5	4.0	-	16.5
27 August 2015	7.0	17.5	-	24.5
1 December 2015	8.0	35.0	-	43.0
29 February 2016	7.0	20.0	-	27.0
	100.5	**110.4**	**-**	**210.9**
Proportion of original capital	80.72%	30.72%	-	

COMPANY OVERVIEW (CONTINUED)

On 15 April 2016, the Company announced a further capital distribution by way of compulsory partial redemption of up to US$ 4.5 million for NBDD and up to US$ 11 million for NBDX.

On 3 March 2014, the Company announced that it had raised gross proceeds of approximately £111 million through the creation and issue of NBDG. 110,785,785 New Global Shares were admitted to trading on the Specialist Fund Segment of the London Stock Exchange 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 Investment Manager (as defined below) has seen a growing pipeline of opportunities. The creation of NBDG has not impacted the structure or strategy of the existing NBDD and NBDX.

The NBDD, NBDX and NBDG portfolios (together the "Portfolios") are managed by Neuberger Berman's Chicago-based Distressed Debt team, which sits within one of the largest and most experienced credit teams in the industry. Investment management services are provided to the Company by Neuberger Berman Investment Advisers LLC (formerly known as Neuberger Berman Fixed Income LLC), as the Company's Alternative Investment Fund Manager (the "AIFM"), and Neuberger Berman Europe Limited, as the Company's Manager (the "Manager"). Neuberger Berman Europe Limited provides administrative and limited currency hedging services to the Company.

Company (At 31 December 2015)	**NB Distressed Debt Investment Fund Limited (the "Company")** • Guernsey incorporated, closed-ended investment company • Trading on the Specialist Fund Segment of the London Stock Exchange and listed on the Channel Islands Securities Exchange • 48,830,771 Ordinary Shares in issue (Nil in Treasury) • 270,733,913 Extended Life Shares in issue (Nil in Treasury) • 110,785,785 New Global Shares in issue (4,065,000 in Treasury)
Manager and Alternative Investment Fund Manager (At 31 December 2015)	**Neuberger Berman Europe Limited (the "Manager")** **Neuberger Berman Investment Advisers LLC (formerly known as Neuberger Berman Fixed Income LLC) (the "Alternative Investment Fund Manager", or the "AIFM" and together with the Manager, the "Investment Manager"):** • A large team of 143 fixed income investment professionals • Portfolio managers have an average of 25 years of industry experience • Total fixed income assets of approximately $106 billion • Over $36 billion in high yield bonds and loans • Non-investment grade research team of 27 analysts

COMPANY OVERVIEW (CONTINUED)

At 31 December 2015 (US$ in millions, except per share data)	**Ordinary Share Class**	**Extended Life Share Class**	**New Global Share Class**	**Aggregated**
Net Asset Value	$54.6	$270.8	$115.5	$440.9
Net Asset Value per share	$1.1184	$1.0003	$1.0820	-
Investments	$52.5	$267.6	$100.4	$420.5
- Portfolio of Distressed Investments	$42.8	$239.4	$93.1	$375.3
- Temporary Investments	$9.7	$28.2	$7.3	$45.2
Cash and Cash Equivalents	$2.7	$3.9	$10.6	$17.2

At 31 December 2014 (US$ in millions, except per share data)	**Ordinary Share Class**	**Extended Life Share Class**	**New Global Share Class**	**Aggregated**
Net Asset Value	$93.9	$395.3	$153.0	$642.2
Net Asset Value per share	$1.2521	$1.1909	$1.3814	-
Investments	$87.4	$390.9	$154.1	$632.4
- Portfolio of Distressed Investments	$82.4	$372.9	$107.4	$562.7
- Temporary Investments	$5.0	$18.0	$46.7	$69.7
Cash and Cash Equivalents	$7.6	$29.0	$22.7	$59.3

CHAIRMAN'S STATEMENT

Portfolios and Company Performance

I regret that I must open my first Chairman's Statement by paying tribute to my predecessor Robin Monro-Davies, who sadly passed away last September after a period of illness. Robin was deeply involved in the establishment and development of our Company and will be a hard act to follow.

Just as 2014 was a year of both opportunity and risk in the distressed debt arena, and so things continued through 2015. Regulatory pressures sent forth a constant stream of investment opportunities, but at the same time those pressures weighed on asset values. I believe that our portfolio managers have performed satisfactorily in these difficult times and that the Company is well-positioned to take advantage of future developments. When mentioning our portfolio managers it would be remiss of me not to thank Patrick Flynn, who stepped down from the Board on 31 December, concurrent with his taking up a new senior role in the NB organisation.

The performance of the three classes of shares is set out in more detail in the Investment Manager's Report but it is appropriate to acknowledge some high-level points here.

The Ordinary Share Class had returned 75% of investors' original capital by the end of the year. The net asset value per share ("NAV") declined by 11% during the year, compared to a drop of 8% in the HFRI Distressed/Restructuring Index and a drop of 43% in the defaulted loans segment of the S&P/LSTA Index.

Similarly the Extended Share Class had returned 25% by the end of the year, while also suffering a decline in NAV of 16% in the year. During 2015 the Company also bought back 2,453,766 shares at an average discount of 5.8%, which added 0.05 cents to NAV. In mid-December the Board temporarily suspended share buybacks amid concerns that the direction of markets might make these disadvantageous to those shareholders who wished to continue their investment. This naturally caused the discount to widen for a period but I am pleased to report that, since buybacks were recommenced, with a further 1,114,000 being bought in 2016, it has narrowed again to 4.5% as of the latest practicable date prior to publication of this report.

The New Global Share Class is still in its investment phase, which ends in March 2017 and, consistent with the other classes suffered a decline in NAV of 17.1% during the year. During 2015 the Company also bought back 4,065,000 shares at an average discount of 10.4%, which added 0.42 pence to NAV. Again your Board decided to suspend buybacks in mid-December for the same reason as for the Extended Share Class, but also to preserve cash in order to take advantage of opportunities that unduly low asset prices might offer. In order to strike a balance between the potential benefit of increasing NAV and preserving capital for investment, the buyback programme was recommenced on a more limited basis: this has enjoyed some success as the discount at the latest practicable date prior to publication of this report now stands at 9.6% of NAV, compared with 15.0% at the year-end.

Despite a challenging year in 2015 from a mark-to-market perspective, we believe that the Investment Manager continues to make progress in restructuring the assets in the Company's portfolios and expects to create profitable realisations in the coming quarters on a number of investments. We have recently announced distributions from NBDD and NBDX reflecting amounts received from underlying assets, more details of which are given in the Investment Manager's report, which will bring the proportion of original capital returned to approximately 84% and 34% respectively. The Investment Manager expects to continue to be able to recommend to the Board further distributions in NBDD and NBDX, which are in the midst of their harvest periods. However, NAVs have declined in the first quarter reflecting mark to market losses that were only partially offset by gains on realisations.

CHAIRMAN'S STATEMENT (CONTINUED)

Outlook and Annual General Meeting ("AGM")

Your Board believes, in conjunction with the Investment Manager, that NBDG is well positioned to benefit from an attractive opportunity set in 2016. The recent decline in many key commodities and investor concern over global growth has resulted in U.S. corporate loan and high yield distressed ratios climbing to their highest levels since 2009. Increased regulation has significantly decreased banks' proprietary balance sheets, reducing liquidity and exacerbating the volatility in the credit markets. In Europe, portfolio loan and asset disposals at banks, including non-performing loans, remain robust. All of these factors have created a significant amount of opportunities for NBDG through the remainder of its investment period. Your Board looks forward to providing future updates on investment realisations and new opportunities throughout the remainder of 2016.

A number of shareholders expressed concerns, through voting at last year's AGM, regarding the composition of the Board. While the Board explained in the last Annual Report that it had considered this and did not believe the independence of Directors to have been compromised, we have responded. You will note that I relinquished my other Neuberger Berman connection during the year and Talmai Morgan stepped down as a Director on 8 February 2016. I would like to thank Talmai for his contribution and welcome Sarah Evans and Stephen Vakil, who joined the Board in late 2015 and early 2016, respectively. They both bring valuable experience to the table as can be seen in their biographies which appear on page 39. This process of refreshment of the Board will continue and will include the replacement of Christopher Sherwell in due course.

In conclusion I would like to thank all our longstanding shareholders, as well as those who have joined us in the past year or so, for your confidence in our Company. I have met with some of you already and hope to meet more as the year continues and in the meantime I look forward to updating you further in the Interim Report that will be issued at the end of the summer.

John Hallam
Chairman
25 April 2016

INVESTMENT MANAGER'S REPORT

***Market Update*[1]**

In 2015, the NAV across all share classes was impacted by mark-to-market volatility; however we believe that the true fundamental value of our positions will be realised over time given the quality of the underlying assets. Our Portfolios also remain well diversified by sector.

Volatility across global markets, caused in large part by a decline in commodity prices and heightened risk aversion, led to a lack of buyers and increasingly limited liquidity across credit markets during the year. Heading into the year end, mark-to-market volatility resulting from a lack of liquidity was compounded by forced selling from hedge funds which were under pressure to raise cash in order to meet redemptions. We believe our investment thesis remains intact and that distressed debt markets will recover. We remain positive about the investments in the Portfolios and believe we can generate attractive returns from current mark-to-market valuations.

The number of high-yield bonds trading at distressed levels more than doubled in 2015 to the highest level since 2009. The amount of debt trading with composite spreads of 1,000 bps or higher increased to about $305 billion in 317 issuers (at 31 December 2015) from $66.8 billion in 103 issuers (at 16 November 2014). This number increased further to $317 billion in 344 issuers at 31 March 2016. In addition to the commodity related industries, as of 31 March 2016, basic industry, capital goods, retail, services, technology, telecommunications and transportation sectors all had more than 15% of face value of high yield issuers with Option Adjusted Spreads in excess of 1,000 bps.

Finally, European Union banks still have an estimated €826bn of non-performing loans ("NPLs") currently sitting on the balance sheets of banks supervised by the Single Supervisory Mechanism ("SSM") of the ECB. NPLs in Europe amount to almost 6% of total loans and advances of Europe's banks compared to an equivalent figure of 3% for the U.S. banking industry. Banks have been announcing plans to offload NPL portfolios and demand continues to be significant from opportunistic credit funds like ours. European banks supervised by the SSM would need to reduce NPLs by an additional €400bn to achieve similar reductions to those in the U.S. We believe that European regulators realise that high NPLs are a drag on economic activity and are working to improve the structure to enable the banks to dispose of the NPLs.

Ordinary Share Class Portfolio ("NBDD")

Summary

During 2015, NBDD exited three positions that contributed $2.2 million (inception to date) to NBDD's NAV. NBDD has had 31 exits since inception with net gains of $25.0 million and a weighted average IRR[2] from inception to date of 20% on the 31 exits.

To date, NBDD has returned 75% of original capital ($93.5 million) to investors with another 6% ($7 million) distributed in Q1 2016 and an additional 3% ($4.5 million) approved for distribution in Q2 2016, bringing total approved cash distributions to $105.0 million. NBDD recently received the first distribution from the proceeds of the previously announced sale of the eastern USA power plant, additional repayments of portfolio loans and distributions on private equity investments in 2016.

NBDD has 26 remaining investments in various stages of restructuring. We continue to see upside potential in these investments, many of which have suffered mark-to-market write-downs. We believe our portfolio to be undervalued and we continue to focus on returning capital to investors while also ensuring that we maximise the value of all assets in the portfolio.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Ordinary Share Class Portfolio ("NBDD") (continued)

Portfolio Update

At 31 December 2015, 78.4% of NBDD's NAV was invested in distressed assets. Other assets and liabilities ended the period at 21.6% of NAV. NBDD's NAV per share decreased 10.7% during the year, to $1.1184 from $1.2521 per share. Volatility in global markets continues to impact valuations of almost all financial instruments. The increase in volatility has been caused by a number of factors including the lack of liquidity in the leveraged loan and high yield bond markets and severe price declines in oil and other commodities.

We believe that performance relative to other distressed debt managers is best indicated by relevant distressed market indices including the HFRI Distressed/Restructuring Index[3] which declined 8.0% during the year, and the performance of defaulted loans in the S&P/LSTA Index[4], which declined 42.9% in 2015. Other indications of the volatility in lower quality credit markets include the Credit Suisse[5] and Bank of America Merrill Lynch[6] high yield indices, which returned (38.0%) and (43.4%), respectively in 2015. NBDD benefited from having no direct oil and gas exposure compared to the indices; however, NBDD has indirect exposure to oil and natural gas prices through certain utility and power investments.

We continue to actively manage the investments in our portfolio in order to generate profitable realisations through significant events (asset sales, legal outcomes, foreclosures, etc.), which to a certain extent are not dependent on the liquidity of the credit markets, and ultimately to return capital to investors through consistent distributions.

Extended Life Share Class Portfolio ("NBDX")

Summary

During 2015, NBDX exited seven positions that contributed $6.6 million net gain (inception to date) to NBDX's NAV. NBDX has had 35 exits to date and net gains of $66.7 million and a weighted average IRR from inception to date of 21% on the exits.

On 31 March 2015, the investment period of NBDX expired and the assets of NBDX were put into run-off following such expiration. To date NBDX has returned 25% ($90.4 million) of original capital to investors through distributions and share buybacks with another 6% ($20 million) distributed in Q1 2016 and an additional 3% ($11 million) approved for distribution in Q2 2016 bringing total approved cash distributions to $121.4 million. NBDX recently received the first distribution from the proceeds of the previously announced sale of the eastern USA power plant, partial repayment of bank debt secured by an Australian toll road concession, additional repayments of portfolio loans and distributions on private equity investments in 2016.

NBDX has 46 remaining investments in various stages of restructuring. We continue to see upside potential in these investments which have suffered mark-to-market write-downs. We believe our portfolio to be undervalued and we continue to focus on returning capital to investors while also ensuring that we maximise the value of all assets in the portfolio.

Portfolio Update

At 31 December 2015, 88.4% of NBDX's NAV was invested in distressed assets. Other assets and liabilities ended the period at 11.6%. NBDX's NAV per share decreased 16.0 % during the year, to $1.0003 per share from $1.1909 per share. Volatility in global markets continues to impact valuations of almost all financial instruments. The increase in volatility has been caused by a number of factors including the lack of liquidity in the leveraged loan and high yield bond markets and severe price declines in oil and other commodities.

We believe that performance relative to other distressed debt managers is best indicated by relevant distressed market indices including the HFRI Distressed/Restructuring Index[3] which declined 8.0% during the year, and the performance of defaulted loans in the S&P/LSTA Index[4], which declined 42.9% in 2015. Other indications of the volatility in lower quality credit markets include the Credit Suisse[5] and Bank of America Merrill Lynch[6] high yield indices, which returned (38.0%) and (43.4%), respectively, in 2015.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Extended Life Share Class Portfolio ("NBDX") (continued)

Portfolio Update (continued)

NBDX's NAV was impacted during the year by mark-to-market gains/losses in post-reorganisation equities, energy, utility, financial and infrastructure investments. Specifically Exploration and Production (E&P) investments were negatively impacted by declines in underlying commodity prices. WTI oil prices were down 36% during the year and 18% in the fourth quarter of 2015 alone while the Henry Hub gas price fell 23% during 2015 with a decline of 7% in the fourth quarter of 2015. Unlike other sectors in the portfolio that have been marked down and we expect to recover, some portion of this decline could be permanent.

We continue to actively manage the restructurings in our portfolio in order to generate profitable realisations through significant events (asset sale, legal outcome, foreclosure, etc.), which to a certain extent, are not dependent on the liquidity of the credit markets, and ultimately to return capital to investors through consistent distributions.

Share Buybacks

During the year, NBDX purchased 2,453,766 shares in the market at a total cost of $2,574,725. The shares have been cancelled.

New Global Share Class Portfolio ("NBDG")

Summary

We believe that the opportunity set in distressed debt and post-reorganisation securities of companies with tangible assets has become even more attractive, particularly in the energy, power generation, transportation, and commercial and residential real estate sectors. We continue to focus on debt collateralised by hard assets at attractive valuations and actively managing the current investments in our portfolio in order to generate profitable realisations through significant events (asset sales, legal outcomes, foreclosures, etc.). We remain positive about the investments in the portfolio and believe we can generate attractive returns from current mark-to-market valuations.

During 2015 NBDG exited four positions in 2015 that contributed £1.0 million net gains to NBDG's NAV. NBDG has had 6 exits since inception to date with net gains of £1.5 million and a weighted average IRR from inception to date of 42%.

Portfolio Update

At December 31, 2015, 80.6% of NBDG's NAV was invested in distressed assets. Other assets and liabilities ended the period at 19.4% of NAV and is available for new investments and working capital. NBDG had investments in 27 issuers across 11 industries. The largest sector concentrations were in lodging and casinos, utilities, shipping and oil and gas.

NBDG's NAV per share decreased 17.1% during the year, to 73.41 pence from 88.60 pence. Volatility in global markets continues to impact valuations of almost all financial instruments. The increase in volatility has been caused by a number of factors including the lack of liquidity in the leveraged loan and high yield bond markets and severe price declines in oil and other commodities.

We believe that performance relative to other distressed debt managers is best indicated by relevant distressed market indices including the HFRI Distressed/Restructuring Index[3] which declined 8.0% during the year, and the performance of defaulted loans in the S&P/LSTA Index[4], which declined 42.9% in 2015.

Other indications of the volatility in lower quality credit markets include the Credit Suisse[5] and Bank of America Merrill Lynch[6] high yield indices, which reported negative returns of 38.0% and 43.4%, respectively, in 2015.

INVESTMENT MANAGER'S REPORT (CONTINUED)

New Global Share Class Portfolio ("NBDG") (continued)

Portfolio Update (continued)

NBDG's NAV was impacted during the year by mark-to-market gains/losses in post-reorganisation equities, and energy, utility and infrastructure investments. Specifically Exploration and Production (E&P) investments were negatively impacted by declines in underlying commodity prices. WTI oil prices were down 36% during the year and 18% in the fourth quarter of 2015 alone while the Henry Hub gas price fell 23% during 2015 with a decline of 7% in the fourth quarter of 2015. Unlike other sectors in the portfolio that have been marked down and we expect to recover, some portion of this decline could be permanent.

We continue to seek out investment opportunities that present attractive risk-adjusted returns and actively manage the restructurings in our portfolio in order to generate profitable realisations through significant events (asset sale, legal outcome, foreclosure, etc), which to a certain extent are not dependent on the liquidity of the credit markets. We believe 2016 presents us with good opportunities for attractive distressed debt situations.

Share Buybacks

During the year 4,065,000 shares of NBDG were purchased in the open market at a cost of £2,898,735. The shares are held in Treasury.

2015 EXITS

NBDD – 3 exits in 2015. Overall net gain of $2.2m over period assets held.

NBDX – 7 exits in 2015. Overall net gain of $6.7m over period assets held.

NBDG – 4 exits in 2015. Overall net gain of £1.0m over period assets held.

Realisation one in the year - NBDD and NBDX purchased $27.0 million face value of a defaulted loan at 32.2% of par, secured by an independent living facility in the Midwest of the U.S. Our investment thesis was that the underlying real estate was worth an amount significantly in excess of price of the debt acquisition. Subsequent to our purchase we converted the loan into ownership of the property via a deed-in-lieu of foreclosure and installed a new management team. After enhancing operations and making incremental capital improvements, we sold the property. Total return from this investment was $4.7 million generating an IRR of 10%.

	Purchase Value	Exit Value	Income	Total P&L
NBDD	$3.3 million	$4.6 million	N/A	$1.3 million
NBDX	$8.5 million	$11.9 million	N/A	$3.4 million

Realisation two in the year - NBDD and NBDX purchased $16.2 million face value of a defaulted loan at 59.12% of par, secured by a condominium development located in the south of the U.S. Our investment thesis was that the underlying real estate was worth an amount significantly in excess of price of the debt acquisition. Subsequent to our purchase, we converted the loan into ownership of the property via foreclosure and commenced selling units. Ultimately all units and the associated land were sold. Total return from this investment was $2.5 million generating an IRR of 17%.

	Purchase Value	Exit Value	Income	Total P&L
NBDD	$2.9 million	$3.6 million	N/A	$0.7 million
NBDX	$7.6 million	$9.4 million	N/A	$1.8 million

INVESTMENT MANAGER'S REPORT (CONTINUED)

Realisation three in the year - NBDX and NBDG bought £6.8 million portion of a first lien debt facility at 87.75%, which was secured by the operating assets of a British ferry company. We expected that the company would either restructure its debt or would refinance its existing debt structure. In the case of a debt restructuring and conversion into post-reorganisation securities, we believed that our cost basis represented a significant valuation discount versus comparable assets. Ultimately, the company was sold and our debt paid off at par plus accrued interest. Total return from this investment was $0.3 million NBDX/£0.6 million NBDG, generating an IRR of 10% NBDX/24% NBDG[7].

	Purchase Value	Exit Value	Income	Total P&L
NBDX	$4.2 million	$4.4 million	$0.1 million	$0.3 million
NBDG	£3.5 million	£4.0 million	£0.1 million	£0.6 million

Realisation four in the year - NBDX and NBDG purchased $3,550,000 face value of senior notes at 87.60% of par of a company with oil and gas assets. We believed that the company would be able to refinance its capital structure through a combination of asset sales and capital markets activities. Subsequent to our purchase, the secondary price of the senior notes increased significantly and we exited via the secondary market. Total return from this investment was $0.3 million/£0.1 million generating an IRR of 90% NBDX/ 112% NBDG[7].

	Purchase Value	Exit Value	Income	Total P&L
NBDX	$2.3 million	$2.5 million	$0.1 million	$0.3 million
NBDG	£0.6 million	£0.6 million	£0.0 million	£0.1 million

Realisation five in the year - NBDX and NBDG purchased $2,160,000 face value of Senior Notes at 90.25% of par of a company with oil and gas assets. We believed that the company would be able to refinance its capital structure through a combination of asset sales and capital markets activities. Subsequent to our purchase, the secondary price of the senior notes increased significantly and we exited via the secondary market. Total return from this investment was $0.2 million NBDX/£41,000 NBDG generating an IRR of 89% NBDX/ 90% NBDG[7].

	Purchase Value	Exit Value	Income	Total P&L
NBDX	$1.4 million	$1.6 million	$0.0 million	$0.2 million
NBDG	£0.4 million	£0.4 million	£0.0 million	£ 41,000

Realisation six in the year - NBDX and NBDG purchased $6.2 million face value of a senior secured loan at 36.5% of par, secured by five 2,800 TEU containership vessels, that were time chartered out by the parent company. The company defaulted on the loans, and the lenders sought recovery by taking ownership of the vessels. Given a difference of opinion on strategies for the vessels post-restructuring, we partnered with two other lenders, and took control of two of the vessels while the remaining lender group took control of the final three. After a period of maintenance on the vessels, and a number of short-term charters, we ultimately sold the vessels to strategic buyers. Total return from the investment was $0.2 million NBDX/£0.3 million NBDG for IRR of 16% NBDX/23% NBDG[7].

	Purchase Value	Exit Value	Income	Total P&L
NBDX	$0.8 million	$1.0 million	N/A	$0.2 million
NBDG	£0.8 million	£1.1 million	N/A	£0.3 million

INVESTMENT MANAGER'S REPORT (CONTINUED)

Realisation seven in the year - NBDD and NBDX purchased $4.0 million face value of a senior secured loan at 89% of par in June 2013. The loan was performing and lenders benefited from strong asset coverage, stable cash flows and the protections inherent in the Jones Act operating model for shipping vessels. We anticipated a par recovery upon a refinancing in advance of the June 2016 maturity with relatively low volatility. The company completed its refinancing in November 2015 and we generated an 8% IRR on our investment. Total return from the investment was $0.7 million.

	Purchase Value	Exit Value	Income	Total P&L
NBDD	$1.0 million	$1.1 million	$0.1 million	$0.2 million
NBDX	$2.6 million	$2.9 million	$0.2 million	$0.5 million

[1] *Source: LCD News December 21, 2015; IMF Staff Discussion Note "A Strategy for Resolving Europe's Problem Loans; European Banking Authority, "2015 EU wide transparency exercise report" dated November 24, 2015; Deutsche Bank Markets Research Year-Ahead outlook 2016 December 8, 2015.*

[2] *The term 'weighted average IRR', as used in this fact sheet, is determined by NBIA by calculating, for each investment exit, (A) the investment exit's original purchase price, divided by (B) the total of all investment exits' original purchase prices, multiplied by (C) the IRR for the applicable investment exit. Neuberger Berman then calculates the sum of the figures calculated in the prior sentence for all of investment exits for the share class.*

[3] *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.).*

[4] *This refers to the D-rated cohort of the S&P /LSTA Leveraged Loan Index indicating defaulted loans. The S&P/LSTA Leveraged Loan Index is designed to mirror the investible universe of the $US-denominated leveraged loan market.*

[5] *Credit Suisse High Yield Index is designed to mirror the investible universe of the $US-denominated high yield debt market. The distressed/default rating index includes issuers who have filed for bankruptcy protection or missed a coupon payment and the grace period has expired; Standard & Poor rating is D,CC or C and/or Moody's rating is Ca or C (provided by Credit Suisse).*

[6] *The BofA Merrill Lynch US Distressed High Yield Index is a subset of the BofA Merrill Lynch US High Yield Index including all securities with an option-adjusted spread greater than or equal to 1,000 basis points. The BofA Merrill Lynch US High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market (data source: Bloomberg).*

[7] *The difference in IRR for NBDG (Pound Sterling funding currency) and NBDX (US Dollar funding currency) is due to different foreign exchange rates at time of purchase and sale.*

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Neuberger Berman Investment Advisers LLC
25 April 2016

Neuberger Berman Europe Limited
25 April 2016

STRATEGIC REPORT

The Directors present their Annual Report and the consolidated financial statements of NB Distressed Debt Investment Fund Limited and its subsidiaries which are detailed in note 2 (together the "Company") for the year ended 31 December 2015.

Business Review

The following review is designed to provide information primarily about the Company's business, the principal risks and uncertainties it faces and its results for the year. The review should be read in conjunction with the Chairman's Statement on pages 5 and 6 together with the Investment Manager's Report on pages 7 to 12 which give a detailed review of the investment activities for the year and an outlook on the future.

Principal Activities and Structure

The principal activity of the Company is to carry out business as an investment company. The Directors do not envisage any changes in this activity for the foreseeable future.

The Company is a registered closed-ended investment company incorporated in Guernsey on 20 April 2010, registration number 51774. The Company is governed under the provisions of the Companies (Guernsey) Law, 2008 (as amended) (the "Law"), and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission. Shares in NBDD ("Ordinary Shares") commenced trading on the Channel Islands Securities Exchange ("CISE") and the Specialist Fund Segment of the London Stock Exchange ("SFS") on 10 June 2010. Following the approval by the shareholders of the resolution proposed on 8 April 2013, 320,109,841 Ordinary Shares were converted to an equivalent number of shares in NBDX ("Extended Life Shares"). The end of the investment period of NBDD and NBDX remained 10 June 2013 and 31 March 2015 respectively and these share classes are currently in realisation phase. 110,785,785 shares in the NBDG ("New Global Shares") were issued and admitted to trading on the SFS and the CISE on 4 March 2014. The investment period for the NBDG will end on 31 March 2017.

The Company is a member of the Association of Investment Companies (the "AIC") and is classified within the Debt Category.

Investment Objective

The Company's primary objective is to provide investors with attractive risk-adjusted returns through long-biased, opportunistic exposure to 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.

Investment Policy

The Investment Manager seeks to identify mis-priced or otherwise overlooked securities or assets that they believe have the potential to produce attractive absolute returns while seeking to limit downside risk through collateral and structured protection where possible.

The Company's Portfolios are biased toward investing in stressed and distressed debt securities secured by hard asset collateral. When investing on behalf of the Company, the Investment Manager focuses on companies with significant tangible assets which they believe are likely to maintain long-term value through a restructuring. The Company avoids "asset-light" companies, as their value tends to be degraded in distressed scenarios. The Investment Manager also aims to concentrate on companies with stressed balance sheets whose low implied enterprise value multiples - often calculated off currently depressed cash flows - offer a discount to current comparable market valuations.

STRATEGIC REPORT (CONTINUED)

Investment Policy (continued)

The Investment Manager will attempt to limit the Company's downside risk by focusing on senior secured debt with both collateral and structural protection. The Investment Manager will attempt further to limit the Company's downside risk by investing in situations in which the debt acquired by the Company can be converted to equity at a valuation multiple below comparable valuation multiples in its sector. Such investments may include companies that are currently involved in a court-supervised or out-of-court restructuring or reorganisation, a liquidity crisis, a merger, a divestiture or another corporate event conducive to a mispricing of intrinsic value. The Board considers that it is not appropriate to make available a full listing of the Portfolios to shareholders as the information is considered commercially sensitive and often subject to non-disclosure agreements.

The Investment Manager will seek to achieve the Company's investment objective primarily by investing in: bankruptcy situations, out-of-court restructurings and workouts; as well as in special situations. The Investment Manager from time to time may, however, also make opportunistic investments that are neither distressed nor related to a special situation.

Principal Risks

The Board has conducted a thorough assessment of the principal risks facing the Company. As part of this assessment the Board has drawn up a matrix of risks which identifies the key risks to the Company. These key risks are outlined below together with the commentary on how they are managed and/or mitigated.

Investment Activity and Performance

An unsuccessful investment strategy may result in underperformance against the Company’s objectives. This might be due to the skills of the Investment Manager falling short in its selection of sectors or issues in which to invest and its management of the restructurings/reorganisations which can ensure their success. To some extent the Board manages these risks by ensuring a diversification of investments. The Investment Manager operates in accordance with the investment limits and restrictions policy set out in the Company’s Investment Policy and Objectives and as further determined by the Board. The Directors review the limits and restrictions on a regular basis and the Administrator monitors adherence to the limits and restrictions every month and will notify any breaches to the Board. The Investment Manager provides the Board with management information including performance data and reports, and the Corporate Broker provides shareholder analyses. The Directors monitor the implementation and results of the investment process with the Investment Manager at each Board meeting and monitor risk factors in respect of the Portfolios. Investment strategy is reviewed at each meeting.

Level of Discount or Premium

A discount or premium to NAV can occur for a variety of reasons, including market conditions and the extent to which investors undervalue the management activities of the Investment Manager or discount its valuation methodology and judgement. While the Directors may seek to mitigate any discount to NAV per share through the discount management mechanisms set out in the Prospectus, 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 or premium.

Market Price Risk

The market value of senior loans may vary because of a number of factors including, but not limited to, the financial condition of the underlying borrowers, the industry in which a borrower operates, general economic or political conditions, interest rates, the condition of the debt trading markets and certain other financial markets, developments or trends in any particular industry and changes in prevailing interest rates.

STRATEGIC REPORT (CONTINUED)

Principal Risks (continued)

Market Price Risk (continued)

Furthermore, primarily in connection with NBDG, there is a risk that the investment opportunities the Investment Manager envisaged may not materialise within the stated investment period and the environment in which the opportunities arise could deteriorate.

Further details on market price risk are provided in Note 7 on page 78.

Accounting, Legal and Regulatory

The Company must comply with the provisions of the Law, and since its shares are listed on the official list of the CISE, the CISE Listing Rules. In addition, since the Company's shares trade on the SFS the Company is required to comply with the FCA's Disclosure and Transparency Rules ("DTRs"). A breach of the legislation could result in the Company and/or the Directors being fined or subject to criminal proceedings and the suspension of the Company's shares to trading on the SFS and listing on the CISE. The Board relies on the Company Secretary and the Company's advisers to ensure adherence to the Guernsey legislation, the CISE rules and the DTRs. The Investment Manager, Company Secretary and the Administrator, are contracted to provide investment, company secretarial, administration and accounting services through qualified professionals.

Operational

Disruption to, or the failure of, either the Investment Manager's or the Administrator's accounting, dealings or payment systems, or the records of the Custodian (as defined below) could lead to a loss of assets and prevent the accurate reporting or monitoring of the Company's financial position.

Details of how the Board monitors the services provided by the Investment Manager and the Administrator, and the key elements designed to provide effective internal controls are explained further in the internal controls section of the Corporate Governance Report which is set out on pages 24 to 35.

Viability Statement

The Directors have assessed the prospects of the Company over the three year period to 31 December 2018 in accordance with the AIC Code (the "Code"). Taking into account the Company's status as a closed-ended investment entity, its investment objectives, and the time period over which its assets are likely to be realised, the Directors consider that three years is an appropriate period to assess the viability of the Company.

In its assessment of the viability of the Company, the Board has considered each of the Company's principal risks detailed on pages 14 and 15 and in particular the impact of a significant fall in market prices of its assets. The Directors have also considered the Company's income and expenditure projections and the fact that the Company's investments include readily realisable securities which can be expected to be sold to meet funding requirements if necessary.

Based on the Company's processes for monitoring operating costs, the Investment Manager's compliance with the investment objective, asset allocation, the Portfolios' risk profiles, absence of borrowing and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2018.

STRATEGIC REPORT (CONTINUED)

Investment Management Agreement

The Board is responsible for setting the Company's investment policy and has overall responsibility for the Company's day-to-day activities.

On 17 July 2014, the Company, the Manager and the AIFM made certain classificatory amendments to the Investment Management Agreement for the purposes of the European Commission's Directive on Alternative Investment Fund Managers (the "AIFM Directive"). The Sub Investment Management Agreement was terminated on 17 July 2014 and Neuberger Berman Investment Advisers LLC which was the Sub Investment Manager, was appointed as the AIFM per the amended and restated Investment Management Agreement dated 17 July 2014. Under this agreement, the AIFM is responsible for risk management and day-to-day discretionary management of the Company's Portfolios (including un-invested cash). The risk management and discretionary portfolio management functions are performed independently of each other within the AIFM structure. The AIFM is not required to, and generally will not, submit individual investment decisions for approval by the Board. The Manager, Neuberger Berman Europe Limited, was appointed under the same Investment Management Agreement to provide, amongst other things, certain administrative services to the Company. See Note 3 for details of fee entitlement.

Administration and Custody Agreement

BNP Paribas Securities Services S.C.A., Guernsey Branch ("BNPP") was the Administrator, Custodian and Designated Manager until 28 February 2015. In such capacity BNPP was responsible for the day-to-day administration of the Company including, but not limited to, the calculation and publication of the estimated daily NAV and general secretarial functions required by the Law including, but not limited to, the maintenance of the Company's accounting and statutory records.

In acting as custodian of the Company's investments BNPP provided the safe-keeping of contracts or other documents of title to the loans and took custody of cash and other assets. The Company had consented to and BNPP was permitted to delegate the safekeeping function to BNP Paribas Securities Services London Branch or such other associate companies of the Administrator.

Effective 1 March 2015, US Bancorp Fund Services (Guernsey), Limited was appointed Administrator and Designated Manager of the Company and Quintillion Limited was appointed Sub-Administrator and together they are responsible for the day-to-day administration of the Company. US Bank National Association (the "Custodian") was appointed custodian to the Company effective 1 March 2015.

See Note 3 for details of fee entitlement.

Related Party Transactions

The contracts with the Investment Manager and Directors are the only related party transactions currently in place. Other than fees payable in the ordinary course of business, there have been no material transactions with these related parties which have affected the financial position or performance of the Company in the financial year.

For information on performance fees and Directors' fees please refer to note 3.

Financial Review

At 31 December 2015 the net assets of the Ordinary Shares amounted to $54,610,406 (2014: $93,920,322), those of the Extended Life Shares amounted to $270,818,231 (2014: 395,281,487) and those of the New Global Shares amounted to $115,471,327 (2014: 153,044,225). The total return for the year was (10.68)% (2014: 2.72%) for Ordinary Shares, (16.00)% for Extended Life Shares (2014: (2.53)%) and (17.14)% for New Global Shares (2014: (9.59)%).

STRATEGIC REPORT (CONTINUED)

Gearing

The Company will not employ leverage or gearing for investment purposes. The Company may, from time to time, use borrowings for share buybacks and short-term liquidity purposes, including bridging purposes, prior to the sale of investments. Save for such bridging borrowings the Directors will restrict borrowing, with respect to each share class, to an amount not exceeding 10 percent of the NAV of the share class at the time of drawdown, and in any event, to an amount not exceeding 10 percent of the NAV of the Company at the time of drawdown at any time.

The Company does not currently have any borrowings. Derivatives may be used for the purposes of efficient portfolio management and to hedge risk within the Portfolios. In addition from time to time the Company may also invest in such derivatives for investment purposes.

Dividends and Distributions

The Company will distribute all net income received on investments of the Company attributable to such class of shares as appropriate, after deduction of reasonable expenses, subject to the solvency test prescribed by the Law. The exact amount of any such dividend will be variable depending on the amount of net income received and whether the amount is material.

At 31 December 2015 no dividend of any kind has been declared, paid or made by the Company on any class of its share capital (2014: $Nil).

Income

The Company will pay out for each year, in respect of each share class, all net income received on investments of the Company attributable to such share class, as appropriate. It is not anticipated that income on the Portfolios 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 paid in accordance with 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). 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 of incorporation (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 at the discretion of the Directors.

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

STRATEGIC REPORT (CONTINUED)

Dividends and Distributions (continued)

Buybacks

At the AGM of the Company held in June 2015, the Directors were granted the general authority to purchase in the market up to 14.99% of the Ordinary Shares, New Global Shares and Extended Life Shares in issue (as at 4 June 2015). This authority will expire at the AGM in 2016. Pursuant to this authority, and subject to the Companies Law and the discretion of the Directors, the Company may purchase shares of any of its classes in the market on an ongoing basis with a view to addressing any imbalance between the supply of and demand for such shares, thereby increasing the NAV per share of the shares and assisting in controlling the share price discount to NAV per share.

Under the authority granted to the Directors in the 2014 AGM, between 23 January 2015 and 10 February 2015, 542,000 Extended Life Shares were repurchased by the Company for gross consideration of $607,323 and cancelled.

Under the authority granted to the Directors in the 2015 AGM, as per the settlement date, between 9 June 2015 and 31 December 2015 4,065,000 New Global Shares were repurchased by the Company for gross consideration of $4,455,823 and are currently held in Treasury. In addition, 1,911,766 Extended Life Shares were repurchased during the period for gross consideration of $1,967,402 and cancelled.

Distributions

Set out below are details of the capital returns by way of a compulsory partial redemptions made during the year:

	Ordinary Share Class		Extended Life Share Class		New Global Share Class	
	Distribution Amount	**Per Share Amount**	**Distribution Amount**	**Per Share Amount**	**Distribution Amount**	**Per Share Amount**
4 March 2015	$4,991,952	$0.0666	$8,943,952	$0.0270	-	-
8 May 2015	$12,491,954	$0.1760	$3,991,937	$0.0123	-	-
27 August 2015	$6,991,956	$0.1143	$17,491,936	$0.0547	-	-
1 December 2015	$7,991,951	$0.1441	$34,991,935	$0.1152	-	-
Total	**$32,467,813**	**-**	**$65,419,760**	-	-	-

Performance Measurement and Key Performance Indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Investment Manager, the Directors take into account the following performance indicators:

- Returns and NAV – At each meeting the Board reviews and compares against peer group companies and various indices the performance of the Portfolios as well as the NAV, income and share price of each share class;

- Discount/premium to NAV - at each Board meeting, the Board monitors the level of the Company's discount or premium to NAV per share class and reviews the average discount/premium for the Company's peer group. The Company publishes a NAV per share on a daily basis through the official newswire of the London Stock Exchange. In the year to 31 December 2015 the Company's Ordinary Shares traded between a premium of 0.9% and a discount of 8.3% with an average discount of 4.8%. The Company's Extended Life Shares traded between a discount of 2.0% and 15.8% with an average discount of 6.3%. The Company's New Global Shares traded between a discount of 1.9% and 15.5% with an average discount of 9.1%;

STRATEGIC REPORT (CONTINUED)

Performance Measurement and Key Performance Indicators (continued)

- Formal reports from both the Investment Manager and brokers which assess the performance of the asset class and look at trading activity. The Investment Manager also provides an in-depth analysis on the holdings within the Portfolios; and

- Ongoing charges - in the year to 31 December 2015, the ratio of ongoing charges to the Company's NAV was 2.03%. This figure is based on an annual ongoing charges figure for the year of $11,710,447. This figure which has been prepared in accordance with the recommended methodology of the AIC represents the annual percentage reduction in shareholder returns as a result of recurring operational expenses excluding the performance fee. No performance fees were payable as at 31 December 2015. The ongoing charge ratios by share class are disclosed on page 81.

For and on behalf of the Board

John Hallam	**Sarah Evans**
Chairman	**Director**
25 April 2016	**25 April 2016**

DIRECTORS' REPORT

The Directors present the audited consolidated financial statements of the Company and their report for the year ended 31 December 2015.

Share Capital

The number of shares in issue at 31 December 2015 was as follows:

Class A Shares	2
Ordinary Shares	48,830,771
Extended Life Shares	270,733,913
New Global Shares	110,785,785*

*of which 4,065,000 are held in Treasury

On 16 February 2016 the Company announced a capital return by way of a compulsory partial redemption of 6,484,844 Ordinary Shares and 21,162,219 Extended Life Shares which took place on 1 March 2016. Following the buybacks of the Ordinary Shares and Extended Life Shares between 13 January 2016 and 16 February 2016 and the redemption on 1 March 2016, the shares in issue as at 1 March 2016 were:

Class A Shares	2
Ordinary Shares	42,345,927
Extended Life Shares	248,816,694
New Global Shares	110,785,785**

**of which 5,557,000 are held in Treasury

Discount Controls – Buybacks

At the AGM of the Company held on 4 June 2015 the Directors were granted the authority to purchase in the market up to 14.99% of the Ordinary Shares, Extended Life Shares and New Global Shares in issue (as at 4 June 2015). This authority will expire at the forthcoming AGM and the Directors intend to seek annual renewal of this authority from the shareholders.

Pursuant to this authority, subject to the Law, and the discretion of the Directors, the Company may purchase shares of any of its classes in the market on an ongoing basis with a view to addressing any imbalance between the supply of and demand for such shares, thereby increasing the NAV per share and assisting in controlling the share price discount to NAV per share

During the year 2,453,766 Extended Life Shares were repurchased for cancellation by the Company and 4,065,000 New Global Shares were repurchased by the Company and are held in Treasury.

DIRECTORS' REPORT (CONTINUED)

Substantial Share Interests

Based upon information deemed to be reliable as provided by the Company's registrar, as at 19 April 2016, the following shareholders owned 5% or more of the issued shares of the Company.

Substantial Shareholders	No. of Ordinary Shares	No. of Extended Life Shares	No. of New Global Shares	Percentage of Share Class (%)
Prudential Client HSBC GIS Nominee (UK) Limited PAC Acct			27,379,750	24.71
		25,550,494		10.28
State Street Nominees Limited OM04 Acct			12,500,000	11.28
		16,947,539		6.82
State Street Nominees Limited OM02 Acct			7,537,618	6.80
		6,309,761		2.54
BNY (OCS) Nominees Limited UKREITS Acct			6,197,836	5.59
		6,628,713		2.67
Nortrust Nominees Limited			6,017,000	5.43
	6			0
		3,684,986		1.48
BNY (OCS) Nominees Limited			4,105,667	3.71
		29,477,412		11.86
Nutraco Nominees Limited 897800 Acct			3,311,382	2.99
		18,737,338		7.54
Chase Nominees Limited CMBJ Acct	9,523,149			22.49
Harewood Nominees Limited 4046320 Acct	18,706,842			44.18
Citibank Nominees (Ireland) Limited CLRLUX Acct		17,553,170		7.06
	23,874			0.06
Lynchwood Nominees Limited 2006420 Acct		19,471,559		7.84
	143,999			0.34

* Note: shareholdings may be greater than 5% in the share class but may not be 5% in aggregate of the Company's issued share capital

Notifications of Shareholdings

In the year to 31 December 2015 the Company has been notified in accordance with Chapter 5 of the DTR (which covers the acquisition and disposal of major shareholdings and voting rights), of the following voting rights as a shareholder of the Company. When more than one notification has been received from any shareholder, only the latest notification is shown. For non-UK issuers, the thresholds prescribed under DTR 5.1.2 for notification of holdings commence at 5%. Notifications received by the Company below 5% are included here for completeness only. Class A shares do not hold voting rights.

Shareholder	Number of Shares	Percentage of total voting rights (%)
BlackRock, Inc	67,196,539	14.41
Prudential Plc Group of Companies	61,341,726	13.06
Smithfield Funds	14,245,509	3.05

Since the year end, two notifications were received by the Company:

Shareholder	Number of Shares	Percentage of total voting rights (%)
Witan Investment Trust plc	18,606,909	4.69
Prudential Plc Group of Companies	55,353,570	14.00

DIRECTORS' REPORT (CONTINUED)

Life of the Company

The Company does not have a fixed life. However, each of the share classes has a specific investment period:

Share Class	Investment Period
Ordinary Shares	ended on 10 June 2013
Extended Life Shares	ended on 31 March 2015
New Global Shares	ends on 31 March 2017

Following the expiry of the investment period, the share class is put into run-off until all the investments have been realised.

Going Concern

The Company's principal activities are set out on page 13. The financial position of the Company is set out on page 45. In addition, Note 7 to the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements and declare that they have been prepared in accordance with Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council.

The going concern statement required by the AIC Code is set out in the "Directors' statement of responsibility" on pages 41 to 42.

The UK Bribery Act 2010

The Board of the Company has a zero tolerance approach to instances of bribery and corruption. Accordingly it expressly prohibits any Director or associated persons, when acting on behalf of the Company, from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private, in the United Kingdom or abroad to secure any improper benefit for themselves or for the Company. The Investment Manager has also adopted a zero tolerance approach to instances of bribery and corruption.

The Board insists on strict observance with these same standards by its service providers in their activities for the Company and continues to refine its process in this regard.

Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving this report are listed on page 39. Each of those Directors confirms that:

- to the best of his or her knowledge and belief, there is no information relevant to the preparation of their report of which the auditors are unaware; and
- he or she has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

DIRECTORS' REPORT (CONTINUED)

Employees and Socially Responsible Investment

The Company has a management contract with the Investment Manager. It has no employees and all of its Directors are non-executive, with day-to-day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company's main activities are carried out by Neuberger Berman, which is a signatory of the Principles of Responsible Investment and has an ongoing commitment to strengthening and refining its environmental, social and governance approach. An overview of Neuberger Berman's Principal's for Responsible Investment is detailed on its website at www.nb.com/pages/public/en-gb/principles-for-responsible-investment.aspx.

Global Greenhouse Gas Emissions

The Company has no significant greenhouse gas emissions to report from its operations for the year to 31 December 2015 (2014 – none), nor does it have responsibility for any other emissions producing sources.

For and on behalf of the Board

John Hallam	**Sarah Evans**
Chairman	**Director**
25 April 2016	**25 April 2016**

CORPORATE GOVERNANCE REPORT

Applicable Corporate Governance Codes

As the Company is listed on the SFS and the CISE it is only required to follow the Guernsey Financial Services Commission ("GFSC") code of corporate governance, applicable to Guernsey companies. However, the Board has chosen to comply with the 2015 AIC Code of Corporate Governance (the "AIC Code").

On 1 January 2012, the GFSC's "Finance Sector Code of Corporate Governance" came into effect. The GFSC have stated in their Code that companies which report against the UK Corporate Governance Code (the "UK Code") or the AIC Code are deemed to meet their Code, and need take no further action.

The Board of the Company has considered the principles and recommendations of the AIC Code, by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to shareholders. Copies of the AIC Code and the AIC Guide can be found at www.theaic.co.uk.

Corporate Governance Statement

Throughout the year ended 31 December 2015 the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except where explanations have been provided.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that certain provisions are not relevant to the position of the Company, being an externally managed investment company. In particular all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result the Company has no executive directors, direct employees or internal operations. The Company has therefore not reported further in respect of the following provisions:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

The Directors believe that this Annual Report and financial statements present a fair, balanced and understandable assessment of the Company's position and prospects, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate Governance Statement (continued)

The Company complies with the corporate governance statement requirements pursuant to the UK Financial Conduct Authority's ("FCA") Disclosure and Transparency Rules by virtue of the information included in the Corporate Governance section of the Annual Report.

Our Governance Framework

Chairman
John Hallam

Responsibilities:

The leadership, operation and governance of the Board, ensuring effectiveness, and setting the agenda for the Board.

More details are provided below

The Board members of NB Distressed Debt Investment Fund Limited

Members:

John Hallam (Chairman) – independent non-executive Director
Sarah Evans, Christopher Sherwell and Stephen Vakil – independent non-executive Directors
Michael Holmberg – non-executive Director

Responsibilities:

Overall conduct of the Company's business and setting the Company's strategy

More details are provided below

Audit Committee

Members:

Sarah Evans (Chairman)
Christopher Sherwell
Stephen Vakil
John Hallam

Responsibilities:

The provision of effective governance over the appropriateness of the Company's financial reporting including the adequacy of related disclosures, the performance of the external auditor, and the management of the Company's systems of internal controls and business risks

More details are provided on pages 32 to 35

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board independence and composition

The Board was chaired by Robin Monro-Davies until 19 September 2015, when he passed away. John Hallam was appointed Chairman on 28 September 2015. Sarah Evans joined the Board and was appointed Chairman of the Audit Committee on 26 October 2015. Patrick Flynn resigned from the Board on 31 December 2015, Stephen Vakil joined the Board on 5 February 2016 and Talmai Morgan resigned on 8 February 2016.

The biographical details of the Directors holding office at the date of this report are listed on page 39 and demonstrate a breadth of investment, accounting and professional experience. A senior independent director has not been identified as the Board considers that all the Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

John Hallam, Sarah Evans, Christopher Sherwell and Stephen Vakil are considered independent from the Investment Manager. Michael Holmberg is deemed not independent as he is employed by a Neuberger Berman group company.

Following consultation with its major shareholders in relation to the independence of Directors, Mr Hallam has resigned from the Board of NB Private Equity Partners Limited and Mr Morgan has resigned from the Company's Board. Mr Sherwell is the only Director who still sits on the Board of NB Private Equity Partners Limited managed by NB Alternative Advisers LLC, a Neuberger Berman Group entity based in Dallas, whereas the Company is managed by Neuberger Berman Investment Advisers LLC (formerly Neuberger Berman Fixed Income LLC) based in Chicago.

The Board maintains the view that, as the core business of NB Private Equity Partners Limited differs greatly from that of the Company and it has a different investment manager, Mr Sherwell remains an independent Director and that he satisfactorily contributes to the affairs of the Company. The Board also believe that Mr Holmberg brings a significant amount of experience and expertise to the Board; however as a non-independent Director, Mr Holmberg does not sit on the Audit Committee and is not involved in any matters discussed by the Board concerning the evaluation of the performance of the Manager or the AIFM.

The Directors review their independence annually.

The Company Secretary, C.L. Secretaries Limited, a wholly owned subsidiary of Carey Group, through its representative acts as Secretary to the Board and Committees and in doing so it assists the Chairman in ensuring that all Directors have full and timely access to all relevant documentation; organises induction of new directors and is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters.

Directors' Appointment

No Director has a service contract with the Company. Directors have agreed letters of appointment with the Company, copies of which are available for review by shareholders at the Registered Office and will be available at the AGM. The length of service of each Director is shown in the Directors' Remuneration Report on pages 36 to 38. Any Director may resign in writing to the Board at any time.

Mrs Evans was appointed as a non-executive Director to the Board on 26 October 2015 and Mr Vakil was appointed on 5 February 2016. The Board believe that these appointments strengthen the Board and are part of the Company's succession planning.

The Board led the formal, rigorous and transparent procedure for the appointment of the new Directors. Candidates were identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board, including gender. The Board undertook a wide recruitment drive which included interviewing candidates from Guernsey, the United Kingdom and the USA. Lists of potential candidates were obtained from a variety of sources, including candidates known to the Board, its Advisors and the Investment Manager and the Board agreed shortlists. Interviews were held with potential candidates. The skills, experience and time availability of each candidate was considered by the Board. Shortlisted candidates were invited to meet the Chairman and

CORPORATE GOVERNANCE REPORT (CONTINUED)

Directors' Appointment (continued)

the Investment Manager and feedback was provided to the Board prior to selection. The decisions to appoint both Mrs Evans and Mr Vakil were based on merit of both skills and experience and were considered fair and non-discriminatory. Neither an external search consultancy nor open advertising was used in relation to these appointments as the Board believed it received sufficient advice and recommendations from its advisers.

In accordance with the AIC Code and the Company's Articles all Directors offered themselves for re-election at the first AGM of the Company; the Company subsequently adopted a policy of requiring all Directors to stand for annual re-election. Messrs Hallam, Holmberg, and Sherwell were re-elected as Directors at the AGM on 4 June 2015. As Sarah Evans was appointed on 26 October 2015, and Stephen Vakil was appointed on 5 February 2016, they will be subject to election at the 2016 AGM being the first AGM since their appointment. The names and biographies of the Directors holding office at the date of this report is listed on page 39.

Tenure of Non-Executive Directors

The Board has adopted a policy on tenure that is considered appropriate for an investment company. The Board does not believe that length of service, by itself, leads to a closer relationship with the Investment Manager or necessarily affects a Director's independence. The Board's tenure and succession policy seeks to ensure that the Board is well balanced and will be refreshed from time to time by the appointment of new directors with the skills and experience necessary to replace those lost by directors' retirements. Directors must be able to demonstrate their commitment to the Company. The Board seeks to encompass relevant past and current experience of various areas relevant to the Company's business.

The dates of appointment of all Directors are provided in the Directors' Remuneration Report.

Board Diversity

The Board considers that its members have a balance of skills and experience which are relevant to the Company. The Board notes the Davies Report and believes in the value and importance of diversity in the boardroom but it does not consider it is appropriate or in the interests of the Company and its shareholders to set prescriptive targets for gender, nationality or any other criterion of representation on the Board. At 31 December 2015 the Board had a 20% female representation. The Board continues to focus on encouraging diversity of business skills and experience, recognising that directors with diverse skills sets, capabilities and experience gained from different backgrounds enhance the Board.

Board Responsibilities

The Board reviews all aspects of the Company's affairs including the setting and monitoring of investment strategy and the review of investment performance. The Investment Manager takes decisions as to the purchase and sale of individual investments, in line with the investment policy and strategy set by the Board. The Investment Manager together with the Company Secretary also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information relating to the Company and its portfolio of investments. Representatives of the Investment Manager attends each Board meeting, enabling Directors to question any matters of concern or seek clarification on certain issues. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for Directors in the furtherance of their duties to take independent professional advice at the expense of the Company.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Conflict of Interests

Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise and the Board may impose restrictions or refuse to authorise conflicts if deemed appropriate. The Directors have undertaken to notify the Company Secretary as soon as they become aware of any new potential conflicts of interest that would need to be approved by the Board. Only Directors who have no material interest in the matter being considered will be able to participate in the Board approval process.

It has also been agreed that the Directors will advise the Chairman and the Company Secretary in advance of any proposed external appointment.

None of the Directors had a material interest in any contract, which is significant to the Company's business during the year ended 31 December 2015, except that it should be noted that Messrs Flynn (who left the Board on 31 December, 2015) and Holmberg are employees of the Neuberger Berman Group of which the Investment Manager is a part.

The Directors' Remuneration Report on pages 36 to 38 provides information on the remuneration and interests of the Directors.

Performance Evaluation

The performance of the Board, its Committees and the Directors, including the Chairman, was reviewed by the Board in February 2016, by means of an internal questionnaire completed by each Director. The Company Secretary collated the results of the questionnaires and the consolidated results were reviewed and discussed by the Board. The Chairman reviews each individual Director's contribution.

As a result of the suggestions made in this year's Board performance evaluation, the Board has agreed:

- that Mr Hallam, Mrs Evans, Mr Sherwell and Mr Vakil are considered independent;
- all Directors should be proposed for re-appointment at the 2016 AGM;
- following the changes to the Board composition over the last six months, the Board is more diverse and is considered to have an appropriate mix of skills, experience and gender; and
- to constitute a Management Engagement Committee during 2016.

The Board intends to conduct another internal board evaluation in June 2016, and will continue to review its procedures, its effectiveness and development in the year ahead.

Induction/Information and Professional Development

Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and its internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise along with changes to best practice by, amongst others, the Company Secretary and the auditors. Advisers to the Company also prepare reports for the Board from time to time on relevant topics and issues. In addition Directors attend relevant seminars and events to allow them continually to refresh their skills and knowledge and keep up with changes within the investment company industry. The Chairman reviewed the training and development needs of each Director during the annual Board evaluation process. He confirmed that all directors actively kept up to date with industry developments and issues.

When Mrs Evans and Mr Vakil were appointed to the Board they were provided with all relevant information regarding the Company and their duties and responsibilities as a Director. Both new Directors were provided with Letters of Appointment outlining their duties and responsibilities. In addition Mrs Evans and Mr Vakil spent time with representatives of the Company Secretary and the Investment Manager in order to learn more about their processes and procedures.

All Directors will be visiting the AIFM's offices in Chicago in June 2016 to review and discuss the investment process in depth. The Directors will also meet representatives of the KPMG audit and tax teams based in Chicago.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Independent advice

The Board recognises that there may be occasions when one or more of the Directors feels it is necessary to take independent legal advice at the Company's expense. A procedure is set out in the Directors letters of appointment to enable them to do so.

Indemnities

To the extent permitted by the Law, the Company's Articles provide an indemnity for the Directors against any liability except such (if any) as they shall incur by or through their own breach of trust, breach of duty or negligence. Each Director has an Instrument of Indemnity with the Company.

During the year, the Company has maintained insurance cover for its Directors and Officers under a Directors' and Officers' liability insurance policy.

Board Meetings

The Board meets at least four times a year. Certain matters are considered at all Board meetings including investments, NAV and share price performance and associated matters such as asset allocation, risks, strategy, marketing and investor relations, peer group information and industry issues. Consideration is also given to administration and corporate governance matters, where applicable reports are received from Board committees.

Directors unable to attend a board meeting are provided with the board papers and can discuss issues arising in the meeting with the Chairman or another non-executive Director.

Attendance at scheduled meetings of the Board and its committees in the 2015 financial year

	Board	**Audit Committee**
Number of meetings during the year	**4**	**4**
Robin Monro-Davies*	3	n/a
John Hallam	4	4
Sarah Evans**	1	2
Patrick Flynn	2	n/a
Michael Holmberg	4	n/a
Talmai Morgan	4	3
Christopher Sherwell	4	4

* Mr Monro-Davies passed away prior to the fourth Board meeting

** Mrs Evans was appointed to the Board and Audit Committee on 26 October 2015 and has attended all scheduled meetings subsequent to her appointment

In addition to these meetings, 8 ad-hoc meetings were held during the year for various matters, primarily of an administration nature including, but not limited to, capital distributions. The meetings were attended by those Directors available at the time.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Committees

The Board has established an Audit Committee with defined terms of reference and duties. Further details of this committee can be found in the Audit Committee report below. The terms of reference for the Audit Committee can be found on the Company's website www.nbddif.com.

The Board has decided to establish a Management Engagement Committee, with a defined terms of reference and duties, during the second quarter of 2016.

The Board feels that due to the size and structure of the Company, establishing a Remuneration and Nomination Committee was unnecessary and that the Board as a whole will consider matters relating to remuneration and appointment of Directors.

Relationship with the Investment Manager, Company Secretary, Administrator and Sub-Administrator

All of the Company's management and administration functions are delegated to external parties including the management of the investment Portfolios, the custodial services (including the safeguarding of assets), the registration services and the day-to-day company secretarial, administration and accounting services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Board receives and considers reports regularly from the Investment Manager and ad hoc reports and information are supplied to the Board as required. The Investment Manager takes decisions as to the purchase and sale of individual investments. The Investment Manager, Company Secretary, Administrator and Sub-Administrator also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Investment Manager, Administrator and Sub-Administrator attend each Board meeting enabling the Directors to probe further into matters of concern. The Directors have access to the advice and service of the corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board, the Investment Manager, Company Secretary, the Administrator and Sub-Administrator operate in a supportive, co-operative and open environment.

The Board annually assesses the performance and value of its service providers and the Board reviews investment performance at each Board meeting. Effective 1 March 2015, US Bancorp Fund Services (Guernsey), Limited and Quintillion Limited were appointed as Administrator and Sub-Administrator respectively, in place of BNP Paribas Securities Services S.C.A., Guernsey Branch.

The 2015 annual review did not highlight any areas of concern and it is the opinion of the Directors that the continued appointment of the current service providers including the Investment Manager on the terms agreed is in the best interests of the Company's shareholders as a whole. Henceforward the annual review of service providers will be performed by the newly formed Management and Engagement Committee.

Continued appointment of the Investment Manager

The Board reviews investment performance at each Board meeting and the performance of the Investment Manager are reviewed annually as part of the annual review of service providers.

As a result of the 2015 annual review it is the opinion of the Directors that the continued appointment of the current Investment Manager on the terms agreed is in the best interests of the Company's shareholders as a whole. The Investment Manager has extensive investment management resources and wide experience in managing investment companies.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Shareholder Engagement

The Board believes that the maintenance of good relations with shareholders is important for the long term prospects of the Company. It has, since admission, sought engagement with investors. Where appropriate, the Chairman, and other Directors are available for discussion about governance and strategy with major shareholders and the Chairman ensures communication of shareholders' views to the Board. The Board receives feedback on the views of shareholders from its Corporate Broker and the Investment Manager, and shareholders are welcome to contact the Directors at any time via the Company Secretary.

The Board assesses the results of AGMs and will consider whether there is a significant number of votes not lodged in favour of a resolution. Where the Board considers that a significant number of votes have been lodged not in favour of a resolution, an immediate announcement would be made and further disclosures will be made in the Annual Report. The brokers and the Investment Manager will seek feedback from investors. In addition to this the brokers and the Investment Manager will provide the Board with feedback that has been received from investors about the performance of the Company and the Investment Manager.

The Annual and Interim Reports and a quarterly fact sheet are available to provide shareholders with a clear understanding of the Company's activities and its results. This information is supplemented by the daily calculation and publication on the London Stock Exchange and Channel Islands Securities Exchange of the net asset value of the Company's Ordinary Shares, Extended Life Shares and New Global Shares. All documents issued by the Company can be viewed on the website, www.nbddif.com.

2016 AGM

The AGM will be held in Guernsey in August 2016. The notice for the AGM sets out the ordinary and special resolutions to be proposed at the meeting. Separate resolutions are proposed for each substantive issue.

It is the intention of the Board that the Notice of AGM is issued to shareholders so as to provide at least twenty working days' notice of the meeting. Shareholders wishing to lodge questions in advance of the meeting and specifically related to the resolutions proposed are invited to do so by writing to the Company Secretary at the address given on page 84. At other times the Company Secretary responds to letters from shareholders on a range of issues.

Voting on all resolutions at the AGM will be on a poll. The proxy votes cast, including details of votes withheld are disclosed to those in attendance at the meeting and the results are published on our website and announced via a Regulatory Information Service.

Audit Committee ("the Committee")

Membership:

Sarah Evans – Chairman	(Independent non-executive Director)
Christopher Sherwell	(Independent non-executive Director)
John Hallam	(Chairman until 26 October 2015)
Stephen Vakil	(Independent non-executive Director)

Mr Hallam served as Chairman of the Audit Committee from the incorporation of the Company until 26 October 2015, when Mrs Evans was appointed Chairman of the Audit Committee. Due to Mr Hallam being appointed Chairman of the Company on 28 September 2015 to replace Mr Monro-Davies who had passed away, Mr Hallam was Chairman of both the Board and Audit Committee for a short period of time, whilst the recruitment process was completed and until Mrs Evans was appointed.

Mr Hallam has remained a member of the Audit Committee during this transitional period but will step down from this position upon the Board approving these financial statements. Mr Vakil was appointed a member of the Audit Committee on 5 February 2016.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Committee (continued)

Key Objectives

The provision of effective governance over the appropriateness of the Company's financial reporting including the adequacy of related disclosures, the performance of the external auditor, and the management of the Company's systems of internal controls and business risks.

Responsibilities

- reviewing the Company's financial results announcements and Financial Statements and monitoring compliance with relevant statutory and listing requirements;
- reporting to the Board on the appropriateness of the Company's accounting policies and practices including critical accounting policies and practices;
- advising the Board on whether the Committee believes the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- overseeing the relationship with the external auditor;
- considering the financial and other implications of the independence of the auditors arising from any non-audit services to be provided by the auditor;
- reviewing the effectiveness of the Company's risk management framework, taking into account the reports on the internal controls of the Company's service providers;
- considering the nature and extent of the significant risks the Company faces in achieving its strategic objectives; and
- compiling a report on the Committee's activities to be included in the Company's Annual Report.

The Committee's terms of reference can be found on the Company's website www.nbddif.com.

Committee meetings

The Committee meets at least three times a year. Only members and Secretary of the Audit Committee have the right to attend Audit Committee meetings. However, other Directors and representatives of the Investment Manager and Administrator will be invited to attend Audit Committee meetings on a regular basis and other non-members may be invited to attend all or part of the meeting as and when appropriate and necessary. The Company's external auditor, KPMG Channel Islands Limited ("KPMG") is also invited on a regular basis.

The Committee determines, in conjunction with KPMG, whether it is necessary for the Committee to meet the auditors without the Investment Manager or other service providers being present.

Main Activities during the year

The Committee assists the Board in carrying out its responsibilities in relation to financial reporting requirements, risk management and the assessment of internal controls. It also manages the Company's relationship with the external auditor. Meetings of the Committee generally take place prior to a Company Board meeting. The Committee reports to the Board as part of a separate agenda item, on the activities of the Committee and matters of particular relevance to the Board in the conduct of their work.

At its four meetings during the year, the Committee focused on:

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Committee (continued)

Financial Reporting

The primary role of the Committee in relation to financial reporting is to review with the Investment Manager, Administrator and the external auditor the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external auditor;
- the viability of the Company, taking into account the principal risks it faces;
- whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- any correspondence from regulators in relation to financial reporting.

To aid its review, the Committee considers reports from the Investment Manager, Administrator, Sub-Administrator, Company Secretary and also reports from the external auditor on the outcomes of their half-year review and annual audit.

Significant Issues

In relation to the Annual Report and Financial Statements for the year ended 31 December 2015, the significant issue considered by the Committee was the valuation of the Company's investments.

The Audit Committee received a report from the Investment Manager on the valuation of the Portfolios and on the assumptions used in valuing the Portfolios. The Committee analysed the investment Portfolios of the Company in terms of investment mix, fair value hierarchy and valuation. The Committee has held detailed discussions with the Investment Manager regarding the methodology used in valuing the Portfolios.

The Committee discussed in depth with KPMG their approach to testing the appropriateness and robustness of the valuation methodology applied by the Investment Manager to the Company's Portfolios. The members of the Committee had meetings with KPMG, where the audit findings were reported. KPMG did not report any significant differences between the valuations used by the Company and the results of the work performed during their testing process. Based on their above review and analysis the Committee confirmed that it is satisfied with the valuation of the investments.

Internal Controls and Risk Management

The Committee has established a process for identifying, evaluating and managing any major risks faced by the Company. The process is subject to regular review by the Board and accords with the AIC Code.

The Committee is responsible overall for the Company's system of internal financial and operating controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has undertaken a full review of the Company's business risks, which have been analysed and recorded in a risk matrix, which is reviewed and updated regularly and is formally reviewed at each quarterly Board meeting. The Board receives, each quarter from the Investment Manager, a formal report which details the steps taken to monitor and manage the areas of risk including those that are not directly the responsibility of the Investment Manager and which reports the details of any known internal control failures.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Committee (continued)

Internal Controls and Risk Management (continued)

The Company itself does not have an internal audit function, but instead relies on the internal audit functions and departments of the Investment Manager. The Audit Committee was satisfied that this function provided significant control to help mitigate the risks to the Company.

In addition, the Committee receives and reviews Internal Controls reports from independent sources of the Administrator, Sub-Administrator, Registrar, Custodian and Investment Manager on an annual basis.

The Investment Manager has established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the Investment Manager's compliance and risk department on an ongoing basis.

The Board's assessment of the Company's principal risks is set out on pages 14 and 15.

By means of the procedures set out above, the Committee confirms that it has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 December 2015 and to the date of approval of this Annual Report and that no issues have been noted.

Appointment and Independence of KPMG

External Audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Committee received a detailed audit plan from KPMG, identifying their assessment of these key risks. For the 2015 financial year the significant risk identified was in relation to the valuation of investments. This risk is tracked through the year and the Committee has challenged the work done by the auditors to test management's assumptions and estimates around these areas. The Committee has assessed the effectiveness of the audit process in addressing these matters through the reporting received from KPMG at both the half-year and year end. In addition, the Committee has sought feedback from the Investment Manager, the Administrator and Sub-administrator on the effectiveness of the audit process. For the 2015 financial year the Committee is satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good.

The Committee considers the re-appointment of the external auditor, including the rotation of the audit partner, and assesses their independence on an annual basis. The external auditor is required to rotate the audit partner responsible for the Company audit every five years. The Company's current audit partner, Dermot Dempsey, took over the role as lead audit engagement partner in 2014 following the departure of Robert A. Hutchinson who had been the lead audit engagement partner for 4 years.

KPMG has been the Company's external auditor since its stock exchange listing in 2010 (5 years). The Company has not formally tendered the audit since then, and will consider putting the audit out to tender at the appropriate time.

In its assessment of the independence of the auditor, the Committee receives details of any relationships between the Company and KPMG that may have a bearing on their independence and receives confirmation from them that they are independent of the Company.

The Committee approved the fees for audit services for 2015 after a review of the level and nature of work to be performed. The Board was satisfied that the fees were appropriate for the scope of the work required.

The Audit Committee is satisfied that KPMG is independent. Further details are provided in Note 11, Subsequent Events.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Committee (continued)

Non-Audit Services

To safeguard the objectivity and independence of the external auditor from becoming compromised, the Committee has a policy governing the engagement of the external auditor to provide non-audit services. No material changes have been made to this policy during the year. The auditors and the Directors have agreed that all non-audit services require the pre-approval of the Committee prior to commencing any work. Fees for non-audit services are tabled annually so that the Committee can consider the impact on auditors' objectivity.

Auditor's remuneration	**31 December 2015**	**31 December 2014**
	£	£
Audit	185,900	179,300
Taxation compliance & consulting services	104,869	166,980
Non audit services	26,100	26,100
Total	**316,869**	**372,380**

Having given careful consideration to the matter, the Committee is satisfied with the auditor's independence and the effectiveness of the audit conducted by KPMG. The Committee noted that for the year ended 31 December 2015 non-audit fees did not exceed audit fees. The Committee does not consider that tax compliance and tax consultancy services present a conflict as the services provided were all assessed as permissible prior to the commencement of the work. Management retains responsibility for preparing and approving all tax calculations and tax returns, the output from the services is not relied upon by the audit team and the performance of these services is led by a tax partner who is independent of the audit team. Those tax services are subject to separate terms of engagement from the audit engagement.

The Committee has therefore recommended to the Board that KPMG be reappointed as external auditor for the year ending 31 December 2016, and to authorise the Directors to determine their remuneration. Accordingly a resolution proposing the reappointment of KPMG as the Company's auditor will be put to the shareholders at the 2016 AGM.

There are no contractual obligations restricting the Committee's choice of external auditor and the Company does not indemnify the external auditor.

Committee Evaluation

The Committee's activities formed part of the Board evaluation performed in the year. Details of this process can be found under "Performance evaluation" on page 28.

John Hallam
Chairman
25 April 2016

Sarah Evans
Director
25 April 2016

DIRECTORS' REMUNERATION REPORT

Annual Statement

The following report describes how the Board has applied the principles relating to Directors' remuneration. An ordinary resolution to ratify this report will be proposed at the AGM to be held in August 2016.

Directors' fees

The Company paid the following fees to the Directors for the year ended 31 December 2015:

	Role	Board Fees US$	Board Fees GBP	Other Fees GBP	Total US$	Total GBP
Robin Monro-Davies	Former Chairman	45,000	7,500	-	45,000	7,500
Patrick Flynn	Former non-executive Director	-	-	-	-	-
John Hallam	Current Chairman and former Chairman of Audit Committee	52,500	10,000	-	52,500	10,000
Michael Holmberg	non-executive Director	-	-	-	-	-
Talmai Morgan	non-executive Director and Member of Audit Committee	45,000	10,000	-	45,000	10,000
Christopher Sherwell	non-executive Director and Member of Audit Committee	45,000	10,000	-	45,000	10,000
Sarah Evans	non-executive Director and Chairman of Audit Committee	9,178	1,836	-	9,178	1,836
Total		196,678	39,336		196,678	39,336

The Company paid the following fees to the Directors for the year ended 31 December 2014:

	Role	Board Fees US$	Board Fees GBP	Other Fees GBP *	Total US$	Total GBP
Robin Monro-Davies	Chairman	60,000	10,000	10,000	60,000	20,000
Patrick Flynn	non-executive Director	-	-	-	-	-
John Hallam	Chairman of Audit Committee	50,000	10,000	10,000	50,000	20,000
Michael Holmberg	non-executive Director	-	-	-	-	-
Talmai Morgan	Member of Audit Committee	45,000	10,000	10,000	45,000	20,000
Christopher Sherwell	Member of Audit Committee	45,000	10,000	10,000	45,000	20,000
Total		200,000	40,000	40,000	200,000	80,000

* With the launch of the New Global Share Class it was agreed that the non-executive Directors would each receive a one-off fee of £10,000.

No other remuneration was paid or payable by the Company during the year to any of the Directors, other than travel expenses of $4,547 (2014 $1,966).

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Changes to the Board

Mr Monro-Davies passed away on 19 September 2015 and Mr Hallam was appointed as the Chairman of the Board on 28 September 2015. Mrs Evans was appointed as a Director and Chairman of the Audit Committee on 26 October 2015. Mr Flynn resigned as a Director with effect from 31 December 2015. Since the year end, Mr Vakil was appointed on 5 February 2016 and Mr Morgan resigned on 8 February 2016.

Remuneration Policy

The determination of the Directors' fees is a matter dealt with by the Board. The Board considers the remuneration policy annually to ensure that it remains appropriately positioned. The Board will review the fees paid to the boards of similar investment companies. No Director is to be involved in decisions relating to his or her own remuneration.

No Director has a service contract with the Company and Director's appointments may be terminated at any time with no comparison payable at termination.

The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears. No Director has any entitlement to a pension and the Company has not awarded any share options or long-term performance incentives to any of the Directors. No element of the Directors' remuneration is performance related.

Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable high calibre candidates to be recruited. The policy is for the Chairman of the Board and Chairman of the Audit Committee to be paid a higher fee than the other Directors in recognition of their more onerous roles and more time spent. The Board may amend the level of remuneration paid within the limits of the Company's Articles.

Directors' Fees Policy

Objective	Operation	Maximum Potential Value	Performance Metrics Used
To recognise time spent and the responsibilities borne and to attract high calibre candidates who have the necessary experience and skills	Directors' fees are set by the Board. Annual fees are paid quarterly in arrears. Fees are reviewed annually and against those for Directors in companies of similar scale and complexity. Fees were last reviewed in February 2016. Directors do not receive benefits and do not participate in any incentive or pension plans.	Current fee levels are shown in the remuneration report.	Directors are not remunerated based on performance and are not eligible to participate in any performance related arrangements.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Service Contracts and Policy on Payment of Loss of Office

The Directors' appointments are not subject to any duration or limitation. Any Director may resign in writing at any time. Directors' appointments are reviewed during the annual Board evaluation. No Director has a service contract with the Company. Directors have agreed letters of appointment with the Company.

As detailed on page 26, in accordance with the AIC Code of Corporate Governance, all of the independent non-executive Directors were re-elected at the first AGM after their appointment and are subject to annual re-election. The names and biographies of the Directors holding offices at the date of this report are listed on page 39.

Copies of the Directors' letters of appointment are available for inspection by shareholders at the Company's Registered Office, and are available at the AGM. The dates of their letter of appointments are shown below.

Dates of Directors' Letters of Appointment

	Date of Letter of Appointment
John Hallam	20 April 2010
Michael Holmberg	21 April 2010
Christopher Sherwell	20 April 2010
Sarah Evans	26 October 2015
Stephen Vakil	5 February 2016

Directors' Interests

The Company has not set any requirements or guidelines for Directors to own shares in the Company. The beneficial interests of the Directors and their connected persons in the Company's shares at 31 December 2015 are shown in the table below:

Director	No. of Ordinary Shares	No. of Extended Life Shares	No. of New Global Shares	Total No. of Shares
Mr Patrick Flynn	-	123,000	65,000	188,000
Mr John Hallam	-	75,000	25,000	100,000
Mr Michael Holmberg	-	123,000	65,000	188,000
Mr Talmai Morgan	-	-	30,000	30,000
Mr Christopher Sherwell	-	45,000	25,000	70,000
Sarah Evans	-	-	-	-

Advisors

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

John Hallam
Chairman
25 April 2016

Sarah Evans
Director
25 April 2016

DIRECTORS' BIOGRAPHIES

John Hallam (Chairman)

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. He is 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 was previously a Director of NB Private Equity Partners Limited, which is a publicly listed investment company managed by NB Alternative Advisers, LLC, a Neuberger Berman Group entity based in Dallas.

Sarah Evans (Chairman of the Audit Committee)

Sarah Evans has a degree in Engineering and Economics from Oxford Univeristy and is a Chartered Accountant. In 1982 she joined the Group Finance department of Kleinwort Benson plc where she was responsible for all financial and regulatory reporting for the group. In 1990 Sarah created her own consultancy specialising in securitisation, advising banks and building societies wishing to securitise their assets. In 1994 she joined Barclays Bank plc as a director of UK Treasury. During her time at Barclays she became the Finance Director of Barclays Mercantile, the group's leasing subsidiary with assets of £6.5billion. In 2005 Sarah moved to Guernsey and since 2006 she has sat on the boards of several listed and unlisted investment funds as a non-executive director, and typically as chairman of the audit committee. She also sits on the board of the Association of Investment Companies.

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 managed by NB Alternative Advisers, LLC, a Neuberger Berman Group entity based in Dallas.

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 a BA in economics from Kenyon College and an MBA from the University of Chicago.

Stephen Vakil

After graduating with a BSc in economics from Bath University in 1983, Stephen Vakil joined L Messel & Co and moved to Chase Manhattan in 1987 to focus on private client portfolio management. In 1989, he left to join Foster & Braithwaite where he established the research function and subsequently became a director. Following Foster & Braithwaite's merger with Quilter Goodison to form Quilter & Co in 1996, Mr Vakil was given responsibility for the London investment teams, the research department and marketing function. He was made a managing director in 2001. Having played a key role in a number of corporate transactions, Mr Vakil left Quilter Cheviot in 2013. He is an Associate of the Society of Investment Professionals.

DIRECTORSHIP DISCLOSURES IN PUBLIC COMPANIES LISTED ON RECOGNISED STOCK EXCHANGE

Company Names	Exchange(s)
Mr John Hallam	
BH Global Limited	London, Bermuda and Dubai
HICL Infrastructure Co Limited	London
NB Distressed Debt Investment Fund Limited	SFS, London and CISE
Partners Group Global Opportunities Limited	Ireland
Real Estate Credit Investments PCC Limited	London
Mr Christopher Sherwell	
Baker Steel Resources Trust Limited	London
NB Distressed Debt Investment Fund Limited	SFS, London and CISE
NB Private Equity Partners Limited	Amsterdam, SFS, London and CISE
Raven Russia Limited	London
Schroder Oriental Income Fund Limited	London
Mrs Sarah Evans	
HICL Infrastructure Co Limited	London
JPMorgan Senior Secured Loan Fund Limited	London
Crystal Amber Fund Limited	AIM, London
NB Distressed Debt Investment Fund Limited	SFS, London and CISE
Mr Michael J. Holmberg	
NB Distressed Debt Investment Fund Limited	SFS, London and CISE
Mr Stephen Vakil	
NB Distressed Debt Investment Fund Limited	SFS, London and CISE

Certain of the Directors maintain additional directorships in companies that are not listed on any recognised stock exchange. Details may be obtained from the Company Secretary.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' Report and the financial statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law and US Generally Accepted Accounting Principles ('US GAAP'), of the state of affairs of the Company and of the profit or loss for the period. In preparing those financial statements, the Directors are required to:

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Law. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the Company have elected to prepare consolidated financial statements for NB Distressed Debt Investment Fund Limited for the year ended 31 December 2015 as the parent of the Group in accordance with Section 244(5) of the Law. They are not required to prepare individual accounts for NB Distressed Debt Investment Fund Limited in accordance with Section 243 of the Law for the financial period.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors confirm to the best of their knowledge that:

- The consolidated financial statements which have been prepared in conformity with US GAAP give a true and fair view of the assets, liabilities, financial position and loss of the Company, and the undertakings included in the consolidation taken as a whole as required by DTR 4.1.12R are in compliance with the requirements set out in the Law; and
- The Annual Report includes a fair review of the information required by DTR 4.1.8R and DTR 4.1.11R, which provides an indication of important events that have occurred since the end of the financial year and the likely future development of the Company and a description of principal risks and uncertainties during the year.

The maintenance and integrity of the NB Distressed Debt Investment Fund Limited website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITIES STATEMENT (CONTINUED)

By order of the Board

John Hallam
Chairman
25 April 2016

Sarah Evans
Director
25 April 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NB DISTRESSED DEBT INVESTMENT FUND LIMITED

We have audited the Group financial statements (the "financial statements") of NB Distressed Debt Investment Fund Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2015 which comprise the consolidated statement of assets and liabilities including the consolidated schedule of investments, the consolidated statement of operations, the consolidated statement of changes in net assets, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and U.S. generally accepted accounting principles.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 41 and 42, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and its result for the year then ended;
- are in conformity with U.S. generally accepted accounting principles; and
- comply with the Companies (Guernsey) Law, 2008.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NB DISTRESSED DEBT INVESTMENT FUND LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records, or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Dermot A. Dempsey
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors, Guernsey

25 April 2016

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
As at 31 December 2015 and 31 December 2014

(Expressed in US Dollars)

Assets		**31 December 2015**		**31 December 2014**
Investments, at fair value	$	420,511,732	$	632,375,300
(2015: cost of $ 543,795,215; 2014: cost of $655,526,949)				
Forward currency contracts		453,177		1,923,298
Credit default swap (2015: cost of $24,883)		58,892		-
Warrants (2015: cost of $371,508; 2014: cost of Nil)		210,523		-
Cash and cash equivalents		17,168,855		59,305,660
	$	438,403,179	$	693,604,258
Other assets:				
Interest receivables		1,908,701		2,001,400
Receivables for investments sold		4,629,030		9,055,267
Other receivables and prepayments		355,202		807,138
Total assets	**$**	**445,296,112**	**$**	**705,468,063**
Liabilities				
Payables for investments purchased	$	169,673	$	56,963,558
Credit default swap (2014: cost of $104,445)		-		23,055
Accrued expenses and other liabilities		451,962		706,272
Payables to Investment Manager and affiliates		553,726		728,720
Deferred tax liability		3,220,787		4,800,424
Total liabilities	**$**	**4,396,148**	**$**	**63,222,029**
Net assets	**$**	**440,899,964**	**$**	**642,246,034**
Net asset value per Ordinary Share	**$**	**1.1184**	**$**	**1.2521**
Net assets attributable to Ordinary Shares	**$**	**54,610,406**	**$**	**93,920,322**
Net asset value per Extended Life Share	**$**	**1.0003**	**$**	**1.1909**
Net assets attributable to Extended Life Shares	**$**	**270,818,231**	**$**	**395,281,487**
Net asset value per New Global Share	**£**	**0.7341**	**£**	**0.8860**
Net assets attributable to New Global Shares	**£**	**78,344,071**	**£**	**98,152,965**
Net asset value per New Global Share (USD equivalent)	**$**	**1.0820**	**$**	**1.3814**
Net assets attributable to New Global Shares (USD equivalent)	**$**	**115,471,327**	**$**	**153,044,225**

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 April 2016, and signed on its behalf by:

Director

Director

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

CONSOLIDATED STATEMENT OF OPERATIONS
31 December 2015 and 31 December 2014

(Expressed in US Dollars)

		31 December 2015		31 December 2014
Income				
Interest income	$	15,137,050	$	15,465,745
Dividend income net of withholding tax: (2015: $83,265; 2014: $329,396)		7,365,982		769,507
Expenses				
Investment management fee		8,421,436		8,925,513
Performance fee		-		(1,444,064)
Professional and other expenses		2,199,282		2,423,572
Administration fees		582,390		698,811
Loan administration and custody fees		240,499		446,648
Directors' fees and expenses		266,840		324,552
	$	**11,710,447**	**$**	**11,375,032**
Net investment income	**$**	**10,792,585**	**$**	**4,860,220**
Realised and unrealised gain/(loss) from investments and foreign exchange				
Net realised gain on investments, credit default swaps, warrants and forward currency transactions		23,847,442		30,249,273
Non cash (loss)/gain on investment restructuring transactions		(24,262,850)		4,884,841
Net change in unrealised loss on investments, credit default swaps, warrants and forward currency transactions		(105,524,819)		(69,980,893)
Income taxes from net realised/unrealised gain on investments		(1,280,308)		(4,291,505)
Realised and unrealised loss from investments and foreign exchange	**$**	**(107,220,535)**	**$**	**(39,138,284)**
Net decrease in net assets resulting from operations	**$**	**(96,427,950)**	**$**	**(34,278,064)**

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
31 December 2015
(Expressed in US Dollars)

		31 December 2015 Ordinary Shares	31 December 2015 Extended Life Shares	31 December 2015 New Global Shares	31 December 2015 Aggregated
Net assets at the beginning of the year	$	**93,920,322**	**395,281,487**	**153,044,225**	**642,246,034**
Net investment income		1,271,991	7,540,690	1,979,904	10,792,585
Net realised gain/(loss) on investments, credit default swaps, warrants and forward currency transactions		6,801,140	21,472,097	(4,425,795)	23,847,442
Non cash loss on investment restructuring transactions		(3,500,079)	(14,272,194)	(6,490,577)	(24,262,850)
Net change in unrealised loss on investments, credit default swaps, warrants and forward currency transactions		(11,087,463)	(70,345,560)	(24,091,796)	(105,524,819)
Income taxes from net realised/unrealised gains from investments		(327,692)	(863,804)	(88,812)	(1,280,308)
Share purchased into Treasury		-	-	(4,455,822)	(4,455,822)
Shares redeemed during the year		(32,467,813)	(67,994,485)	-	(100,462,298)
Net assets at the end of the year	$	**54,610,406**	**270,818,231**	**115,471,327**	**440,899,964**

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
31 December 2014
(Expressed in US Dollars)

		31 December 2014 Ordinary Shares	31 December 2014 Extended Life Shares	31 December 2014 New Global Shares	31 December 2014 Aggregated
Net assets at the beginning of the year	**$**	**151,344,261**	**430,177,579**	**-**	**581,521,840**
Net investment income		1,765,296	2,598,487	496,437	4,860,220
Net realised gain/(loss) on investments, credit default swaps and forward currency transactions		9,272,410	22,332,610	(1,355,747)	30,249,273
Non cash gain/(loss) on investment restructuring transactions		1,638,268	4,446,347	(1,199,774)	4,884,841
Net change in unrealised (loss) on investments, credit default swaps and forward currency transactions		(8,064,448)	(36,452,107)	(25,464,338)	(69,980,893)
Income taxes from net realised/unrealised gains from investments		(1,069,619)	(2,762,623)	(459,263)	(4,291,505)
Net proceeds from issuance of shares		-	-	181,026,910	181,026,910
Shares redeemed during the year		(60,965,846)	(25,058,806)	-	(86,024,652)
Net assets at the end of the year	$	**93,920,322**	**395,281,487**	**153,044,225**	**642,246,034**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
31 December 2015 and 31 December 2014

(Expressed in US Dollars)

		31 December 2015		31 December 2014
Cash flows from operating activities:				
Net decrease in assets resulting from operations	$	(96,427,950)	$	(34,278,064)
Adjustment to reconcile net decrease in net assets resulting from operations to net cash flow provided by /(used in) operations:				
Net realised gain on investments		(23,847,442)		(30,249,273)
Non cash loss/(gain) on restructuring		24,262,850		(4,884,841)
Net change in unrealised loss/(gain) on investments and forward foreign currency transactions		105,524,819		69,980,893
Accretion of discount on loans and bonds		(1,435,084)		(4,356,332)
Changes in interest receivable		92,699		(779,742)
Changes in receivables for investments sold		4,426,237		6,726,594
Changes in other receivables and prepayments		451,936		808,414
Changes in payables for investments purchased		(56,793,885)		39,507,077
Changes in payables, accrued expenses and other liabilities		(429,304)		(1,248,077)
Change in deferred tax liability		(1,579,637)		2,801,740
Cash received on settled credit default swap		-		100,811
Cash received on settled forward foreign currency contracts		6,397,892		2,649,678
Purchase of investments		(97,509,141)		(226,249,309)
Sale of investments		175,407,206		132,296,808
Net sale/(purchase) of short term investments		23,156,008		(16,939,339)
Net cash provided by/(used in) operating activities	$	61,697,204	$	(64,112,962)
Cash flows from financing activities:				
Net (cost)/proceeds of/ from (redemption)/ issuance of shares		(4,455,822)		181,026,910
Distributions paid		(100,462,298)		(86,024,652)
Net cash provided/(used in) by financing activities	$	(104,918,120)	$	95,002,258
Net (decrease)/increase in cash and cash equivalents	**$**	**(43,220,916)**	**$**	**30,889,296**
Cash and cash equivalents at the beginning of the year		59,305,660		31,307,207
Effect of exchange rate changes on cash and cash equivalents		1,084,111		(2,890,843)
Cash and cash equivalents at the end of the year	**$**	**17,168,855**	**$**	**59,305,660**

Supplemental non-cash flow operating activities

$43,179,488 (2014: $67,253,782) related to the value of non-cash investment transactions, including reorganisations and exchanges, is excluded from purchases of and proceeds from sales of investments. Tax paid during the year was $2,859,945 (2014: $1,489,765).

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

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
As at 31 December 2015

(Expressed in US Dollars)

		Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Portfolio of Distressed Investments							
Bank Debt Investments	$	182,029,312	114,834,083	16.55	24.99	33.01	26.05
Investment Partnership		11,303,825	6,307,236	3.23	1.68	-	1.43
Private Bond		28,392,971	20,338,524	1.32	3.53	8.70	4.61
Private Equity		165,829,026	161,927,803	42.06	39.01	28.81	36.73
Private Equity: Real Estate Development		2,793,046	4,787,223	2.45	1.27	-	1.09
Private Note		33,286,313	21,302,871	1.95	6.62	2.01	4.83
Public Bond		22,149,082	7,254,764	0.73	2.10	1.02	1.65
Public Equity		39,486,775	29,241,385	5.33	6.72	7.05	6.63
Trade Claim (ii)		13,032,089	9,267,308	4.74	2.47	-	2.10
		498,302,439	375,261,197	78.36	88.39	80.60	85.12
Temporary Investments							
US Treasury Bills		37,881,401	37,881,521	17.72	10.41	-	8.59
UK Treasury Bills		7,611,375	7,369,014	-	-	6.38	1.67
		45,492,776	45,250,535	17.72	10.41	6.38	10.26
Total Investments	**$**	**543,795,215**	**420,511,732**	**96.08**	**98.80**	**86.98**	**95.38**
Ordinary Shares		58,628,292	52,473,234	96.08	-	-	-
Extended Life Shares		340,112,220	267,596,947	-	98.80	-	-
New Global Shares		145,054,703	100,441,552	-	-	86.98	-
	$	**543,795,215**	**420,511,732**	**96.08**	**98.80**	**86.98**	**95.38**
Credit Default Swap							
Ordinary Shares		7,147	16,916	0.03	-	-	-
Extended Life Shares		17,736	41,976	-	0.02	-	0.01
	$	**24,883**	**58,892**	**0.03**	**0.02**	**-**	**0.01**
Forward Currency Contracts							
Ordinary Shares		-	134,086	0.25	-	-	0.03
Extended Life Shares		-	319,091	-	0.12	-	0.07
	$	**-**	**453,177**	**0.25**	**0.12**	**-**	**0.10**
Warrants							
Extended Life Shares		206,269	116,887	-	0.04	-	0.03
New Global Shares		165,239	93,636	-	-	0.08 -	0.02
	$	**371,508**	**210,523**	**-**	**0.04**	**0.08**	**0.05**

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

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

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

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
As at 31 December 2014
(Expressed in US Dollars)

		Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Portfolio of Distressed Investments							
Bank Debt Investments	$	234,718,477	204,634,050	20.08	30.62	42.31	31.85
Commercial Mortgage		4,357,084	4,219,287	1.26	0.77	-	0.66
Fixed Rate Bonds		1,578,591	1,081,300	0.61	0.13	-	0.17
Limited Partnership Units		43,797,289	44,865,563	13.35	8.18	-	6.99
Ownership in Senior Living Facility		9,814,920	13,665,456	4.07	2.49	-	2.13
Private Equity		163,782,583	178,621,070	28.80	30.00	21.54	27.80
Private Equity: Real Estate Development		13,556,555	20,263,099	6.03	3.69	-	3.16
Private Note		33,093,404	31,950,069	1.57	6.69	2.62	4.97
Private Placement Bonds		3,866,324	3,063,979	0.91	0.56	-	0.48
Public Equity		30,766,717	32,853,494	7.60	5.94	1.47	5.12
Public Note		32,207,642	16,563,822	0.18	3.28	2.25	2.58
Trade Claim (ii)		13,066,759	10,859,649	3.23	1.98	-	1.69
		584,606,345	562,640,838	87.69	94.33	70.19	87.60
Temporary Investments							
US Treasury Bills		22,999,307	22,999,693	5.32	4.55	-	3.58
UK Treasury Bills		47,921,297	46,734,769	-	-	30.54	7.28
		70,920,604	69,734,462	5.32	4.55	30.54	10.86
Total Investments	**$**	**655,526,949**	**632,375,300**	**93.01**	**98.88**	**100.73**	**98.46**
Extended Life Shares		395,852,704	390,869,864	-	98.88	-	-
Ordinary Shares		82,953,535	87,358,217	93.01	-	-	-
New Global Shares		176,720,710	154,147,219	-	-	100.73	-
	$	**655,526,949**	**632,375,300**	**93.01**	**98.88**	**100.73**	**98.46**
Credit Default Swap							
Extended Life Shares		(75,088)	(16,571)	-	-	-	-
Ordinary Shares		(29,357)	(6,484)	(0.01)	-	-	-
New Global Shares		-	-	-	-	-	-
	$	**(104,445)**	**(23,055)**	**(0.01)**	**-**	**-**	**-**
Forward Currency Contracts							
Extended Life Shares		-	1,561,314	-	0.39	-	0.24
Ordinary Shares		-	361,984	0.38	-	-	0.06
New Global Shares		-	-	-	-	-	-
	$	**-**	**1,923,298**	**0.38**	**0.39**	**-**	**0.30**

(i) This represents the percentage of Fair Value attributed to total Company NAV, Ordinary Share NAV, Extended Life Share NAV 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 form an integral part of the consolidated financial statements.

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
As at 31 December 2015 and 31 December 2014

(Expressed in US Dollars)

Investments with the following issuers comprised of greater than 5% of Total Fund NAV:

31 December 2015	Country	Industry	Nominal	Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
				$	$				
Securities									
Newhall Holding Company, LLC	United States (U.S.A.)	Building & Development	9,988,960	21,595,838	27,469,640	9.89	5.89	5.30	6.23
Granite Ridge Holdings, LLC	United States (U.S.A.)	Utilities	132,017	20,885,571	31,684,080	12.62	6.56	6.09	7.19
Harko LLC	United States (U.S.A.)	Lodging & Casinos	1,844,671	27,670,065	24,903,059	12.74	6.63	-	5.65
Temporary Investments									
US Treasury Bills	United States (U.S.A.)	Government	37,890,000	37,881,400	37,881,521	17.72	10.42	-	8.59
				108,032,874	**121,938,300**	**52.97**	**29.50**	**11.39**	**27.66**

31 December 2014	Country	Industry	Nominal	Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
				$	$				
Temporary Investments									
UK Treasury Bills	United Kingdom	Government	30,000,000	47,921,297	46,734,769	-	-	30.54	7.27
				47,921,297	**46,734,769**	**-**	**-**	**30.54**	**7.27**

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

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

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
As at 31 December 2015
(Expressed in US Dollars)

		Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Geographic diversity of Portfolios							
Portfolio of Distressed Investments							
Australia	$	19,260,795	13,858,775	5.63	3.26	1.68	3.14
Brazil		13,032,089	9,267,308	4.74	2.47	-	2.10
Cayman Islands		3,535,143	3,558,537	1.82	0.95	-	0.81
Denmark		13,433,868	14,926,190	-	2.88	6.18	3.39
Germany		11,121,873	6,289,344	3.22	1.67	-	1.43
Greece		357,242	74,484	0.04	0.02	-	0.02
Japan		486,440	-	-	-	-	-
Luxembourg		2	4,710,617	2.41	1.25	-	1.07
Marshall Islands		24,609,267	16,483,758	-	4.34	4.09	3.74
Netherlands		14,428,683	11,277,900	-	1.85	5.44	2.56
Spain		28,335,086	13,012,381	-	1.43	7.91	2.95
United Kingdom		1,131,455	3,055,344	1.55	0.81	-	0.69
United States (U.S.A.)		368,570,496	278,746,559	58.95	67.46	55.30	63.22
Temporary Investments							
United Kingdom		7,611,375	7,369,014	-	-	6.38	1.67
United States (U.S.A.)		37,881,401	37,881,521	17.72	10.41	-	8.59
	$	**543,795,215**	**420,511,732**	**96.08**	**98.80**	**86.98**	**95.38**

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

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

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
As at 31 December 2014

(Expressed in US Dollars)

		Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Geographic diversity of Portfolios							
Portfolio of Distressed Investments							
Australia	$	24,111,071	20,228,350	5.20	3.41	1.23	3.15
Brazil		13,066,759	10,859,649	3.23	1.98	-	1.69
Cayman Islands		22,474,074	24,459,098	7.28	4.46	-	3.81
Denmark		16,460,107	13,103,188	-	1.84	3.81	2.04
Germany		24,703,099	20,699,939	6.16	3.77	-	3.22
Greece		2,789,643	1,630,896	0.49	0.30	-	0.25
Japan		486,440	-	-	-	-	-
Luxembourg		2,553,851	9,429,139	2.81	1.72	-	1.47
Marshall Islands		22,324,958	18,465,963	-	3.33	3.46	2.88
Netherlands		14,411,324	12,562,664	-	1.41	4.57	1.96
Norway		5,958,127	5,697,422	1.13	0.87	0.78	0.89
Spain		30,124,929	23,583,503	-	2.22	9.67	3.67
United Kingdom		11,286,045	12,275,081	0.81	1.50	3.66	1.91
United States (U.S.A.)		393,855,918	389,645,946	60.58	67.52	43.01	60.66
Temporary Investments							
United Kingdom		47,921,297	46,734,769	-	-	30.54	7.28
United States (U.S.A.)		22,999,307	22,999,693	5.32	4.55	-	3.58
	$	**655,526,949**	**632,375,300**	**93.01**	**98.88**	**100.73**	**98.46**

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

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

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
As at 31 December 2015

(Expressed in US Dollars)

		Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Industry diversity of Portfolios							
Portfolio of Distressed Investments							
Air Transport	$	7,219,919	8,141,822	2.89	2.00	0.99	1.85
Building & Development		25,206,230	28,255,599	10.30	6.10	5.30	6.41
Chemicals & Plastics		1,525,664	713,964	-	-	0.62	0.16
Commercial Mortgage		33,630,470	36,821,722	2.30	10.81	5.44	8.35
Containers & Packaging		1,131,456	7,765,960	3.97	2.07	-	1.76
Financial Intermediaries		40,691,941	26,226,694	5.90	8.49	-	5.95
Forest Products		3,839,631	3,540,645	1.81	0.94	-	0.80
Industrials		18777,343	14,825,074	1.38	3.60	3.74	3.36
Lodging & Casinos		81,259,283	68,957,816	12.74	14.11	20.58	15.64
Nonferrous Metals/Minerals		18,417,593	14,154,056	-	3.35	4.40	3.21
Oil & Gas		50,068,849	18,148,995	-	3.86	6.66	4.12
Real Estate Development		2,793,046	4,787,223	2.45	1.27	-	1.09
Real Estate Investment Trusts		9,008,143	9,908,536	5.06	2.64	-	2.25
Shipping		55,087,895	35,816,608	0.27	8.43	11.14	8.12
Surface Transport		40,494,663	22,092,009	4.74	3.74	8.11	5.01
Utilities		109,150,313	75,104,474	24.55	16.97	13.62	17.04
Temporary Investments							
UK Treasury Bills		7,611,375	7,369,014	-	-	6.38	1.67
US Treasury Bills		37,881,401	37,881,521	17.72	10.42	-	8.59
	$	**543,795,215**	**420,511,732**	**96.08**	**98.80**	**86.98**	**95.38**

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

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

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)
As at 31 December 2014

(Expressed in US Dollars)

		Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Industry diversity of Portfolios							
Portfolio of Distressed Investments							
Air Transport	$	4,922,800	5,161,000	1.54	0.94	-	0.80
Building & Development		31,419,962	42,315,911	9.87	6.66	4.40	6.59
Chemicals & Plastics		1,502,373	2,063,330	-	-	1.35	0.32
Commercial Mortgage		41,875,908	41,511,494	1.26	8.43	4.57	6.46
Containers & Packaging		3,697,121	12,164,124	3.62	2.22	-	1.89
Financial Intermediary		73,185,404	71,188,011	15.53	14.32	-	11.08
Forest Products		3,866,324	3,063,979	0.91	0.56	-	0.48
Healthcare		9,814,920	13,665,456	4.07	2.49	-	2.13
Industrial		24,388,486	8,561,859	0.18	1.51	1.58	1.33
Lodging & Casinos		80,606,090	74,577,805	8.23	11.29	14.51	11.62
Non Ferrous Metals/Minerals		13,184,646	13,569,875	-	2.16	3.29	2.11
Oil and Gas		25,828,536	22,803,632	-	4.13	4.23	3.55
Real Estate Development		13,556,555	20,263,099	6.03	3.69	-	3.16
Real Estate Investment Trust		21,029,175	23,647,260	7.04	4.31	-	3.68
Shipping		57,270,377	48,103,703	2.18	7.97	9.51	7.49
Surface Transport		52,051,809	43,146,646	3.23	5.04	13.20	6.72
Utilities		126,405,859	116,833,654	24.00	18.61	13.55	18.19
Temporary Investments							
UK Treasury Bills		47,921,297	46,734,769	-	-	30.54	7.28
U.S.Treasury Bills		22,999,307	22,999,693	5.32	4.55	-	3.58
	$	**655,526,949**	**632,375,300**	**93.01**	**98.88**	**100.73**	**98.46**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF BUSINESS

The Company is a closed-ended investment company registered and incorporated in Guernsey under the Companies (Guernsey) Law, 2008 (as amended, the "Companies Law"), on 20 April 2010, with registration number 51774. The Company's shares were admitted to the Specialist Fund Segment of the London Stock Exchange and to the Channel Islands Securities Exchange on 10 June 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 Company's share capital is denominated in US Dollar for Ordinary Shares and Extended Life Shares and Pound Sterling for New Global Shares.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recent Standards and Pronouncements

During 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate NAV per Share", this allowed the use of NAV as a practical expedient to measure fair value when a number of criteria are met. This amendment is effective for the fiscal years beginning or after 15 December 2015 and requires a retrospective application to all periods presented.

The amendments in the ASU remove the requirement to categorise within the fair value hierarchy investments whose fair values are measured at NAV (or its equivalent) under the practical expedient in the FASB's fair value measurement guidance. Reporting entities also must disclose the amount of investments measured at NAV (or its equivalent) under the practical expedient to allow users to reconcile total investments in the fair value hierarchy to total investments measured at fair value in the Consolidated Statement of Assets and Liabilities. The guidance also limits the disclosure requirements that currently apply to all investments eligible to be measured at NAV under the practical expedient to only those in which the practical expedient is applied.

The application of this ASU is currently being reviewed by the Company.

Basis of Preparation

Having assessed the principle risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements ("the 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 GAAP and Companies Law. The Company is regarded as an Investment Company and it follows the accounting and reporting requirements of ASC 946. Management believes that the underlying assumptions are appropriate and that the Company's Consolidated Financial Statements therefore present a true and fair view of the financial position of the Company. The functional and reporting currency is the US Dollar.

Basis of Consolidation

The financial statements include the results of the Company and its wholly-owned subsidiaries.

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, London Madison (Global) LLC and London Dearborn (Global) LLC are incorporated in Delaware and operate in the United States.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Wholly owned subsidiaries, London American Homes LP, London Lake Michigan LP, London Lake Michigan (Global) LP, London Lake Erie LP and London Lake Erie (Global) LP are incorporated in the Cayman Islands.

Wholly owned subsidiaries, London Lux Masterco 1 S.a.r.l., London Lux Debtco 1 S.a.r.l. and London Lux Propco 1 S.a.r.l. are incorporated in Luxembourg. Partially owned indirect subsidiaries NB Distressed Debt Aggregating Inc. and Chicago Aircraft Fund LLC are incorporated in Delaware and operate in the United States.

During the year ended 31 December 2015, no subsidiaries were wound up. All inter-company balances have been eliminated fully on consolidation.

Reclassifications

Certain amounts relating to 2014 in these financial statements have been reclassified to conform to the 2015 presentation.

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 6 '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. If a loan is repaid prior to maturity, the recognition of the fees and costs is accelerated as appropriate. The Company raises a provision when the collection of interest is deemed doubtful.

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 Investment 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 net of withholding tax.

For the year ended 31 December 2015, $1,435,084 (31 December 2014: $4,356,332) was recorded to reflect accretion of discount on loans and bonds during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 31 December 2015, the Company held cash balances in various currencies to the value of $17,168,855 (31 December 2014: $59,305,660). These balances consisted of Pound Sterling: $6,365,768 (31 December 2014: $22,475,305), Euro: $601,624 (31 December 2014: $1,077,408), US Dollar: $9,478,650 (31 December 2014: $31,170,757), and Australian Dollar: $722,813 (31 December 2014: $4,582,190).

Valuation of Investments

The Company carries investments on its Consolidated Statement of Assets and Liabilities 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 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. The Investment Manager believes that bid price is the best estimate of fair value and is in line with the valuation policy adopted by the Company.

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 Administrator will value such investments with the input of the Investment Manager who will determine the valuation based on its fair valuation policy. As part of the investment fair valuation policy, the Investment Manager prepares a fair valuation memorandum for each investment presenting the methodology and assumptions used to derive the price. This analysis is presented to the Investment Manager's Valuation Committee for approval.

Fair value is defined as the price that would be received on the sale of 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 above, 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;
- Valuation utilising the net asset valuations provided by the underlying private investment companies/partnerships as a practical expedient;
- The financial statements of the issuer; and
- The nature and duration of any restriction on disposition of the security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments

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.

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

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 may be entered into on the OTC market or cleared on exchanges. The fair value for a credit default swap contract is derived by Markit Partners 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 mainly 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.

The Company also holds one warrant which it prices based on the bid price provided by a third party broker/dealer quote.

Realised and Unrealised 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 realised gain or loss.

Unrealised gains and losses on an investment are the difference between the cost if purchased during the year or fair value at the previous year end and the fair value at the current year end. Unrealised gains and losses are included in the Consolidated Statement of Operations.

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. Each share class will bear its respective pro rata share based on its 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Performance Fee

Performance fee amounts (see note 3) 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 US Dollar are translated into US Dollar equivalents using spot rates at the period end date. On initial recognition foreign currency sales and purchases transactions are 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.

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 31 December 2015 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.

Issuance/buybacks cost

In line with the Prospectus the expenses incurred for the initial placing of the Extended Life Share Class in 2013 and the New Global Share Class in 2014 were capped at 2% of the Gross Issue Proceeds. 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.

Any costs incurred by a share buyback will be charged to that share class.

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. 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 31 December 2015 or 31 December 2014. The Company is subject to examination for US Federal and state tax returns for calendar years 2011 – 2015.

During the year ended 31 December 2015, the Company recorded current income tax from realised/unrealised gain on investments of $2,859,945 (31 December 2014: $1,489,765). 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 (benefit)/expense for the year ended 31 December 2015 is equal to ($1,579,637) (31 December 2014: $2,801,740). Total income tax from realised/unrealised gain on investments for the year ended 31 December 2015 was $1,280,308 (31 December 2014: $4,291,505).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 – MATERIAL AGREEMENTS AND RELATED PARTIES

Investment Management Agreement

The Board is responsible for managing the business affairs of the Company but delegated certain functions to the Investment Manager under the Investment Management Agreement ("the Agreement") dated 9 June 2010.

The Manager of the Company is Neuberger Berman Europe Limited (which is a related party), an indirectly wholly-owned subsidiary of NB Group. On 17 July 2014, the Company, the Manager and Neuberger Berman Investment Advisers LLC (formerly Neuberger Berman Fixed Income LLC) (which was the Sub-Investment Manager) made certain classificatory amendments to the Agreement for the purposes of the AIFM Directive.

The Sub-Investment Management Agreement was terminated on 17 July 2014 and Neuberger Berman Investment Advisers LLC (formerly Neuberger Berman Fixed Income LLC), which was the Sub Investment Manager, was appointed as the AIFM per the amended and restated Investment Management Agreement dated 17 July 2014. The Manager, Neuberger Berman Europe Limited, was appointed under the same agreement to provide, amongst other things, certain administrative services to the Company.

Per the Investment Management Agreement dated 17 July 2014 and in relation to the Ordinary Shares and Extended Life Shares, the 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 NAV. Soft commissions are not used.

Per the Investment Management Agreement dated 17 July 2014 and in relation to the New Global Shares, the management fee, which shall accrue daily, and be payable monthly in arrears, at a rate of 0.125 percent per month of the NAV of the New Global Share Class (excluding, until such time as the New Global Share Class is 85 percent invested, any cash balances (or cash equivalents)) calculated as at the last business day of the relevant month. This was achieved on 16 June 2015 and the Company is now being charged 0.125 percent per month on the NAV.

For the year ended 31 December 2015, the management fee expense was $8,421,436 (31 December 2014: $8,925,513). As at 31 December 2015, the management fee payable was $553,726 (31 December 2014: $728,720).

The Manager shall pay a fee to the AIFM out of the management fee received from the Company. The Company does not pay any fees to the AIFM.

Performance Fees

In addition, the Manager is entitled to a performance fee. The performance fee for Ordinary Shares, Extended Life Shares and New Global Shares (collectively the "Shares") will only become payable once the Company has made aggregate distributions in cash to the shareholders of the Shares (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 Manager until the Manager has received 20 percent of all amounts in excess of Contributed Capital distributed to the shareholders and paid to the Manager as a performance fee with, thereafter, all amounts distributed by the Company 20:80 between the Manager's performance fee and the cash distributed to shareholders.

The preferred rate of return for Ordinary Shares is an annualised 6%, for Extended Life Shares was an annualised 6% from 2010 to April 2013 and is 8% from April 2013 to date and for New Global Shares is an annualised 8%. For the purposes of financial reporting the performance fee is recognised on an accrual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 – MATERIAL AGREEMENTS AND RELATED PARTIES (CONTINUED)

Performance Fees (continued)

The cumulative performance fee for the Ordinary Shares,Extended Life Shares and New Global Shares of $Nil (31 December 2014: $Nil), $Nil (31 December 2014: $Nil), and $Nil (31 December 2014: Nil) respectively would be payable if the Company was to realise all investments at the Consolidated Statement of Assets and Liabilities date. For the year ended 31 December 2015, the performance fee expense for the Ordinary Shares, Extended Life Shares and New Global Shares was $Nil (31 December 2014: ($1,444,064)), $Nil (31 December 2014: $Nil), and $Nil (31 December 2014: $Nil) respectively.

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

Soft commissions are not used to pay for services used by the Investment Manager.

Administration, Company Secretarial and Custody Agreements

BNP Paribas Securities Services S.C.A., Guernsey Branch (“BNPP”) was the Administrator, Custodian and Designated Manager until 28 February 2015. Effective 1 March 2015, the Company has entered into an Administration and Sub-Administration agreement with U.S. Bancorp Fund Services (Guernsey) Limited and Quintillion Limited, a wholly-owned subsidiary of U.S. Bancorp. Under the terms of the agreement, Sub-Administration services are delegated to Quintillion Limited (the “Sub-Administrator”).

The Sub-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 NAV).

For the period from 1 January 2015 to 28 February 2015 BNPP was entitled to a fee of 0.10 percent per annum of the net asset value of the Company subject to an annual minimum of £100,000.

For the period from 1 March 2015 to 31 December 2015 the Sub-Administrator is entitled to a fee of 0.09 percent for the first US$500 million of net asset value, 0.08 percent for the next US$500 million and 0.07 per cent for any remaining balance, accrued daily and paid monthly in arrears and subject to an annual minimum of $100,000.

C.L. Secretaries Limited, a wholly owned subsidiary of Carey Commercial Limited, as Company Secretary are entitled to an annual fee of £50,800, an annual compliance fee of £250 plus fees for ad-hoc board meetings and additional services.

For the period from 1 January 2015 to 28 February 2015 the BNPP was entitled to a fee of 0.02 percent of net asset value for transactions on the U.S. Market and Euroclear; and 0.04 per cent of net asset value for transactions in unlisted equities, based on their market value subject to a minimum annual fee of £20,000. The loan administration fee was 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.

Effective 1 March 2015 US Bank National Association became the Custodian.

For the period from 1 March 2015 to 31 December 2015, the Custodian is entitled to an annual fee of 0.025 percent of net asset value with a minimum annual fee of $25,000.

For the year ended 31 December 2015, the administration fee expense was $582,390 (31 December 2014: $698,811), the secretarial fee was $194,334 of which $37,979 related to the administration of the buyback programme (31 December 2014: $59,378) and the loan administration and custody fee expense was $240,499 (31 December 2014: $446,648). As at 31 December 2015, the administration fee payable is $33,214 (31 December 2014: $179,330), the secretarial fee payable is $134 (31 December 2014: $14,147) and the loan administration and custody fee payable is $50,593 (31 December 2014: $124,636).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 – MATERIAL AGREEMENTS AND RELATED PARTIES (CONTINUED)

Directors' Remuneration and Other Interests

The Directors are related parties and are remunerated for their services at a fee of $45,000 plus £10,000 each per annum ($60,000 plus £10,000 for the Chairman). With the launch of NBDG in March 2014 it was agreed that the Directors' remuneration would increase by £10,000 each per annum. In addition the Chairman of the Audit Committee receives an additional $5,000 for his/her services in this role. Both Michael J. Holmberg and Patrick H. Flynn (left the Board on 31 December 2015), the non-independent Directors, have waived their fees for their services as Directors. For the year ended 31 December 2015, the Directors' fees and travel expenses amounted to $266,840 (31 December 2014: $324,552). As at 31 December 2015, the Directors' fee payable is $Nil (31 December 2014: $60,493).

Other Interests

There were no other related party interests for the year ended 31 December 2015.

NOTE 4 – DERIVATIVES

In the normal course of business, the Company uses derivative contracts in connection with its proprietary trading activities. Investments in derivative contracts are subject to additional risks that can result in a loss of all or part of an investment. The Company's derivative activities and exposure to derivative contracts are classified by the following primary underlying risks: foreign currency exchange rate, credit, and equity price. In addition to its primary underlying risks, the Company is also subject to additional counterparty risk due to inability of its counterparties to meet the terms of their contracts.

Forward Contracts

The Company enters into forwards for the purposes of hedging foreign currency exposure.

Forward currency transactions are contracts or agreements for delayed delivery of specific currencies in which the seller agrees to make delivery at a specified future date of specified currencies. Risks associated with forward currency contracts are the inability of counterparties to meet the terms of their respective contracts and movements in fair value and exchange rates.

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 may default on their obligations.

Credit Default Swaps

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 year, the Company entered into a single credit default swap agreement to provide a measure of protection against defaults of a sovereign issue.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – DERIVATIVES (CONTINUED)

Credit Default Swaps (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.

The fair value of open swaps reported in the statement of assets and liabilities may differ from that which would be realised in the event the Company terminated its position in the contract. Risks may arise as a result of the failure of the counterparty to the swap contract to comply with the terms of the swap contract. The loss incurred by the failure of a counterparty is generally limited to the aggregate fair value of swap contracts in an unrealised gain position as well as any collateral posted with the counterparty. The risk is mitigated by the posting of collateral by the counterparty to the Company to cover the Company's exposure to the counterparty. The Company considers the creditworthiness of each counterparty to a swap contract in evaluating potential credit risk. Additionally risks may arise from unanticipated movements in the fair value of the underlying investments.

Warrants

On 16 July 2015, as part of a restructuring on one of its private equity holdings, the Company received warrants on the new equity holding. These warrants provide the Company with exposure and potential gains upon the appreciation of the underlying equity's share price.

The value of a warrant has two components: time value and intrinsic value. A warrant has a limited life and expires on a certain date. As the expiration date of a warrant approaches, the time value of a warrant will decline. In addition, if the stock underlying the warrant declines in price, the intrinsic value of an "in the money" warrant will decline. Further, if the price of the stock underlying the warrant does not exceed the strike price of the warrant on the expiration date, the warrant will expire worthless. As a result, there is the potential for the Company to lose its entire investment in a warrant.

The Company is exposed to counterparty risk from the potential failure of an issuer of warrants to settle its exercised warrants. The maximum risk of loss from counterparty risk to the Company is the fair value of the contracts. The Company considers the effects of counterparty risk when determining the fair value of its investments in warrants.

For the year ended 31 December 2015 and 31 December 2014 the volume of the Company's derivative activities based on their notional amounts and number of contracts, categorised by primary underlying risk, are as follows:

31 December 2015

	Long exposure		Short exposure	
Primary underlying risk	**Notional amounts**	**Number of Contracts**	**Notional Amounts**	**Number of Contracts**
Foreign currency exchange rate				
Forward contracts	$ 48,568,118	7	$ (5,102,998)	2
Credit				
Purchased protection				
Credit default swap	9,400,000	1	-	-
Total	**$ 57,968,118**	**8**	**$ (5,102,998)**	2
Equity price				
Warrants	**96,416**	**1**	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – DERIVATIVES (CONTINUED)

31 December 2014

	Long exposure		Short exposure	
Primary underlying risk	**Notional amounts**	**Number of Contracts**	**Notional Amounts**	**Number of Contracts**
Foreign currency exchange rate				
Forward contracts	$ 51,069,515	3	$ (971,127)	1
Credit				
Purchased protection				
Credit default swap	12,800,000	1	-	-
Total	**$ 63,869,515**	**4**	**$ (971,127)**	1

The following tables show, at 31 December 2015 and 31 December 2014, the fair value amounts of derivative contracts included in the Consolidated Statement of Assets and Liabilities, categorised by primary underlying risk. Balances are presented on a gross basis prior to application of the impact of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of master netting arrangements and, where applicable, have been adjusted by the application of cash collateral receivables and payables with its counterparties. The tables also identify, as at 31 December 2015 and 31 December 2014, the realised and unrealised gain and loss amounts included in the Consolidated Statement of Operations, categorised by primary underlying risk:

31 December 2015

Primary underlying risk	**Derivative Assets**	**Derivative Liabilities**	**Realised gain (loss)**	**Unrealised loss**
Foreign currency exchange rate				
Forward contracts	$ 472,322	$(19,145)	$ 8,438,888	$ (1,470,121)
Credit				
Purchased protection				
Credit default swap	58,892	-	(144,589)	(47,381)
Equity price				
Warrants	210,523	-	-	(160,985)
Total	**$ 741,737**	**$(19,145)**	**$ 8,294,299**	**$ (1,678,487)**

31 December 2014

Primary underlying risk	**Derivative Assets**	**Derivative Liabilities**	**Realised gain**	**Unrealised gain**
Foreign currency exchange rate				
Forward contracts	$ 1,939,829	$(16,531)	$ 2,649,678	$ 1,699,041
Credit				
Purchased protection				
Credit default swap	-	(23,055)	93,354	18,266
Total	**$ 1,939,829**	**$(39,586)**	**$ 2,743,032**	**$1,717,307**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – DERIVATIVES (CONTINUED)

Offsetting assets and liabilities

Amounts due from and to brokers are presented on a net basis, by counterparty, to the extent the Company has the legal right to offset the recognised amounts and intends to settle on a net basis.

The Company presents on a net basis the fair value amounts recognised for OTC derivatives executed with the same counterparty under the same master netting agreement.

The Company is required to disclose the impact of offsetting assets and liabilities presented in the Statement of Assets and Liabilities to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on its financial position for recognised assets and liabilities. These recognised assets and liabilities include financial instruments and derivative contracts that are either subject to an enforceable master netting arrangement or similar agreement or meet the following right of set-off criteria:

- each of the two parties owes the other determinable amounts;
- the Company has the right to set-off the amounts owed with the amounts owed by the other party;
- the Company intends to set-off; and
- the Company's right of set-off is enforceable at law.

The Company is subject to enforceable master netting agreements with its counterparties Bank of America Merrill Lynch ($58,892), Royal Bank of Canada ($1,801), Societe Generale ($7,688) and UBS AG ($462,666). These agreements govern the terms of certain transactions, and reduce the counterparty risk associated with relevant transactions by specifying offsetting mechanisms and collateral posting arrangements at pre-arranged exposure levels. There were no collateral arrangements during the year.

The following tables show, at 31 December 2015 and 31 December 2014, the gross and net derivatives assets and liabilities by contract type and amount for those derivatives contracts for which netting is permissible.

31 December 2015

Description	Gross Amounts of Recognised Assets	Gross Amounts Offset in the Statements of Assets and Liabilities	Net Amounts of Recognised Assets Presented in the Statement of Assets and Liabilities
Forward Currency Contracts	$ 472,322	$(19,145)	$ 453,177
Credit Default Swap	58,892	-	58,892
Warrant	210,523	-	210,523
Total	**$ 741,737**	**$(19,145)**	**$ 722,592**

Description	Gross Amounts of Recognised Liabilities	Gross Amounts Offset in the Statements of Assets and Liabilities	Net Amounts of Recognised Assets Presented in the Statement of Assets and Liabilities
Forward Currency Contracts	$ (19,145)	$19,145	-
Total	**$ (19,145)**	**$19,145**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – DERIVATIVES (CONTINUED)

Offsetting assets and liabilities (continued)

31 December 2014

Description	Gross Amounts of Recognised Assets	Gross Amounts Offset in the Statements of Assets and Liabilities	Net Amounts of Recognised Assets Presented in the Statement of Assets and Liabilities
Forward Currency Contracts	$ 1,939,829	$(16,531)	$ 1,923,298
Total	**$ 1,939,829**	**$(16,531)**	**$ 1,923,298**

Description	Gross Amounts of Recognised Liabilities	Gross Amounts Offset in the Statements of Assets and Liabilities	Net Amounts of Recognised Assets Presented in the Statement of Assets and Liabilities
Forward Currency Contracts	$ (16,531)	$16,531	-
Credit default swap	(23,055)	-	$ (23,055)
Total	**$ (39,586)**	**$16,531**	**$ (23,055)**

NOTE 5 – UNFUNDED LOAN COMMITMENTS

As at 31 December 2015 and 31 December 2014, the Company has no unfunded loan commitments.

NOTE 6 – 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 is 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 31 December 2015 and 31 December 2014 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 it reflects the value at which investments are sold to a willing buyer and the settlement period on their balances is short term.
- Interest receivables and Other receivables and prepayments - The carrying value reasonably approximates fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

- Quoted investments are valued according to their bid price 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.

- Warrants are priced using third party market quotes.

- 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 Investment Manager determines the valuation based on its 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 the 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 forward exchange rate prevailing at the Consolidated Statement of Assets and Liabilities date.

- Investments in private investment companies/partnerships are valued utilising the net asset valuations provided by the underlying private investment companies/partnerships as a practical expedient. The Company applies the practical expedient consistently in its Portfolios unless it is probable that the Company will sell a portion of an investment at an amount different from the net asset valuation.

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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The table below details the Company's investments that were accounted for at fair value as at 31 December 2015.

Investments at Fair Value as at 31 December 2015

	Level 1	Level 2	Level 3	Total
Bank Debt Investments	-	42,189,405	72,644,678	114,834,083
Investment Partnership	-	-	6,307,236	6,307,236
Private Bond	-	20,338,524	-	20,338,524
Private Equity	-	56,800,455	105,127,348	161,927,803
Private Equity: Real Estate Development	-	-	4,787,223	4,787,223
Private Note	-	21,302,871	-	21,302,871
Public Bond	-	7,254,764	-	7,254,764
Public Equity	29,241,385	-	-	29,241,385
Trade Claim	-	-	9,267,308	9,267,308
UK Treasury Bills	-	7,369,014	-	7,369,014
US Treasury Bills	-	37,881,521	-	37,881,521
Warrants	-	-	210,523	210,523
Credit Default Swaps	-	58,892	-	58,892
Forward currency contracts	-	453,177	-	453,177
Total investments that are accounted for at fair value	**29,241,385**	**193,648,623**	**198,344,316**	**421,234,324**

The table below details the Company's investments that were accounted for at fair value as at 31 December 2014.

Investments at Fair Value as at 31 December 2014

	Level 1	Level 2	Level 3	Total
Bank Debt Investments	-	99,737,403	104,896,647	204,634,050
Commercial Mortgage	-	-	4,219,287	4,219,287
Fixed Rate Bonds	-	1,081,300	-	1,081,300
Investment Partnership	-	-	44,865,563	44,865,563
Ownership in Senior Living Facility	-	-	13,665,456	13,665,456
Private Equity	-	78,909,997	99,711,073	178,621,070
Private Equity: Real Estate Development	-	-	20,263,099	20,263,099
Private Note	-	-	31,950,069	31,950,069
Private Placement Bonds	-	-	3,063,979	3,063,979
Public Equity	32,853,494	-	-	32,853,494
Public Note	-	16,563,822	-	16,563,822
Trade Claim	-	-	10,859,649	10,859,649
UK Treasury Bills	-	46,734,769	-	46,734,769
U.S.Treasury Bills	-	22,999,693	-	22,999,693
Credit Default Swaps	-	(23,055)	-	(23,055)
Forward currency contracts	-	1,923,298	-	1,923,298
Total investments that are accounted for at fair value	**32,853,494**	**267,927,227**	**333,494,822**	**634,275,543**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – 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 at 31 December 2015. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

Type	Sector	Fair Value ($)	Primary Valuation Technique	Unobservable inputs	Range Input	Weighted Average
Bank Debt Investments	Lodging & Casinos	7,932,805	Comps	EBITDA Multiple	12.80	N/A
Bank Debt Investments	Shipping	16,483,758	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Surface Transport	9,969,120	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Air Transport	5,651,160	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Building & Development	406,867	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Utilities	12,882,199	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Commercial Mortgage	11,277,901	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Healthcare	9	Expected Realisable Value	N/A	N/A	N/A
Bank Debt Investments	Forest Products	3,540,645	Comps	EBITDA Multiple	5.92	N/A
Bank Debt Investments	Commercial Mortgage	4,500,214	Discounted Cash Flow (DCF)	WACC	17% discount rate on loan amortisation payments	N/A
Investment Partnership	Financial Intermediaries	6,307,236	Net Asset Value	Net Asset Value	N/A	N/A
Private Equity	Industrials	303,522	Market Information	Unadjusted Broker Quote		N/A
Private Equity	Industrials	23	N/A - 0 Value	N/A - 0 Value	N/A - 0 Value	N/A
Private Equity	Containers and Packaging	4,710,616	Comps	Enterprise Value Multiple	N/A	N/A
Private Equity	Air Transport	19,328	Scenario Analysis	Value of CAF and cash/accruals	20% discount rate on lease payments and cash held	N/A
Private Equity	Air Transport	2,471,334	Discounted Cash Flow	Sale Leaseback Revenue and WACC	20% discount rate on lease payments and cash held	N/A
Private Equity	Nonferrous Metals/Minerals	14,154,056	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Financial Intermediaries	1,816,485	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Utilities	32,270,880	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Commercial Mortgage	21,043,608	Discounted Cash Flow (DCF)	WACC and Price per sq foot	10% and $452/sf	N/A
Private Equity	Lodging & Casinos	24,903,059	Comps	Sales Offer	$2,500,000 per acre	N/A
Private Equity	Containers and glass products	3,055,344	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Building & Development	379,093	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity: Real Estate Development	Real Estate Development	4,787,223	Discounted Cash Flow (DCF)	WACC and Price per sq foot	5% and $556/sf	N/A
Trade Claim	Surface Transport	9,267,308	Market Information	Unadjusted Broker Quote	N/A	N/A
Warrants	Shipping	210,523	Market Information	Unadjusted Broker Quote	N/A	N/A
Total		**198,344,316**				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – 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 at 31 December 2014. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

Type	Sector	Fair Value ($)	Primary Valuation Technique	Unobservable inputs	Range Input	Weighted Average
Bank Debt Investments	Commercial Mortgage	4,219,287	Discounted Cash Flow ("DCF")	WACC and Price per sq foot	7.9% and $181 per sq. foot	N/A
Bank Debt Investments	Lodging and Casinos	9,098,425	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Surface Transport	17,927,955	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Air Transport	5,161,000	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Shipping	47,232,376	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Utilities	12,914,227	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Commercial Mortgage	12,562,664	Market Information	Unadjusted Broker Quote	N/A	N/A
Limited Partnership Units	Financial Intermediaries	44,865,563	Net Assets Value	Net Asset Value	N/A	N/A
Ownership In Senior Living Facility	Healthcare	13,665,456	Scenario Analysis	Blended Weighted Scenario Avg DCF, BIDS, and Purchase and Sale Terms	30% at 11.3MM, 50% at 13.0MM and 20% at 18.7MM	N/A
Private Equity	Commercial Mortgage	24,729,543	DCF	WACC and Price per sq foot	10% and $437 per sq. foot	N/A
Private Equity	Financial Intermediaries	968,792	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Lodging and Casinos	27,670,065	Comps	Price per Acre	$2,500,000 per acre	N/A
Private Equity	Real Estate Development	18,570,819	DCF	WACC and Price per sq foot	10% and $347 per sq. foot - 10% and $493 per sq. foot	10% and $383 per sq. foot
Private Equity	Real Estate Development	1,692,280	Expected Transaction	Sales Offer and Cash on Hand	N/A	N/A
Private Equity	Utilities	30,732,251	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Building and Development	3,446,298	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Containers and Packaging	12,164,124	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Note	Financial Intermediaries	19,908,381	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Note	Lodging and Casinos	12,041,688	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Placement Bonds	Forest Products	3,063,979	Comps	EBITDA Multiple	5.92	N/A
Trade Claim	Surface Transport	10,859,649	Market Information	Unadjusted Broker Quote	N/A	N/A
Total		**333,494,822**				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – 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 Investment Manager. For single broker quotes the Investment Manager uses unobservable inputs to assess the reasonableness of the broker quote. For good faith valuations, the Investment Manager directly uses unobservable inputs to produce valuations. The significant unobservable inputs used in Level 3 assets are outlined in the table on the previous page.

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. 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, 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.

Investments in private investment companies/partnerships are valued utilising the net asset valuations provided by the underlying private investment companies/partnerships as a practical expedient. The Company applies the practical expedient consistently in its Portfolios unless it is probable that the Company will sell a portion of an investment at an amount different from the net asset valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – 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 2015

		Bank Debt Investments		Private Equity		Private Equity: Real Estate Development		Private Placement Bonds		Investment Partnership		Trade Claim		Private Note
Balance, 31 December 2014	$	**104,896,647**	$	**99,711,073**	$	**20,263,099**	$	**3,063,979**	$	**44,865,563**	$	**10,859,649**	$	**31,950,069**
Purchases		11,441,645		7,812,937		-		-		16,641,021		-		-
Sales and distributions		(18,874,426)		(11,416,223)		(13,197,987)		-		(54,570,570)		-		-
Restructuring assets		(14,860,514)		747,710		-		-		-		-		-
Non cash (loss)/gain on restructuring		(2,967,399)		-		-		-		-		-		-
Realised (loss)/gain on sale of investments		1,356,286		1,032,595		2,879,750		-		5,608,900		-		(664,681)
Unrealised gain/(loss) on investments		(18,573,886)		(6,330,491)		(5,157,639)		476,666		(6,237,678)		(1,592,341)		(4,902,918)
Reclassification within Level 3 categories		7,759,932		-		-		(3,540,645)		-		-		-
Transfers into or (out of) level 3		2,466,393		13,569,747		-		-		-		-		(26,382,470)
Balance, 31 December 2015	$	**72,644,678**		**105,127,348**		**4,787,223**		**-**		**6,307,236**		**9,267,308**		-
Change in unrealised (loss)/gain on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2015	$	**(26,282,761)**		**522,069**		**(5,157,639)**		**-**		**(6,237,678)**		**(1,592,341)**		**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

For the year ended 31 December 2015 (continued)

		Ownership in Senior Living Facility		Commercial Mortgage		Warrants		Total
Balance, 31 December 2014	$	**13,665,456**	$	**4,219,287**	$	**-**	$	**333,494,822**
Purchases		-		-		-		35,895,603
Sales and distributions		(18,522,439)		-		-		(116,581,645)
Restructuring assets		-		-		371,508		(13,741,296)
Non cash (loss)/gain on restructuring		-		-		-		(2,967,399)
Realised (loss)/gain on sale of investments		8,836,140		-		-		19,048,990
Unrealised gain/(loss) on investments		(3,979,157)		-		(160,985)		(46,458,429)
Reclassification within Level 3 categories		-		(4,219,287)		-		-
Transfers into or (out of) level 3		-		-		-		(10,346,330)
Balance, 31 December 2015	$	**-**		**-**		**210,523**		**198,344,316**
Change in unrealised (loss)/gain on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2015	$	**-**		**-**		**(160,985)**		**(38,909,335)**

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. During the year the Company did not have any transfers between level 1 and level 2 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – 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 2014

	Bank Debt Investments	Private Equity	Private Equity: Real Estate Development	Private Placement Bonds	Investment Partnership	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	101,521,530	9,079,077	-	-	-	-	-
Sales and distributions	(26,104,279)	-	(27,663,800)	(7,119,143)	(1,715,279)	-	-
Restructuring assets	(27,670,065)	27,670,065	-	-	-	-	-
Non cash gain on restructuring	9,070,140	-	-	330,834	-	-	-
Realised gain/(loss) on sale of investments	4,027,862	(8,836)	2,147,260	811,971	13,810,661	-	-
Unrealised gain/(loss) on investments	(20,378,427)	3,810,684	712,337	1,184,354	(19,226,313)	257,739	(764,568)
Transfers into or (out of) level 3	(74,909)	-	-	-	-	-	11,625,250
Balance, 31 December 2014	$ **104,896,647**	$ **99,711,073**	$ **20,263,099**	$ **3,063,979**	$ **44,865,563**	$ **10,859,649**	$ **31,950,069**
Change in unrealised gain/(loss) on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2014	$ **(15,963,977)**	$ **3,810,684**	$ **712,337**	$ **(775,651)**	$ **(19,219,068)**	$ **257,738**	$ **(764,568)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

For the year ended 31 December 2014 (continued)

		Ownership in Senior Living Facility		Commercial Mortgage		Total
Balance, 31 December 2013	$	**12,203,418**	$	**13,183,956**	$	**285,663,308**
Purchases		121,408		-		110,722,015
Sales and distributions		-		(9,786,121)		(72,388,622)
Restructuring assets		-		-		-
Non cash gain on restructuring		-		-		9,400,974
Realised gains/(loss) on sale of investments		-		821,452		21,610,370
Unrealised gain/(loss) on investments		1,340,630		-		(33,063,564)
Transfers into or (out of) level 3		-		-		11,550,341
Balance, 31 December 2014	$	**13,665,456**	$	**4,219,287**	$	**333,494,822**
Change in unrealised gain/(loss) on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2014	$	**1,340,630**	$	**-**	$	**(30,601,875)**

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. During the year the Company did not have any transfers between level 1 and level 2 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – RISKS

The Company is subject to various risks, including, but not limited to, market risk, credit risk and liquidity risk. The Investment Manager monitors and seeks to 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 only to 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 31 December 2015 and 31 December 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 Company maintains positions in a variety of securities, derivative financial instruments and cash and cash equivalents in accordance with its investment strategy and guidelines. The Company's trading activities expose the Company to counterparty credit risk from brokers, dealers and other financial institutions (collectively, "counterparties") with which it transacts business. "Counterparty credit risk" is the risk that a counterparty to a trade will fail to meet an obligation that it has entered into with the Company, resulting in a financial loss to the Company. The Company's policy with respect to counterparty credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out by the Investment Manager.

All the Company's assets other than derivative financial instruments are held by the Custodian. The Custodian segregates the assets of the Company from the Custodians' assets and other Custodian clients. Management believes the risk is low with respect to any losses as a result of this concentration. The Company conducts its trading activities with respect to non-derivative positions with a number of counterparties. Counterparty credit risk borne by these transactions is mitigated by trading with multiple counterparties.

In addition the Company may trade in OTC derivative instruments and in derivative instruments which trade on exchanges with generally a limited number of counterparties. The Company is subject to counterparty credit risk related to the potential inability of counterparties to these derivative transactions to perform their obligations to the Company. The Company's exposure to counterparty credit risk associated with counterparty non-performance is generally limited to the fair value (derivative assets and liabilities) of OTC derivatives reported as net assets, net of collateral received or paid, pursuant to agreements with each counterparty. The Investment Manager attempts to reduce the counterparty credit risk of the Company by establishing certain credit terms in its ISDA Master Agreements (with netting terms) with counterparties, and through credit policies and monitoring procedures. Under ISDA Master Agreements in certain circumstances (e.g. when a credit event such as a default occurs) all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions. The Company receives and gives collateral in the form of cash and marketable securities and it is subject to the ISDA Master Agreement Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction. The terms also give each party the right to terminate the related transactions on the other party's failure to post collateral. Exchange-traded derivatives generally involve less counterparty exposure because of the margin requirements of the individual exchanges. Generally, these contracts can be closed out at the discretion of the Investment Manager and are governed by the futures and options clearing agreements signed with the future commission merchants ("FCMs").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – RISKS (CONTINUED)

Credit Risk (continued)

FCMs have capital requirements intended to assure that they have sufficient capital to protect their customers in the event of any inadequacy in customer funds arising from the default of one or more customers, adverse market conditions, or for any other reason.

The credit risk relating to derivatives is detailed furher in note 4.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as and when these fall due.

Liquidity risk is managed by the Investment Manager so as to ensure that the Company maintains sufficient working capital in cash or near cash form so as to be able to meet the Company's ongoing requirements as these are budgeted for.

Other Risks

Legal, tax and regulatory changes could occur during the term of the Company that may adversely affect the Company. The regulatory environment for alternative investment vehicles is evolving, and changes in the regulation of alternative investment vehicles may adversely affect the value of investments held by the Company or the ability of the Company to pursue its trading strategies.

NOTE 8 – SHARE CAPITAL

The Company's share capital consists of:

10,000 Class A Shares authorised, of par value $1 each (which carry no voting rights); and, an unlimited number of shares of no par value which may upon issue be designated as Ordinary Shares, Extended Life Share or 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, which is denominated in US Dollars, consists of Ordinary Shares, Class A Shares and Extended Life Shares and in Pound Sterling consists of New Global Shares. Shareholders of Ordinary Shares, Extended Life Shares and New Global Shares 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 in 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 Company's 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 Class, NBDX, was created and the Extended Life Shares were issued to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 – SHARE CAPITAL (CONTINUED)

The Extended Life Shares are subject to a 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).

NBDG was created in March 2014 and is subject to an investment period ending on 31 March 2017 following which the harvest period will commence.

At the 31 December 2015 the Company had the following number shares in issue:

	31 December 2015	31 December 2014
Issued and fully paid up:		
Class A Shares	2	2
Ordinary Shares Class of no par value (Nil in Treasury)	48,830,771	75,011,865
Extended Life Share Class of no par value (Nil in Treasury)	270,733,913	331,917,856
New Global Share Class of no par value (4,065,000 in Treasury)	110,785,785	110,785,785

Reconciliation of number of shares in issue in each class at 31 December 2015**:**

	Ordinary Shares	Extended Life Shares	New Global Shares	New Global Treasury Shares	Total
Balance as at 31 December 2014	75,011,865	331,917,856	110,785,785	-	517,715,506
Shares redeemed during the year	(26,181,094)	(61,183,943)	-	-	(87,365,037)
Shares purchased into Treasury	-	-	(4,065,000)	4,065,000	-
Balance as at 31 December 2015	48,830,771	270,733,913	106,720,785	4,065,000	430,350,469

Reconciliation of number of shares in issue in each class at 31 December 2014**:**

	Ordinary Shares	Extended Life Shares	New Global Shares	New Global Treasury 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 year	(49,148,606)	(20,170,958)	-	-	(69,319,564)
Balance as at 31 December 2014	75,011,865	331,917,856	110,785,785	-	517,715,506

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 – FINANCIAL HIGHLIGHTS

Per share operating performance	Ordinary Shares USD Year ended 31 December 2015	Extended Life Shares USD Year ended 31 December 2015	New Global Shares GBP Year ended 31 December 2015	Ordinary Shares USD Year ended 31 December 2014	Extended Life Shares USD Year ended 31 December 2014	New Global Shares GBP 4 March 2014 to 31 December 2014
Opening Balance	**1.2521**	**1.1909**	**0.8860**	**1.2189**	**1.2218**	0.9800
Impact of share buybacks	-	0.0005	0.0034	-	-	-
Income/(loss) from investment operations (i)						
Net investment (loss)/income	0.0203	0.0240	0.0128	0.0191	0.0077	0.0028
Net realised and unrealised (loss)/gain from investments and foreign exchange foreign exchange	(0.1540)	(0.2151)	(0.1681)	0.0141	(0.0386)	(0.0968)
Total from investment operations	**(0.1337)**	**(0.1911)**	**(0.1553)**	**0.0332**	**(0.0309)**	**(0.0940)**
Net asset value per share at end of the year	**1.1184**	**1.0003**	**0.7341**	**1.2521**	**1.1909**	**0.8860**

(i) Weighted average numbers of shares outstanding were used for calculation

Total return* (ii)	Ordinary Shares Year ended 31 December 2015	Extended Life Shares Year ended 31 December 2015	New Global Shares Year ended 31 December 2015	Ordinary Shares Year ended 31 December 2014	Extended Life Shares Year ended 31 December 2014	New Global Shares 4 March 2014 to 31 December 2014
Total return before performance fees	(10.68)%	(16.00)%	(17.14)%	1.44%	2.53%	(9.59)%
Performance fees	-	-	-	1.28%	-	-
Total return after performance fees	**(10.68)%**	**(16.00)%**	**(17.14)%**	**2.72%**	**2.53%**	**(9.59)%**

(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 Shares, Extended Life Shares and New Global Shares only and is calculated based on movement in the NAV, 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.

Ratios to average net assets (ii)	Ordinary Shares Year ended 31 December 2015	Extended Life Shares Year ended 31 December 2015	New Global Shares Year ended 31 December 2015	Ordinary Shares Year ended 31 December 2014	Extended Life Shares Year ended 31 December 2014	New Global Shares 4 March 2014 to 31 December 2014
Net investment income after performance fee	(1.64)%	2.10%	1.42%	1.56%	0.62%	0.24%[(iii)]
Expenses before performance fee	(2.02)%	(2.05)%	(2.01)%	(2.20)%	(2.09)%	(0.75)%[(iii)]
Performance fee	-	-	-	1.27%	-	-
Total expenses after performance fees	**(2.02)%**	**(2.05)%**	**(2.01)%**	**(0.93)%**	**(2.09)%**	**(0.75)%[(iii)]**

(ii) An individual shareholder's return may vary from these returns based on the timing of the shareholder's subscriptions.
(iii) These ratios have been annualised to be comparable across share classes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 – RECONCILIATION OF NET ASSET VALUE TO PUBLISHED NAV

In preparing the consolidated financial statements, there were post year end adjustments relating to investment valuations and deferred taxes. The impact of these adjustments on the NAV per Ordinary Share, Extended Life Share and New Global Share is detailed below:

	Ordinary Share Class Net Assets ($)	Ordinary Share Class NAV per Share ($)	Extended Life Share Class Net Assets ($)	Extended Life Share Class NAV per Share ($)	New Global Share Class Net Assets (£)	New Global Share Class NAV per Share (£)
Published Net Assets at 31 December 2015	54,495,517	1.1160	273,190,429	1.0091	79,604,835	0.7459
Deferred Tax Adjustment	249,521	0.0052	643,311	0.0023	105,670	0.0010
Valuation Adjustments	(134,632)	(0.0028)	(3,015,509)	(0.0111)	(1,366,434)	(0.0128)
Net Assets consolidated financial statements	54,610,406	1.1184	270,818,231	1.0003	78,344,071	0.7341

	Ordinary Share Class Net Assets ($)	Ordinary Share Class NAV per Share ($)	Extended Life Share Class Net Assets ($)	Extended Life Share Class NAV per Share ($)	New Global Share Class Net Assets (£)	New Global Share Class NAV per Share (£)
Published Net Assets at 31 December 2014	94,462,728	1.2593	399,300,724	1.2030	99,651,315	0.8995
Deferred Tax Adjustment	21,821	0.0003	56,263	0.0001	(260,706)	(0.0024)
Valuation Adjustments	(564,227)	(0.0075)	(4,075,500)	(0.0122)	(1,237,644)	(0.0111)
Net Assets consolidated financial statements	93,920,322	1.2521	395,281,487	1.1909	98,152,965	0.8860

NOTE 11 - SUBSEQUENT EVENTS

Effective January 1, 2016, the Alternative Investment Fund Manager changed its name from Neuberger Berman Fixed Income LLC to Neuberger Berman Investment Advisors LLC.

One or more limited partners of a fund (the "Affiliate Fund") managed by an affiliate of the Investment Manager owns more than ten percent of the Affiliate Fund as well as debt issued by KPMG LLP. Under those facts, which were disclosed to the Company by KPMG LLP on 8 March 2016, although KPMG Channel Islands Limited is independent from the Company in accordance with the Auditing Practices Board Ethical Standards and KPMG LLP is independent from the Company in accordance with the AICPA Code of Professional Conduct, neither KPMG Channel Islands Limited nor KPMG LLP is independent from the Company, under Rule 2-01(c)(1)(ii)(a) of Regulation S-X as adopted by the U.S. Securities and Exchange Commission. KPMG Channel Islands Limited and KPMG LLP considered whether the matters noted above impacted their objectivity and ability to exercise impartial judgment with regard to their engagement as auditors and have concluded that there has been no impairment of KPMG Channel Islands Limited's or KPMG LLP's objectivity and ability to exercise impartial judgment in the performance of their audits of the Company.

This was discussed with the Audit Committee on 29 March 2016, and the Audit Committee was satisfied, based on the factual assertions proferred by KPMG, that KPMG Channel Islands Limited and KPMG LLP were objective and impartial for the purposes of this audit.

Share Buybacks

Between 13 January 2016 and 13 April 2016, the Company repurchased 2,432,000 New Global Shares to be held in Treasury.

Between 14 January 2016 and 29 March 2016, the Company repurchased 1,114,000 Extended Life Shares for cancellation.

At 13 April 2016, the Company held the following Treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 - SUBSEQUENT EVENTS (CONTINUED)

Share Buybacks (continued)

	13 April 2016
New Global Shares	6,497,000

Capital Return

On 29 February 2016 the Company, by way of partial redemption returned the following:

	Ordinary Share Class		Extended Life Share Class		New Global Share Class	
	Distribution Amount	Per Share Amount	Distribution Amount	Per Share Amount	Distribution Amount	Per Share Amount
29 February 2016	$6,991,958	$0.1432	$19,991,948	$0.0741	-	-
Total	**$6,991,958**	**-**	**$19,991,948**	-	-	-

On the 15 April 2016, the Company announcement a further capital distribution by way of compulsory partial redemption of up to US$ 4.5 million for the Ordinary Share Class and up to US$ 11 million for the Extended Life Share Class.

DIRECTORS, MANAGERS AND ADVISERS

Directors

John Hallam (*Chairman*)
Sarah Evans
Michael Holmberg
Christopher Sherwell
Stephen Vakil

All c/o the Company's registered office.

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Registered Office

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Administrator (from 1 March 2015)

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Principal Bankers (from 1 March 2015)

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A copy of the Company's Annual Report and Consolidated Financial Statements will shortly be available from the Company Secretary, C.L. Secretaries Limited, 1st & 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY11EW or on the Company's website (www.nbddif.com).

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.