NB Distressed Debt Investment Fund Limited

2019 ANNUAL REPORT

Audited Consolidated Financial Statements
For The Year Ended 31 December 2019

NEUBERGER BERMAN

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Features

NB Distressed Debt Investment Fund Limited (the "Company")

The Company is a closed-ended investment company incorporated and registered in Guernsey on 20 April 2010 with 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 2018 issued by the Guernsey Financial Services Commission ("GFSC"). It is a non-cellular company limited by shares and has been declared by the GFSC to be a registered closed-ended collective investment scheme. The Company trades on the Specialist Fund Segment ("SFS") of the London Stock Exchange ("LSE").

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

Alternative Investment Fund Manager ("AIFM") and Manager

Investment management services are provided to the Company by Neuberger Berman Investment Advisers LLC (the "AIFM") and Neuberger Berman Europe Limited (the "Manager"), collectively the "Investment Manager". The AIFM is responsible for risk management and discretionary management of the Company's Portfolio and the Manager provides, amongst other things, certain administrative services to the Company.

Share Capital

At 31 December 2019 the Company's share capital comprised the following[1]:

Ordinary Share Class ("NBDD")

15,382,770 Ordinary Shares, none of which were held in treasury.

Extended Life Share Class ("NBDX")

114,146,794 Extended Life Shares, none of which were held in treasury.

New Global Share Class ("NBDG")

71,787,915 New Global Shares, none of which were held in treasury.

For the purposes of efficient portfolio management, the Company has established a number of wholly-owned subsidiaries domiciled in the US, the Cayman Islands and Luxembourg. All references to the Company in this document refer to the Company together with its wholly-owned subsidiaries.

1 In addition the Company has two Class A Shares in issue. Further information is provided in the Capital Structure section of this report on page 3.

Non-Mainstream Pooled Investments

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the Financial Conduct Authority's ("FCA") rules in relation to non-mainstream pooled investment ("NMPI") products and intends to continue to do so for the foreseeable future.

The Company's shares are excluded from the FCA's restrictions which apply to NMPI products.

Company Numbers

Ordinary Shares
LSE ISIN code: GG00BDFZ6F78
Bloomberg code: NBDD:LN

Extended Life Shares
LSE ISIN code: GG00BKP4Y710
Bloomberg code: NBDX:LN

New Global Shares
LSE ISIN code: GG00BFZ5JM92
Bloomberg code: NBDG:LN

Legal Entity Identifier
YRFO7WKOU3V511VFX790

Website

www.nbddif.com

Capital Structure

The Company's share capital consists of three different share classes, all of which are in the harvest period: the Ordinary Share Class; the Extended Life Share Class; and the New Global Share Class. These share classes each have different capital return profiles and, in one instance a different geographical remit. In addition, the Company has two Class A Shares in issue. While the Company's share classes are all now in harvest, returning capital to shareholders, the Company's corporate umbrella itself has an indefinite life to allow for flexibility for the Company to add new share classes if demand, market opportunities and shareholder approval supported such a move, although the Company has no current plans to create new share classes. Each share class is considered in turn below.

Ordinary Share Class

NBDD was established at the Company's launch on 10 June 2010 with a remit to invest in the global distressed debt market with a focus on North America. The investment period of NBDD expired on 10 June 2013.

Voting rights:	Yes
Denomination:	US Dollars
Hedging:	Portfolio hedged to US Dollars
Authorised share capital:	Unlimited
Par value:	Nil

Extended Life Share Class

A vote was held at a class meeting of NBDD shareholders on 8 April 2013 where the majority of shareholders voted in favour of a proposed extension.

Following this meeting and with the NBDD shareholders' approval of the extension, on 9 April 2013 a new Class, NBDX, was created and the NBDX Shares were issued to 72% of initial NBDD investors who elected to convert their NBDD Shares to NBDX Shares. NBDX had a remit to invest in the global distressed debt market with a focus on North America. The investment period of NBDX expired on 31 March 2015.

Voting rights:	Yes
Denomination:	US Dollars
Hedging:	Portfolio hedged to US Dollars
Authorised share capital:	Unlimited
Par value:	Nil

New Global Share Class

NBDG was created on 4 March 2014 and had a remit to invest in the global distressed market with a focus on Europe and North America. The investment period of NBDG expired on 31 March 2017.

Voting rights:	Yes
Denomination:	Pound Sterling
Hedging:	Unhedged portfolio
Authorised share capital:	Unlimited
Par value:	Nil

Class A Shares

The Class A Shares are held by a 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 right to receive notice of general meetings of the Company but the Trustee shall only have the right to attend and vote at general meetings of the Company when there are no other Shares of the Company in issue.

Voting rights:	No
Denomination:	US Dollars
Authorised share capital:	10,000 Class A Shares
Par value:	US Dollar $1

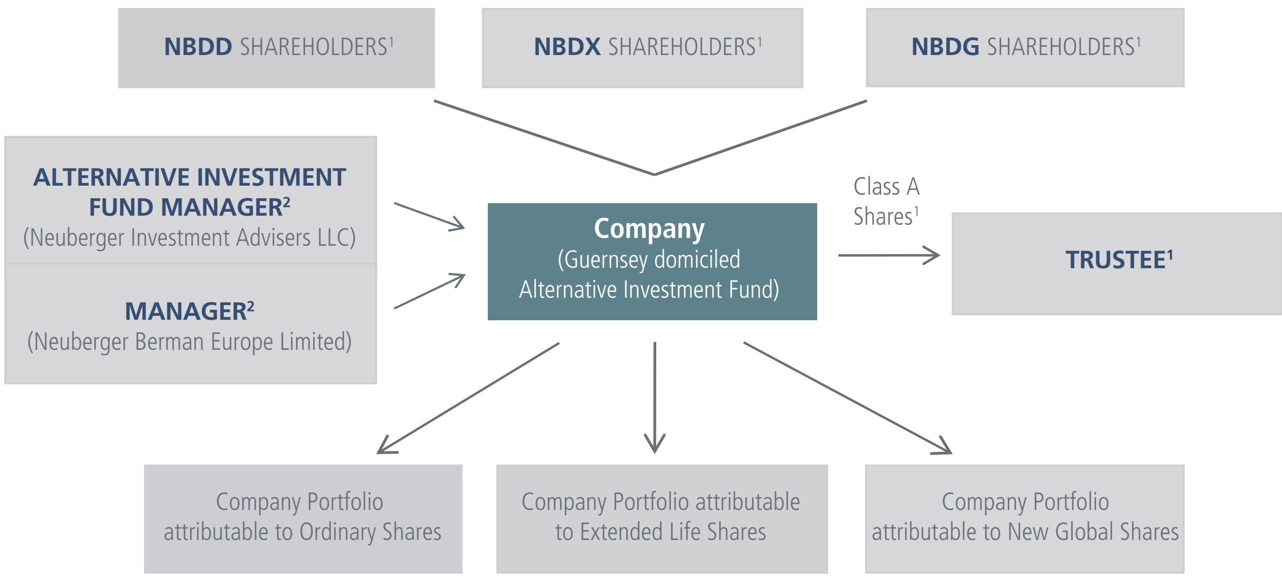
Business Model

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 chart below sets out the ownership, organisational and investment structure of the Company.

INVESTMENT STRUCTURE OF THE COMPANY



1 Further information on the Company's capital structure can be found on page 3.
2 Further information on the Company's investment management arrangements can be found on page 31.

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 period of each share class has expired. During the investment period, the Investment Manager sought, in accordance with the Investment Policy, to identify mis-priced or otherwise overlooked securities or assets that had the potential to produce attractive absolute returns while seeking to limit downside risk through collateral and structured protection where possible.

The Ordinary Shares, Extended Life Shares and New Global Shares (collectively the "Portfolios") are biased toward stressed and distressed debt securities secured by hard asset collateral in accordance with the Investment Policy. When investing on behalf of the Company, the Investment Manager focused on companies with significant tangible assets which were judged likely to maintain long-term value through a restructuring. The Investment Manager avoided "asset-light" companies, as their values tend to depreciate in distressed scenarios, and also aimed to concentrate on companies with stressed balance sheets whose low implied enterprise value multiples, often calculated using currently depressed cash flows, offered a discount to comparable market valuations.

What is Distressed Debt?

Distressed debt generally refers to the financial obligations of a company that is either already in default, under bankruptcy protection, or in distress and heading toward default. Distressed debt often trades at a significant discount to its par value and may present investors with compelling opportunities to profit if there is a recovery in the business. Typically, when a company experiences financial distress or files for bankruptcy protection, the original debt holders often sell their debt securities or claims to a new set of investors at a discount. These investors often try to influence the process by which the issuer restructures its obligations or implements a plan to turn around its operations. These investors may also inject new capital into a distressed company in the form of debt or equity in order to prevent the company from going into liquidation or to aid the company in carrying out a restructuring plan. Investors in distressed debt typically must not only assess the issuer's ability to improve its operations but also whether the restructuring process is likely to result in a meaningful recovery to the investors' class of claims.

Distressed debt can be performing or non-performing. Performing debt is defined as debt that maintains its contractual obligations relating to interest and/or principal payments and can be debt that has yet to default or even debt that is under bankruptcy protection. Non-performing debt is defined as debt that does not continue to meet its financial obligations.

There are several different strategies related to investing in distressed debt. These strategies differ mainly in the types of securities that investors purchase, the life of a fund and its investment period, and a fund's expected returns. Four strategic categories include: (i) senior/senior secured debt strategies; (ii) control/private equity strategies; (iii) junior debt strategies; and (iv) capital structure arbitrage strategies. During the investment periods of the Portfolios, the Investment Manager focused on implementing a senior/senior secured debt strategy in which it invested primarily in secured debt with strong collateral value and structural protection. The Investment Manager has also invested in control positions and non-control positions with the objective of acquiring a blocking position on behalf of the Portfolios.

Investing in secured debt at the top of the capital structure is, in the opinion of the Investment Manager, towards the more conservative end of the distressed debt strategy risk spectrum due to the support from the value of the underlying collateral. Additionally, secured debt holders often have the ability to foreclose on the assets securing their claim and to drive the restructuring process. The typical holding period for investments in this type of strategy is at least six months and can be more than three years.

Business Model (continued)

Typical Life Cycle of a Distressed Debt Investment

IDENTIFY DISTRESSED OPPORTUNITY AND INITIATE INVESTMENT

- Identify Senior Secured debt secured by hard assets which maintain value during restructuring process
- Understand creditor group makeup and motivations of different constituencies

RESTRUCTURE COMPANY

- Enter negotiations with various creditor classes
- Assess value allocation to various creditor classes
- Consider pre-packaged bankruptcies versus "Chapter 11" court-based formal bankruptcy process[1]

COMPANY EMERGES FROM BANKRUPTCY

- Fund capital expenditures necessary for future profitability
- Optimise capital structure for return to profitability
- Implement business model for return to profitability

EXIT INVESTMENTS

- Company returns to profitability and creates value for equity
- Sale of the company to a strategic buyer
- Effect a dividend recapitalisation
- Liquidate the company to recover the original investment

Further information on the Company's investment process can be found in the Company's most recent prospectuses which are available on the Company's website at www.nbddif.com under the "Investor Information" tab.

1 Negotiations can take place within bankruptcy or creditors can negotiate with the company to agree on a pre-packaged bankruptcy whereby the plan of reorganisation is negotiated before the company files for bankruptcy protection (this has become more common).

Distributions to Shareholders

Income

In order to benefit from an exception to the United Kingdom ("UK") offshore fund rules, all income from the Company's Portfolio (after deduction of reasonable expenses) must be paid to investors. To meet this requirement the Company will pay out by way of dividend, 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 from the Portfolios will be material and therefore any income distributions by way of dividend will be on an ad-hoc basis. However, the Company monitors the need to distribute such income annually (less allowable expenses under the NMPI rules) in order to continue to be excluded from the FCA's restrictions which apply to non-mainstream investment products. The exact amount of such income distribution by way of 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 (Guernsey) Law, 2008 (as amended) (the "Law") and, in particular, will be subject to the Company passing the solvency test contained in the Law at the relevant time. The amount of income distributions by way of dividend paid in respect of one class of shares may be different from that of another class.

Capital

Following the expiry of the Portfolios' investment periods, the capital proceeds attributable to the corresponding share class as determined by the Directors and 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.

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).

Towards the end of the Portfolios' respective harvest periods, a residual amount will be retained in accordance with regulatory requirements until such time as the relevant share class may be liquidated or its assets otherwise disposed of at the discretion of the Board.

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.

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.

Financial Highlights

Key Figures

AT 31 DECEMBER 2019	ORDINARY SHARE CLASS	EXTENDED LIFE SHARE CLASS	NEW GLOBAL SHARE CLASS	AGGREGATED
Net Asset Value ("NAV") ($ millions)	14.0	105.8	79.3	199.1
NAV per Share ($)	0.9086	0.9266	1.1047	–
Share Price ($)	0.845	0.735	0.9432	–
NAV per Share (£)	–	–	0.8339	–
Share Price (£)	–	–	0.712	–
Premium /(Discount) to NAV per Share	(7.00%)	(20.68%)	(14.62%)	–
Portfolio of Distressed Investments ($ millions)	13.2	102.8	76.8	192.8
Cash and Cash Equivalents ($ millions)	1.9	1.6	2.4	5.9
Total Expense Ratio ("TER")[2]	2.15%	2.21%	2.31%	–
Ongoing Charges[3]	2.10%	2.11%	2.14%	–

AT 31 DECEMBER 2018	ORDINARY SHARE CLASS	EXTENDED LIFE SHARE CLASS	NEW GLOBAL SHARE CLASS	AGGREGATED
Net Asset Value ("NAV") ($ millions)	22.9	148.5	97.0	268.4
NAV per Share ($)	0.9778	0.9635	1.1724	–
Share Price ($)	0.9150	0.9025	1.0507[1]	–
NAV per Share (£)	–	–	0.9206	–
Share Price (£)	–	–	0.8250	–
Premium /(Discount) to NAV per Share	(6.42%)	(6.33%)	(10.38%)	–
Portfolio of Distressed Investments ($ millions)	20.4	142.1	94.2	256.7
Cash and Cash Equivalents ($ millions)	1.7	4.0	1.9	7.6
Total Expense Ratio ("TER")[2]	2.01%	2.16%	2.38%	–
Ongoing Charges[3]	1.95%	2.01%	2.14%	–

1 Stated in US Dollars, the £ price as at 31 December 2019 and 31 December 2018 converted to US Dollars using respective year end exchange rates.
2 The TERs represent the Company's management fees and all other operating expenses, as required by US Generally Accepted Accounting Principles ("US GAAP"), expressed as a percentage of average net assets.
3 The Ongoing Charges represent the Company's management fees and all other operating expenses, excluding finance costs payable, expressed as a percentage of average net assets and calculated in accordance with guidance issued by the AIC.

Summary of Value in Excess of Original Capital Invested

AT 31 DECEMBER 2019	ORDINARY SHARE CLASS ($)	EXTENDED LIFE SHARE CLASS ($)	NEW GLOBAL SHARE CLASS (£)
Original Capital Invested	(124,500,202)	(359,359,794)	(110,785,785)
Total Capital Distributions	129,627,394	236,873,855	24,473,845
Total Income Distributions[1]	3,166,835	14,896,010	2,685,521
Distributions as % of Original Capital	107%	70%	25%
Total Buybacks	–	10,255,281	9,346,306
NAV	13,976,415	105,771,674	59,862,782
Total of NAV Plus Capital and Income Returned ("Value")	146,770,644	367,796,820	96,368,454
Value in Excess of Original Capital Invested	22,270,442	8,437,026	(14,417,331)
Value as % of Original Capital Invested	118%	102%	87%

AT 31 DECEMBER 2018	ORDINARY SHARE CLASS ($)	EXTENDED LIFE SHARE CLASS ($)	NEW GLOBAL SHARE CLASS (£)
Original Capital Invested	(124,500,202)	(359,359,794)	(110,785,785)
Total Capital Distributions	121,635,419	201,398,001	15,486,915
Total Income Distributions[1]	3,166,835	13,904,610	2,685,521
Distributions as % of Original Capital	100%	60%	16%
Total Buybacks	–	8,229,063	8,620,393
NAV	22,876,360	148,482,314	76,195,678
Total of NAV Plus Capital and Income Returned ("Value")	147,678,614	372,013,988	102,988,507
Value in Excess of Original Capital Invested	23,178,412	12,654,194	(7,797,278)
Value as % of Original Capital Invested	119%	104%	93%

1 By way of dividend.

A detailed breakdown of the Company's distributions is provided on the Company's website at www.nbddif.com under "Investor Information", "Capital Activity".

Chairman's Statement

Dear Shareholder,

During the year ended 31 December 2019, the Company delivered further capital distributions to the shareholders of the NBDG, NBDD and NBDX share classes consistent with the now well-established orderly realisation of the portfolios and an income distribution by way of dividend to the NBDX shareholders. With each share class in its harvest period, we continue to seek to balance the pace of exits and the value achieved for shareholders as we return capital to our investors.

Company Performance

By the end of the year, the Company had returned a total of $132.8m or 106.7% of NBDD investors' original capital of $124.5m, $251.7m or 70.06% of NBDX investors' original capital of $359.4m and £27.1m or 24.52% of NBDG investors' original capital of £110.8m. Additionally, $0.05m was spent on buying back NBDX shares and £11.5m was spent on buying back NBDG shares in a manner accretive to net asset value ("NAV"). The Board continually reviews the most appropriate means to return capital to shareholders to maximise the benefit to shareholders and we look forward to reporting further realisations in the coming quarters and the subsequent distribution of those proceeds on the receipt of the funds.

The Investment Manager's main objective is to maximise the value of the remaining underlying investments and return capital to shareholders. As I said in our Interim Report, during the first quarter one of our significant private equity investments owned across all classes was sold, resulting in the receipt of cash substantially equal to the then current fair market value of that asset representing an Internal Rate of Return ("IRR") of 4% and Rate of Return ("ROR") of between 13% and 40%. Information regarding further realisations during 2019 is set out in the Investment Manager's report.

On 3 March 2020, we announced a further capital distribution of $5m to our NBDX shareholders.

Securing the balance between the pace of exits and the value for shareholders is an active exercise. In many instances, assets will need intense management to realise their full potential. To ensure shareholders' net returns remain managed, the Board continues to monitor all costs to ensure that they are appropriate. We are conscious that shareholders may be concerned about the impact of costs on a reducing portfolio during the harvest period.

The balance between capital distributions and buybacks is nuanced. Our policy continues to be to try to control the share price discount to NAV in a way that is accretive to those shareholders who do not wish to sell.

Annual General Meeting ("AGM") Results

As described in our interim accounts, the Board put its income distribution policy to a shareholder vote by way of a separate resolution at the 2019 AGM, which was approved. We will continue to put our income distribution policy to a shareholder vote at each annual general meeting. The income distribution policy is set out on page 7. I would like to remind shareholders that such distributions occur on an ad-hoc basis and are not expected to be material, nor equal to all share classes.

We view the AGM as a very important event and would urge all shareholders to use their votes as, while participation in the last was over 50% which is more than experienced by many companies, it is still slightly disappointing. I would hope that shareholders will contact us ahead of future AGMs to raise any concerns they may have and would draw your attention to comments I make below on aspects of governance.

Board Composition, Independence and Diversity

Cognisant of the time remaining for the realisation of all the portfolios in the next couple of years and final distributions to shareholders as soon as possible thereafter, the Board has reviewed both its size and composition. As foreshadowed in the interim accounts released in August 2019, considering his tenure since the Company's launch in 2010, and the reduction in size of the Company, Christopher Sherwell, Senior Independent Director of the Company, stepped down on 31 December 2019. I asked the other two independent directors, Messrs Legge and Vakil, to review my own position and they advised that they think it is prudent and in the best interests of shareholders to continue to have the depth of experience of a longer serving director on the Board and both agreed that they consider me to remain independent. To that end, I will remain as Chairman.

While the Board believes it is currently in the best interests of shareholders for the Company not to refresh the Board or implement a formal succession plan, for the reasons given above, the long-term outlook for the Company (as an umbrella structure) is unknown. Any future capital raise would change this picture and be preceded by a process of board refreshment. Naturally, we would seek to appoint directors as needed to replace a key vacant position should it arise.

We recognise that this approach does not strictly accord with best practice but hope that shareholders will support it as a pragmatic approach to the current situation.

I would like to take this opportunity to thank Chris Sherwell for the great contribution he has made to the Company, his wise counsel and constant challenging of both his fellow directors and the Investment Manager.

I am pleased to report that the Board appointed Stephen Vakil as the Senior Independent Director effective 1 January 2020.

While we currently have no female members on the Board, we maintain our strong belief in the value of diversity in the boardroom and recognise its importance. As I have already noted, we will continue to assess the Board's composition, considering the needs of the Company and the benefits to shareholders. We welcome shareholder engagement and discussion on board composition and diversity, as with all aspects of our governance.

Brexit

The United Kingdom left the European Union on 31 January 2020 and has entered into a transition period. As previously reported, Brexit has not impacted our operations in any material manner and having reviewed the portfolio extensively, we do not believe there is any significant impact from Brexit. Shareholders are reminded that the NBDD and NBDX Portfolios are US Dollar denominated and any non-US exposure is hedged back to the US Dollar. Therefore, the outcome of Brexit has not had a material direct impact on these Portfolios. NBDG, on the other hand, is a Pound Sterling denominated, but unhedged, share class with a broader geographic remit than the other two share classes and the Board expects some continued volatility in the currency markets, which in turn would translate into volatility in the value of NBDG's non-Sterling assets. Uncertainty remains around the future relationship with the European Union.

COVID-19

At the time of writing we are in a period of almost unprecedented economic disruption, the eventual impact of which on the timing and value of asset realisations is impossible to predict. Our objectives will remain the same; to maximise the benefit to investors during this harvest period and to continue to provide updated information regarding asset values. We have made enquires of our key service providers to ensure that they have adequate business continuity planning provisions in place.

Climate Change

We have watched the increasing expectations regarding corporate responses to climate change and, despite being an investment company with no employees, have sought to respond. Further details will be found in the Directors' Report on page 37.

Chairman's Statement (continued)

Outlook

In my interim report I gave details about the course of business for the Company over the next couple of years and it seems appropriate to repeat much of that here; updated where necessary. The Ordinary class of shares will be the first to commence the final wind up process, followed by the Extended share class and the New Global share class. As is normally the case with investment companies, as opposed to those with commercial undertakings, this does not currently have any material impact on the Company's ability to continue as a going concern or remain viable. However, the whole process must be managed in a way that ensures compliance with UK regulations.

Accordingly, the Ordinary class shareholders will no longer receive capital distributions until all final assets attributable to them have been realised, whereas the Extended and Global classes will continue to distribute until their net assets are reduced to approximately $40 million and £10 million respectively. We had previously indicated that we expect all the assets attributable to the Ordinary class to be realised before the end of 2019 but some uncertainty has developed over the optimal timing in which the key investments could be realised. This had meant that the final distribution will be made during this year and in certain cases, the cash will need to remain in underlying corporate vehicles while tax and other matters relating to those vehicles are concluded. We will keep investors appraised of developments in respect of these assets.

The wind up of the other two classes will take a little longer but we hope to complete the realisation process in the next couple of years. As noted earlier, upheaval in financial markets and global trade uncertainty may impact these timings and we will keep shareholders updated via the quarterly fact sheets.

On behalf of the Board, I would like to thank our longstanding shareholders for your support of our Company. We look forward to updating you further on investment realisations throughout the remainder of the year.

John Hallam
Chairman

14 April 2020

Investment Manager's Report

Ordinary Share Class

Summary

The NAV per share, decreased by 7.08% for the year ended 2019. The investment manager seeks a catalyst for each of the remaining investments that will allow for a realisation and return of capital and profits, if applicable. For regulatory reasons, the final 10% of the total return (NAV plus cumulative distributions) in respect of any class of participating shares in the Company will be returned to shareholders with a final compulsory redemption of all of the outstanding shares of that class. As such, there will be no further distribution for NBDD until the final distribution to investors and the wind-down of the share class, currently expected in 2020. During the harvest period, a larger percentage of NBDD's investments is in reorganised equities, including public equities, which were affected by the market volatility during the year.

Portfolio Update

NBDD ended the year with a NAV per share of $0.9086 compared to $0.9778 at the end of 2018. At 31 December 2019, 94% of NBDD's NAV was invested in distressed assets (including receivables and net payables) with 14% held in cash net of payables (see table below).

CASH ANALYSIS

Balance Sheet – Cash	$1.9m
Other payables	($0.1m)
Total available cash	**$1.8m**

The portfolio consists of 12 issuers across 8 sectors. The largest sector concentrations were in surface transportation, utilities, building and development and containers/packaging.

Notable events below describe activity in the investments during 2019:

- Vistra – In the first quarter the company initiated a quarterly dividend payment programme targeted to return cash to shareholders and increase share visibility.
- Financial Intermediary investment – Industry turmoil and illiquidity in the private notes negatively impacted pricing despite positive regulatory developments – including the approval of a distribution to noteholders.
- Auto Components investment – During the second quarter the company completed a recapitalisation. It issued $150m of superpriority notes, completed coercive exchange offers for its existing First Lien and Second Lien Notes and amended its credit facilities. The company increased its current liquidity by $125m, equitised nearly $175m of debt, reduced its ongoing cash interest burden and extended its maturity profile. The incremental liquidity was necessary for the company to complete its financial and operational turnaround before an exit would be contemplated. The Fund participated in its pro rata share of the superpriority notes as participating investors received favourable treatment in the exchange. We believe that participating investors may exit a portion of their existing investment in Exide from asset sales in the near term.

Significant Price Movement during 2019 (approximately 1% of NBDD NAV or $140,000)

INDUSTRY	INSTRUMENT	TOTAL RETURN (US DOLLARS MILLIONS)	COMMENT
Containers & Packaging	Private Equity	0.2	Performance improved due to cost cutting and better pass through of pricing increases.
Utilities	Private Note	(0.2)	Lower power prices.
Auto Components	Private Note	(1.0)	Operational turnaround slower than expected with corporate restructuring at year-end.

Investment Manager's Report (continued)

Ordinary Share Class (continued)

Exits

During the year, we saw three exits, which generated a total return of $2.6m. This brings the total number of exits since inception in NBDD to 45, with total return of $43.6m. Detailed descriptions of the exits are at the end of this report.

Partial Realisations

The partial realisations generated a total return of $6.4m as of 31 December 2019. Detailed descriptions of the partial realisations are at the end of this report.

Distributions

Capital distributions of $7.9m were paid to investors by way of share redemptions during 2019. This brings total distributions (capital and an income distribution by way of dividend) paid and approved to date to $132.8m, or 107% of investors' original capital, since the realisation phase for this share class began. The ratio of total value (capital distributions, income distribution by way of dividend and current NAV) to original capital was 118%.

Extended Life Share Class

Summary

The NAV per share, adjusted for the impact of dividend income during the year, decreased by 3.74% for the year ended 2019. The investment manager seeks a catalyst for each of the remaining investments that will allow for a realisation and return of capital and profits, if applicable. For regulatory reasons, the final 10% of the total return (NAV plus cumulative distributions) in respect of any class of participating shares in the Company will be returned to shareholders with a final compulsory redemption of all of the outstanding shares of that class. During the harvest period, a larger percentage of NBDX's investments is in reorganised equities, including public equities, which were affected by the market volatility during the year.

Portfolio Update

NBDX ended the year with a NAV per share of $0.9266 compared to $0.9635 at the end of 2018. At 31 December 2019, 98% of NBDX's NAV was invested in distressed assets (including cash held in subsidiary accounts, receivables and net payables) with 2% held in cash (see table below). At 31 December 2019, the NBDX portfolio consisted of 24 issuers across 12 sectors. The largest sector concentrations were in shipping, lodging & casinos, auto components and surface transport.

CASH ANALYSIS

Balance Sheet – Cash[1]	$1.6m
Other payables	($0.4m)
Total available cash	**$1.2m**

1 Includes $0.6m cash held in wholly-owned subsidiaries.

Notable events below describe activity in the investments during 2019:

- Financial Intermediaries investment – Industry turmoil and illiquidity in the private notes negatively impacted pricing despite positive regulatory developments – including the approval of a distribution to noteholders.
- Auto Component investment – During the quarter the company completed a recapitalisation. It issued $150m of superpriority notes, completed coercive exchange offers for its existing First Lien and Second Lien Notes and amended its credit facilities. The company increased its current liquidity by $125m, equitised nearly $175m of debt, reduced its ongoing cash interest burden and extended its maturity profile. The incremental liquidity was necessary for the company to complete its financial and operational turnaround before an exit would be contemplated. The Fund participated in its pro rata share of the superpriority notes as participating investors received favourable treatment in the exchange. We believe that participating investors may exit a portion of their existing investment in Exide from asset sales in the near term.

- Twin River Worldwide Holdings – In 2019, the company completed its merger with Dover Downs Gaming & Entertainment, a public company. Twin River Worldwide Holdings became publicly traded on the last day of the first quarter of 2019. In July 2019, the company announced a tender offer and NBDX participated in the transaction. The company made two acquisitions during the year to offset new competition in Boston.

Significant Price Movements during 2019 (approximately 1% of NBDX NAV or $1,100,000)

INDUSTRY	INSTRUMENT	TOTAL RETURN (US DOLLARS MILLIONS)	COMMENT
Shipping	Public Equity	2.5	Charter rates improved towards end of the year.
Financial intermediaries	Private Note	(1.4)	Pricing lower on seller in illiquid market.
Auto Components	Private Note	(1.7)	Operational turnaround slower than expected with corporate restructuring at year-end.
Oil & Gas	Private Equity	(2.3)	Lower power prices.

Exits

During the year, we saw five exits for NBDX, which generated a total return of $2.4m. This brings the total number of exits since inception in NBDX to 57 with total return of $115.4m. Detailed descriptions of the exits are at the end of this report.

Partial Realisations

The partial realisations generated a net gain of $16.6m over the life of the Company. Detailed descriptions of the partial realisations are at the end of this report.

Distributions

During 2019 capital distributions of $35.5m were paid to investors by way of share redemptions and $0.9m by an income distribution by way of dividend. This brings total distributions (capital and an income distribution by way of dividend) paid and approved to date to $251.8m, or 70% of investors' original capital, since the realisation phase for this share class began. The ratio of total value (capital distributions, income distribution by way of dividend, buybacks and current NAV) to original capital was 102%.

Share Buybacks

During the year ended 31 December 2019, NBDX purchased 2.4m of its own shares under the buyback programme at a cost of $2m and weighted average discount of (9.5%). The shares have been cancelled.

New Global Share Class

Summary

The NAV per share, adjusted for the impact of distributions during the year, decreased by 9.4% for the year ended 2019. NAV was negatively impacted by FX movement in GBP/USD rates. Significant changes are detailed below. The investment manager seeks a catalyst for each of the remaining investments that will allow for a realisation and return of capital and profits, if applicable. During the harvest period, a larger percentage of the Company's investments has been in reorganised equities, including public equities, which were affected by the market volatility during the year.

Portfolio Update

NBDG ended 2019 with a NAV per share of £0.8339 compared to £0.9206 at the end of 2018. At 31 December 2019, 97% of NBDG's NAV was invested in distressed assets (including cash held in subsidiary accounts, receivables and net payables) with 3% held in cash (see table below). At year-end, the portfolio consisted of 18 issuers across 9 sectors. The largest sector concentrations were in lodging & casinos, shipping, auto components and commercial mortgage.

Investment Manager's Report (continued)

New Global Share Class (continued)

CASH ANALYSIS	
Balance Sheet – Cash[1]	$2.4m
Other payables	($0.4m)
Total available cash	**$2.0m**

1 Includes $0.1m cash held in wholly-owned subsidiaries.

Notable events involving NBDG's investments during 2019 are below:

- Auto Component investment – During the quarter the company completed a recapitalisation. It issued $150m of superpriority notes, completed coercive exchange offers for its existing First Lien and Second Lien Notes and amended its credit facilities. The company increased its current liquidity by $125m, equitised nearly $175m of debt, reduced its ongoing cash interest burden and extended its maturity profile. The incremental liquidity was necessary for the company to complete its financial and operational turnaround before an exit would be contemplated. The Fund participated in its pro rata share of the superpriority notes as participating investors received favourable treatment in the exchange. We believe that participating investors may exit a portion of their existing investment in Exide from asset sales in the near term.
- Twin River Worldwide Holdings – In 2019, the company completed its merger with Dover Downs Gaming & Entertainment, a public company. Twin River Worldwide Holdings became publicly traded on the last day of the first quarter of 2019. In July 2019, the company announced a tender offer and NBDG participated in the transaction. The company made two acquisitions during the year to offset new competition in Boston.

Significant Price Movements during 2019 (approximately 1% of NBDG NAV or £600,000)

INDUSTRY	INSTRUMENT	TOTAL RETURN (GBP MILLIONS)	COMMENT
Shipping	Public Equity	2.0	Charter rates improved towards the end of the year.
Lodging & Casinos	Bank Debt Investments	0.9	Operational improvements translating into higher occupancy and room rates.
Oil & Gas	Private Equity	(0.9)	Lower power prices.
Auto Components	Private Note	(2.0)	Operational turnaround slower than expected with corporate restructuring at year end.
Lodging & Casinos	Public Equity	(2.2)	Performance affected by competition.

Exits

During the year, we saw three exits, which generated a total return of £(2.0)m. This brought the total number of exits since inception to 19 with a total return of £8.0m. Detailed descriptions of the exits are at the end of this report.

Partial Realisations

There were no partial realisations in NBDG in 2019.

Distributions

During 2019 capital distributions of £9.0m were paid to investors by way of share redemptions. This brings total distributions (capital and an income distribution by way of dividend) paid and approved to date to £27.2m, or 25% of investors' original capital, since the realisation phase for this share class began. The ratio of total value (capital distributions, income distribution by way of dividend, buybacks and current NAV) to original capital was 87%.

Share Buybacks

During the year ended 31 December 2019, NBDG purchased 950,000 shares under the buyback programme at a cost of £0.7m and weighted average discount of (11.38%). The shares have been cancelled.

Summary of Exits across all Share Classes

The total exits during the year can be summarised as follows:

- NBDD – Three exits
- NBDX – Five exits
- NBDG – Three exits

Exits experienced from inception to date were as follows:

NBDD 45 exits with a total return of $43.4m, IRR of 11% and ROR of 23%
NBDX 57 exits with a total return of $115.2m, IRR of 14% and ROR of 27%
NBDG 19 exits with a total return of £8.0m, IRR of 7% and ROR of 14%

The annualised internal rate of return ("IRR") is based on the actual dates of the cash flows of the security (purchases, sales, interest and principal pay downs), calculated in the base currency of each portfolio. The Rate of Return ("ROR") represents the change in value of the security (capital appreciation, depreciation and income) as a percentage of the purchase amount. The purchase amount can include multiple purchases.

Exit F (Exit 19 for NBDG)

EXIT F	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDG	19	£4.5	£7.2	£2.7	17.4%	60.2%	70

Exit G (Exit 43 for NBDD, 53 for NBDX, 17 for NBDG)

Exit G	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	43	$5.2	$7.3	$2.1	4.3%	39.5%	98
NBDX	53	$13.4	$18.7	$5.3	4.3%	39.5%	98
NBDG	17	£6.4	£7.2	£0.8	5.9.%	12.8%	28

Exit H (Exit 44 for NBDD, 54 for NBDX, 18 for NBDG)

Exit H	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	44	$3.7	$3.5	($0.2)	(3.2)%	(7.5)%	107
NBDX	54	$21.1	$9.9	($11.2)	(54.1)%	(53.0)%	107
NBDG	18	£6.0	£0.5	(£5.5)	(72.7)%	(91.1)%	66

Exit I (Exit 55 for NBDX)

EXIT I	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDX	55	$24.5	$24.4	($0.1)	(0.1)%	(0.3)%	105

Investment Manager's Report (continued)

Summary of Exits across all Share Classes (continued)

Exit J (Exit 56 for NBDX)

EXIT J	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDX	56	$23.1	$29.8	$6.7	9.7%	29.0%	78

Exit K (Exit 45 for NBDD and Exit 57 for NBDX)

EXIT K	EXIT	CASH INVESTED (MILLIONS)	CASH RECEIVED (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	45	$3.2	$3.9	$0.7	8.1%	19.7%	86
NBDX	57	$8.3	$10.0	$1.7	8.1%	19.7%	86

Summary of Partial Realisations across all Share Classes

All partial realisations currently in the portfolio are reported as at 31 December 2019 and it should be noted that their IRR and ROR are likely to be different at the time of the final exit. These were the following partial realisations:

- NBDD – Two
- NBDX – Two
- NBDG – None

Partial Realisation A & D:

These investments were an exit

Partial Realisation B: NBDD and NBDX

51%	ROR as at 31 December 2019	26%	IRR at 31 December 2019

NBDD and NBDX invested $7.1m to purchase first lien secured bank debt with attached private equity of an international packaging company. The debt was repaid in full shortly after the purchase with the receipt of $5.8m and the Company retained the equity, receiving dividends of $1.7m during the holding period. During the second quarter the company's sale to a complementary packaging company was announced. NBDX and NBDD elected to receive sale proceeds in cash and newly created shares in the acquirer for a combined value of $4.0m. In the third quarter, the Company received $1.5m cash as part of the sale proceeds from the disposal completed at the end of the second quarter of 2017 and $1.0m for partial redemption of new shares received in the acquirer. The company's operating performance declined due to raw material price increases. The current value of the private equity position is $0.7m generating a total return of $3.6m as of 31 December 2019. IRR was 26% and ROR was 51% with a holding period of 86 months at 31 December 2019.

B	EFFECTIVE PERIOD	CASH INVESTED (MILLIONS)	CASH RECEIVED TO DATE (MILLIONS)	VALUE OF RESIDUAL INVESTMENT (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	H1 2017	$2.0	$2.8	$0.2	$1.0	26%	51%	86
NBDX	H1 2017	$5.1	$7.2	$0.5	$2.6	26%	51%	86

Partial Realisation C: NBDD and NBDX

210%	ROR as at 31 December 2019	53%	IRR as at 31 December 2019

NBDD and NBDX invested $9.2m in preferred equity certificates ("PECs") and private equity of a European packaging company. The PECs were retired in full in 2015 and the company paid dividends on the equity during the holding period. Cash received to date is $23.2m. In the second quarter, the company announced it was purchasing another complementary packaging company (Partial Realisation B, above) and completed a recapitalisation to refinance existing debt, provide cash for the acquisition and pay a dividend to shareholders. The company's operating performance declined due to raw material price increases. The current value of the private equity position is $5.4m, generating a total return of $19.4m as at 31 December 2019. IRR was 53% and ROR was 210% with a holding period of 88 months at 31 December 2019.

C	EFFECTIVE PERIOD	CASH INVESTED (MILLIONS)	CASH RECEIVED TO DATE (MILLIONS)	VALUE OF RESIDUAL INVESTMENT (MILLIONS)	TOTAL RETURN (MILLIONS)	IRR	ROR	MONTHS HELD
NBDD	H1 2017	$2.6	$6.5	$1.5	$5.4	53%	210%	88
NBDX	H1 2017	$6.6	$16.7	$3.9	$14	53%	210%	88

Neuberger Berman Investment Advisers LLC

14 April 2020

Neuberger Berman Europe Limited

14 April 2020

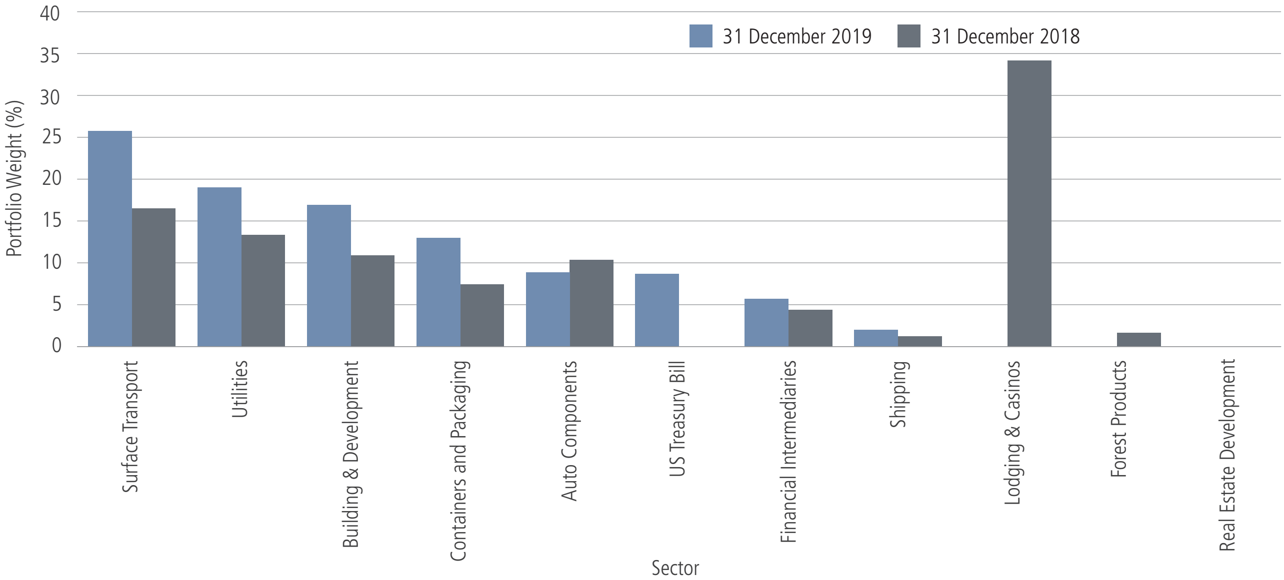
Portfolio Information

Ordinary Share Class

TOP 10 HOLDINGS AT 31 DECEMBER 2019

HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Surface Transport	Trade Claim	Defaulted	Brazil	24%	Municipal claim
2	Utilities	Public Equity	Post-Reorg	US	17%	Power plants
3	Building & Development	Public Equity	Post-Reorg	US	15%	Residential real estate
4	Containers & Packaging	Private Equity	Post-Reorg	Luxembourg	11%	Manufacturing/distribution/real estate
5	Auto Components	Secured Notes/ Private Equity	Post-Reorg	US	8%	Manufacturing Plant and equipment
6	Government Bonds	Secured Notes	Defaulted	US	8%	Cash & securities
7	Financial Intermediaries	Secured Notes	Defaulted	US	5%	Cash & securities
8	Containers & Packaging	Public Equity	Post-Reorg	Luxembourg	1%	Vessels
9	Shipping	Public Equity	Post-Reorg	US	1%	Maritime vessels
10	Utilities	Public Equity	Post-Reorg	US	1%	Vessels
Total					**93%**	

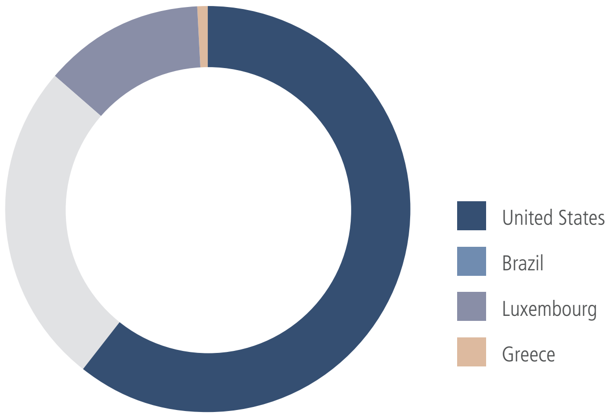
Sector Breakdown[1]



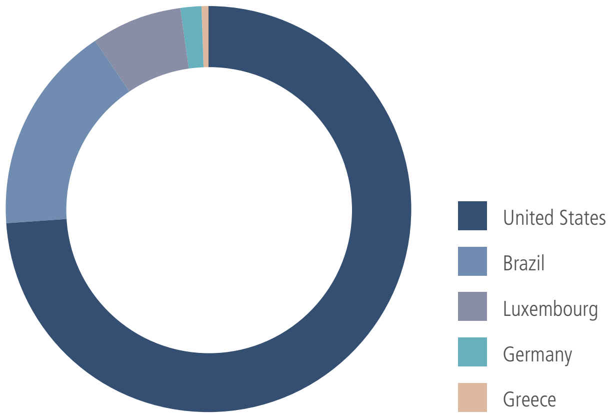
1 Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S Bank Global Fund Services (Guernsey) Limited/U.S. Bank Global Fund Services (Ireland) Limited as Administrator/Sub-Administrator to the Company. Please note that irrespective of the "sector" in which an investment is made, the underlying assets constituting the collateral for the investment comprise real estate assets in a majority of cases. As a result, NBDD's overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

Country Breakdown[2]

31 DECEMBER 2019



31 DECEMBER 2018



2 Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 31 December 2019 and 31 December 2018.

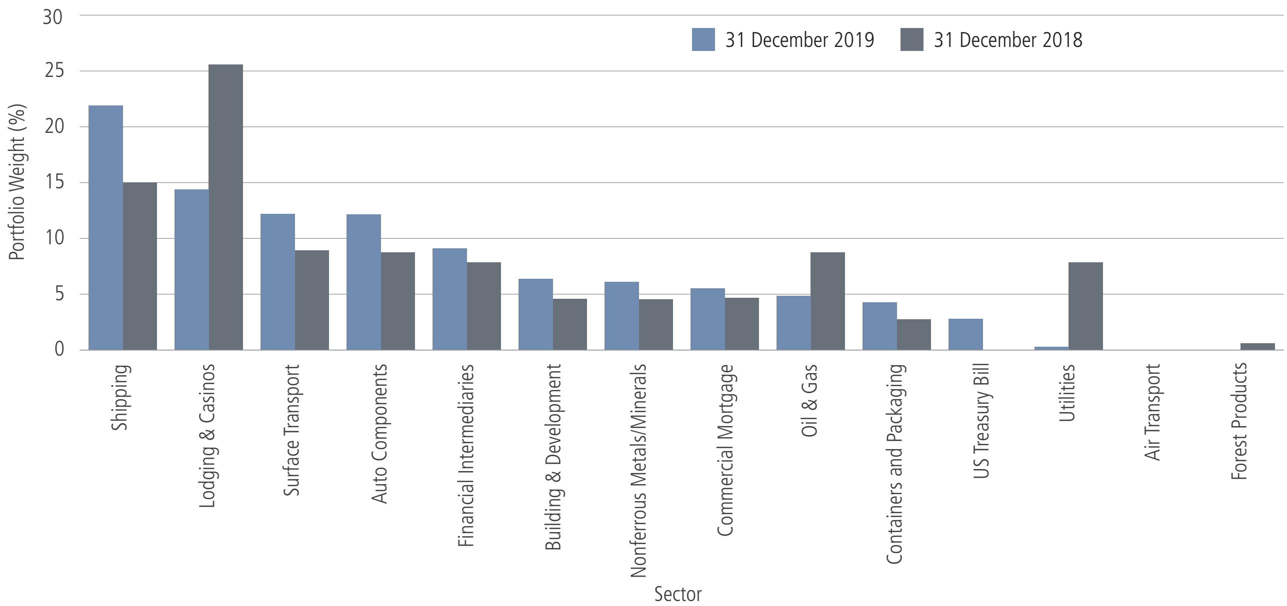
Portfolio Information (continued)

Extended Life Share Class

TOP 10 HOLDINGS AT 31 DECEMBER 2019

HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Auto Components	Secured Notes/ Private Equity	Post-Reorg	US	12%	Manufacturing plant and equipment
2	Shipping	Secured Notes/ Private Equity	Post-Reorg	Marshall Islands	11%	Maritime vessels
3	Financial Intermediary	Secured Notes	Defaulted	US	9%	Cash & securities
4	Surface Transport	Trade Claim	Defaulted	Brazil	8%	Municipal claim
5	Building & Development	Public Equity	Post-Reorg	US	6%	Residential real estate
6	Nonferrous Metals/Minerals	Private Equity	Post-Reorg	US	6%	Manufacturing/distribution real estate
7	Shipping	Public Equity	Post-Reorg	Denmark	6%	Maritime vessels
8	Lodging & Casinos	Public Equity	Post-Reorg	US	6%	Hotel/Lodging real estate
9	Commercial Mortgage	Secured Loan	Post-Reorg	Netherlands	5%	Commercial real estate
10	Shipping	Public Equity	Post-Reorg	US	4%	Maritime vessels
Total					**73%**	

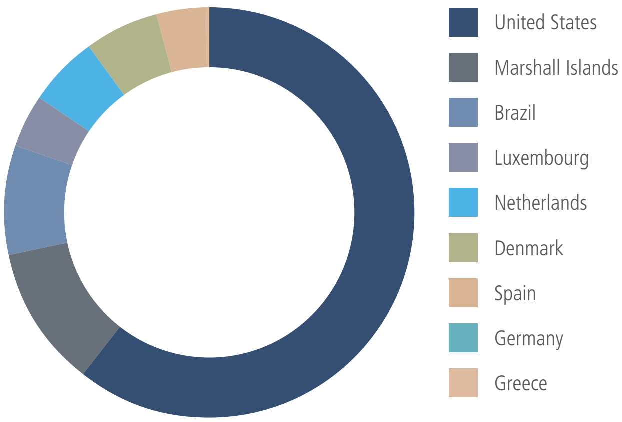
Sector Breakdown[1]



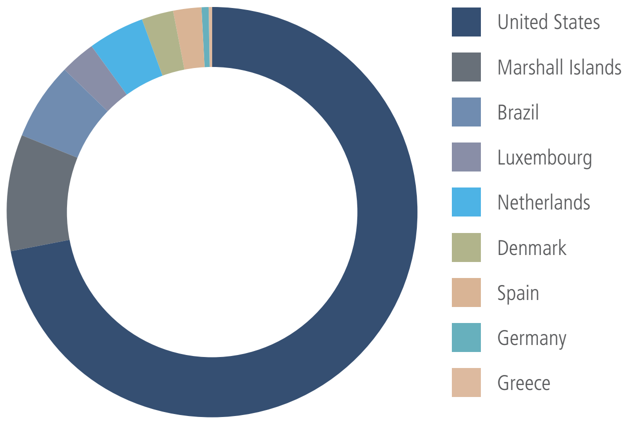
1 Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S Bank Global Fund Services (Guernsey) Limited/U.S. Bank Global Fund Services (Ireland) as Administrator/Sub-Administrator to the Company. Please note that irrespective of the "sector" in which an investment is made, the underlying assets constituting the collateral for the investment comprise real estate assets in a majority of cases. As a result, NBDX's overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

Country Breakdown[2]

31 DECEMBER 2019



31 DECEMBER 2018



2 Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 31 December 2019 and 31 December 2018.

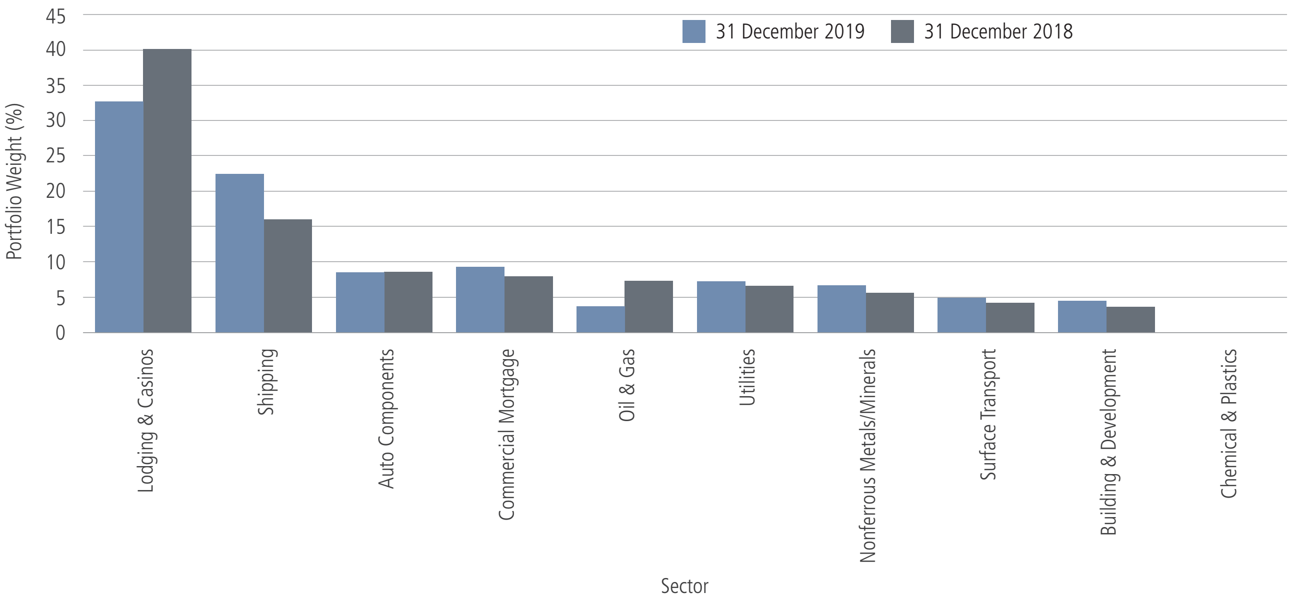
Portfolio Information (continued)

New Global Share Class

TOP 10 HOLDINGS AT 31 DECEMBER 2019

HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Lodging & Casino	Public Equity	Post-Reorg	US	18%	Hotel/casino
2	Lodging & Casino	Secured Loan/ Private Equity	Post-Reorg	Spain	11%	Hotel/lodging real estate
3	Commercial Mortgage	Secured Loan	Current	Netherlands	9%	Commercial real estate
4	Shipping	Public Equity	Post-Reorg	Denmark	9%	Maritime vessels
5	Auto Components	Secured Loan/ Private Equity	Post-Reorg	US	8%	Manufacturing plant and equipment
6	Shipping	Public Equity	Post-Reorg	US	7%	Maritime vessels
7	Nonferrous Metals/Minerals	Private Equity	Post-Reorg	US	6%	Manufacturing/distribution real estate
8	Shipping	Secured Loan/ Private Equity	Post-Reorg	Marshall Islands	6%	Maritime vessels
9	Utilities	Public Equity	Post-Reorg	US	6%	Power plants
10	Surface Transport	Secured Loan	Defaulted	Spain	5%	Rail concession
Total					**85%**	

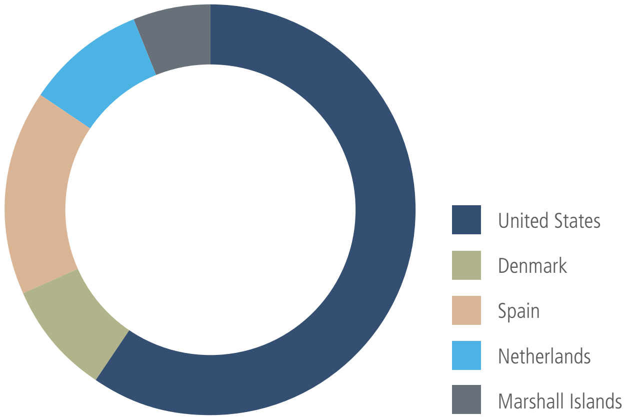
Sector Breakdown[1]



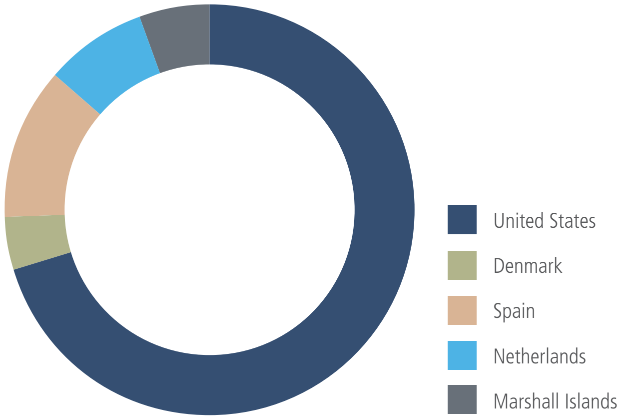
1 Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S Bank Global Fund Services (Guernsey) Limited/U.S. Bank Global Fund Services (Ireland) Limited as Administrator / Sub-Administrator to the Company. Please note that irrespective of the "sector" in which an investment is made, the underlying assets constituting the collateral for the investment comprise real estate assets in a majority of cases. As a result, NBDG's overall exposure to the real estate sector may be more than its actual direct exposure to that sector.

Country Breakdown[2]

31 DECEMBER 2019



31 DECEMBER 2018



2 Categorisations determined by Neuberger Berman and percentages determined by the Administrator, based on market values at 31 December 2019 and 31 December 2018.

Strategic Report

Principal Risks and Risk Management

The Board is responsible for the Company's system of internal financial and operating controls and for reviewing its effectiveness. The Board uses the Company's risk matrix as its core element in establishing the Company's system of internal financial and reporting controls. The Board has carried out a robust assessment of the Company's emerging and principal risks and uncertainties including those that would threaten its business model, future performance, solvency or liquidity. The principal risks, which have been identified, and the steps taken by the Board to mitigate these areas are as follows:

RISK	MITIGATION
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.	The Board has managed these risks by ensuring a diversification of investments, although the level of diversification will diminish as the respective Portfolios liquidate their positions during their harvest periods. Please see "Principal Risks Specific to Harvest Periods" below. 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.
Principal Risks Associated with Harvest Periods	
There can be a significant period between the date the Company makes an investment and the date that any gain or loss on such investment is realised. Further, towards the end of the Portfolios' respective harvest periods, a residual amount is required to be retained for each share class in accordance with regulatory requirements until such time that all assets can be liquidated and returned to shareholders.	The Board has ensured that the Investment Manager has operated in accordance with the investment limits and restrictions policy set out in the Company's Investment Policy and Objectives, although it acknowledges that the diversification of Portfolio investments will diminish as the Portfolios liquidate their positions and return capital to shareholders. The Board also receives regular updates on the status of the Portfolios' investments and anticipated realisation dates.
As capital is returned through compulsory partial redemptions and buybacks, the number of assets and shares in a Portfolio will diminish which in turn may lead to an increased TER and reduced liquidity in a Portfolio's shares.	The Board monitors the Company's expenses on a regular basis and ensures that contracts with the Investment Manager and other service providers are at competitive rates. The Board also notes that the Company's key expenses, such as the management fee, will diminish in line with a reduction of assets. The Company retains the services of its broker, Stifel Nicolaus Europe Limited to, amongst other things, enhance liquidity in the underlying shares.

RISK	MITIGATION
Level of Premium or Discount 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 or premium to NAV per share through discount management mechanisms, such as buybacks or share issuance, 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 Market price risk is the potential for changes in the value of an investment or Portfolio. The market value of investments 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. Further details on market price risk are provided in Note 4 on page 87.	The Board has, over the Investment Periods of the various share classes, ensured that the Investment Manager has operated in accordance with the Company's investment guidelines. The Directors monitor the status of the Portfolio investments with the Investment Manager at each quarterly Board meeting and monitor risk factors in respect of the Portfolios.
Fair Valuation of Illiquid Assets With respect to investments that do not have a readily ascertainable market quotation in an active market, the Investment Manager will value such investments at fair value and such valuations will be inherently uncertain. Because of the inherent uncertainty and subjectivity in determining the fair value of investments that do not have a readily ascertainable market quotation in an active market, the fair value of the Company's investments as determined in good faith by the Investment Manager may differ significantly from the values that would have been used had a ready market existed for such investments. The reliability of the NAV calculations published by the Company will be impacted accordingly.	With respect to investments comprised in the Company's Portfolios that do not have a readily available market quotation, such as unquoted investments or investments which are listed but deemed to be illiquid, the Investment Manager values such investments at fair value on each NAV calculation date in accordance with its customary valuation methods, policies and procedures. Further information on the Company's valuation process can be found in Note 2(g) under "Investment Transactions, investment income/expenses and valuation", and Note 2(f), "Fair Value of Financial Instruments", of the Audited Consolidated Financial Statements (the "Financial Statements"). The Board monitors, reviews and challenges the Company's fair valued assets on a regular basis to ensure compliance with the agreed methodology. The Board reviews the Investment Manager's internal review process.
Accounting, Legal and Regulatory The Company must comply with the provisions of the Law, and since its shares trade on the SFS, the Company is required to comply with the FCA's Disclosure Guidance 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.	The Board relies on the Company Secretary and the Company's advisers to ensure adherence to the Guernsey legislation 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 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 39 to 46.

Strategic Report (continued)

Emerging Risks

The Board undertakes a quarterly assessment of all risks on a forward-looking basis, and in discussion with the Investment Manager identifies emerging risks in addition to assessing expected changes to existing risks as discussed above. The Board assesses the likelihood and impact of emerging risks. The Board will discuss and agree appropriate mitigation or management of emerging risks as relevant to those emerging risks. Such examples of emerging risks identified in the year included, new risks associated with a disorderly Brexit, result of the U.K. general election, replacement of LIBOR and more recently coronavirus COVID-19 and the forthcoming US Presidential elections. Emerging risks are managed through discussion of the likelihood and impact at each quarterly Board meeting. Should an emerging risk be determined to have any potential impact on the Company, appropriate mitigating measures and controls are agreed.

Going Concern

The Company's principal activities are set out on page 4. The financial position of the Company is set out on page 63. In addition, note 4 to the Financial Statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management 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 twelve months from the date these accounts are signed and the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Financial Statements and confirm that they have been prepared in accordance with Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks, published by the FRC.

The going concern statement required by the 2019 AIC Code of Corporate Governance (the "AIC Code") is set out in the "Directors' Responsibilities Statement" on page 58.

Viability Statement

In accordance with provision 8.2 paragraph 36 of the AIC Code of Corporate Governance, published in February 2019 (the "AIC Code"), the Directors have assessed the future prospects of the Company. In making their assessment the Directors have considered the Company's status as an investment entity, its investment objectives, the principal risks it faces, its current position and the time period over which its assets are likely to be realised.

In their assessment of the viability of the Company over the forthcoming two years, the Directors have carried out a robust assessment of the principal risks and uncertainties the Company faces, as detailed on pages 26 to 27. These principal risks include the timing of asset realisations during the Portfolios' harvest periods, the Company's income and expenditure projections, and the expected cash flows arising in particular from capital distributions to shareholders. The Directors noted that such distributions may be restricted if the interest and dividend income generated in the Portfolios is not sufficient to meet operational expenses.

As part of their review, the Directors carried out a series of stress tests under different scenarios which assumed a significant fall in income and asset levels and a corresponding increase in expenses and were satisfied with the results of this analysis.

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 remaining life of each of its three share classes, which the Directors consider to be the two year period to 31 December 2021. However, the Directors noted that the prospects for the Company, which has an indefinite life, are subject to change should the Company add new share classes to its structure before the existing Portfolios' assets are fully realised.

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 other debt-orientated investment companies and various indices the performance of the Portfolios as well as the NAV, income and share price of each share class. To assist in this review the Board considers 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 of the holdings within the Portfolios;

- 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 other debt-orientated investment companies. The Company publishes a NAV per share on a daily basis through the official newswire of the London Stock Exchange. The Company's Extended Life Shares traded between a discount of 5.3% and 21.7% with an average discount of 11.92%. The Company's New Global Shares traded between a discount of 10.9% and 17.4% with an average discount of 13.34%. The Company's Ordinary Share Class did not trade at a discount during the year ended 31 December 2019.
- Ongoing Charges – In the year to 31 December 2019, the Company's Ongoing Charges were 2.12%. This figure is based on an annual expense figure for the year of $4,915,568. This figure, which has been prepared in accordance with AIC guidance represents the Company's management fees and all other operating expenses, excluding finance costs payable, expressed as a percentage of average net assets. No performance fees were payable as at 31 December 2019. The Ongoing Charges by share class are disclosed on page 8.
- Total Expense Ratio ("TER") – In the year to 31 December 2019, the Company's TER was 2.24%. This figure is based on an annual expense figure for the year of $5,194,337. This figure which has been prepared in accordance with the US Generally Accepted Accounting Principles ("US GAAP") methodology, represents the annual percentage reduction in shareholder returns as a result of recurring operational expenses including any performance fee. No performance fees were payable as at 31 December 2019. The TERs by share class are disclosed on page 8.

Alternative Performance Measures ("APMs")

Alternative Performance Measures ("APMs") included in the Annual Financial Report and Financial Statements which require further clarification have been considered by the Board. An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs may not have a standard meaning prescribed by US GAAP and therefore may not be comparable to similar measures presented by other entities. APMs included in the Annual Report and Financial Statements are deemed to be as follows:

ALTERNATIVE PERFORMANCE MEASURES	PURPOSE AND/OR DESCRIPTION	CALCULATION
Internal Rate of Return ("IRR")	The IRR is calculated by first calculating the net present value (NPV), being (Today's value of the expected future cash flows) – (Today's value of invested cash). The IRR is a determination of what discount rate would cause the net present value (NPV) of an investment to be $0.	
Rate of Return ("ROR")	The RoR is the net gain or loss on an investment over a specified time period, expressed as a percentage of the investment's initial cost.	It is calculated by taking the difference between the current (or expected) value and original value, divided by original value and multiplied by 100. Opening NAV per share (A) Closing NAV per share (B) Rate of Return = (B-A)/A
Total Expense Ratio ("TER")	The TER is Management fees and all other operating expenses expressed as a percentage of average net assets during the year.	Annualised charges (A) Average undiluted net asset value in the period (B) Total Expense Ratio (%) = (A)/(B)

Strategic Report (continued)

Alternative Performance Measures ("APMs") (continued)

ALTERNATIVE PERFORMANCE MEASURES	PURPOSE AND/OR DESCRIPTION	CALCULATION
On-going charges	On-going Charges are calculated to the AIC Methodology, which is a measure, expressed as a percentage of NAV, of the regular, recurring costs of the Company. "*On-going charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of Company, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs*".	Ongoing charges (%) = (A)/(B) Annualised ongoing charges (A) Average undiluted net asset value in the period (B)
Net Asset Value per share ("NAV")	The NAV per share represents the net assets attributable to equity shareholders divided by the number of shares in issue, excluding any shares held in treasury. The NAV per Ordinary Share is published daily. This APM relates to past performance and is used to assess performance.	
Total Return	Total return is calculated by adding the current (or expected) value and cash received to date less the investment cost, and represents the amount of value our investors earn from a security over a specific period.	Current Investment value (A) Cash received on realisation of Investment (B) Original Investment cost (C) Total Return = (A+B)–C
Ratio of Total Value to original capital	Ratio of Total Value to original capital is a total of NAV plus capital returned to investors expressed as a percentage of the original amount invested since inception.	Total Capital Distributions (A) Total Income Distributions (B) Total Buybacks (C) Current NAV (D) Total of NAV Plus Capital Returned, where (E) = A+B+C+D Original Capital Invested (F) Ratio of Total Value to original capital (%) = E/F

ALTERNATIVE PERFORMANCE MEASURES	PURPOSE AND/OR DESCRIPTION	CALCULATION
(Discount) or Premium to NAV	The share price of an Investment Company is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the NAV. If the share price is lower than the NAV per share, the shares are trading at a discount. This could indicate that there are more sellers than buyers. Shares trading at a price above the NAV per share are said to be at a premium. This is expressed as a percentage.	NAV per share (NBDD) (A) Share price per share (NBDD) (B) NBDD (Discount) or Premium = (B-A)/A NAV per share (NBDX) (A) Share price per share (NBDX) (B) NBDX (Discount) or Premium = (B-A)/A NAV per share (NBDG) (A) Share price per share (NBDG) (B) NBDG (Discount) or Premium = (B-A)/A

Management Arrangements

Investment Management Agreement

On 17 July 2014, the Company, the Manager and the AIFM made certain classificatory amendments to their contractual arrangements for the purposes of compliance with 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 ("IMA") dated 17 July 2014. The IMA was further amended and restated on 31 December 2017. 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 IMA to provide, amongst other things, certain administrative services to the Company. Please refer to Note 6 on page 90 for details of fee entitlement.

The IMA can be terminated either by the Company on one hand or the Investment Manager on the other, but in certain circumstances, the Company would be required to pay compensation to the Investment Manager of six months' management charges. No compensation is payable if notice of termination of more than six months is given.

Administration and Custody Agreement

Effective 1 March 2015, the Company entered into an Administration and Sub-Administration Agreement with U.S. Bank Global Fund Services (Guernsey) Limited ("USBG") and U.S. Bank Global Fund Services (Ireland) Limited ("USBI") a wholly-owned subsidiary of USBG. Under the terms of the agreement, Sub-Administration services are delegated to USBI (the "Sub-Administrator"). US Bank National Association (the "Custodian") was appointed custodian to the Company effective 1 March 2015. See Note 6 on page 90 for details of fee entitlement.

On 1 June 2018 the Company entered into an Amendment to the Administration and Sub-Administration agreement to reflect the requirements of the General Data Protection Regulation (EU) 2016/679 ("GDPR") and the Data Protection (Bailiwick of Guernsey) Law, 2017, as amended from time to time.

Company Secretarial and Registrar Arrangements

Effective 20 June 2017, company secretarial services are provided by Carey Commercial Limited. Registrar services are provided by Link Market Services (Guernsey) Limited.

See Note 6 on page 90 for details of fee entitlement.

Strategic Report (continued)

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 6 on page 91.

For and on behalf of the Board.

John Hallam
Chairman

14 April 2020

Christopher Legge
Director

14 April 2020

Directors

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 Real Estate Credit Investment Limited and a number of other financial services companies, some of which are listed on recognised exchanges. Mr Hallam served for many years as a member and latterly chairman of the GFSC, from which he retired in 2006.

Michael J. Holmberg

Michael J. Holmberg, Managing Director of Neuberger Berman, joined the NB Group in 2009. Mr Holmberg is the head of distressed portfolio management. Prior to joining NB Group, Mr Holmberg founded Newberry Capital Management LLC in 2006 and before that he 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. Mr Holmberg received a BA in economics from Kenyon College and an MBA from the University of Chicago.

Christopher Legge (Chairman of the Audit Committee)

Chris Legge is a Guernsey resident and worked for Ernst & Young in Guernsey from 1983 to 2003. Having joined the firm as an audit manager in 1983, he was appointed a partner in 1986 and managing partner in 1998. From 1990 to 1998, he was head of Audit and Accountancy and was responsible for the audits of a number of banking, insurance, investment fund, property fund and other financial services clients. He also had responsibility for the firm’s training, quality control and compliance functions. He was appointed managing partner for the Channel Islands region in 2000 and merged the business with Ernst & Young LLP in the United Kingdom. He retired from Ernst & Young in 2003. Chris currently holds a number of non-executive directorships in the financial services sector including several Guernsey investment companies which are listed in the UK and where he also chairs the Audit Committee. He is an FCA and holds a BA (Hons) in Economics from the University of Manchester.

Stephen Vakil (Chairman of the Management Engagement Committee and Chairman of the Remuneration Committee and Senior Independent Director (with effect from 1 January 2020))

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.

Christopher Sherwell stepped down with effect from 31 December 2019. Further details can be found in the Chairman’s statement on page 10.

Directors' Report

The Directors present their report and Financial Statements of the Company and their report for the year ended 31 December 2019.

Share Capital

The number of shares in issue at 31 December 2019 was as follows:

Class A Shares	2
Ordinary Shares	15,382,770
Extended Life Shares	114,146,794
New Global Shares	71,787,915

Share Buybacks

At the Annual General Meeting ("AGM") of the Company held on 25 June 2019, the Directors were granted the general authority to purchase in the market up to 14.99% of the Ordinary Shares, 14.99% of the Extended Life Shares and 14.99% of the New Global Shares in issue (as at 25 June 2019). The latest authority will expire at the AGM to be held on 25 June 2020. Pursuant to this authority, and 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 of the shares and assisting in controlling the share price discount to NAV per share.

During the year 2,430,499 Extended Life Shares and 950,000 New Global Shares were repurchased by the Company for immediate cancellation for gross consideration of $2,026,518 and £725,913 respectively. There were no buybacks of the Company's Ordinary Shares in 2019.

The Directors intend to seek annual renewal of this authority from Shareholders.

Distributions

The Company will, from time to time, pay out income distributions by way of dividend in respect of each share class in accordance with the Company's dividend policy as set out below. In addition, any capital proceeds attributable to a share class (as determined by the Directors in accordance with the Articles), will, at such times and in such amounts as the Directors shall in their absolute discretion determine, be distributed to shareholders of that class pro rata to their respective holdings of the relevant shares. Further information on the Company's income and capital distribution policies can be found on page 7.

Dividend Policy

As set out in the Company's Prospectus, the Company will pay out in respect of each class of shares an income distribution by way of dividend, comprising all net income received on investments of the Company attributable to such class of shares. It is not anticipated that income from the portfolio will be material and therefore any dividends may be on an ad-hoc basis. It is a requirement of an exception to the United Kingdom offshore fund rules that all income from the Company's Portfolio (after deduction of reasonable expenses) is to be paid to investors. This 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 class of Shares and will only be made available in accordance with 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). Furthermore, the amount of dividends paid in respect of one class of shares may be different from that of another class. This policy will be put to a shareholder vote by way of separate resolution at the 2020 AGM.

Distributions made during the year

Set out below are details of the distributions made during the year.

Income distribution by way of dividend

DATE	ORDINARY SHARE CLASS PER SHARE AMOUNT	EXTENDED LIFE SHARE CLASS PER SHARE AMOUNT	NEW GLOBAL SHARE CLASS PER SHARE AMOUNT
31 December 2019	–	\$0.0088	–

Capital distributions by way of a compulsory partial redemption

	ORDINARY SHARE CLASS			EXTENDED LIFE SHARE CLASS			NEW GLOBAL SHARE CLASS		
DATE	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT
1 April 2019	7,991,975	8,012,808	\$0.9974	19,991,952	20,648,577	\$0.9682	6,493,463	7,198,961	£0.9020
27 August 2019	–	–	–	4,991,953	5,418,379	\$0.9213	2,493,467	2,833,485	£0.8800
25 November 2019	–	–	–	10,491,950	11,460,349	\$0.9155	–	–	–

Substantial Share Interests

Based upon information deemed to be reliable as provided by the Company's registrar as at 8 April 2020, 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 (%)
Harewood Nominees Limited 4046320 ACCT	12,601,139			81.92
Prudential Client HSBC GIS Nominee (UK) Limited PAC ACCT			20,201,419	28.27
Prudential Client HSBC GIS Nominee (UK) Limited PAC ACCT		18,594,268		17.16
State Street Nominees Limited OM04 ACCT			9,222,792	12.90
BNY (OCS) Nominees Limited		10,249,772		9.46
State Street Nominees Limited OM04 ACCT		9,731,546		8.98
Nortrust Nominees Limited			6,287,404	8.80
Citibank Nominees (Ireland) Designated Activity Company CLRLUX ACCT		9,469,984		8.74
HSBC Global Custody Nominee (UK) Limited 898873 ACCT			5,859,373	8.20
Lynchwood Nominees Limited 2006420 ACCT		8,030,120		7.41
Roy Nominees Limited 802644 ACCT			4,691,218	6.56
JP Morgan Securities LLC Clientsk ACCT			4,595,727	6.43

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.

Directors' Report (continued)

Notifications of Shareholdings

In the year to 31 December 2019 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%. Class A shares do not hold voting rights.

SHAREHOLDER[1]	NUMBER OF SHARES	PERCENTAGE OF TOTAL VOTING RIGHTS (%)
Prudential plc group of companies		
M&G Plc	25,271,647 NBDX	11.83%
	20,201,419 NBDG	9.46%

Since the year end at the date of this report, there have been no notifications received by the Company.

Directorship Disclosures in Public Companies (as at 31 December 2019)

COMPANY NAMES	EXCHANGE(S)
Mr John Hallam	
Investec Premier Funds PCC Limited	The International Stock Exchange ("TISE")
NB Distressed Debt Investment Fund Limited	SFS, London
Real Estate Credit Investments Limited	London
Ruffer Illiquid Strategies Fund 2011 Limited	TISE, Guernsey
Ruffer Illiquid Multi Strategies Fund 2015 Limited	TISE, Guernsey
Mr Michael Holmberg	
NB Distressed Debt Investment Fund Limited	SFS, London
Mr Christopher Legge	
Ashmore Global Opportunities Limited	London
NB Distressed Debt Investment Fund Limited	SFS, London
Sherborne Investors (Guernsey) B Limited	SFS, London
Sherborne Investors (Guernsey) C Limited	SFS, London
Third Point Offshore Investors Limited	London
Twenty Four Select Monthly Income Fund Limited	London
Mr Stephen Vakil	
NB Distressed Debt Investment Fund Limited	SFS, London

Anti-Bribery and Corruption Policy

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 them 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. The Company's policy is available on its website at www.nbddif.com/corporate_governance.html

Criminal Facilitation of Tax Evasion Policy

The Board of the Company has a zero tolerance commitment to preventing persons associated with it from engaging in criminal facilitation of tax evasion. The Board has satisfied itself in relation to its key service providers that they have reasonable provisions in place to prevent the criminal facilitation of tax evasion by their own associated persons and will not work with service providers who do not demonstrate the same zero tolerance commitment to preventing persons associated with it from engaging in criminal facilitation of tax evasion. The Company's policy is available on its website at www.nbddif.com/corporate_governance.html.

General Data Protection Regulation

The Company takes privacy and security of your information seriously and will only use such personal information as set out in the Company's privacy notice which can be found on the Company's website at: https://www.nbddif.com/pdf/NB_Privacy_Notice_2019.pdf

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 Principles 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 2019 (2018 – none), nor does it have responsibility for any other emissions producing sources.

Climate Change

During the year, the Board identified activism relating to climate change as an emerging risk. The Board is conscious of its own impact on the environment, despite being an investment company with no employees, and has committed, on a going forward basis, to offset its carbon-emissions arising from the air travel by the members of the Board undertaking Company related business. In addition, the Board makes extensive use of teleconferencing facilities thus limiting the amount of travel, all board papers are produced and hosted digitally via a dedicated board web-portal and the Company makes relevant enquiries to our key service providers during face-to-face meetings about their initiatives and attitudes to climate change. In respect to the Company's investments, as an example, the three publicly traded shipping companies have all invested in modern, more fuel efficient vessels while selling or scrapping older, less efficient assets. These companies, as well as the private shipping investments, have worked to comply with the new environmentally friendly International Maritime Organization regulations that require either the use of cleaner fuel or the installation of scrubbers on each vessel to prevent the emission of sulphur oxide into the atmosphere.

Directors' Report (continued)

Gender Metrics

The current Board members are male. More information on the Board's consideration of diversity is given in the Corporate Governance Report on page 42.

The Modern Slavery Act 2015 ("MSA")

The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company has no employees and does not supply goods or services, the MSA does not directly apply to it. The MSA requirements more appropriately relate to the Investment Manager which is a signatory of the Principles of Responsible Investment (please see "Employees and Socially Responsible Investment" above) which include social factors such as working conditions, including slavery and child labour.

Employee Engagement & Business Relationships

The Company conducts its core activities through third-party service providers and does not have any employees. The Board recognises the benefits of fostering strong business relationships with its key service providers and seeks to ensure each is committed to the performance of their respective duties to a high standard and, where practicable, that each provider is motivated to adding value within their sphere of activity. Details on the Board's approach to service provider engagement and performance review are contained in the Management Engagement Committee Report.

Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving this report are listed on pages 33 and 40. 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.

For and on behalf of the Board

John Hallam	**Christopher Legge**
Chairman	Director
14 April 2020	14 April 2020

Corporate Governance Report

Applicable Corporate Governance Codes

As the Company is listed on the SFS it is only required to follow the GFSC code of corporate governance (the "Code"), applicable to Guernsey companies. However, the Board has chosen to follow the AIC Code of Corporate Governance published in February 2013 and last amended in February 2019 (the "AIC Code"). The AIC Code addresses all the principles set out in the Code as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

On 1 January 2012, the GFSC's "Finance Sector Code of Corporate Governance" came into effect and was amended in February 2016. The GFSC has stated in its 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 2019 AIC Code.

The Board considers that reporting against the principles and recommendations of the AIC Code will provide more relevant information to shareholders. Copies of the AIC Code can be found at www.theaic.co.uk.

Corporate Governance Statement

Throughout the year ended 31 December 2019 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.

The Directors believe that this Annual Report and Audited Financial Statements, presents a fair, balanced and understandable assessment of the Company's position and prospects, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Company complies with the corporate governance statement requirements pursuant to the FCA's DTRs by virtue of the information included in the Corporate Governance section of the Annual Report together with information contained in the Strategic Report and the Directors' 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 on pages 40 to 46.

Senior Independent Director: Stephen Vakil (with effect from 1 January 2020)

Responsibilities:

The Senior Independent Director's ("SID") role is to work closely with the chairman, acting as a sounding board and providing support, acting as an intermediary for other directors as and when necessary. The SID is available to shareholders and other non-executives to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication (i.e. through the chairman, other directors or Investment Management executives). The SID is also responsible, along with the non-executive Directors, for review of the chairman's performance and carrying out succession planning for the chairman's role as deemed appropriate. The SID is available to attend meetings with all shareholders to obtain a balanced understanding of their issues and concerns.

Corporate Governance Report (continued)

Our Governance Framework (continued)

The Board members of NB Distressed Debt Investment Fund Limited

John Hallam (Chairman) – independent non-executive Director

Christopher Legge 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:
Christopher Legge (Chairman)
Christopher Sherwell[1]
Stephen Vakil

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 47 to 50.

MANAGEMENT ENGAGEMENT COMMITTEE

Members:
Stephen Vakil (Chairman)
John Hallam
Christopher Legge
Christopher Sherwell[1]

Responsibilities:
To review the performance of all service providers (including the Investment Manager)

More details are provided on pages 51 to 52.

REMUNERATION COMMITTEE

Members:
Stephen Vakil (Chairman)
John Hallam
Christopher Legge
Christopher Sherwell[1]

Responsibilities:
To review the on-going appropriateness and relevance of the remuneration policy.

More details are provided on page 54.

INSIDE INFORMATION COMMITTEE

Members:
John Hallam
Michael Holmberg
Christopher Legge
Christopher Sherwell[1]
Stephen Vakil

Responsibilities:
To identify inside information and monitor the disclosure and control of inside information.

More details are provided on page 53.

1 Christopher Sherwell stepped down as a director on 31 December 2019.

Board Independence and Composition

The biographical details of the Directors holding office at the date of this report are listed on page 33 and demonstrate a breadth of investment, accounting and professional experience.

Whilst in April 2019 John Hallam had served on the Board for over nine years, the Board remains satisfied that John Hallam continues to exercise independent judgement, and that retaining the depth of knowledge of the Company held by John is in the best interests of the Company as a whole, given the current position of the Company.

John Hallam, Christopher Legge 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. Mr Sherwell was considered independent throughout his tenure.

The Board believes 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, Remuneration Committee or the Management Engagement Committee and is not involved in any matters discussed by the Board concerning the evaluation of the performance of the Investment Manager.

The Directors review their independence annually.

The Company Secretary 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;
- will organise 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 2020 AGM. The length of service of each Director is shown in the Directors' Remuneration Report on pages 55 to 57. Any Director may resign in writing to the Board at any time.

The Board has formal, rigorous and transparent procedures for the appointment of additional directors. Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board, including gender. The Board undertakes a broad search which includes obtaining lists of potential candidates from a variety of sources leading to agreed short-lists. Interviews are then held with potential candidates. The skills, experience and time availability of each candidate is considered by the Board with due regard to the skills and experience necessary to replace those lost by retirements or otherwise considered desirable to strengthen the Board. Short-listed candidates are invited to meet the Chairman and the Investment Manager and feedback is provided to the Board prior to selection.

In accordance with the AIC Code all current Directors offer themselves for re-election at the 2020 AGM of the Company; John Hallam, Michael Holmberg, Christopher Legge, Stephen Vakil and Christopher Sherwell were re-elected as Directors at the AGM on 25 June 2019. The names and biographies of the Directors holding office at the date of this report are listed on page 33.

Corporate Governance Report (continued)

Tenure of Non-Executive Directors

The Board has adopted a policy on tenure that is considered appropriate for an investment company. Mr Hallam has served as a director of the Company for over nine years. 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 has sought to appoint Directors with past and current experience of various areas relevant to the Company's business. The Board agreed to adopt an amended tenure and succession policy in February 2018 which is reflective of the Board's belief that it is not in the best interests of shareholders to replenish the Board at the current time when the long-term outlook of the umbrella of the Company is unknown, save for the appointment of directors to fill a key vacant position with due regard to the skills and experience necessary to replace those lost by Directors' retirements.

Directors are expected to devote such time as is necessary to enable them to discharge their duties. Other business relationships, including those that conflict or may potentially conflict with the interests of the Company, are taken into account when appointing Board members and are monitored on a regular basis.

Re-election of Directors

John Hallam, Michael Holmberg, Christopher Legge and Stephen Vakil have confirmed their intention to submit themselves for re-election at the next AGM to be held on 25 June 2020.

The Board recognises that the Portfolios are now in their harvest periods and, as such, it believes that it is in the best interests of shareholders and the Company to maintain the current Board composition for the time being in order to benefit from the Directors' technical knowledge and experience of managing the Company's affairs as the assets continue to wind down. The Board confirmed that the contributions made by the Directors offering themselves for re-election at the AGM on 25 June 2020 continue to be effective and that the Company should support their re-election.

The dates of appointment of all Directors are provided in the Directors' Remuneration Committee Report on page 57.

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, Hampton-Alexander Review and the Parker Review, 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, ethnicity, nationality or any other criterion of representation on the Board. At 31 December 2019, the Board members were male. 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 enhances the Board but has no current plans to refresh 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. With the Portfolios now in their harvest periods, the Investment Manager takes decisions as to the sale of individual investments, in line with the investment policy and strategy set by the Board. The Investment Manager together with the Company Secretary and Administrator 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 attend each Board meeting, enabling the 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. This is available on the Company's website www.nbddif.com.

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 2019, except Michael Holmberg, an employee of the Neuberger Berman Group of which the Investment Manager is a part.

The Directors' Remuneration Report on page 55 to 57 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 November 2019, by means of an internal questionnaire. The Company Secretary collated the results of the questionnaires and the consolidated results were reviewed and discussed by the Board and by the Remuneration Committee. The Chairman reviewed each individual Director's contribution.

The 2019 evaluation concluded that:

- the performance of the Board, its committees, the Chairman and each of the Directors continues to be effective;
- Mr Hallam, Mr Legge and Mr Vakil are unanimously considered independent;
- all current Directors should be proposed for re-election at the 2020 AGM; and
- the Board was considered to have an appropriate mix of skills and experience.

The Board intends to conduct another internal board evaluation in November 2020, and will continue to review its procedures, its effectiveness and development in the year ahead.

The Directors noted that all three share classes were currently in harvest phase and agreed that, due to the position of the Company, it was not beneficial or necessary to incur the costs of an externally facilitated external evaluation. The Directors agreed that if the Company's life were extended, further consideration would be given to an externally facilitated evaluation and therefore agreed to keep this position under review.

The Remuneration and Nomination Committee (excluding John Hallam) led by the Chairman of the Remuneration and Nomination Committee reviewed the Chairman. It was agreed that the Chairman was well-regarded by the other Board members and that he provided excellent depth of knowledge of the Company. In addition, the Chairman has actively offered himself to meet with shareholders over the year. All independent Directors are members of the Remuneration and Nomination Committee and as such it is not considered necessary for the Senior Independent Director ("SID") to lead the discussions.

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. The Chairman confirmed that all directors actively kept up to date with industry developments and issues.

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.

Corporate Governance Report (continued)

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.

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 Management Engagement Committee is responsible for the oversight of service providers.

The Board receives and considers reports regularly from the Investment Manager and ad hoc reports and information are supplied to the Board as required. With the Portfolios now in their harvest periods, the Investment Manager takes decisions as to the 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.

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 ("Broker") and the Investment Manager, and shareholders are welcome to contact the Directors at any time via the Company Secretary by email at: NB.Distressed@wearecarey.com.

The Directors believe that the AGM provides an appropriate forum for shareholders to communicate with the Board and encourages participation. There is an opportunity for individual shareholders to question the Chairman of the Board, the Audit Committee, Management Engagement Committee, Remuneration Committee and Inside Information Committee at the AGM. The Board also welcomes the opportunity to meet with investors on a one-to-one basis, upon request.

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 not been lodged in favour of a resolution, an immediate announcement will be made and further disclosures will be made in the next Annual Report. The Broker and the Investment Manager will seek feedback from investors. In addition to this the Broker 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.

Key Stakeholder Groups

The Company identifies its key stakeholder groups as follows:

Shareholders

All Board decisions are made with the Company's success in mind, which is ultimately for the long-term benefit of our shareholders.

Service Providers

Our service providers' relationships are vital to our overall success, so as a Board we carefully consider the selection of, and engagement and continued relationship with our key service providers being the Investment Manager, Administrator, Custodian, Broker, Legal Advisers, Registrar, Auditor and Company Secretary.

The Board recognises the benefits of fostering strong business relationships with its key service providers and seeks to ensure each is committed to the performance of their respective duties to a high standard and, where practicable, that each provider is motivated to adding value within their sphere of activity.

The Board has delegated various duties to external parties including the management of the investment portfolio, 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 continues to have regular face-to-face meetings with all key service providers.

Stakeholders and Section 172

Whilst directly applicable to UK domiciled companies, the intention of the AIC Code is that matters set out in section 172 of the UK Companies Act, 2006 are reported. The following disclosures offer some insight into how the Board uses its meetings as a mechanism for discharging its duties under Provision 5 of the AIC Code, including the breadth of matters it discussed and debated during the year and the key stakeholder groups that were central to those discussions. The Board's commitment to maintaining the high-standards of corporate governance recommended in the AIC Code, combined with the directors' duties enshrined in Company law, the constitutive documents, the Disclosure Guidance and Transparency Rules, and Market Abuse Regulation, ensures that shareholders are provided with frequent and comprehensive information concerning the Company and its activities via the Company's website and Regulatory Information Service ("RIS") announcements on the London Stock Exchange such as the quarterly factsheets.

Each Board meeting follows a carefully tailored agenda agreed in advance by the Board and Company Secretary. A typical meeting will comprise reports on current financial and operational performance from the Administrator, market update from the Broker, portfolio performance from the Investment Manager, with regulatory and governance updates from the Company Secretary and where required, a detailed deep dive into an area of particular strategic importance or concern. Through oversight and control, we have in place suitable policies to ensure the Company maintains high standards of business conduct, treats customers fairly, and employ high standards of corporate governance.

Whilst the primary duty of the Directors is owed to the Company as a whole, the Board considers as part of its decision making process the interests of all stakeholders. Particular consideration being given to the continued alignment between the activities of the Company and those that contribute to delivering the Board's strategy, which include the Investment Manager, Administrator, and the Company Secretary.

The Annual Report, Key Information Documents and quarterly fact sheets 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 via a Regulatory Information Service 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 Company's website at www.nbddif.com.

The Board respects and welcomes the views of all stakeholders. Any queries or areas of concern regarding the Company's operations can be raised with the Company Secretary.

2020 AGM

The 2020 AGM will be held in Guernsey on 25 June 2020. The notice for the AGM will set out the ordinary and special resolutions to be proposed at the meeting. Separate resolutions are proposed for each substantive issue. 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 94.

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 the Company's website and announced via a Regulatory Information Service. Where a significant number of votes has been lodged against a proposed resolution (being greater than 20%), in accordance with the AIC Code published in February 2019, it is the Board's policy that the Board will identify those shareholders and further understand their views to address the concerns of the Company's shareholders. There were no significant votes cast against the resolutions proposed at the 2019 AGM.

Corporate Governance Report (continued)

Board Meetings

The Board meets at least four times a year. Certain matters are considered at all Board meetings including Portfolio composition and asset realisation strategy, capital repayments and income distributions by way of dividend, 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 an informal meeting with the Chairman or another non-executive Director.

The Chairman is responsible for ensuring the Directors receive complete information in a timely manner concerning all matters which require consideration by the Board. Through the Board's ongoing shareholder engagement and the reports produced by each key service provider, the Directors are satisfied that sufficient information is provided so as to ensure such matters are taken into consideration as part of the Board's decision-making process.

Attendance at scheduled meetings of the Board and its committees in the 2019 financial year

	BOARD	AUDIT COMMITTEE	MANAGEMENT ENGAGEMENT COMMITTEE	REMUNERATION COMMITTEE	INSIDE INFORMATION COMMITTEE
Number of meetings during the year	**4**	**4**	**1**	**1**	**1**
John Hallam	4	n/a	0	0	1
Christopher Legge	4	4	1	1	1
Michael Holmberg	4	n/a	n/a	n/a	1
Christopher Sherwell[1]	4	4	1	1	1
Stephen Vakil	4	4	1	1	1

In addition to these meetings, 7 ad-hoc board and board committee meetings were held during the year for various matters, primarily of an administrative nature including, but not limited to, distributions. These meetings were attended by those Directors available at the time.

1 Christopher Sherwell stepped down as a Director on 31 December 2019.

Board Committees

The Board has established an Audit Committee, Management Engagement Committee, Remuneration Committee and an Inside Information Committee with defined terms of reference and duties. Further details of these committees can be found in their reports on pages 47 to 53. The terms of reference for each committee can be found on the Company's website at www.nbddif.com.

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

For and on behalf of the Board.

John Hallam
Chairman
14 April 2020

Christopher Legge
Director
14 April 2020

Audit Committee Report

Membership

Christopher Legge – Chairman	(Independent non-executive Director)
Christopher Sherwell[1]	(Senior Independent non-executive Director until 31 December 2019)
Stephen Vakil	(Senior Independent non-executive Director with effect from 1 January 2020)

1 Christopher Sherwell stepped down as a Director on 31 December 2019.

Key Objectives

The Audit Committee aims to ensure 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 Audit 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 Audit Committee's activities to be included in the Company's Annual Report.

Audit Committee Meetings

The Audit Committee meets at least three times a year with only its members and the Audit Committee Secretary having the right to attend. However, other Directors and representatives of the Investment Manager and Administrator will be invited to attend such 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 independent auditor, KPMG Channel Islands Limited ("KPMG"), is also invited on a regular basis.

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

Audit Committee Report (continued)

Main Activities during the Year

The Audit Committee assisted 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 Audit Committee reports to the Board as part of a separate agenda item on its activities and matters of particular relevance to Board members in the conduct of their work.

The Board requested that the Audit Committee advise them on whether it believes the Annual Report, 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 the Audit Committee confirmed this to be the case.

The Audit Committee's terms of reference were updated during the year and can be found on the Company's website www.nbddif.com.

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

Financial Reporting

The primary role of the Audit Committee in relation to financial reporting is to review with the Investment Manager, Administrator and the external auditor the appropriateness of the 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 Audit Committee considered 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.

The members of the Audit Committee had meetings with KPMG, where their findings in respect of both the Interim Review and the Annual Audit were reported.

Significant Issues

In relation to the Annual Report and Financial Statements for the year ended 31 December 2019, the significant issue considered by the Audit Committee was the valuation of the Company's investments.

The Committee received a report from the Investment Manager on the valuation of the Portfolios and on the assumptions used in valuing the Portfolios. It analysed the investment Portfolios of the Company in terms of investment mix, fair value hierarchy and valuation and held detailed discussions with the Investment Manager regarding the methodology and procedures 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. 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 Audit Committee confirmed that it is satisfied with the valuation of the investments.

Internal Controls and Risk Management

The Audit 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 Audit Committee has overall responsibility 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 updated regularly and is formally reviewed at each quarterly Board meeting. The Board receives, each quarter, a formal report from the Investment Manager 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.

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 Committee was satisfied that this function provided significant control to help mitigate the risks to the Company.

In addition, the Audit Committee annually receives and reviews Internal Controls reports from independent sources, in respect of the Administrator, Sub-Administrator, Registrar, Custodian and Investment Manager.

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 26 to 27.

By means of the procedures set out above, the Audit Committee confirms that it has reviewed the effectiveness of the Company's system of internal controls for the year ended 31 December 2019 and to the date of approval of this Annual Report and that no concerns have been noted.

External Audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Audit Committee received a detailed audit plan from KPMG, identifying their assessment of these significant risks. For the 2019 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 considered the work done by the auditor to challenge management's assumptions and estimates around these areas. The Committee has assessed the effectiveness of the audit process in addressing these matters through the reports 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 2019 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 appropriate.

The Audit 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, Barry Ryan, took over the role as lead audit engagement partner in 2019 from Dermot Dempsey.

KPMG has been the Company's external auditor since its stock exchange listing in 2010 (9 years). The Company has not formally tendered the audit since then. The Audit Committee would normally consider putting the Company's audit out to tender at least every ten years (with the maximum duration of a continuous audit engagement being twenty years) and has given consideration to doing so this coming year. However it concluded that, given the current expectation of the wind down of the Company, it was not in the best interests of the Company to do so.

In its assessment of the independence of the auditor, the Audit 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 Audit Committee approved the fees for audit services for 2019 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.

Non-Audit Services

To safeguard the objectivity and independence of the external auditor from becoming compromised, the Audit Committee has a policy governing the engagement of the external auditor to provide non-audit services. The Committee made amendments to this policy in April 2017 in order to voluntarily adopt certain provisions of the FRC's Revised Ethical Standard 2016 relating to non-audit services as it applies to E.U. public interest entities. In 2020, in light of the life cycle of the Company, the Audit Committee recommended to the Board that the policy in respect to non-audit services be updated to remove the provision of a cap on non-audit services of 70% of the average of the audit fees in the last three years and the Board approved the updated policy. Further changes in regulations have occurred and the Audit Committee is considering the consequences of those changes to the Company. The Audit Committee has pre-approved the categories of non-audit services that may be performed by the Company's external auditors. The Audit Committee must be advised by the commissioning entity/person, and by the audit firm, of all assignments undertaken by the external auditors that fall within the pre-approved categories as soon as practicable.

Audit Committee Report (continued)

Main Activities during the Year (continued)

Non-Audit Services (continued)

All other non-audit services require prior approval by the Audit Committee. In respect of each calendar year the Audit Committee monitors the provision of non-audit services by receiving at least half yearly a list of the non-audit services provided (and expected to be provided) by the external auditor in that calendar year, and the fees involved, so that the Audit Committee can consider the impact on auditors' objectivity. The Audit Committee's policy on the Independence of External Auditor (including the provision of non-audit services) is available on its website at www.nbddif.com.

Auditor's Remuneration

	31 DECEMBER 2019 £
Audit	181,345
Taxation compliance & consulting services	72,687
Audit related services (review of interim report)	30,000
Total	**284,032**

Appointment and Independence

The Committee noted that for the year ended 31 December 2019 non-audit fees did not exceed audit fees.

In light of the growing focus on non-audit fees the Committee has enhanced its scrutiny to ensure that it is comfortable, on an ongoing basis that the nature of the non-audit work commissioned does not impinge on audit independence. The Committee did not consider that tax compliance and tax consultancy services presented a conflict as the services provided were all assessed as permissible prior to the commencement of the work and did not impact the audit work performed by the audit team.

The Investment Manager has responsibility for preparing and approving all tax calculations and tax returns. The output 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 to that of the audit engagement.

The Audit Committee has therefore recommended to the Board that KPMG be reappointed as external auditor for the year ending 31 December 2020, 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 2020 AGM on 25 June 2020.

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

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 43. The Committee was satisfied that it had undertaken its duties efficiently and effectively.

Christopher Legge
On behalf of the Audit Committee

14 April 2020

Management Engagement Committee Report

Membership

Stephen Vakil – Chairman	(Senior Independent non-executive Director with effect from 1 January 2020)
John Hallam	(Chairman of the Company and Independent non-executive Director)
Christopher Legge	(Independent non-executive Director)
Christopher Sherwell[1]	(Senior Independent non-executive Director until 31 December 2019)

1 Christopher Sherwell stepped down as a Director on 31 December 2019.

Key Objectives

To review performance of all service providers (including the Investment Manager).

Responsibilities

- To review annually the performance, relationships and contractual terms of all service providers (including the Investment Manager);
- Review and make recommendations on any proposed amendment to the Investment Manager Agreement ("IMA");
- To review the performance of, and contractual arrangements with the Investment Manager including:
  - Monitor and evaluate the Investment Manager's performance and, if necessary, provide appropriate guidance;
  - To consider whether an independent appraisal of the Investment Manager's services should be made;
  - To review the level and method of remuneration and notice period, using peer group comparisons (where available); and
  - To ensure that the Investment Manager has a sound system of risk management and internal controls and that these are maintained to safeguard shareholders' investment and the Company's assets.

Committee Meetings

Only members of the Management Engagement Committee and the Secretary have the right to attend Committee meetings. However, representatives of the Investment Manager and Administrator may be invited by the Committee to attend meetings as and when appropriate.

Main Activities during the year

The Management Engagement Committee met once during the year and reviewed performance, standard and value for money of the Company's service providers and the Investment Manager. The Management Engagement Committee reviewed the contractual terms, disaster recovery and business continuity arrangements, information security arrangements, details of anti-bribery and corruption policies, anti-facilitation of tax evasion policies, and the level of professional indemnity insurance of all service providers as at 25 November 2019, including the Investment Manager. In 2019 a due-diligence visit was carried out at the offices of the Registrar and U.K. Transfer Agent by the Investment Manager and no concerns were raised with respect to their operations, controls or processes. In addition, a due diligence visit was carried out by the Investment Manager on behalf of the Company with U.S. Bank Global Fund Services (Ireland) Limited and no concerns were raised with respect to their operations, controls or processes.

The Management Engagement Committee reviewed the Terms of Reference for the Committee and considered that they remained appropriate.

Continued Appointment of the Investment Manager and Other Service Providers

The Board reviews investment performance at each Board meeting and the performance of the Company's service providers are reviewed annually as part of the Management Engagement Committee's annual review.

Management Engagement Committee Report (continued)

Continued Appointment of the Investment Manager and Other Service Providers (continued)

Taking into consideration supplementary guidance issued by the AIC in 2019 which described certain measures by which investment companies may assess the relationship with the manager, in November 2019 the Board undertook an enhanced qualitative assessment of the performance of the Investment Manager. The feedback from this assessment confirmed that the Investment Manager's focus remained on the performance of their core duties, and that there existed a high level of congruence between the duties of the Investment Manager and the objectives of the Company. The Board does not consider it necessary to obtain an independent appraisal of the Investment Manager's services.

As a result of the 2019 annual review 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. The Investment Manager has extensive investment management resources and wide experience in managing investment companies.

Stephen Vakil

On behalf of the Management Engagement Committee

14 April 2020

Inside Information Committee Report

Membership

John Hallam	(Chairman of the Company and Independent non-executive Director)
Michael Holmberg	(non-executive Director)
Christopher Legge	(Independent non-executive Director)
Christopher Sherwell[1]	(Independent non-executive Director until 31 December 2019)
Stephen Vakil	(Senior Independent non-executive Director with effect from 1 January 2020)

1 Christopher Sherwell stepped down as a Director on 31 December 2019.

Key Objectives

To identify inside information and monitor the disclosure and control of inside information.

Responsibilities

- Identify inside information as it arises;
- Review and prepare project insider lists as required; and
- Consider the need to announce or to delay the announcement of inside information.

Committee Meetings

Only members of the Inside Information Committee and the Secretary have the right to attend Inside Information Committee meetings. However, representatives of the Investment Manager and Administrator may be invited by the Inside Information Committee to attend meetings as and when appropriate.

Main Activities During the year

The Inside Information Committee met once in the year on 26 February 2019 and the Inside Information Committee reviewed its Terms of Reference, the Company's policies and procedures for inside information and personal dealing. The Inside Information Committee's terms of reference were updated on 26 February 2019 and agreed that the policies and procedures remained relevant and accurate.

There were no delays to the disclosure of information during the year.

John Hallam
On behalf of the Inside Information Committee

14 April 2020

Remuneration Committee Report

Membership

Stephen Vakil – Chairman	(Senior Independent non-executive Director with effect from 1 January 2020)
John Hallam	(Chairman of the Company and Independent non-executive Director)
Christopher Legge	(Independent non-executive Director)
Christopher Sherwell[1]	(Senior Independent non-executive Director until 31 December 2019)

1 Christopher Sherwell stepped down as a Director on 31 December 2019.

Key Objectives

To review the ongoing appropriateness and relevance of the Company's remuneration policy.

Responsibilities

- Determine the remuneration of the Directors;
- Prepare an annual report on Directors' remuneration;
- Consider the need to appoint external remuneration consultants; and
- Oversee the performance evaluation of the Board; its committees and individual directors.

Committee Meetings

Only members of the Remuneration Committee and the Secretary have the right to attend Remuneration Committee meetings. However, representatives of the Investment Manager and Administrator may be invited by the Remuneration Committee to attend meetings as and when appropriate.

Main Activities During the year

The Remuneration Committee met once during the year and reviewed the Director's remuneration. The Remuneration Committee's terms of reference were updated during the year and can be found on the Company's website www.nbddif.com.

The Remuneration Committee considered the Directors' Remuneration and agreed that the current policy remained appropriate.

A detailed Directors' Remuneration report to shareholders from the Remuneration Committee is contained on pages 55 to 57.

Stephen Vakil
On behalf of the Remuneration Committee

14 April 2020

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 on25 June 2020.

Directors' Fees

The Company paid the following fees to the Directors for the year ended 31 December 2019:

	ROLE	TOTAL BOARD FEES ($)	TOTAL BOARD FEES (£)
John Hallam	Chairman	60,000	10,000
Michael Holmberg	non-executive Director	–	–
Christopher Legge	non-executive Director and Chairman of the Audit Committee	50,000	10,000
Christopher Sherwell[1]	non-executive Director	45,000	10,000
Stephen Vakil	non-executive Director, Chairman of the Remuneration Committee and Chairman of Management Engagement Committee	45,000	10,000
Total		**200,000**	**40,000**

The Company paid the following fees to the Directors for the year ended 31 December 2018:

	ROLE	TOTAL BOARD FEES ($)	TOTAL BOARD FEES (£)
John Hallam	Chairman	60,000	10,000
Sarah Evans	non-executive Director	2,639	528
Michael Holmberg	non-executive Director	–	–
Christopher Legge[2]	non-executive Director and Chairman of the Audit Committee	35,666	7,147
Christopher Sherwell[1,2]	non-executive Director	46,231	10,000
Stephen Vakil	non-executive Director, Chairman of the Remuneration Committee and Chairman of Management Engagement Committee	45,000	10,000
Total		**189,535**	**37,675**

No other remuneration was paid or payable by the Company during the year to any of the Directors, other than travel expenses of $1,318 (2018: $3,501).

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 reviewed the fees paid to the boards of similar investment companies. No Director is 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 compensation payable at termination.

1 Christopher Sherwell stepped down as a Director on 31 December 2019.

2 Christopher Sherwell was Chairman of the Audit Committee until 16 April 2018 until he stepped down and Christopher Legge was appointed in his place.

Directors' Remuneration Report (continued)

Remuneration Policy (continued)

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 additional time spent performing their duties. The Board may amend the level of remuneration paid within the limits of the Company's Articles. In 2017, the Board recognised that its remuneration policy needed to be reviewed to reflect the changing status of the Company as the existing Portfolios are realised as follows:

	COMPANY FEE (USD)	NBDD FEE (USD)	NBDX FEE (USD)	NBDG FEE (GBP)	TOTAL (USD)	TOTAL (GBP)
Chairman	40,000	10,000	10,000	10,000	60,000	10,000
Audit Committee Chairman	30,000	10,000	10,000	10,000	50,000	10,000
Other Directors	25,000	10,000	10,000	10,000	45,000	10,000

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 November 2019. 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.

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 41, all of the independent non-executive Directors are re-elected at the first AGM after their appointment and are then subject to annual re-election. The names and biographies of the Directors holding offices at the date of this report are listed on page 33.

Dates of Directors' Letters of Appointment

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

	DATE OF LETTER OF APPOINTMENT
John Hallam	20 April 2010 (amended on 8 May 2018)
Michael Holmberg	21 April 2010 (amended on 22 August 2018)
Christopher Sherwell	20 April 2010 (amended on 8 May 2018)
Stephen Vakil	5 February 2016 (amended on 8 May 2018)
Christopher Legge	17 April 2018

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 5 March 2020 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
John Hallam	–	32,332	81,163	113,495
Michael Holmberg	–	44,322	84,851	129,173
Christopher Legge	–	–	–	–
Stephen Vakil	–	–	44,270	44,270

Advisors to the Remuneration Committee

The Remuneration Committee has not sought the paid advice or professional services by any outside person in respect of its consideration of the Directors' remuneration. The Remuneration Committee sought input from Neuberger Berman Europe Limited ("NBEL") and the Brokers during its deliberations of the remuneration policy.

Stephen Vakil
On behalf of the Remuneration Committee

14 April 2020

Directors’ Responsibilities Statement

The Directors are responsible for preparing the Directors’ Report and 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 year. 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;
- assess the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless liquidation is imminent.

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. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors of the Company have elected to prepare consolidated Financial Statements for the Company for the year ended 31 December 2019 as the parent of the Group in accordance with Section 244(5) of the Law.

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 Financial Statements, which have been prepared in conformity with US generally accepted accounting principles (“US GAAP”), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the undertakings included in the consolidation taken as a whole; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the issuer, together with the description of the principal risks and uncertainties they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company’s website and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from regulation in other jurisdictions.

By order of the Board

John Hallam
Chairman

14 April 2020

Christopher Legge
Director

14 April 2020

Independent Auditor’s Report

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

Our opinion is unmodified

We have audited the consolidated financial statements of NB Distressed Debt Investment Fund Limited (the “Company”) and its subsidiaries (together, the "Group"), which comprise the consolidated statement of assets and liabilities including the consolidated condensed schedule of investments as at 31 December 2019, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Financial Statements:

– give a true and fair view of the financial position of the Group as at 31 December 2019, and of the Group’s financial performance and the Group’s cash flows for the year then ended;

– are prepared in conformity with U.S. generally accepted accounting principles (“US GAAP”); and

– comply with the Companies (Guernsey) Law, 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company and Group in accordance with, UK ethical requirements including FRC Ethical Standards, as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key Audit Matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2018):

Independent Auditor's Report (continued)

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

VALUATION OF INVESTMENTS AT FAIR VALUE ("INVESTMENTS")

$192,864,208 (2018 $256,655,356)

Refer to page 45 of the Audit Committee Report, page 67 of the Consolidated Condensed Schedule of Investments, Note 2 Summary of Accounting Policies and Note 2(f) Fair Value of Financial Instruments.

THE RISK

Basis:

The Group's investment portfolio is carried at fair value in conformity with US generally accepted accounting principles ("US GAAP"). It represents a significant proportion (97% (2018: 96%)), and is the principal driver, of the Group's net asset value.

The Group's holdings in quoted equities and debt investments, representing 28% (2018: 19%) of the fair value of Investments, are valued according to their bid price at the close of the relevant reporting period. The Group's holdings in unquoted equities and debt investments, representing 38% (2018: 49%) of the fair value of Investments, are valued at their bid price using a pricing service for private loans and equities (together the "Price Quotes").

Where no Price Quotes are available or not deemed to be representative of fair value, the Group will utilise the resources of the Investment Manager to augment its own fair value analysis to determine the most appropriate fair value for such investments ("Internally Generated Valuations"). 34% (2018: 32%) of the fair value of Investments were valued using Internally Generated Valuations.

Risk:

The valuation of the Group's investments is considered a significant area of our audit, given that it represents the majority of the net assets of the Group.

The valuation risk incorporates both a risk of fraud and error given the significance of estimates and judgments that may be involved in the determination of fair value.

OUR RESPONSE

Our audit procedures included:

Control evaluation:

We assessed the design and implementation of the management review control in relation to the valuation of Investments.

Challenging managements' assumptions and inputs including use of KPMG valuation specialists:

For Investments where market quotes were available, with the support of our KPMG valuation specialist, we obtained prices from third party data sources and pricing vendors. We assessed their reliability through checking the frequency of the pricing, the number of independent quotes available and the range of the quoted prices, in order to derive an independent reference price.

For a selection of the remaining population of Investments, chosen on the basis of their fair value, we performed, as applicable, the following procedures with the support of our KPMG valuation specialists:

- We considered the fair valuation memorandums prepared by the Investment Manager;
- We assessed the effect of the investee entity's financial performance upon the fair value;
- We challenged the fair value of the holding by comparing it to market information for comparable instruments or assets with similar terms and risk profile;
- We considered market transactions in close proximity to the year end and assessed their appropriateness as being representative of fair value; and
- We assessed the reliability of market information provided by pricing vendors and external market specialists.

Assessing disclosures:

We also considered the Group's disclosures (Note 2(b)) in relation to the use of estimates, the Group's valuation of Investments policies (Note 2(f)) and fair value of financial instruments (Note 2(f)) for compliance with US GAAP.

Our application of materiality and an overview of the scope of our audit

Materiality for the consolidated financial statements as a whole was set at $3,869,000, determined with reference to a benchmark of Group net assets of $199,051,573, of which it represents approximately 2% (2018: 2%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding $193,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Group was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100% of total Group net decrease in net assets resulting from operations and total Group assets and liabilities

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the consolidated financial statements. We have nothing to report in these respects.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

We have nothing to report on other 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.

Independent Auditor's Report (continued)

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

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 58, the Directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless liquidation is imminent.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

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.

Barry Ryan
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
Guernsey

14 April 2020

Consolidated Statement of Assets and Liabilities

FOR THE YEAR ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018 (EXPRESSED IN US DOLLARS EXCEPT WHERE STATED OTHERWISE)	31 DECEMBER 2019	31 DECEMBER 2018
Assets		
Investments at fair value (2019: cost of $248,770,370; 2018: cost of $329,777,268)	192,864,208	256,655,356
Forward currency contracts	–	587,558
Warrants (2019: cost of $752,955; 2018: cost of $752,955)	153	200,664
Cash and cash equivalents	4,990,652	6,283,757
Restricted Cash	819,074	1,312,517
	198,674,087	**265,039,852**
Other assets		
Interest receivables	707,187	267,711
Receivables for investments sold	895,182	780,712
Other receivables and prepayments	643,658	377,496
Federal tax receivable	–	2,913,342
Total assets	**200,920,114**	**269,379,113**
Liabilities		
Credit default swap (2019: cost of $99,945; 2018: cost of $32,357)	77,983	1,175
Forward currency contracts	890,781	3,884
Accrued expenses and other liabilities	406,717	277,315
Payables to Investment Manager and affiliates	493,060	340,193
Deferred tax liability	–	355,057
Total liabilities	**1,868,541**	**977,624**
Net assets	**199,051,573**	**268,401,489**
Net assets attributable to Ordinary Shares (shares 2019: 15,382,770; 2018: 23,395,578)	**13,976,415**	**22,876,360**
Net asset value per Ordinary Share	**0.9086**	**0.9778**
Net assets attributable to Extended Life Shares (shares 2019: 114,146,794; 2018: 154,104,598)	**105,771,674**	**148,482,314**
Net asset value per Extended Life Share	**0.9266**	**0.9635**
Net assets attributable to New Global Shares (shares 2019: 71,787,915; 2018: 82,770,361)	**£59,862,782**	**£76,195,678**
Net asset value per New Global Share	**£0.8339**	**£0.9206**
Net assets attributable to New Global Shares (USD equivalent)	**79,303,484**	**97,042,815**
Net asset value per New Global Share (USD equivalent)	**1.1047**	**1.1724**

The Financial Statements were approved and authorised for issue by the Board of Directors on 14 April 2020, and signed on its behalf by:

John Hallam
Chairman

Christopher Legge
Director

The accompanying notes on pages 75 to 93 are an integral part of the Financial Statements.

Consolidated Statement of Operations

FOR THE YEAR ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

(EXPRESSED IN US DOLLARS)	31 DECEMBER 2019	31 DECEMBER 2018
Income		
Interest income	7,775,446	7,646,090
Dividend income net of withholding tax (2019:278,886; 2018: 54,588)	662,028	329,875
Other income	85,026	–
	8,522,500	**7,975,965**
Expenses		
Investment management fee	3,428,612	4,699,872
Professional and other expenses	1,117,163	1,602,026
Administration fee	211,457	286,757
Loan administration and custody fees	183,623	173,020
Directors' fees and expenses	253,482	249,552
	5,194,337	**7,011,227**
Net investment income	**3,328,163**	**964,738**
Realised and unrealised (loss)/gain from investments and foreign exchange		
Net realised loss on investments, credit default swap, warrants and forward currency transactions	(29,423,579)	(1,010,425)
Net change in unrealised gain/(loss) on investments, credit default swap, warrants and forward currency transactions	15,533,893	(16,411,670)
Income taxes from net realised/unrealised gain/(loss) on investments	220,197	(494,845)
Realised and unrealised loss from investments and foreign exchange	**(13,669,489)**	**(17,916,940)**
Net decrease in net assets resulting from operations	**(10,341,326)**	**(16,952,202)**

The accompanying notes on pages 75 to 93 are an integral part of the Financial Statements.

Consolidated Statement of Changes in Net Assets

FOR THE YEAR ENDED 31 DECEMBER 2019 (EXPRESSED IN US DOLLARS)	**31 DECEMBER 2019 ORDINARY SHARES**	**31 DECEMBER 2019 EXTENDED LIFE SHARES**	**31 DECEMBER 2019 NEW GLOBAL SHARES**	**31 DECEMBER 2019 AGGREGATED**
Net assets at the beginning of the year	**22,876,360**	**148,482,314**	**97,042,815**	**268,401,489**
Net investment (loss)/income	(110,368)	2,458,755	979,776	3,328,163
Net realised loss on investments, credit default swap, warrants and forward currency transactions	(1,557,957)	(15,765,042)	(12,100,580)	(29,423,579)
Net change in unrealised gain on investments, credit default swap, warrants and forward currency transactions	650,401	8,847,176	6,036,316	15,533,893
Income taxes from net realised/unrealised gain/(loss) on investments	109,954	241,943	(131,700)	220,197
Dividends	–	(991,400)	–	(991,400)
Net cost of share buybacks	–	(2,026,218)	(926,631)	(2,952,849)
Shares redeemed during the year	(7,991,975)	(35,475,854)	(11,596,512)	(55,064,341)
Net assets at the end of the year	**13,976,415**	**105,771,674**	**79,303,484**	**199,051,573**

FOR THE YEAR ENDED 31 DECEMBER 2018 (EXPRESSED IN US DOLLARS)	**31 DECEMBER 2018 ORDINARY SHARES**	**31 DECEMBER 2018 EXTENDED LIFE SHARES**	**31 DECEMBER 2018 NEW GLOBAL SHARES**	**31 DECEMBER 2018 AGGREGATED**
Net assets at the beginning of the year	**29,641,938**	**180,009,723**	**123,006,814**	**332,658,475**
Net investment (loss)/income	(270,165)	1,276,005	(41,102)	964,738
Net realised (loss)/gain on investments, credit default swap, warrants and forward currency transactions	(769,409)	(863,436)	622,420	(1,010,425)
Net change in unrealised gain/(loss) on investments, credit default swap, warrants and forward currency transactions	(1,962,789)	(9,421,491)	(5,027,390)	(16,411,670)
Income taxes from net realised/unrealised gain/(loss) on investments	(21,247)	(57,165)	(416,433)	(494,845)
Dividends	–	(2,081,015)	(784,743)	(2,865,758)
Net cost of share buybacks	–	(1,146,430)	(186,121)	(1,332,551)
Shares redeemed during the year	(3,741,968)	(19,233,877)	(20,130,630)	(43,106,475)
Net assets at the end of the year	**22,876,360**	**148,482,314**	**97,042,815**	**268,401,489**

The accompanying notes on pages 75 to 93 are an integral part of the Financial Statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

(EXPRESSED IN US DOLLARS)	31 DECEMBER 2019	31 DECEMBER 2018
Cash flows from operating activities:		
Net decrease in net assets resulting from operations	(10,341,326)	(16,952,202)
Adjustment to reconcile net decrease in net assets resulting from operations to net cash flow provided by operations:		
Net realised loss on investments, credit default swap, warrants and forward currency transactions	29,423,579	1,010,425
Non cash interest received on investments	–	(202,503)
Net change in unrealised (gain)/loss on investments, credit default swap, warrants and forward currency transactions	(15,533,893)	16,411,670
Accretion of discount on loans and bonds	(275,938)	(771,909)
Changes in interest receivable	(439,476)	1,198,299
Changes in receivables for investments sold	(114,470)	1,512,801
Changes in other receivables and prepayments	(266,162)	1,075,590
Change in Federal Tax receivable	2,913,342	173,281
Change in deferred taxes	(355,057)	355,057
Changes in payables for investments purchased	–	(7,760,428)
Changes in payables, accrued expenses and other liabilities	282,269	(295,677)
Cash received on settled forward currency contracts and spot currency contracts	2,665,608	2,482,813
Purchase of investments	(13,453,450)	(5,333,129)
Sale of investments	66,784,769	44,571,054
Net (purchase)/sale of short term investments	(4,034,406)	8,102
Net cash provided by operating activities	**57,255,389**	**37,483,244**
Cash flows from financing activities:		
Net cost of share buybacks	(2,952,849)	(1,332,551)
Shares redeemed during the year	(55,064,341)	(43,106,475)
Dividends paid	(991,400)	(8,904,260)
Net cash used in financing activities	**(59,008,590)**	**(53,343,286)**
Net decrease in cash and cash equivalents	**(1,753,201)**	**(15,860,042)**
Cash and cash equivalents at the beginning of the year	6,283,757	20,871,533
Restricted cash at the beginning of the year	1,312,517	2,953,423
Effect of exchange rate changes on cash and cash equivalents	(33,347)	(368,640)
Cash and cash equivalents at the end of the year	**4,990,652**	**6,283,757**
Restricted cash at the end of the year	**819,074**	**1,312,517**

The accompanying notes on pages 75 to 93 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by financial instrument)

AT 31 DECEMBER 2019 (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%)[1]	EXTENDED LIFE SHARES (%)[1]	NEW GLOBAL SHARES (%)[1]	TOTAL COMPANY (%)[1]
Portfolio of Distressed Investments						
Bank Debt Investments	63,993,341	44,839,681	0.54	23.20	25.50	22.53
Private Equity	60,966,636	39,031,269	21.17	19.57	19.39	19.61
Private Note	44,371,898	28,347,559	6.30	20.81	6.88	14.24
Public Equity	62,363,549	64,453,075	33.83	22.64	45.11	32.38
Trade Claim[2]	13,032,089	12,149,475	24.31	8.27	–	6.10
Temporary Investments						
US Treasury Bills	4,042,857	4,043,149	8.22	2.74	–	2.03
Total Investments	**248,770,370**	**192,864,208**	**94.37**	**97.23**	**96.88**	**96.89**
Ordinary Shares	17,758,457	13,188,939	94.37	–	–	6.63
Extended Life Shares	141,969,927	102,843,628	–	97.23	–	51.66
New Global Shares	89,041,986	76,831,641	–	–	96.88	38.60
	248,770,370	**192,864,208**	**94.37**	**97.23**	**96.88**	**96.89**
Credit Default Swap						
Ordinary Shares	(28,318)	(22,095)	(0.16)	–	–	(0.01)
Extended Life Shares	(71,627)	(55,888)	–	(0.05)	–	(0.03)
	(99,945)	**(77,983)**	**(0.16)**	**(0.05)**	**–**	**(0.04)**
Forward Currency Contracts						
Ordinary Shares	–	(159,006)	(1.14)	–	–	(0.08)
Extended Life Shares	–	(731,775)	–	(0.69)	–	(0.37)
	–	**(890,781)**	**(1.14)**	**(0.69)**	**–**	**(0.45)**
Warrants						
Extended Life Shares	478,733	109	–	–	–	–
New Global Shares	274,222	44	–	–	–	–
	752,955	**153**	**–**	**–**	**–**	**–**

1 This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

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

The accompanying notes on pages 75 to 93 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by financial instrument)

AT 31 DECEMBER 2018 (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%)[1]	EXTENDED LIFE SHARES (%)[1]	NEW GLOBAL SHARES (%)[1]	TOTAL COMPANY (%)[1]
Portfolio of Distressed Investments						
Bank Debt Investments	90,219,466	54,152,197	1.82	20.24	24.41	20.18
Private Equity	100,143,233	98,416,196	38.65	33.21	41.47	36.66
Private Note	61,431,337	41,865,849	13.56	19.14	10.66	15.60
Public Equity	64,951,143	50,139,798	20.51	17.23	20.48	18.68
Trade Claim[2]	13,032,089	12,081,316	14.75	5.86	–	4.50
	329,777,268	**256,655,356**	**89.29**	**95.68**	**97.02**	**95.62**
Total Investments	**329,777,268**	**256,655,356**	**89.29**	**95.68**	**97.02**	**95.62**
Ordinary Shares	25,932,255	20,427,220	89.29	–	–	7.61
Extended Life Shares	191,384,472	142,072,933	–	95.68	–	52.93
New Global Shares	112,460,541	94,155,203	–	–	97.02	35.08
	329,777,268	**256,655,356**	**89.29**	**95.68**	**97.02**	**95.62**
Credit Default Swap						
Ordinary Shares	(9,168)	(333)	–	–	–	–
Extended Life Shares	(23,189)	(842)	–	–	–	–
	(32,357)	**(1,175)**	**–**	**–**	**–**	**–**
Forward Currency Contracts						
Ordinary Shares	–	125,152	0.55	–	–	0.05
Extended Life Shares	–	458,522	–	0.31	–	0.17
	–	**583,674**	**0.55**	**0.31**	**–**	**0.22**
Warrants						
Extended Life Shares	478,733	143,332	–	0.10	–	0.05
New Global Shares	274,222	57,332	–	–	0.06	0.02
	752,955	**200,664**	**–**	**0.10**	**0.06**	**0.07**

1 This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

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

The accompanying notes on pages 75 to 93 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments

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

31 DECEMBER 2019 (EXPRESSED IN US DOLLARS)	COUNTRY	INDUSTRY	NOMINAL	COST	FAIR VALUE	ORDINARY SHARES (%)[1]	EXTENDED LIFE SHARES (%)[1]	NEW GLOBAL SHARES (%)[1]	TOTAL COMPANY (%)[1]
Securities									
Twin Rivers Worldwide Holdings	United States	Lodging & Casinos	793,386	6,349,931	20,318,615	–	5.76	17.94	10.21
Dumas Shipping TL B	Marshall Islands	Shipping	17,232,859	16,788,999	13,596,726	–	9.17	4.92	6.83
Dumas Shipping TL A	Marshall Islands	Shipping	2,043,246	2,043,246	1,612,121	–	1.09	0.58	0.81
Torm plc	Denmark	Shipping	1,169,202	14,207,442	13,049,678	–	5.80	8.73	6.56
AB Zwolle T/L EUR 01/06/2020	Netherlands	Commercial Mortgage	18,526,730	13,646,548	12,810,493	–	5.37	8.99	6.44
Five Point Holding LLC-CL A	United States	Building & Development	1,720,599	23,945,425	11,975,369	15.46	6.03	4.34	6.02
Aleris International Inc	United States	Nonferrous Metals/Minerals	589,611	20,100,668	11,202,609	–	5.82	6.35	5.63
Tratex III	Brazil	Surface Transport	9	12,015,693	11,092,750	22.18	7.56	–	5.57
Eagle Bulk Shipping Inc	United States	Shipping	2,303,182	7,582,125	10,571,605	1.32	4.42	7.20	5.31
Exide Technologies 11.000% 10/31/24 SR:REGs	United States	Auto Components	2,810,467	2,505,671	2,388,897	0.11	1.60	0.85	1.20
Exide Technologies 11.000% 10/31/24 SR:REGS	United States	Auto Components	6,778,720	6,043,543	6,100,848	0.28	4.09	2.18	3.05
Exide Private Common	United States	Auto Components	4,913,258	8,210,824	8,598,201	7.73	4.08	4.04	4.32
Exide Technologies Common Stock Escrow	United States	Auto Components	23,389,000	–	2	–	–	–	–
				133,440,115	**123,317,914**	**47.08**	**60.79**	**66.13**	**61.95**

1 This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

The accompanying notes on pages 75 to 93 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments

Investments with the following issuers comprised greater than 5% of Total Company NAV (continued)

31 DECEMBER 2018 (EXPRESSED IN US DOLLARS)	COUNTRY	INDUSTRY	NOMINAL	COST	FAIR VALUE	ORDINARY SHARES (%)[1]	EXTENDED LIFE SHARES (%)[1]	NEW GLOBAL SHARES (%)[1]	TOTAL COMPANY (%)[1]
Securities									
Harko LLC	United States	Lodging & Casinos	2,517,756	34,067,954	34,065,239	30.49	12.11	9.38	12.69
Twin Rivers Worldwide Holdings	United States	Lodging & Casinos	211,702	6,777,499	25,263,035	–	5.10	18.23	9.41
Vistra Energy Corp	United States	Utilities	714,872	11,437,963	16,356,271	10.01	6.52	4.52	6.09
Dumas Shipping Term Loan B	Marshall Islands	Shipping	15,964,343	15,332,632	14,878,768	–	7.15	4.40	5.54
Dumas Shipping Term Loan A	Marshall Islands	Shipping	1,892,842	1,892,842	1,764,129	–	0.85	0.52	0.66
Dumas Shipping	Marshall Islands	Shipping	349	1,003,803	1,340,260	–	0.64	0.40	0.50
White Energy Holding Company LLC	United States	Oil & Gas	367	14,680,000	14,680,000	–	7.06	4.33	5.47
Exide Technologies 7.000% 30/04/2025 SR:AI CVT	United States	Auto Components	15,712,023	13,085,833	8,641,613	2.98	3.64	2.63	3.22
Exide Technologies 11% 30/04/2022	United States	Auto Components	8,908,705	8,065,437	7,126,964	0.20	3.41	2.08	2.66
Exide Technologies 7.25% 30/04/2020	United States	Auto Components	7,012,915	6,479,544	6,662,269	6.00	1.25	3.53	2.47
AB Zwolle T/L EUR 01/06/2020	Netherlands	Commercial Mortgage	18,526,730	13,646,548	13,427,379	–	4.01	7.70	5.00
				126,470,055	**144,205,927**	**49.68**	**51.74**	**57.72**	**53.71**

1 This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

The accompanying notes on pages 75 to 93 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by geography)

AT 31 DECEMBER 2019 (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%)[1]	EXTENDED LIFE SHARES (%)[1]	NEW GLOBAL SHARES (%)[1]	TOTAL COMPANY (%)[1]
Geographic diversity of Portfolios						
Portfolio of Distressed Investments						
Brazil	13,032,089	12,149,474	24.31	8.27	–	6.10
Denmark	14,207,442	13,049,678	–	5.80	8.73	6.56
Greece	357,242	293,876	0.59	0.20	–	0.15
Luxembourg	1,893,981	6,115,253	12.23	4.17	–	3.07
Marshall Islands	19,836,048	16,144,863	–	10.88	5.84	8.11
Netherlands	13,646,548	12,810,493	–	5.37	8.99	6.44
Spain	26,822,155	16,158,401	–	3.59	15.58	8.12
United States	154,932,009	112,099,021	49.02	56.21	57.74	56.31
Temporary Investments						
United States	4,042,856	4,043,149	8.22	2.74	–	2.03
	248,770,370	**192,864,208**	**94.37**	**97.23**	**96.88**	**96.89**

1 This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

The accompanying notes on pages 75 to 93 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by geography)

AT 31 DECEMBER 2018 (EXPRESSED IN US DOLLARS)	**COST**	**FAIR VALUE**	**ORDINARY SHARES (%)**[1]	**EXTENDED LIFE SHARES (%)**[1]	**NEW GLOBAL SHARES (%)**[1]	**TOTAL COMPANY (%)**[1]
Geographic diversity of Portfolios						
Portfolio of Distressed Investments						
Brazil	13,032,089	12,081,315	14.75	5.86	–	4.50
Denmark	14,207,442	7,809,069	–	2.47	4.27	2.91
Germany	–	1,220,949	1.49	0.59	–	0.45
Greece	357,242	228,016	0.28	0.11	–	0.08
Luxembourg	1,893,980	5,451,450	6.66	2.65	–	2.03
Marshall Islands	18,229,277	17,983,157	–	8.64	5.32	6.70
Netherlands	13,646,548	13,427,379	–	4.01	7.70	5.00
Spain	26,283,871	15,182,559	–	2.68	11.54	5.66
United States	242,126,819	183,271,462	66.11	68.67	68.19	68.29
	329,777,268	**256,655,356**	**89.29**	**95.68**	**97.02**	**95.62**

1 This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

The accompanying notes on pages 75 to 93 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by sector)

AT 31 DECEMBER 2019 (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%)[1]	EXTENDED LIFE SHARES (%)[1]	NEW GLOBAL SHARES (%)[1]	TOTAL COMPANY (%)[1]
Industry diversity of Portfolios						
Portfolio of Distressed Investments						
Air Transport	20,522	4,079	–	–	–	–
Auto Components	21,125,365	20,189,585	8.38	11.81	8.23	10.14
Building & Development	25,882,044	12,245,025	16.00	6.21	4.34	6.15
Commercial Mortgage	13,646,548	12,810,493	–	5.37	8.99	6.44
Containers and Packaging	1,893,980	6,115,253	12.23	4.17	–	3.07
Financial Intermediaries	21,009,992	10,122,906	5.37	8.86	–	5.09
Lodging & Casinos	28,850,186	39,919,106	–	13.97	31.70	20.05
Nonferrous Metals/Minerals	20,303,171	11,435,364	–	5.94	6.49	5.74
Oil & Gas	14,717,311	7,813,912	–	4.71	3.56	3.93
Shipping	41,982,857	40,060,022	1.91	21.30	21.77	20.13
Surface Transport	33,035,557	19,729,734	24.30	11.88	4.77	9.91
Utilities	22,259,980	8,375,580	17.96	0.27	7.03	4.21
Temporary Investments						
United States	4,042,856	4,043,149	8.22	2.74	–	2.03
	248,770,370	**192,864,208**	**94.37**	**97.23**	**96.88**	**96.89**

1 This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

The accompanying notes on pages 75 to 93 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by sector)

AT 31 DECEMBER 2018 (EXPRESSED IN US DOLLARS)	**COST**	**FAIR VALUE**	**ORDINARY SHARES (%)**[1]	**EXTENDED LIFE SHARES (%)**[1]	**NEW GLOBAL SHARES (%)**[1]	**TOTAL COMPANY (%)**[1]
Industry diversity of Portfolios						
Portfolio of Distressed Investments						
Air Transport	20,522	4,079	–	–	–	–
Auto Components	29,316,200	22,643,313	9.27	8.39	8.32	8.44
Building & Development	25,893,454	12,212,201	9.75	4.41	3.54	4.55
Commercial Mortgage	13,646,548	14,142,054	–	4.49	7.70	5.27
Containers & Packaging	1,893,980	5,451,450	6.66	2.65	–	2.03
Financial Intermediaries	21,464,317	12,039,509	3.90	7.51	–	4.49
Forest Products	–	1,220,949	1.49	0.59	–	0.45
Lodging & Casinos	67,386,065	81,106,379	30.49	24.47	38.95	30.22
Nonferrous Metals/Minerals	20,303,171	11,732,055	–	4.34	5.44	4.37
Oil & Gas	26,324,309	19,348,602	–	8.40	7.09	7.21
Shipping	40,376,087	36,614,877	1.09	14.37	15.48	13.64
Surface Transportation	32,644,021	20,030,460	14.75	8.55	4.08	7.46
Utilities	50,508,594	20,109,428	11.89	7.51	6.42	7.49
	329,777,268	**256,655,356**	**89.29**	**95.68**	**97.02**	**95.62**

1 This is the Fair Value expressed as a percentage of total Company NAV, Ordinary Share NAV, Extended Life Share NAV and New Global Share NAV.

The accompanying notes on pages 75 to 93 are an integral part of the Financial Statements.

Notes to the Consolidated Financial Statements

NOTE 1 – ORGANISATION AND DESCRIPTION OF BUSINESS

The Company is a closed-ended investment company registered and incorporated in Guernsey under the provisions of the Companies (Guernsey) Law, 2008 (as amended) (the "Companies Law") with registration number 51774. The Company's shares are traded on the Specialist Fund Segment ("SFS") of the London Stock Exchange ("LSE"). All share classes are in the harvest period.

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

The Company's share capital is denominated in US Dollars for Ordinary Shares and Extended Life Shares and Pounds Sterling for New Global Shares.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

In August 2018, Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Update ("ASU") 2018-13, Fair Value Measurement (Accounting Standards Codification ("ASC") 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this ASU modify the disclosure requirements on fair value measurements. Among the requirements, entities will be required to make additional disclosures about significant unobservable inputs in developing Level 3 fair value measurements and are permitted to remove disclosure of the amount and reason for transfers between Level 1 and Level 2. This ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. The Company has not elected early adoption for the removal of the transfers between Level 1 and Level 2 disclosure and is currently evaluating the impact that the remainder of the ASU will have on the Company' financial statements in future.

The FASB has issued ASU 2017-08 – Premium Amortization on Purchased Callable Debt Securities, which shortens the premium amortization period for purchased non-contingently callable debt securities. ASU 2017-08 specifies that the premium amortization period ends at the earliest call date, for purchased non-contingently callable debt securities. ASU 2017-08 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. During the current fiscal period, ASU 2017-08 became effective for the Company. As per note 2(g) total amortization was $275,938 in the year to 31 December 2019 and it did not have a material impact on the Company's financial statements.

(a) Basis of Preparation

The accompanying Consolidated Financial Statements ("Financial Statements") give a true and fair view of the assets, liabilities, financial position and return and have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") and Companies Law and are expressed in US Dollars. All adjustments considered necessary for the fair presentation of the financial statements, for the year presented, have been included.

The Company is regarded as an Investment Company and follows the accounting and reporting guidance in FASB ASC Topic 946. Accordingly, the Company reflects its investments on the Consolidated Statement of Assets and Liabilities at their estimated fair values, with unrealised gains and losses resulting from changes in fair value reflected in net change in unrealised gain/(loss) on investments, credit default swap, warrants and forward currency transactions in the Consolidated Statement of Operations.

The Board recognises that the Portfolios are now in their harvest periods. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the twelve months from the date these accounts are signed and the foreseeable future. Thus, they continue to prepare the Financial Statements in accordance with U.S. generally accepted accounting principles, as liquidation is not imminent.

The Financial Statements include the results of the Company and its wholly-owned subsidiaries, whose accounting policies are consistent with those of the Company.

Wholly-owned subsidiaries, London Wabash LLC, London Jackson Holdco LLC, London Dearborn (Global) LLC and London Wabash (Global) LLC are incorporated in Delaware and operate in the United States.

Wholly-owned subsidiaries, London Lake Michigan LP and London Lake Michigan (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.

London Granite Ridge LLC and London Granite Ridge (Global) LLC were dissolved on 23 October 2019. London Madison LLC and London Madison (Global) LLC were dissolved on 04 November 2019.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(b) Use of Estimates

The preparation of these Financial Statements in conformity with US GAAP requires that the Directors make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting year.

Actual results could differ significantly from these estimates.

(c) Cash and Cash Equivalents

The Company holds cash and cash equivalents in US Dollar and non-US Dollar denominated currencies 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 an insignificant risk of change in value to be cash equivalents. As at 31 December 2019, the Company has cash balances in various currencies equating to $5,809,726 (31 December 2018: $7,596,274). These balances consisted of Pound Sterling: $301,217 (31 December 2018: $400,458), Euro: $2,368,477 (31 December 2018: $958,696), US Dollar: $3,117,024 (31 December 2018: $6,214,077), and Australian Dollar: $23,008 (31 December 2018: $23,043).

(d) Payables/Receivables on Investments Purchased/Sold

At 31 December 2019, the amount payable/receivable on investments purchased/sold represents amounts due for investments purchased/sold that have been contracted for but not settled on the Consolidated Statement of Assets and Liabilities date.

(e) Foreign Currency Translation

Assets and liabilities denominated in foreign currency are translated into US Dollars at the currency exchange rates on the date of valuation. 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, warrants and forward currency transactions in the Consolidated Statements of Operations.

(f) Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities that qualify as financial instruments under FASB ASC 825, Financial Instruments, approximate the carrying amounts presented in the Consolidated Statement of Assets and Liabilities.

Fair value prices are estimates 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 that will be realised on disposal 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 2019 and 31 December 2018 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.
- 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 the bid price provided by third party broker / dealer 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. Further information on valuations is provided in Note 2 (g), "Investment transactions, investment income/expenses and valuation", on page 82.
- 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.

The Company follows guidance in ASC 820, Fair Value Measurement ("ASC 820"), where fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are determined within a framework that establishes a three-tier hierarchy which maximises the use of observable market data and minimises the use of unobservable inputs to establish a classification of fair value measurements for disclosure purposes.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk,

such as the risk inherent in a particular valuation technique used to measure fair value using a pricing model and/or the risk inherent in the inputs for the valuation technique. Inputs may be observable or unobservable.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the information available. The inputs or methodology used for valuing assets or liabilities may not be an indication of the risks associated with investing in those assets or liabilities.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs used in the determination of the fair value require significant management judgment or estimation.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

The following is a summary of the levels within the fair value hierarchy in which the Company invests:

FAIR VALUE OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2019

(EXPRESSED IN US DOLLARS)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bank Debt Investments	–	11,102,474	33,737,207	44,839,681
Private Equity	–	11,690,747	27,340,522	39,031,269
Private Note	–	17,123,888	11,223,671	28,347,559
Public Equity	64,453,075	–	–	64,453,075
Trade Claim	–	–	12,149,475	12,149,475
US Treasury Bills	4,043,149	–	–	4,043,149
Investments at fair value	**68,496,224**	**39,917,109**	**84,450,875**	**192,864,208**
Warrants	–	153	–	153
Credit Default Swap	–	(77,983)	–	(77,983)
Forward Currency Contracts	–	(890,781)	–	(890,781)
Total investments that are accounted for at fair value	**68,496,224**	**38,948,498**	**84,450,875**	**191,895,597**

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(f) Fair Value of Financial Instruments (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2018

(EXPRESSED IN US DOLLARS)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bank Debt Investments	–	15,950,837	38,201,360	54,152,197
Private Equity	–	52,904,670	45,511,526	98,416,196
Private Note	–	34,809,068	7,056,781	41,865,849
Public Equity	50,139,798	–	–	50,139,798
Trade Claim	–	–	12,081,316	12,081,316
Investments at fair value	**50,139,798**	**103,664,575**	**102,850,983**	**256,655,356**
Warrants	919	–	199,745	200,664
Credit Default Swap	–	(1,175)	–	(1,175)
Forward Currency Contracts	–	583,674	–	583,674
Total investments that are accounted for at fair value	**50,140,717**	**104,247,074**	**103,050,728**	**257,438,519**

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 31 December 2019. 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	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE INPUT
Bank Debt Investments	Building & Development	269,656	Market Information	Unadjusted Broker Quote	N/A
Bank Debt Investments	Commercial Mortgage	12,810,493	Market Comparatives	Discount Rate	10%
Bank Debt Investments	Lodging & Casinos	3,983,830	Market Comparatives	EBITDA Multiple	13-14x
Bank Debt Investments	Shipping	15,208,846	Market Information	Value Per Vessel	$9 million per vessel
Bank Debt Investments	Surface Transport	1,464,382	Market Information	Unadjusted Broker Quote	N/A
Private Equity	Air Transport	4,079	Market Information	Residual Value/ Cash Receivable	N/A
Private Equity	Auto Components	9,181,463	Market Information	EBITDA Multiple	6-7x
Private Equity	Containers and Packaging	6,115,253	Market Comparatives	EBITDA Multiple	10x
Private Equity	Lodging & Casinos	4,594,312	Market Comparatives	EBITDA Multiple	13-14x
Private Equity	Oil & Gas	6,509,399	Market Information	Unadjusted Broker Quote	N/A
Private Equity	Shipping	936,016	Market Information	Value Per Vessel	$9 million per vessel
Private Note	Auto Components	11,008,124	Market Information	EBITDA Multiple	6-7x
Private Note	Utilities	215,547	Market Information	Unadjusted Broker Quote	N/A
Trade Claim	Surface Transport	12,149,475	Market Information	Unadjusted Broker Quote	N/A
Total		**84,450,875**			

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 31 December 2018. 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	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE INPUT	WEIGHTED AVERAGE
Bank Debt Investments	Building & Development	271,244	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Commercial Mortgage	13,427,379	Market Comparatives	Discount Rate	10%	N/A
Bank Debt Investments	Forest Products	1,220,949	Market Comparatives	Discount Rate	10%	N/A
Bank Debt Investments	Lodging & Casinos	3,910,371	Market Comparatives	EBITDA Multiple	14x	N/A
Bank Debt Investments	Oil & Gas	1,292,077	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Shipping	16,642,897	Market Information	Value of Shipping Vessels	$9.75 million per vessel	N/A
Bank Debt Investments	Surface Transport	1,076,443	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Utilities	360,000	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Air Transport	4,079	Residual Value	Residual Value/Cash Receivable	N/A	N/A
Private Equity	Auto Components	212,465	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Commercial Mortgage	714,675	Residual Value	Recovery Estimate	63%	N/A
Private Equity	Containers & Packaging	5,451,450	Market Information	EBITDA Multiple	10x	N/A
Private Equity	Lodging & Casinos	3,323,041	Market Comparatives	EBITDA Multiple	14x	N/A
Private Equity	Lodging & Casinos	34,065,244	Market Comparatives	Land value per acre	$2.2 million	N/A
Private Equity	Oil & Gas	400,312	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Shipping	1,340,260	Market Information	Value Per Vessel	$9.75 million per vessel	N/A
Private Note	Auto Components	6,662,269	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Note	Utilities	394,512	Market Information	Unadjusted Broker Quote	N/A	N/A
Trade Claim	Surface Transport	12,081,316	Market Information	Unadjusted Broker Quote	N/A	N/A
Warrants	Oil & Gas	199,745	Market Information	Unadjusted Broker Quote	N/A	N/A
Total		**103,050,728**				

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 at 31 December 2019 and 31 December 2018 are outlined in the tables above.

These inputs vary by asset class. For example, real estate asset valuations may utilise discounted cash flow models using an average value per square foot and appropriate discount rate. Other assets may be valued 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.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(f) 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 2019 (EXPRESSED IN US DOLLARS)	BANK DEBT INVESTMENTS	PRIVATE EQUITY	TRADE CLAIM	WARRANTS	PRIVATE NOTE	TOTAL
Balance, 31 December 2018	**38,201,360**	**45,511,526**	**12,081,316**	**199,745**	**7,056,781**	**103,050,728**
Purchases	1,957,203	7,341,874	–	–	4,254,321	13,553,398
Sales and distributions	(2,818,093)	(38,966,767)	–	–	(7,517,824)	(49,302,684)
Realised (loss) on sale of investments	(22,089,132)	(202,957)	–	–	(13,285,081)	(35,577,170)
Unrealised gain/(loss) on investments	18,485,869	(1,023,154)	68,159	(199,745)	4,946,900	22,278,029
Transfers from level 2 into Level 3	–	14,680,000	–	–	15,768,574	30,448,574
Balance, 31 December 2019	**33,737,207**	**27,340,522**	**12,149,475**	**–**	**11,223,671**	**84,450,875**
Change in unrealised gain/(loss) on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2019	**18,485,869**	**(1,023,166)**	**68,159**	**(199,745)**	**4,759,549**	**22,090,666**

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 had two transfers out of Level 1 into Level 2 of fair value amounting to $153 due to only one quoted price being observable. The Company also had two transfers out of Level 2 into Level 1 of fair value amounting to $2,318,615 as quoted prices were observable.

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 2018 (AUDITED) (EXPRESSED IN US DOLLARS)	**BANK DEBT INVESTMENTS**	**PRIVATE EQUITY**	**DEVELOPMENT**	**PRIVATE EQUITY: REAL ESTATE TRADE CLAIM**	**WARRANTS**	**PRIVATE NOTE**	**TOTAL**
Balance, 31 December 2017	**49,303,230**	**69,427,360**	**620,287**	**12,360,847**	**92,017**	**6,961,010**	**138,764,751**
Purchases	2,201,646	3,056	–	–	–	261,552	2,466,254
Sales and distributions	(12,841,297)	7,301	(665,979)	–	–	–	(13,499,975)
Realised gain on sale of investments	2,396,427	–	665,979	–	–	–	3,062,406
Unrealised loss on investments	(2,297,922)	(9,136,217)	(620,287)	(279,531)	(91,097)	210,243	(12,214,811)
Reclassification within level 3 categories	3,658,607	(3,658,607)	–	–	–	–	–
Transfers into or (out of) Level 3	(4,219,331)	(11,131,367)	–	–	198,825	(376,024)	(15,527,897)
Balance, 31 December 2018	**38,201,360**	**45,511,526**	**–**	**12,081,316**	**199,745**	**7,056,781**	**103,050,728**
Change in unrealised loss on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2018	**(2,603,732)**	**(5,075,649)**	**–**	**(279,532)**	**(8,624)**	**(411,107)**	**(8,378,644)**

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 had no transfers between Level 1 and Level 2 of the fair value hierarchy.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(g) Investment transactions, investment income/expenses and valuation

Investment transactions are accounted for 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 restructuring of current investments are recorded at the date of such restructuring. 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 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. Any costs incurred by a share buyback are charged to that share class.

For the year ended 31 December 2019, $275,938 (31 December 2018: $771,909) was recorded to reflect accretion of discount on loans and bonds during the period.

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. Dividend income is recognised on the ex-dividend date net of withholding tax.

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. The amount of interest income recorded, plus initial costs of underlying PIK interest is reviewed periodically to ensure that these do not exceed fair value of those assets.

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 in the Consolidated Statement of Operations in each reporting period. 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.

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 such investment presenting the methodology and assumptions used to derive the price. This analysis is presented to the Investment Manager's Valuation Committee for approval.

The following criteria are considered when applicable:

- The valuation of other securities by the same issuer for which market quotations are available;
- The 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;
- Any recent sales prices and/or bid and ask quotations for the security;
- The value of similar securities of issuers in the same or similar industries for which market quotations are available;
- The economic outlook of the industry;
- The issuer's position in the industry;
- The financial statements of the issuer; and
- The nature and duration of any restriction on disposition of the security.

(h) Derivative Contracts

The Company may, from time to time, hold derivative financial instruments for the purposes of managing foreign currency exposure. These derivatives are measured at fair value in conformity with US GAAP with changes in fair value recognised in 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 swap and warrants.

Forward currency contracts are valued at the prevailing forward exchange rate of the underlying currencies on the reporting date and the value recorded in the financial statements represents net unrealised gain and loss on forwards as at 31 December. Forward contracts are generally categorised in Level 2 of the fair value hierarchy.

The credit default swap has been entered into on the OTC market. The fair value of the credit default swap contract is derived using a pricing service provided by Markit Partners. Markit Partners use a pricing model that is widely accepted by marketplace participants. Their 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 six warrants (2018: six warrants) which it prices based on the bid price provided by a third party broker/dealer quote.

(i) Taxation

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. US GAAP 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 at 31 December 2019 or 31 December 2018. The Company is subject to examination for US Federal and state tax returns for calendar years 2015–2019.

During the year ended 31 December 2019, the Company recorded current income tax benefit from realised loss on investments of $134,860 (31 December 2018 income tax expense: $139,788). 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 deferred tax benefit recorded for the year ended 31 December 2019 was $355,057 (31 December 2018 deferred tax expense: $355,057). The net total income tax benefit from realised/unrealised gains/(losses) on investments for the year ended 31 December 2019 was $220,197 (31 December 2018 income tax expense: $494,845).

NOTE 3 – 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 the derivative 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 managing foreign currency exposure.

Credit Default Swap

The Company uses 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) from time to time.

There was one credit default swap position (Brazilian Government) held at 31 December 2019 (31 December 2018: one).

Derivative activity

For the year ended 31 December 2019 and for the year ended 31 December 2018 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 2019	LONG EXPOSURE		SHORT EXPOSURE	
PRIMARY UNDERLYING RISK	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
Foreign currency exchange rate				
Forward Currency Contracts	$44,131,912	8	$11,387,710	9
Financial assets				
Credit Default Swap	$12,000,000	1	–	–
Total	**$56,131,912**	**9**	**$11,387,710**	**9**
Equity price				
Warrants	$752,955	6	–	–

31 DECEMBER 2018	LONG EXPOSURE		SHORT EXPOSURE	
PRIMARY UNDERLYING RISK	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
Foreign currency exchange rate				
Forward Currency Contracts	$45,863,164	9	$9,976,010	4
Financial assets				
Credit Default Swap	$12,000,000	1	–	–
Total	**$45,863,164**	**9**	**$9,976,010**	**4**
Equity price				
Warrants	$752,955	6	–	–

The following tables show, at 31 December 2019 and 31 December 2018, 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 account 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, at 31 December 2019 and 31 December 2018, the realised and unrealised gain and loss amounts included in the Consolidated Statement of Operations, categorised by primary underlying risk:

31 DECEMBER 2019 PRIMARY UNDERLYING RISK	DERIVATIVE ASSETS ($)	DERIVATIVE LIABILITIES ($)	REALISED GAIN (LOSS) ($)	NET CHANGE IN UNREALISED GAIN (LOSS) ($)
Foreign currency exchange rate				
Forward currency contracts	–	(890,781)	2,591,545	(1,474,455)
Credit				
Purchased protection				
Credit default swap	–	(77,983)	(89,643)	(9,220)
Equity price				
Warrants	153	–	–	(200,511)
Total	**153**	**(968,764)**	**2,501,902**	**(1,684,187)**

31 DECEMBER 2018 PRIMARY UNDERLYING RISK	DERIVATIVE ASSETS ($)	DERIVATIVE LIABILITIES ($)	REALISED GAIN (LOSS) ($)	NET CHANGE IN UNREALISED GAIN (LOSS) ($)
Foreign currency exchange rate				
Forward currency contracts	587,558	(3,884)	3,417,058	424,647
Credit				
Purchased protection				
Credit default swap	–	(1,175)	(97,337)	31,183
Equity price				
Warrants	200,664	-	-	(6,422)
Total	**788,222**	**(5,059)**	**3,319,721**	**449,408**

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 Consolidated 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.

NOTE 3 – DERIVATIVES (continued)

Derivative activity (continued)

The Company is subject to enforceable master netting agreements with its counterparties of credit default swap with Bank of America Merrill Lynch of $Nil (31 December 2018: $Nil), and foreign currency exchange contracts with Royal Bank of Canada of ($2,979) (31 December 2018: $211,558), Societe Generale of ($1861) (31 December 2018: ($3,884)) and UBS AG of ($885,939) (31 December 2018: $376,000). 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 new collateral arrangements during the year.

The following tables, at 31 December 2019 and 31 December 2018, show the gross and net derivatives assets and liabilities by contract type and amount for those derivatives contracts for which netting is permissible.

31 DECEMBER 2019

(EXPRESSED IN US DOLLARS) DESCRIPTION	GROSS AMOUNTS OF RECOGNISED ASSETS	GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES	NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
Forward currency contracts	457,083	(457,083)	–
Warrant	153	–	153
Total	**457,236**	**(457,083)**	**153**

DESCRIPTION	GROSS AMOUNTS OF RECOGNISED LIABILITIES	GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES	NET AMOUNTS OF RECOGNISED LIABILITIES PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
Forward currency contracts	(1,347,864)	457,083	(890,781)
Credit default swap	(77,983)	–	(77,983)
Total	**(1,425,847)**	**457,083**	**(968,764)**

31 DECEMBER 2018

(EXPRESSED IN US DOLLARS) DESCRIPTION	GROSS AMOUNTS OF RECOGNISED ASSETS	GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES	NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
Forward currency contracts	628,158	(40,600)	587,558
Warrant	200,664	–	200,664
Total	**828,822**	**(40,600)**	**788,222**

DESCRIPTION	GROSS AMOUNTS OF RECOGNISED LIABILITIES	GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES	NET AMOUNTS OF RECOGNISED LIABILITIES PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
Forward currency contracts	(44,484)	40,600	(3,884)
Credit default swap	(1,175)	–	(1,175)
Total	**(45,659)**	**40,600**	**(5,059)**

NOTE 4 – RISK FACTORS

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 2019 and 31 December 2018 are disclosed in the Consolidated Condensed 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 fall 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 cash and investment assets other than derivative financial instruments are held by the Custodian. The Custodian segregates the assets of the Company from the Custodian's 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 International Swaps and Derivatives Association (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"). 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 further in Note 3.

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 5 – SHARE CAPITAL

The Company's authorised 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 Shares or New Global Shares and Subscription Shares (each of which carry voting rights) or Capital Distribution 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 Pounds 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 Carey Trustees Limited (the "Trustee"), pursuant to a purpose trust established under Guernsey law. Under the terms of the NBDDIF Purpose Trust Deed, the Trustee holds the Class A Shares for the purpose of exercising the right to receive notice of general meetings of the Company but the Trustee shall only have the right to attend and vote at general meetings of the Company when there are no other shares of the Company in issue.

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, the Extended Life Shares, 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 existing investment period.

The New Global Share Class was created in March 2014 and its investment period ended on 31 March 2017.

At 31 December 2019, the Company had the following number of shares in issue:

	31 DECEMBER 2019	31 DECEMBER 2018
Issued and fully paid up:		
Class A Shares	2	2
Ordinary Share Class of no par value (Nil in treasury; 2018: Nil)	15,382,770	23,395,578
Extended Life Share Class of no par value (Nil in treasury; 2018: Nil)	114,146,794	154,104,598
New Global Share Class of no par value (Nil in treasury; 2018: Nil)	71,787,915	82,770,361

Reconciliation of the number of shares in issue in each class (excluding Class A) at 31 December 2019:

	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	TOTAL
Balance at 31 December 2018	23,395,578	154,104,598	82,770,361	260,270,537
Shares redeemed during the year	(8,012,808)	(37,527,305)	(10,032,446)	(55,572,559)
Buybacks (Shares repurchased)	–	(2,430,499)	(950,000)	(3,380,499)
Balance at 31 December 2019[1]	**15,382,770**	**114,146,794**	**71,787,915**	**201,317,479**

1 Balance of issued shares (less Treasury shares) used to calculate NAV.

Reconciliation of the number of shares in issue in each class at 31 December 2018:

	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	TOTAL
Balance at 31 December 2017	26,714,397	173,302,953	98,733,585	298,750,935
Shares redeemed during the year	(3,318,819)	(17,978,355)	(15,798,224)	(37,095,398)
Buybacks (Shares repurchased)	–	(1,220,000)	(165,000)	(1,385,000)
Balance at 31 December 2018[1]	**23,395,578**	**154,104,598**	**82,770,361**	**260,270,537**

1 Balance of issued shares (less Treasury shares) used to calculate NAV.

Distributions

Set out below are details of the capital returns by way of compulsory partial redemptions approved during the year ended 31 December 2019 and 31 December 2018.

2019	ORDINARY SHARE CLASS			EXTENDED LIFE SHARE CLASS			NEW GLOBAL SHARE CLASS		
	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT
1 April 2019	$7,991,975	8,012,808	$0.9974	$19,991,952	20,648,577	$0.9682	$8,535,657	7,198,961	$1.1857
27 August 2019	–	–	–	$4,991,952	5,418,379	$0.9213	$3,060,855	2,833,485	$1.0802
25 November 2019	–	–	–	$10,491,950	11,460,349	$0.9155	–	–	–
	$7,991,975	**8,012,808**	**–**	**$35,475,854**	**37,527,305**	**–**	**$11,596,512**	**10,032,446**	**–**

2018	ORDINARY SHARE CLASS			EXTENDED LIFE SHARE CLASS			NEW GLOBAL SHARE CLASS		
	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT
25 May 2018	$3,741,968	3,318,819	$1.1275	$16,241,937	15,177,962	$1.0701	$9,310,391	7,387,196	$1.2603
17 August 2018	–	–	–	$2,991,940	2,800,393	$1.0684	$10,820,239	8,411,028	$1.2864
	$3,741,968	**3,318,819**	**–**	**$19,233,877**	**17,978,355**	**–**	**$20,130,630**	**15,798,224**	**–**

Buybacks

Under the authority granted to the Directors at the 2018 and 2019 AGMs, between 1 January 2019 and 31 December 2019, 2,430,999 Extended Life Shares were repurchased and cancelled by the Company for gross consideration of $2,026,218 and 950,000 New Global Shares were repurchased and cancelled by the Company for gross consideration of $926,631 (£725,913).

NOTE 6 – MATERIAL AGREEMENTS AND RELATED PARTY TRANSACTIONS

Investment Management Agreement ("IMA")

The Board is responsible for managing the business affairs of the Company but delegates certain functions to the Investment Manager under an IMA dated 9 June 2010 (as amended).

On 17 July 2014, the Company, the Manager and the AIFM made certain classificatory amendments to their contractual arrangements 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 IMA 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 IMA to provide, amongst other things, certain administrative services to the Company. On 31 December 2017 the Company entered into an Amendment Agreement amending the IMA.

Per the IMA 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% per month of the respective NAVs of the Ordinary Share and Extended Life Share classes. Soft commissions are not used.

Per the IMA and in relation to the New Global Shares, the Manager is entitled to a management fee, which accrues daily, and is payable monthly in arrears, at a rate of 0.125% per month of the NAV of the New Global Share Class (excluding, until such time as the New Global Share Class is 85% invested, any cash balances (or cash equivalents)). The 85% threshold was crossed on 16 June 2015 and the Company is charged 0.125% per month on the NAV of the New Global Share Class.

For the year ended 31 December 2019, the management fee expense was $3,428,612 (31 December 2018: $4,699,872). At 31 December 2019, the management fee payable was $493,060 (31 December 2018: $340,193).

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

Performance Fee

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 from 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% catch up payable to the Manager until the Manager has received 20% 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 accruals basis.

No performance fees were paid or payable in respect of any of the classes for the year ended 31 December 2019 or 31 December 2018, nor would any be paid if the Company were to realise all its assets at the year end.

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

Administration, Company Secretarial and Custody Agreements

Effective 1 March 2015, the Company entered into an Administration and Sub-Administration Agreement with U.S. Bank Global Fund Services (Guernsey) Limited and U.S. Bank Global Fund Services (Ireland) Limited, a wholly-owned subsidiary of U.S. Bancorp (the "Administration Agreement"). Under the terms of the Administration Agreement, Sub-Administration services are delegated to U.S. Bank Global Fund Services (Ireland) Limited (the "Sub-Administrator"). The Sub-Administration Service Level Agreement was amended and approved on 21 February 2018.

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).

Under the terms of the Administration Agreement, the Sub-Administrator is entitled to a fee of 0.09% for the first $500m of net asset value, 0.08% for the next $500m and 0.07% for any remaining balance, accrued daily and paid monthly in arrears and subject to an annual minimum of $100,000.

Effective 1 March 2015, the Company entered into a Custody Agreement with U.S. Bank National Association (the "Custodian") to provide loan administration and custody services to the Company. Under the terms of the Custody Agreement the Custodian is entitled to an annual fee of 0.025% of net asset value with a minimum annual fee of $25,000.

Effective 20 June 2017, Carey Commercial Limited was appointed the Company Secretary. The Company Secretary is entitled to an annual fee of £65,800 plus fees for ad-hoc board meetings and additional services.

For the year ended 31 December 2019, the administration fee expense was $211,457 (31 December 2018: $286,757), the secretarial fee was $164,747[1] of which $19,752 was in relation to the administration of the ongoing buyback programme, (31 December 2018: $123,520) and the loan administration and custody fee expense was $146,147 (31 December 2018: $173,020[2]). At 31 December 2019, the administration fee payable is $14,535[2] (31 December 2018: $20,364[2]), the secretarial fee payable is $86,256[2] (31 December 2018: $123,520) and the loan administration and custody fee payable is $11,779[2] (31 December 2018: $17,500[2]).

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, $50,000 plus £10,000 for the Chairman of the Audit Committee). For the year ended 31 December 2019, the Directors' fees and travel expenses amounted to $253,482 (31 December 2018: $249,552). Michael J. Holmberg, the non-independent Director, has waived the fees for his services as a Director. There were no other related interests for the year ended 31 December 2019.

1 Amount is included under Professional and other expenses in the Consolidated Statement of Operations.

2 Amounts are included under Accrued expenses and other liabilities in the Consolidated Statement of Assets and Liabilities and Consolidated Statement of Operations.

NOTE 7 – FINANCIAL HIGHLIGHTS

	ORDINARY SHARES ($)	EXTENDED LIFE SHARES ($)	NEW GLOBAL SHARES £	ORDINARY SHARES ($)	EXTENDED LIFE SHARES ($)	NEW GLOBAL SHARES £
PER SHARE OPERATING PERFORMANCE	**YEAR ENDED 31 DECEMBER 2019**	**YEAR ENDED 31 DECEMBER 2019**	**YEAR ENDED 31 DECEMBER 2019**	**YEAR ENDED 31 DECEMBER 2018**	**YEAR ENDED 31 DECEMBER 2018**	**YEAR ENDED 31 DECEMBER 2018**
Net asset value per share at beginning of the year	**0.9778**	**0.9635**	**0.9206**	**1.1096**	**1.0387**	**0.9210**
Impact of share buybacks	–	0.0020	0.0015	–	0.0004	0.0002
Impact of share redemptions	(0.0022)	0.0008	(0.0009)	(0.0024)	(0.0142)	(0.0055)
Income/(loss) from investment operations[3]						
Net investment (loss)/ income	(0.0063)	0.0183	0.0098	(0.0109)	0.0078	0.0001
Net realised and unrealised (loss)/gain from investments and foreign exchange	(0.0607)	(0.0580)	(0.0971)	(0.1185)	(0.0692)	0.0048
Total (loss)/ income from investment operations	**(0.0670)**	**(0.0397)**	**(0.0873)**	**(0.1294)**	**(0.0614)**	**0.0049**
Net asset value per share at end of the year	**0.9086**	**0.9266**	**0.8339**	**0.9778**	**0.9635**	**0.9206**

3 Weighted average number of shares outstanding was used for calculation.

NOTE 7 – FINANCIAL HIGHLIGHTS (continued)

	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES
NAV TOTAL RETURN[1,2]	**YEAR ENDED 31 DECEMBER 2019**	**YEAR ENDED 31 DECEMBER 2019**	**YEAR ENDED 31 DECEMBER 2019**	**YEAR ENDED 31 DECEMBER 2018**	**YEAR ENDED 31 DECEMBER 2018**	**YEAR ENDED 31 DECEMBER 2018**
NAV Total Return before performance fee	(7.08%)	(3.83%)	(9.42%)	(11.66%)	(5.87%)	0.55%
Performance fee	–	–	–	–	–	–
NAV Total Return after performance fee including an income distribution by way of dividend	**(7.08%)**	**(3.83%)**	**(9.42%)**	**(11.66%)**	**(5.87%)**	**0.55%**

1 NAV 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 of the shares. A shareholder's return may vary from these returns based on participation in new issues, the timing of capital transactions etc. It assumes that all income distributions of the Company, paid by way of dividend, were reinvested, without transaction costs. Class A shares are not presented as they are not profit participating shares.

2 An individual shareholder's return may vary from these returns based on the timing of the shareholder's subscriptions.

	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES
RATIOS TO AVERAGE NET ASSETS	**YEAR ENDED 31 DECEMBER 2019**	**YEAR ENDED 31 DECEMBER 2019**	**YEAR ENDED 31 DECEMBER 2019**	**YEAR ENDED 31 DECEMBER 2018**	**YEAR ENDED 31 DECEMBER 2018**	**YEAR ENDED 31 DECEMBER 2018**
Net investment income before and after performance fee	(0.66%)	1.92%	1.13%	(1.00%)	0.74%	(0.04%)
Total expenses after performance fee	**(2.15%)**	**(2.21%)**	**(2.31%)**	**(2.01%)**	**(2.16%)**	**(2.38%)**

NOTE 8 – RECONCILIATION OF NET ASSET VALUE TO PUBLISHED NAV

In preparing the Financial Statements, there were adjustments relating to investment valuations. 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 2019	13,976,415	0.9086	105,771,674	0.9266	59,934,598	0.8349
Deferred Tax Adjustment	–	–	–	–	(71,816)	(0.0010)
Valuation adjustments	–	–	–	–	–	–
Net assets per Consolidated Financial Statements	**13,976,415**	**0.9086**	**105,771,674**	**0.9266**	**59,862,782**	**0.8339**

	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 2018	22,983,960	0.9824	148,828,076	0.9658	76,511,273	0.9244
Deferred Tax Adjustment	(106,864)	(0.0046)	(275,713)	(0.0018)	(265,174)	(0.0032)
Valuation adjustments	(736)	–	(70,049)	(0.0005)	(50,421)	(0.0006)
Net assets per Consolidated Financial Statements	**22,876,360**	**0.9778**	**148,482,314**	**0.9635**	**76,195,678**	**0.9206**

NOTE 9 – SUBSEQUENT EVENTS

The Board have considered subsequent events up to 14 April 2020.

On 5 March 2020, the Company announced a further capital distribution by way of compulsory redemption of $5,000,000 to the shareholders of the NBDX share class.

The Investment Manager is monitoring the ongoing developments related to COVID-19 (Novel Coronavirus) with a particular focus on two areas: the safety and health of its employees and clients, and the ability to continue to conduct effectively its investment and business operations (including all critical services).

The Investment Manager currently has not experienced a significant impact on its operating model. Looking back, the Investment Manager notes that the economic impact of the 2003 SARS outbreak was manageable overall and short-term in nature but acknowledges it is too early to predict the full extent of the current COVID-19 outbreak with high confidence. The Investment Manager will continue to watch the effectiveness of efforts to contain the spread of the COVID-19 virus and the potential long-term implications on global economies and continue to monitor and adapt as necessary the firm’s operations and processes to most effectively manage portfolios.

The recent outbreak of the COVID-19 pandemic in many countries, which is a rapidly evolving situation, has disrupted global travel and supply chains, and has adversely impacted global commercial activity, the transportation industry and various financial sectors. The rapid development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse effect on economic and market conditions and trigger a period of global economic slowdown. Such conditions (which may be across industries, sectors or geographies) may impact financial performance of the Company.

Since year end to 9 April 2020, being the last practicable date prior to signing, the Company has bought back 576,822 NBDX shares and 490,000 NBDG shares for cancellation.

Contact Details

Directors

John Hallam (Chairman)
Michael Holmberg
Christopher Legge
Christopher Sherwell (resigned 31 December 2019)
Stephen Vakil

All c/o the Company's registered office.

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Company Secretary

Carey Commercial Limited

Alternative Investment Fund Manager

Neuberger Berman Investment Advisers LLC

Manager

Neuberger Berman Europe Limited

Custodian and Principal Bankers

US Bank National Association

Designated Administrator

U.S. Bank Global Fund Services (Guernsey) Limited

Independent Auditor

KPMG Channel Islands Limited

Sub–Administrator

U.S. Bank Global Fund Services (Ireland) Limited

Financial Adviser and Corporate Broker

Stifel Nicolaus Europe Limited

Solicitors to the Company (as to English law and U.S. securities law)

Herbert Smith Freehills LLP

Advocates to the Company (as to Guernsey law)

Carey Olsen

Registrar

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Shareholders holding shares directly and not through a broker, saving scheme or ISA and have queries in relation to their shareholdings should contact the Registrar on +44 (0)371 664 0445. (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9 a.m. to 5:30 p.m. (excluding bank holidays)). Shareholders can also access their details via the Registrar’s website:
www.signalshares.com.

Full contact details of the Company’s advisers and Manager can be found on the Company’s website.