NB Distressed Debt Investment Fund Limited

2021 ANNUAL REPORT

Audited Consolidated Financial Statements
For The Year Ended 31 December 2021

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 2021 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")

80,545,074 Extended Life Shares, none of which were held in treasury.

New Global Share Class ("NBDG")

41,116,617 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: GG00BMY71631
Bloomberg code: NBDX:LN

New Global Shares
LSE ISIN code: GG00BMY71748
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

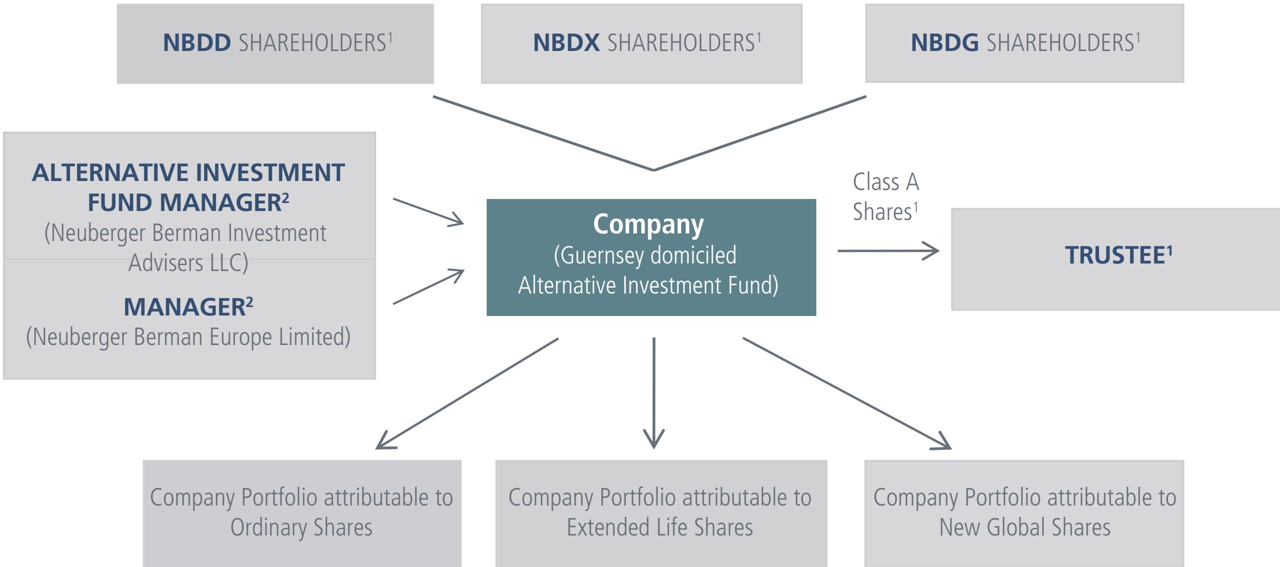
Business Model

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 29.

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 exemption 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 2021	ORDINARY SHARE CLASS	EXTENDED LIFE SHARE CLASS	NEW GLOBAL SHARE CLASS[1]	AGGREGATED
Net Asset Value ("NAV") ($ millions)	13.9	74.5	32.2	120.6
NAV per Share ($)	0.9028	0.9243	0.7835	–
Share Price ($)	0.745	0.6175	0.5486	–
NAV per Share (£)	–	–	0.5785	–
Share Price (£)	–	–	0.405	–
Premium /(Discount) to NAV per Share	(17.48%)	(33.19%)	(29.99%)	–
Portfolio of Distressed Investments ($ millions)	10.3	63.6	30.5	104.4
Cash and Cash Equivalents ($ millions)	3.7	10.4	1.2	15.3
Total Expense Ratio ("TER")[2]	1.52%	1.35%	1.64%	–
Ongoing Charges[3]	1.37%	1.24%	1.56%	–

AT 31 DECEMBER 2020	ORDINARY SHARE CLASS	EXTENDED LIFE SHARE CLASS	NEW GLOBAL SHARE CLASS[1]	AGGREGATED
Net Asset Value ("NAV") ($ millions)	13.0	63.5	31.9	108.4
NAV per Share ($)	0.8420	0.7889	0.7767	–
Share Price ($)	0.720	0.480	0.6356[1]	–
NAV per Share (£)	–	–	0.5682	–
Share Price (£)	–	–	0.465	–
Premium/(Discount) to NAV per Share	(14.49%)	(39.16%)	(18.16%)	–
Portfolio of Distressed Investments ($ millions)	9.9	55.6	30.8	96.3
Cash and Cash Equivalents ($ millions)	3.6	9.1	0.9	13.6
Total Expense Ratio ("TER")[2]	2.89%	2.68%	2.76%	–
Ongoing Charges[3]	2.42%	2.36%	2.39%	–

1 Stated in US Dollars, the £ price as at 31 December 2021 and 31 December 2020 converted to US Dollars using respective year end exchange rate.

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 In the year to 31 December 2021, the Company's Ongoing Charges were 1.34%. This figure is based on an expense figure for the year to 31 December 2021 of $1,600,794. 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 2021. The Ongoing Charges by share class are disclosed above.

Summary of Value in Excess of Original Capital Invested

AT 31 DECEMBER 2021	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	259,844,033	42,460,798
Total Income Distributions[1]	3,166,835	14,896,010	2,685,521
Distributions as % of Original Capital	107%	76%	41%
Total Buybacks	–	12,112,379	10,924,963
NAV	13,887,833	74,450,993	23,784,796
Total of NAV Plus Capital and Income Returned ("Value")	146,682,062	361,303,415	79,856,078
Value in Excess of Original Capital Invested	22,181,860	1,943,621	(30,929,707)
Value as % of Original Capital Invested	118%	101%	72%

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Total Capital Distributions	129,627,394	259,844,033	42,460,798
Total Income Distributions[1]	3,166,835	14,896,010	2,685,521
Distributions as % of Original Capital	107%	76%	41%
Total Buybacks	–	12,112,379	10,924,963
NAV	12,952,965	63,540,650	23,363,139
Total of NAV Plus Capital and Income Returned ("Value")	145,747,194	350,393,072	79,434,421
Value in Excess of Original Capital Invested	21,246,992	(8,966,722)	(31,351,364)
Value as % of Original Capital Invested	117%	98%	72%

1 By way of dividend

Chairman's Statement

Dear Shareholder,

Although progress was made and valuations increased in 2021, that did not result in investment exits during the period. We expect that to change in 2022 as while the past year continued to see unprecedented economic and social disruption it also brought the hope that vaccines would bring some return to normality.

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. As a reminder, the Ordinary class shareholders will no longer receive capital distributions until such time as all final assets attributable to them have been realised to ensure compliance with UK regulations.

Company Performance

As at 31 December 2021, the Company had returned a total of $132.8m or 106.7% of NBDD investors' original capital of $124.5m, $286.9m or 79.8% of NBDX investors' original capital of $359.4m and £56.1m or 50.6% of NBDG investors' original capital of £110.8m.

Currently we are in what we hope to be the final stages of harvesting a number of investments and we will keep investors informed as they occur. It is our intention to fully harvest NBDD during the next 18 months. The Board continues to monitor all costs to ensure that they are appropriate as we are conscious that shareholders may be concerned about the impact of costs on a reducing portfolio during the harvest period. We were therefore very pleased to announce that with effect from 18 March 2021 our investment manager agreed to waive all future fees.

Annual General Meeting ("AGM") Results

We were pleased to see that shareholders voted overwhelmingly in favour of all resolutions proposed at our AGM held on 24 June 2021 with all but one being passed unanimously. We appreciate that circumstances have adversely impacted the results the Company has achieved and would like to take the opportunity to thank you all for your votes and continued support.

We will continue to put our income distribution policy to a shareholder vote at each annual general meeting. 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 would continue to highlight the importance of voting in the AGM. We are always happy to receive any questions or concerns from shareholders ahead of the AGM so they can be addressed beforehand.

Board Composition, Independence and Diversity

Due to the current unchanged status of the fund it is not considered appropriate to not refresh the board at this time.

COVID-19

As previously reported, the world has experienced unprecedented times as a result of the COVID-19 pandemic and the values of many of our assets have been negatively affected. I am pleased to be able to report that our key service providers have continued to provide uninterrupted services to the Company and thank them for their efforts. The various valuation methodologies we use to value your portfolio's holdings are continually reviewed and we consider that they remain appropriate for determining values at any given point in time. However, the timing of the orderly realisation of these assets is less certain and the quantum of the proceeds therefrom is difficult to predict.

Our objectives remain the same; to maximise the benefit to investors during this harvest period and to continue to provide updated information regarding asset values.

Outlook

As reported in the previous annual report the final distributions from each share class have been delayed. The Ordinary class of shares is expected to be the first to commence the final wind up process in the next eighteen months, followed by the Extended share class and then 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 to remain viable. However, the whole process must be managed in a way that ensures compliance with UK regulations. The Extended and Global classes will continue to distribute until their net assets are reduced to approximately $34.4m and £8.1m respectively. In certain cases, the cash associated with these share classes 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 the remaining assets.

For regulatory reasons, the final 10% of the total return (NAV plus cumulative distributions) in respect of any class of participating shares in NBDDIF 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 (ordinary share class) until the final distribution to investors and the wind-down of the share class. The investment manager is evaluating options to wind down NBDD and will keep investors informed once there is more clarity.

We deplore the Russian invasion of the Ukraine and have considered its potential impact on asset values, while no direct impact has been identified values are affected by its impact on the global economy and, as with COVID-19, we continue to monitor investment methodologies.

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

22 April 2022

Investment Manager's Report

Ordinary Share Class

Summary

The NAV per share increased by 7.3% for the year ended 2021. Momentum in public markets continued as investors and consumers were encouraged by the vaccine rollout. However, the year ended with volatility as investors monitor multiple themes that could impact global growth. Dominant topics include tightening fiscal and monetary conditions, persistently higher inflation, supply chain disruptions, a tight labour market, and geopolitical tensions. Given these circumstances, the timing and quantum of any financial impact on the portfolio remains very difficult to predict. Despite the uncertainty, the Investment Manager is committed to realising the investments in a timely manner and winding down the share class as soon as practicable, but there is one asset we are working through which will determine the final distribution date. Although progress was made and valuations increased in 2021, that did not result in investment exits in 2021, and we expect that to change in 2022. Currently we are in what we hope to be the final stages of harvesting a number of investments and we will keep investors informed as they occur. It is our intention to fully harvest NBDD during the next 18 months.

Portfolio Update

NBDD ended the year with a NAV per share of $0.9028 compared to $0.8420 at end of 2020. The NAV increase was principally driven by an expansion in market multiples which particularly benefited the value of a packaging company investment. At 31 December 2021, 61% of NBDD's NAV was invested in distressed assets, and $4.9M in US Government securities which represented a further 39% of NAV, with a minimal amount cash net of payables (see table below). Cash balances will continue to increase as assets are realised, subject to variations in collateral cash, but as noted previously cannot be distributed until the final liquidation of the share class. The portfolio consisted of 5 issuers across four sectors. The largest sector concentrations were in containers & packaging, surface transportation and financial intermediaries.

CASH ANALYSIS

Balance Sheet – Cash	$3.7m
Collateral cash	($3.1m)
Other payables	($0.0m)
Total available cash	**$0.6m**

Notable events below describe activity in the investments during 2021:

- The packaging company investment was able to refinance its capital structure at more favourable interest rates and extended maturities. No additional leverage was taken on for distributions to its shareholders

Significant Price Movement during 2021 (more than 1% of NBDD NAV or approximately $140,000)

INDUSTRY	INSTRUMENT	TOTAL RETURN (US DOLLARS MILLIONS)	COMMENT
Containers & packaging	Private Equity	0.7	Improvement in market multiples, offset by raw material inflation
US Treasury Bills	Fixed Income	(0.2)	Rising interest rates

Exits

During the year, we had no exits. The total number of exits since inception in NBDD is 50, with a total return of $35.8m.

Partial Realisations

The partial realisations have generated net realised gains of $24.7m over the life of the fund. Detailed descriptions of the partial realisations are at the end of this report.

Distributions

To date, $132.8m or 107% of original capital has been distributed to investors in the form of capital distributions via redemptions and income dividends. Total value to investors including NAV and all distributions paid is $146.7m (118% of original capital). For regulatory reasons, the final 10% of the total return (NAV plus cumulative distributions) in respect of any class of participating shares in NBDDIF will be returned to shareholders with a final compulsory redemption of all of the outstanding shares of that class. The next distribution for NBDD will be the final distribution to shareholders and will wind down the share class. Our current expectation is to wind down the share class in 2022, assuming supportive market conditions. We will continue to update investors as we gain clarity on the realisations.

Extended Life Share Class

Summary

The NAV per share increased by 17.2% for the year ended 2021. Momentum in public markets continued as investors and consumers were encouraged by the vaccine rollout. However, the year ended with volatility as investors monitor multiple themes that could impact global growth. Dominant topics include tightening fiscal and monetary conditions, persistently higher inflation, supply chain disruptions, a tight labour market, and geopolitical tensions. Given these circumstances, the timing and quantum of any financial impact on the portfolio remains very difficult to predict. Despite the uncertainty, the Investment Manager is committed to realising the investments in a timely manner and winding down the share class as soon as practicable. Although progress was made and valuations increased in 2021, that did not result in investment exits in the period, and we expect that to change in 2022. Currently we are in what we hope to be the final stages of harvesting a number of investments and we will keep investors informed as they occur. It is our intention to fully harvest NBDX during the next 18 months.

Portfolio Update

NBDX ended the year with a NAV per share of $0.9243 compared to $0.7889 at end of 2020. At 31 December 2021, 93% of NBDX's NAV was invested in distressed assets, and $2.7M in US Government securities which represented a further 7% of NAV with a minimal amount of cash net of payables (see table below). Cash balances will continue to increase as assets are realised, subject to variations in collateral cash, but as noted previously not all can be distributed until the final liquidation of the share class. The NAV per share increase during the year was principally driven by the packaging company investments benefiting from expanding market multiples, a shipping investment being supported by a stronger dry bulk market, and an oil & gas investment benefiting from improved ethanol demand. The NBDX portfolio consists of 12 issuers across 8 sectors. The largest sector concentrations were in surface transportation, containers & packaging, shipping, lodging & casinos.

CASH ANALYSIS

Balance Sheet – Cash	$10.4m
Collateral cash	($7.9m)
Other payables	($0.1m)
Total available cash	**$2.4m**

Notable events below describe activity in the investments during 2021:

- A packaging company investment was able to refinance its capital structure at more favourable interest rates and extended maturities. No additional leverage was taken on for distributions to its shareholders.
- Two lodging & casino investments reopened for the first time since the start of the pandemic. Both properties are currently performing above expectations.

Investment Manager's Report (continued)

Extended Life Share Class (continued)

Significant Price Movements during 2021 (approximately 1% of NBDX NAV or $740,000)

INDUSTRY	INSTRUMENT	TOTAL RETURN (US DOLLARS MILLIONS)	COMMENT
Shipping	Private Equity	6.5	Strength in the dry bulk market
Oil & Gas	Private Equity	2.1	Improvement in ethanol demand
Containers & Packaging	Private Equity	1.7	Improvement in market multiples, offset by raw material inflation
Surface Transport	Bank Debt Investments	(1.0)	Lack of progress in arbitration & illiquidity

Exits

In 2021 we had no exits. The total number of exits since inception in NBDX to 67 with total return of $63.7m.

Partial Realisations

The partial realisations generated net realised gains of $34.3m over the life of the Company. Detailed descriptions of the partial realisations are at the end of this report.

Distributions

During 2021 NBDX made no distributions. The total distributions to date (dividends, redemptions and buy-backs) amount to $287.0m or 80% of original capital. Total value to investors including NAV and all distributions paid is $361.3m or 101% of original capital. For regulatory reasons, the final 10% of total return in respect of any class of participating shares in NBDDIF will be returned to shareholders with the final compulsory redemption of all of the outstanding shares of that class. The investment manager has undertaken a review of all the investments in the light of a changed market and we have updated the distribution schedule for the investments based on current expectations. The expectation is to distribute most of the 31 December 2021 NAV in 2022, assuming supportive market conditions.

New Global Share Class

Summary

The NAV per share increased by 1.8%. Momentum in public markets continued as investors and consumers were encouraged by the vaccine rollout. However, the year ended with volatility as investors monitor multiple themes that could impact global growth. Dominant topics include tightening fiscal and monetary conditions, persistently higher inflation, supply chain disruptions, a tight labour market, and geopolitical tensions. Given these circumstances, the timing and quantum of any financial impact on the portfolio remains very difficult to predict. Despite the uncertainty, the Investment Manager is committed to realising the investments in a timely manner and winding down the share class as soon as practicable. Although progress was made and valuations increased in 2021, that did not result in investment exits in 2021, and we expect that to change in 2022. Currently we are in what we hope to be the final stages of harvesting a number of investments and we will keep investors informed as they occur. It is our intention to fully harvest NBDG during the next 18 months.

Portfolio Update

NBDG ended 2021 with a NAV per share of £0.5785 compared to £0.5682 at the end of 2020. At 31 December 2021, 92% of NBDG's NAV was invested in distressed assets, and $1.4m in US Government securities which represented a further 8% of NAV with a minimal amount of cash net of payables (see table below). NAV per share increased during the year principally due to a shipping investment benefiting from a stronger dry bulk market and an oil & gas investment benefiting from improved ethanol demand, offset by a delay in reopening a lodging investment as a result of the global pandemic and the lack of progress in the arbitration for a surface transport investment, the portfolio consisted of 7 issuers across 6 sectors. The largest sector concentrations were in lodging & casinos, commercial mortgage, surface transportation and shipping.

CASH ANALYSIS

Balance Sheet – Cash	$1.2m
Cash held in wholly-owned subsidiary accounts	$0.0m
Other payables	($0.1m)
Total available cash	**$1.1m**

Notable events involving NBDG's investments during 2021 are below:

- A lodging & casino investment reopened in March for the first time since the start of the pandemic. The property is currently performing above expectations.
- Another lodging & casino investment was closed until August and received an additional loan from investors to fund ongoing expenses. Since reopening the property is slowly recovering towards pre-pandemic performance.

Significant Price Movements during 2021 (approximately 1% of NBDG NAV or £240,000

INDUSTRY	INSTRUMENT	TOTAL RETURN (US DOLLARS MILLIONS)	COMMENT
Shipping	Private Equity	2.7	Strength in the dry bulk market
Oil & Gas	Private Equity	0.7	Improvement in ethanol demand
Surface Transport	Bank Debt Investments	(0.7)	Lack of progress in arbitration & illiquidity
Lodging & Casinos	Bank Debt Investments	(0.8)	Delay in hotel reopening due to Covid

Exits

During 2021 there were no exits. The total number of exits since inception is 30 with a total return of £ (7.2m). Detailed descriptions of the exits are at the end of this report.

Partial Realisations

There were no partial realisations in NBDG during 2021.

Distributions

During 2021, there were no distributions. The total distributions to date (dividends, redemptions and buy-backs) have been £56.1m or 51% of original capital. Total value to investors including NAV and all distributions paid is £79.9m or 72% of original capital. For regulatory reasons, the final 10% of total return in respect of any class of participating shares in NBDDIF will be returned to shareholders with the final compulsory redemption of all of the outstanding shares of that class. The investment manager has undertaken a review of all the investments in the light of a changed market and we have updated the distribution schedule for the investments based on current expectations. The expectation is to distribute approximately 70-75% of the 31 December 2021 NAV in 2022 and the remainder in 2023.

Summary of Exits across all Share Classes

Exits experienced from inception to date were as follows

NBDD 50 exits with a total return of $35.6m, IRR1 of 10% and ROR of 19%
NBDX 67 exits with a total return of $63.4m, IRR1 of 5% and ROR of 10%
NBDG 30 exits with a total return of £ –7.27m, IRR1 of -5 % and ROR of –6%

Investment Manager's Report (continued)

Summary of Partial Realisations across all Share Classes

All partial realisations currently in the portfolio are reported as at 31 December 2021 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 B: NBDD and NBDX

71%	ROR as at 31 December 2021
27%	IRR as at 31 December 2021

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 of 2017 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 of 2017, 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 $2.1m generating a total return of $5.0m as of 31 December 2021. IRR was 27% and ROR was 71% with a holding period of 110 months at 31 December 2021.

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	$0.6	$1.4	27%	71%	110
NBDX	H1 2017	$5.1	$7.2	$1.5	$3.6	27%	71%	110

Partial Realisation C: NBDD and NBDX

318%	ROR as at 31 December 2021	54%	IRR as at 31 December 2021

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 completing 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 $15.3m, generating a total return of $29.3m as at 31 December 2021. IRR was 54% and ROR was 318% with a holding period of 113 months at 31 December 2021.

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	$4.3	$8.2	54%	318%	113
NBDX	H1 2017	$6.6	$16.7	$11.0	$21.1	54%	318%	113

Neuberger Berman Investment Advisers LLC

22 April 2022

Neuberger Berman Europe Limited

22 April 2022

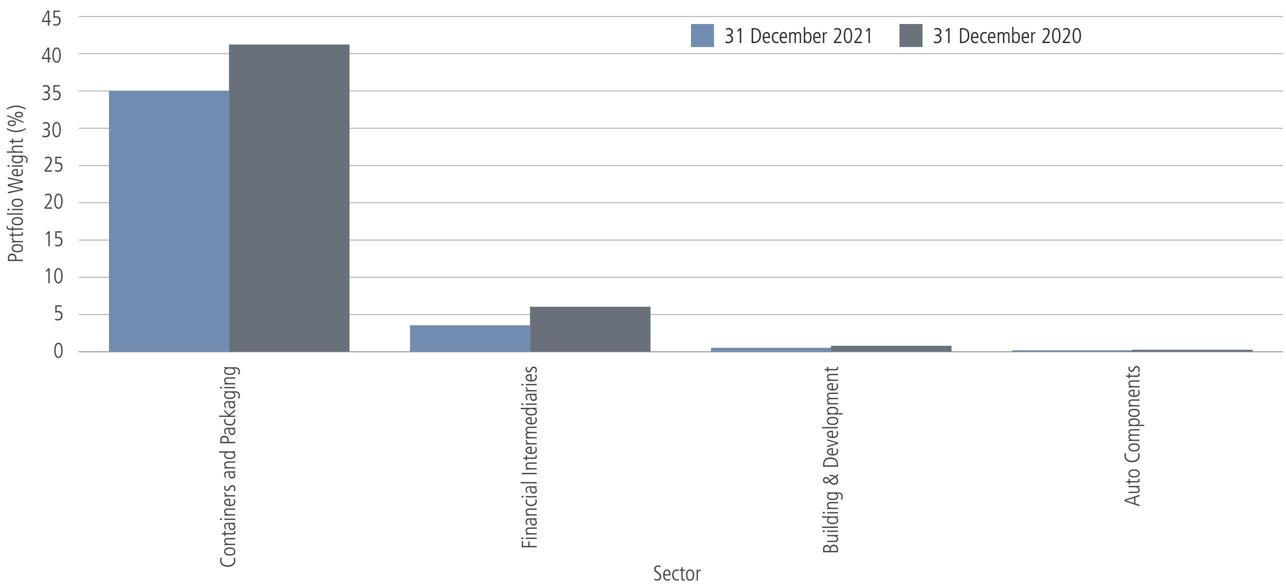
Portfolio Information

Ordinary Share Class

TOP 5[1] HOLDINGS AT 31 DECEMBER 2020

HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Specialty Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	31%	Manufacturing Plant and Equipment
2	Surface Transport[2]	Trade Claim	Defaulted	Brazil	20%	Municipal Claim
3	Financial Intermediaries	Secured Notes	Post-Reorg	US	4%	Cash & Securities
4	Specialty Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	4%	Manufacturing Plant and Equipment
5	Building & Development	Secured Loan	Defaulted	US	1%	Land
Total					**60%**	

Sector Breakdown[3]



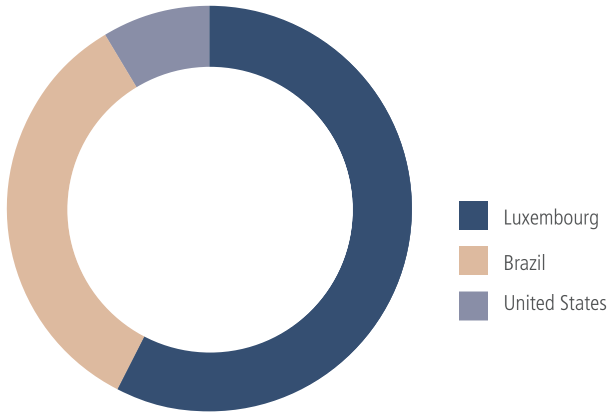
1 Ordinary Share Class holds five investments by issuer.

2 As at 31 December 2021 collateral pledged is included in the Surface Transport Market Value.

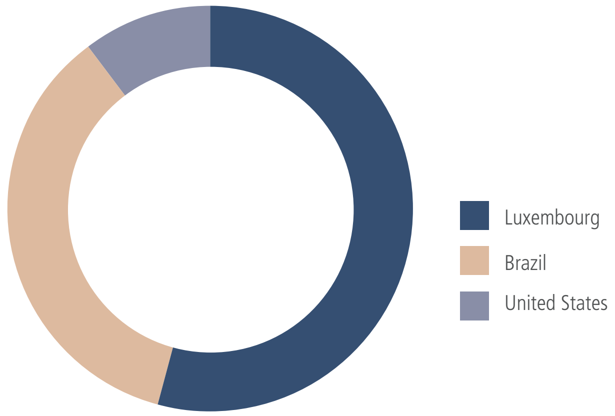
3 Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S Bank Global Fund Services (Guernsey) Limited/U.S. Bank Global Fund Services (Ireland) Limited as Administrator/Sub-Administrator to the Company. Please note that irrespective of the "sector" in which 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[4,5]

31 DECEMBER 2021



31 DECEMBER 2020



4 Categorisations determined by Neuberger Berman and percentages determined by the Administrator, as a percentage of the net asset values at 31 December 2021 and 31 December 2020.

5 As at 31 December 2021 collateral pledged is included in the Brazil Market Value.

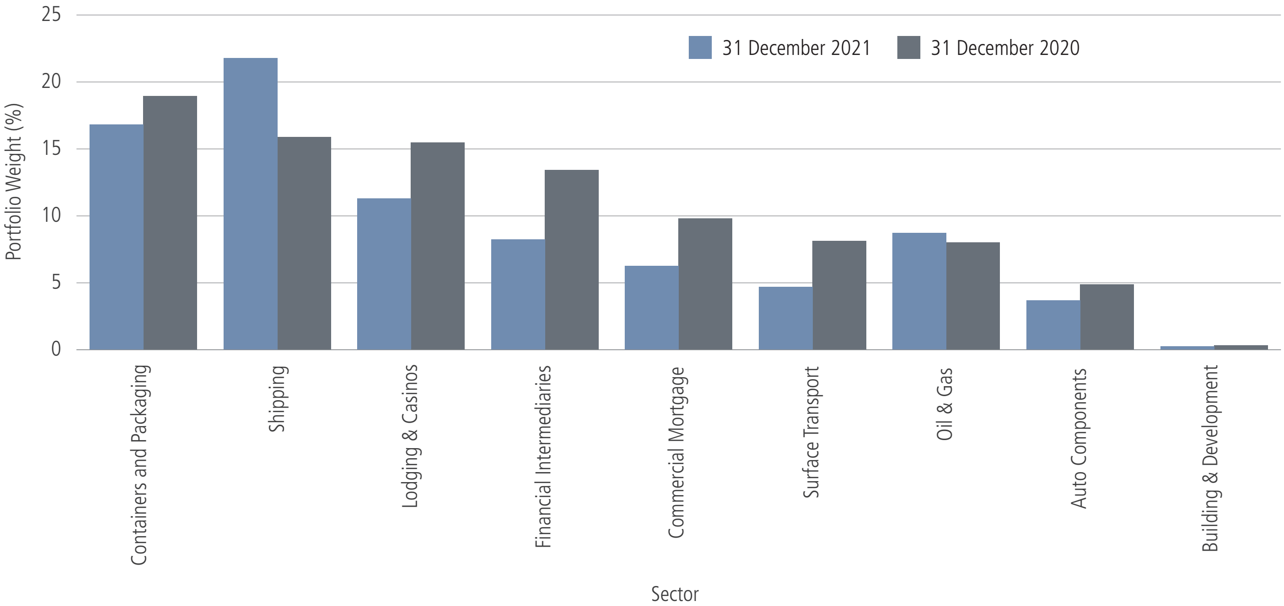
Portfolio Information (continued)

Extended Life Share Class

TOP 10 HOLDINGS AT 31 DECEMBER 2021

HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Shipping	Secured Loan / Private Equity	Post-Reorg	Marshall Islands	22%	Ships
2	Specialty Packaging	Post-Reorg Equity	Post-Reorg	Luxembourg	15%	Manufacturing Plant and Equipment
3	Surface Transport[1]	Trade Claim	Defaulted	Brazil	10%	Municipal Claim
4	Financial Intermediaries	Secured Notes	Defaulted	US	9%	Cash and Securities
5	Oil & Gas	Post-Reorg Equity	Post-Reorg	US	9%	Ethanol Plant
6	Commercial Mortgage	Secured Loan	Defaulted	Netherlands	6%	Commercial Real Estate
7	Lodging & Casinos	Secured Notes	Post-Reorg	US	6%	Hotel/Lodging Real Estate and Casino
8	Lodging & Casinos	Secured Loan	Defaulted	US	5%	Hotel/Lodging Real Estate and Casino
9	Surface Transport	Secured Loan	Defaulted	Spain	5%	Concession
10	Auto Components	Secured Loan	Post-Reorg	US	4%	Manufacturing Plant and Equipment
Total					**91%**	

Sector Breakdown[2]

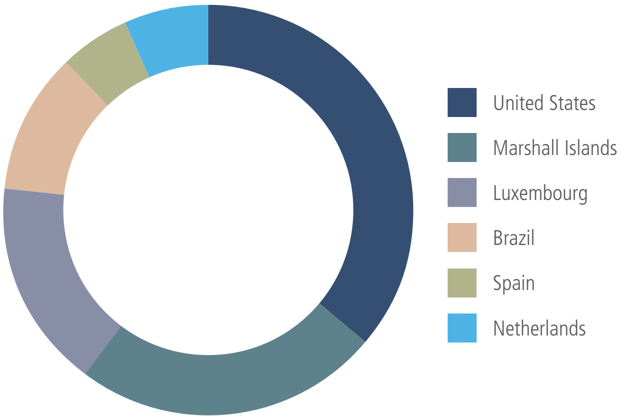


1 As at 31 December 2021 collateral pledged is included in the Surface Transport Market Value.

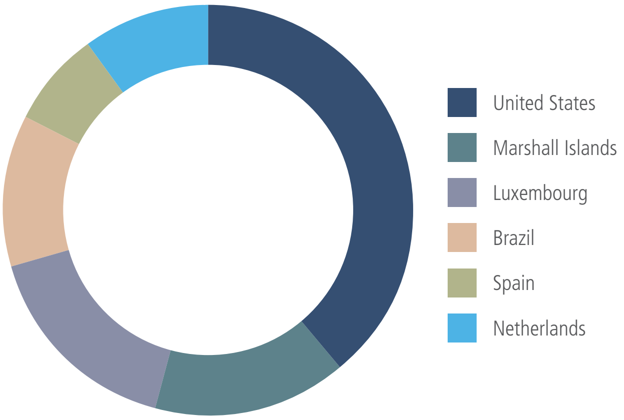
2 Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S Bank Global Fund Services (Guernsey) Limited/U.S. Bank Global Fund Services (Ireland) as Administrator / Sub-Administrator to the Company. Please note that irrespective of the "sector" in which an investment is made, the underlying assets constituting the collateral for the investment comprise ships and 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[3,4]

31 DECEMBER 2021



31 DECEMBER 2020



3 Categorisations determined by Neuberger Berman and percentages determined by the Administrator, as a percentage of the net asset values at 31 December 2021 and 31 December 2020

4 As at 31 December 2021 collateral pledged is included in the Brazil Market Value

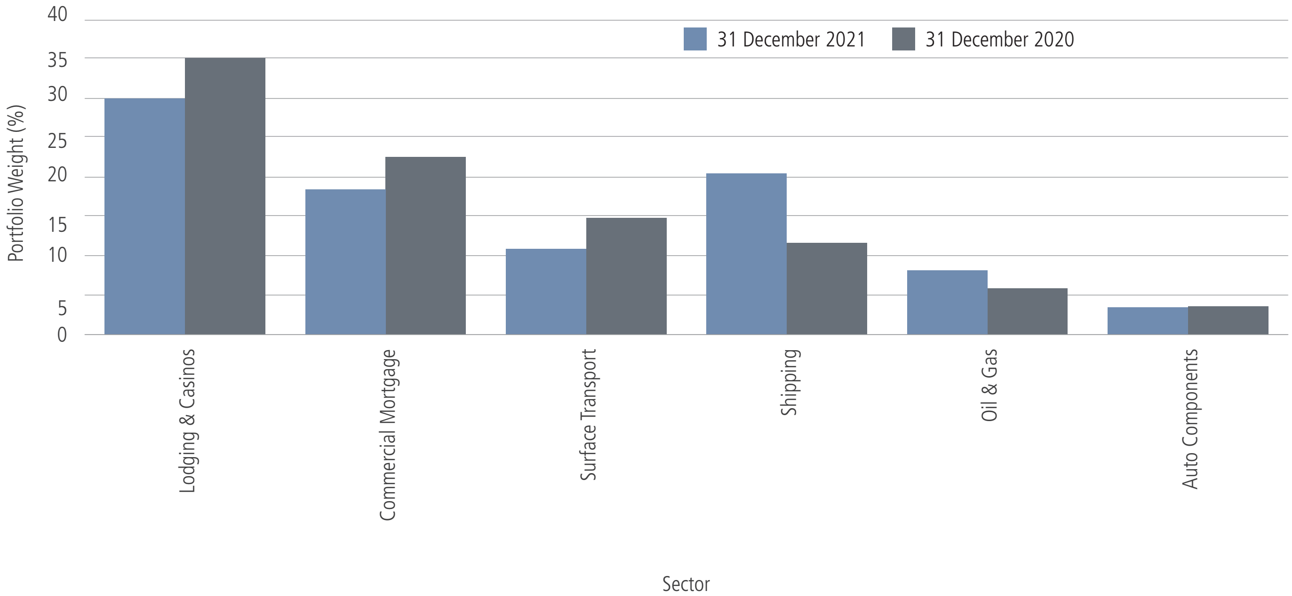
Portfolio Information (continued)

New Global Share Class

TOP 7[1] HOLDINGS AT 31 DECEMBER 2020

HOLDING	SECTOR	PURCHASED INSTRUMENT	STATUS	COUNTRY	% OF NAV	PRIMARY ASSET
1	Lodging & Casino	Secured Loan/ Private Equity	Current	Spain	24%	Hotel/Casino
2	Shipping	Secured Loan/ Private Equity	Post-Reorg	Marshall Islands	20%	Ships
3	Commercial Mortgage	Secured Loan	Defaulted	Netherlands	18%	Commercial Real Estate
4	Surface Transportation	Secured Loan	Defaulted	Spain	11%	Legal Claim
5	Oil & Gas	Private Equity	Post-Reorg	US	8%	Ethanol Plant
6	Lodging & Casino	Secured Notes	Defaulted	US	7%	Hotel/Casino
7	Auto Components	Secured Loan	Post-Reorg	US	3%	Manufacturing Plant
Total					**91%**	

Sector Breakdown[2]

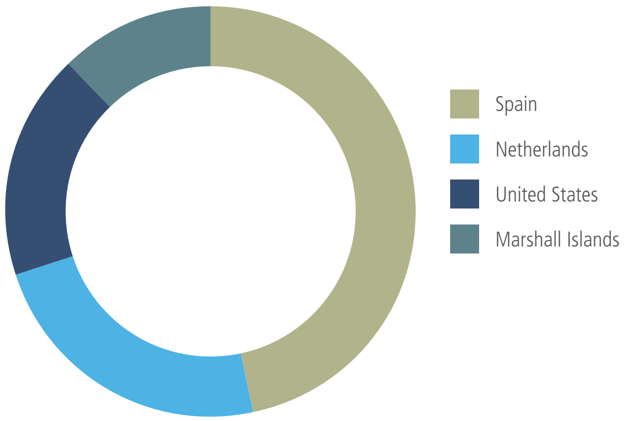


1 Global Share Class holds seven investments by issuer.

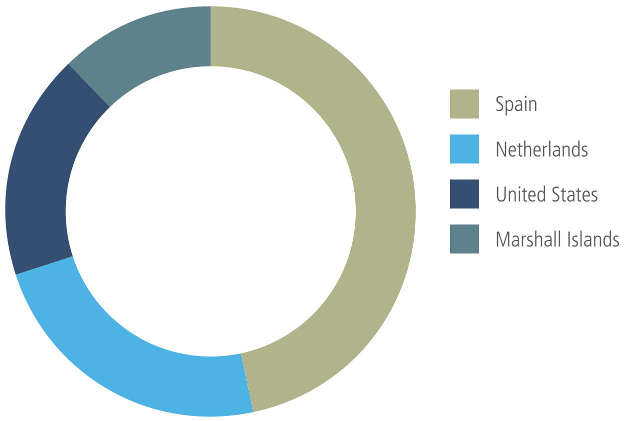
2 Categorisations determined by Neuberger Berman; percentages determined by Neuberger Berman and U.S Bank Global Fund Services (Guernsey) Limited/U.S. Bank Global Fund Services (Ireland) Limited as Administrator / Sub-Administrator to the Company. Please note that irrespective of the "sector" in which an investment is made, the underlying assets constituting the collateral for the investment comprise ships and 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[3]

31 DECEMBER 2021



31 DECEMBER 2020



3 Categorisations determined by Neuberger Berman and percentages determined by the Administrator, as a percentage of the net asset values at 31 December 2021 and 31 December 2020.

Strategic Report

Since 31 March 2017, the Portfolios have all been in their respective harvest period. As such this strategic report is presented in the context of the current positioning of the Portfolios in their lifecycle. 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.

Principal and Emerging 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. 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 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. 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, the management fee, was waived with effect from 18 March 2021. The Company retains the services of its broker, Jefferies International 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. Buy backs have been ceased with the focus moving to returning capital to shareholders via compulsory redemptions.
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 89.	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 held 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.

Strategic Report (continued)

RISK	MITIGATION
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 37 to 45.

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. Examples of emerging risks that have been identified over the course of the past two years included the continuing effects of COVID-19, climate related risks and the issuance of new regulations, new risks associated with the Brexit trade deal. 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. Whilst COVID-19 was identified as an emerging risk in 2020, it has been discussed on a quarterly basis as a continued risk, it is however not a principal risk.

The Board have actively monitored its service providers for operational resilience and the impact of COVID-19 on the portfolio. Post year end, Russia's invasion of Ukraine has presented another risk, and both of these are discussed in the Chairman's Statement on pages 10 and 11.

In 2019, the Board identified activism relating to climate change as an emerging risk and since then has closely monitored regulatory and other developments in this area. The UN's latest Intergovernmental Panel on Climate Change (IPCC) report will be considered by the Board when undertaking Company related business.

Going Concern

The Company's principal activities are set out on page 4. The financial position of the Company is set out on page 64. 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 undertaken a rigorous review of the Company's ability to continue as a going concern including reviewing the on-going cash flows and the level of cash balances, the likely liquidity of investments and any income deriving from those investments as of the reporting date as well as taking into consideration the impact of emerging risks and have determined that the Company has adequate financial resources to meet its liabilities as they fall due. The Directors therefore 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 57.

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 and emerging 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 eighteen months, being the expected time to realisation of the final assets of the share classes of the Company, the Directors have carried out a robust assessment of the emerging risks, principal risks and uncertainties the Company faces, as detailed on pages 24 and 25. These 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 performed a quantitative and qualitative analysis that included the Company's income and expenditure projections and the fact that the Company's investments can be expected to be sold, within a reasonable timeframe, to meet future funding requirements if necessary. As part of this assessment, the Directors reviewed a series of stress test scenarios carried out by the Investment Manager, which included an assumption of a significant (60%) fall in income and no reduction in expenses, and were satisfied that the Company would continue to be viable financially.

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 2023. 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 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.
- Ongoing Charges – In the year to 31 December 2021, the Company's Ongoing Charges were 1.32%. This figure is based on an annual expense figure for the year of $1,600,794. 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 2021. The Ongoing Charges by share class are disclosed on page 8.
- Total Expense Ratio ("TER") – In the year to 31 December 2021, the Company's TER was 1.45%. This figure is based on an annual expense figure for the year of $1,728,530. 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 2021. The TERs by share class are disclosed on page 8.

Strategic Report (continued)

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)
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)

ALTERNATIVE PERFORMANCE MEASURES	PURPOSE AND/OR DESCRIPTION	CALCULATION
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 expressed as a percentage of the amount invested and represents the amount of value our investors earn from a security over a specific period.	Original Investment cost (A) Current Investments value (B) Total Return = (B-A)/A
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
(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

Strategic Report (continued)

IMA to provide, amongst other things, certain administrative services to the Company. Please refer to Note 6 on pages 91 and 92 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. Effective 1 October 2020 the Investment Manager waived its fee on cash in relation to the NBDD share class. Effective 18 March 2021, the Investment Manager waived its entitlement to all fees from the Company.

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 92 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 92 for details of fee entitlement.

Related Party Transactions

The relationships 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 pages 92 and 93.

For and on behalf of the Board,

John Hallam
Chairman

22 April 2022

Christopher Legge
Director

22 April 2022

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)

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.

Directors' Report

The Directors present their report and Financial Statements of the Company and their report for the year ended 31 December 2021.

Share Capital

The number of shares in issue at 31 December 2021 was as follows

Class A Shares	2
Ordinary Shares	15,382,770
Extended Life Shares	80,545,074
New Global Shares	41,116,617

Share Buybacks

At the Annual General Meeting ("AGM") of the Company held on 24 June 2021, 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 24 June 2021). The latest authority will expire at the AGM to be held on 29 June 2022. 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.

There were no buybacks of the Company's Shares in 2021 as on 16 November 2020 the Company announced in its quarterly Factsheet that the share buyback programme had been discontinued. The buyback programme was intended to narrow the discount, if any, during the investment period. At this point of the harvest period, the priority, based on investor feedback, is the return of capital. The Directors intend to seek annual renewal of this authority from Shareholders to retain flexibility.

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 33.

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 2022 AGM.

Distributions made during the year

There were no distributions made during the year ending 31 December 2021.

Income distribution by way of dividend

There were no dividends declared for the year ending 31 December 2021.

Capital distributions by way of a compulsory partial redemption

There were no capital distributions during the year ending 31 December 2021.

Substantial Share Interests

Based upon information deemed to be reliable as provided by the Company's registrar as at 31 March 2022, 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	13,007,692	–	–	84.56
Prudential Client HSBC GIS Nominee (UK) Limited PAC ACCT	–	–	12,308,287	29.94
Nortrust Nominees Limited GSYA ACCT	–	–	6,800,000	16.54
Prudential Client HSBC GIS Nominee (UK) Limited PAC ACCT	–	13,233,210	–	16.43
State Street Nominees Limited OM04 ACCT	–	–	5,619,249	13.67
BNY(OCS) Nominees Limited	–	7,907,693	–	9.82
Citibank Nominees (Ireland) Designated Activity Company CLRLUC ACCT	–	7,282,125	–	9.04
State Street Nominees Limited OM04 ACCT	–	7,152,574	–	8.88
HSBC Global Custody Nominee (UK) Limited 898873 ACCT	–	–	3,559,990	8.66
Lynchwood Nominees 2006420 ACCT	–	6,061,881	–	7.53
Nortrust Nominees Limited GSYA ACCT	6,050,000	–	–	7.51
Roy Nominees Limited 802644 ACCT	–	–	2,858,259	6.95

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

Notifications of Shareholdings

In the year to 31 December 2021 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.

Directors' Report (continued)

SHAREHOLDER[1]	NUMBER OF SHARES	PERCENTAGE OF TOTAL VOTING RIGHTS (%)
Brookdale International Partners, L.P. and Brookdale Global Opportunity Fund	13,172,449 NBDX 909,330 NBDG	4.84%

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

Directorship in Public Companies (as at 22 April 2022)

COMPANY NAMES	EXCHANGE(S)
Mr John Hallam	
Ninety One Premier Funds PCC Limited	The International Stock Exchange ("TISE")
NB Distressed Debt Investment Fund Limited	SFS, London
Real Estate Credit Investments Limited	London
Ruffer Multi Strategies Fund Limited	Euronext Dublin
Ruffer Illiquid Multi Strategies Fund 2015 Limited	The International Stock Exchange ("TISE")
Mr Michael Holmberg	
NB Distressed Debt Investment Fund Limited	SFS, London
Mr Christopher Legge	
NB Distressed Debt Investment Fund Limited	SFS, London
Sherborne Investors (Guernsey) C Limited	SFS, London
Mr Stephen Vakil	
NB Distressed Debt Investment Fund Limited	SFS, London
The Property Hub REIT PLC	The International Stock Exchange ("TISE")

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_2021.pdf.

COVID-19

The outbreak of the novel coronavirus in many countries has, among other things, disrupted global travel and supply chains, and adversely impacted global commercial activity, the transportation industry and commodity prices in the energy sector. The impact of this virus has negatively affected and may continue to affect the economies of many nations, individual companies and the global securities and commodities markets, including liquidity and volatility. The development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse effect on global economic and market conditions. Such conditions (which may be across industries, sectors or geographies) have impacted and may continue to impact certain issuers of the securities held by the Company and in turn, may impact the financial performance of the Company.

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 2021 (2020 – none), nor does it have responsibility for any other emissions producing sources.

Climate Change

In 2019, the Board identified activism relating to climate change as an emerging risk and since then has closely monitored regulatory and other developments in this area. 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 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.

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 40.

Directors' Report (continued)

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. The MSA of the Investment Manager is available on its website at NB.com.

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 page 31. 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
Chairman

22 April 2022

Christopher Legge
Director

22 April 2022

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 2021 the Company has complied with the recommendations of the AIC 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 38 to 45.

Senior Independent Director: Stephen Vakil

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. A memo is available on the Company's website https://www.nbddif.com/pdf/Memorandum_on_the_Duties_of_the_26_August_2020.pdf.

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)
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 46 to 49.

MANAGEMENT ENGAGEMENT COMMITTEE

Members:
Stephen Vakil (Chairman)
John Hallam
Christopher Legge

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

More details are provided on pages 50 and 51.

REMUNERATION COMMITTEE

Members:
Stephen Vakil (Chairman)
John Hallam
Christopher Legge

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

More details are provided on page 53.

INSIDE INFORMATION COMMITTEE

Members:
John Hallam
Michael Holmberg
Christopher Legge
Stephen Vakil

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

More details are provided on page 52.

Board Independence and Composition

The biographical details of the Directors holding office at the date of this report are listed on page 31 and demonstrate a breadth of investment, accounting and professional experience.

As of April 2022 John Hallam had served on the Board for over eleven 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.

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 2022 AGM. The length of service of each Director is shown in the Directors' Remuneration Report on pages 54 to 56. 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 will offer themselves for re-election at the 2022 AGM of the Company; John Hallam, Michael Holmberg, Christopher Legge and Stephen Vakil were re-elected as Directors at the AGM on 29 June 2021. The names and biographies of the Directors holding office at the date of this report are listed on page 31.

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 eleven 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 29 June 2022.

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 29 June 2022 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 56.

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 2021, 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 2021, except Michael Holmberg, an employee of the Neuberger Berman Group of which the Investment Manager is a part.

The Directors' Remuneration Report on pages 54 to 56 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 on 26 August 2021, 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 2021 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 2022 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 2022, 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 Committee (excluding John Hallam) led by the Chairman of the Remuneration 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.

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 Auditor. 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 only 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.

Corporate Governance Report (continued)

2022 AGM

The 2022 AGM will be held in Guernsey on 29 June 2022. 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 96.

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 have 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 2021 AGM.

COVID-19 Restrictions

The Directors wish to reassure shareholders that the Company has considered the potential for impact on the AGM of the COVID-19 pandemic and restrictive measures in place as at the date of posting this Notice. At the time of writing, restrictions around travel, both within and to and from the island, have been removed, but this is subject to periodic updates. The Directors will continue to consider the latest instructions from relevant authorities in conjunction with guidance available from professional and regulatory bodies to ensure the AGM is held in accordance with its statutory requirements and with the Company's Articles. May we finally take this opportunity to encourage shareholders to use the online proxy appointment facilities, rather than requesting a paper proxy card.

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 2021 financial year

	BOARD	AUDIT COMMITTEE	MANAGEMENT ENGAGEMENT COMMITTEE	REMUNERATION COMMITTEE	INSIDE INFORMATION COMMITTEE
Number of meetings during the year	**6**	**4**	**1**	**1**	**2**
John Hallam	6	n/a	1	1	2
Christopher Legge	6	4	1	1	2
Michael Holmberg	6	n/a	n/a	n/a	0
Stephen Vakil	6	4	1	1	2

In addition to these meetings, 3 ad-hoc board and board committee meetings were held during the year for various matters, primarily of an administrative nature. These meetings were attended by those Directors available at the time.

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 46 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

22 April 2022

Christopher Legge
Director

22 April 2022

Audit Committee Report

Membership

Christopher Legge – Chairman	(Independent non-executive Director)
Stephen Vakil	(Senior Independent non-executive Director)

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.

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 and emerging 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 2021, 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.

Audit Committee Report (continued)

Main Activities during the Year (continued)

Internal Controls and Risk Management (continued)

The Company itself does not have an internal audit function, but instead relies on the internal audit functions and departments of the Investment Manager. The 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 24 to 26.

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 2021 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 2021 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 2021 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.

KPMG has been the Company's external auditor since its stock exchange listing in 2010 (11 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 share classes, 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 2021 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. 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.

All 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 2021 £
Audit	181,000
Audit related services (review of interim report)	34,000
Total	**215,000**

Appointment and Independence

The Audit Committee has therefore recommended to the Board that KPMG be reappointed as external auditor for the year ended 31 December 2022, 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 2022 AGM on 29 June 2022.

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

Christopher Legge
On behalf of the Audit Committee

22 April 2022

Management Engagement Committee Report

Membership

Stephen Vakil – Chairman	(Senior Independent non-executive Director)
John Hallam	(Chairman of the Company and Independent non-executive Director)
Christopher Legge	(Independent non-executive Director)

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 16 November 2021, including the Investment Manager.

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.

Taking into consideration supplementary guidance issued by the AIC in 2020 which described certain measures by which investment companies may assess the relationship with the manager, in November 2021 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 2021 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 portfolios of distressed investments.

Stephen Vakil
On behalf of the Management Engagement Committee

22 April 2022

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)
Stephen Vakil	(Senior Independent non-executive Director)

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 on 3 March 2021 and the Inside Information Committee reviewed its Terms of Reference, the Company's policies and procedures for inside information and personal dealing. There was no update made on the Inside Information Committee's terms of reference in 2021 and it was agreed that the policies and procedures remained relevant and accurate. The Inside Information Committee held an ad-hoc meeting on 17 March 2021 which considered the waiver of the Investment Management Fees.

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

John Hallam
On behalf of the Inside Information Committee

22 April 2022

Remuneration Committee Report

Membership

Stephen Vakil – Chairman	(Senior Independent non-executive Director)
John Hallam	(Chairman of the Company and Independent non-executive Director)
Christopher Legge	(Independent non-executive Director)

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 Directors' 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 54 to 56.

Stephen Vakil
On behalf of the Remuneration Committee

22 April 2022

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 on 29 June 2022.

Directors' Fees

The Company paid the following fees to the Directors for the year ended 31 December 2021:

	ROLE	TOTAL BOARD FEES ($)	TOTAL BOARD FEES (£)
John Hallam	Chairman	60,000	10,000
Michael Holmberg[1]	non-executive Director	–	–
Christopher Legge	non-executive Director and Chairman of the Audit Committee	50,000	10,000
Stephen Vakil	non-executive Director, Chairman of the Remuneration Committee and Chairman of Management Engagement Committee	45,000	10,000
Total		**155,000**	**30,000**

The Company paid the following fees to the Directors for the year ended 31 December 2020:

	ROLE	TOTAL BOARD FEES ($)	TOTAL BOARD FEES (£)
John Hallam	Chairman	60,000	10,000
Michael Holmberg[1]	non-executive Director	–	–
Christopher Legge	non-executive Director and Chairman of the Audit Committee	50,000	10,000
Stephen Vakil	non-executive Director, Chairman of the Remuneration Committee and Chairman of Management Engagement Committee	45,000	10,000
Total		**155,000**	**30,000**

1 Michael Holmberg has waived his right to Director fees.

No other remuneration was paid or payable by the Company during the year to any of the Directors (2020: $1,056).

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 appointments may be terminated at any time with no compensation payable at termination.

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

Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties. The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable high calibre candidates to be recruited. The policy is for the Chairman of the Board and Chairman of the Audit Committee to be paid a higher fee than the other Directors in recognition of their more onerous roles and 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 on 16 November 2021. 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 40, 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 31.

Directors' Remuneration Report (continued)

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	20 April 2010 (amended on 22 August 2018)
Stephen Vakil	5 February 2016 (amended on 8 May 2018)
Christopher Legge	12 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 31 March 2022 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	–	73,753	49,450	123,203
Michael Holmberg	–	32,563	51,698	84,261
Christopher Legge	–	–	–	–
Stephen Vakil	–	–	26,974	26,974

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

22 April 2022

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- 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 that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, 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 2021 as the parent of the Group in accordance with Section 244(5) of the Law.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors who hold office at the date of approval of this Director's Report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and that each Director has taken all the steps they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Responsibility statement of the directors in respect of the Annual Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

John Hallam
Chairman

22 April 2022

Christopher Legge
Director

22 April 2022

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 2021, 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 consolidated financial statements:

- give a true and fair view of the financial position of the Group as at 31 December 2021, and of the Group's financial performance and cash flows for the year then ended;
- are prepared in conformity with U.S. generally accepted accounting principles; 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 the FRC Ethical Standard as required by the Crown Dependencies' Audit Rules and Guidance. 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 2020):

	The risk	Our response
Valuation of Investments at fair value ("Investments") $104,424,384; (2020 $96,283,120) Refer to the Audit Committee Report (page 46), the Consolidated Condensed Schedule of Investments on page 68, Note 2 Summary of Accounting policies and note 2(f) Fair Value of Financial Instruments.	**Basis:** The Group's investment portfolio is carried at fair value in conformity with US generally accepted accounting principles. It represents a significant proportion (87% (2020; 89%)), and is the principal driver, of the Group's net asset value. The Group's holdings in quoted and unquoted equity and debt investments, representing 28% of the fair value of investments, are valued at their bid price using broker quotes (including use of single broker quotes) or third party pricing service providers (the "Price Quotes"). Where no Price Quotes are available or they may not 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 (the "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 for both the Internally Generated Valuations and single broker quoted investment valuations incorporate 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 audit procedures included:** **Control evaluation:** We assessed the design and implementation of the control in place over the valuation of Investments. **Challenging managements' assumptions and inputs including use of KPMG valuation specialists:** For Investments where market quotes were available, 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 Internally Generated Valuations and single broker quoted 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 assessed the appropriateness of the valuation approach and methodology applied to each investment and where relevant, derived an independent reference price; • We compared the assumptions used in the valuation to observable market data or supporting documentation; • We corroborated significant inputs used to supporting documentation; and • We assessed the effect of the investee entity's financial performance upon the fair value. **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 generally accepted accounting principles.

Independent Auditor's Report (continued)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NB GLOBAL MONTHLY INCOME FUND LIMITED (CONTINUED)

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 $2,410,000, determined with reference to a benchmark of group net assets of $120,554,145, of which it represents approximately 2.0% (2020: 2.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Group was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to $1,807,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding $120,500, 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 increase in net assets resulting from operations and total Group assets and liabilities.

Going concern

The directors have prepared the consolidated financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the consolidated financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group and the Company's business model and analysed how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to affect the Group and the Company's financial resources or ability to continue operations over this period was availability of capital to meet operating costs and other financial commitments.

We considered whether this risk could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from this risk against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 2(a) to the financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in the notes to the consolidated financial statements to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group and the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Group's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, and taking into account possible incentives or pressures to misstate performance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates such as valuation of single broker quoted investments and Internally Generated Valuations.

On this audit we do not believe there is a fraud risk related to revenue recognition because the Group's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation;
- incorporating an element of unpredictability in our audit procedures; and
- assessing significant accounting estimates for bias

Further detail in respect of valuation of single broker quoted investments and Internally Generated Valuations is set out in the key audit matter section of in this report.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the consolidated financial statements from our general commercial and sector experience and through discussion with management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Group is subject to laws and regulations that directly affect the consolidated financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines or litigation or impacts on the Group and the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent Auditor's Report (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the consolidated financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 consolidated 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.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on Page 57, 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

22 April 2022

Consolidated Statement of Assets and Liabilities

AS AT 31 DECEMBER 2021 AND 31 DECEMBER 2020

(EXPRESSED IN US DOLLARS EXCEPT WHERE STATED OTHERWISE)	31 DECEMBER 2021	31 DECEMBER 2020
Assets		
Investments at fair value (2021: cost of $134,070,747; 2020: cost of $130,252,550)	104,424,384	96,283,120
Forward currency contracts	496,027	653,125
Cash and cash equivalents	4,370,854	2,035,320
Restricted Cash:		
Forward currency contracts Collateral	–	630,000
Total return swap Collateral	10,970,000	10,970,000
	120,261,265	**110,571,565**
Other assets		
Interest receivables	671,859	258,913
Receivables for investments sold	340,974	783,764
Other receivables and prepayments	75,818	33,872
Withholding tax receivable	445,762	421,788
Total assets	**121,795,678**	**112,069,902**
Liabilities		
Credit default swap (2021: cost of $37,783; 2020: cost of $67,076)	33,603	54,306
Total return swap (2021: cost of $Nil: 2020: cost of $Nil)	875,121	1,222,546
Forward currency contracts	86,200	1,979,765
Accrued expenses and other liabilities	246,609	249,238
Payables to Investment Manager and affiliates	–	134,188
Total liabilities	**1,241,533**	**3,640,043**
Net assets	**120,554,145**	**108,429,859**
Net assets attributable to Ordinary Shares (shares 2021: 15,382,770; 2020: 15,382,770)	**13,887,833**	**12,952,965**
Net asset value per Ordinary Share	**0.9028**	**0.8420**
Net assets attributable to Extended Life Shares (shares 2021: 80,545,074; 2020: 80,545,074)	**74,450,993**	**63,540,650**
Net asset value per Extended Life Share	**0.9243**	**0.7889**
Net assets attributable to New Global Shares (shares 2021: 41,116,617; 2020: 41,116,617)	**£23,784,798**	**£23,363,139**
Net asset value per New Global Share	**£0.5785**	**£0.5682**
Net assets attributable to New Global Shares (USD equivalent)	**32,215,319**	**31,936,244**
Net asset value per New Global Share (USD equivalent)	**0.7835**	**0.7767**

The Financial Statements were approved and authorised for issue by the Board of Directors on 22 April 2022, and signed on its behalf by:

John Hallam
Chairman

Christopher Legge
Director

The accompanying notes on pages 78 to 95 are an integral part of the Financial Statements

Consolidated Statement of Operations

FOR THE YEAR ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

(EXPRESSED IN US DOLLARS)	31 DECEMBER 2021	31 DECEMBER 2020
Income		
Interest income	5,374,256	4,826,798
Dividend income net of withholding tax (2021:15,600; 2020: 3,372)	157,227	271,866
	5,531,483	**5,098,664**
Expenses		
Investment management fee	342,338	1,952,064
Professional and other expenses	1,047,333	1,336,429
Administration fee	105,576	123,097
Loan administration and custody fees	36,919	55,840
Directors' fees and expenses	196,364	194,960
Performance Fee	–	–
	1,728,530	**3,662,390**
Net investment income	**3,802,953**	**1,436,274**
Realised and unrealised gain/(loss) from investments and foreign exchange		
Net realised gain/(loss) on investments, credit default swap, warrants, total return swap and forward currency transactions	1,924,643	(64,163,138)
Net change in unrealised gain on investments, credit default swap, warrants. total return swap and forward currency transactions	6,444,590	21,059,253
Income tax expense from net realised/unrealised loss on investments	(47,900)	(7,172)
Realised and unrealised gain/(loss) from investments and foreign exchange	**8,321,333**	**(43,111,057)**
Net increase/(decrease) in net assets resulting from operations	**12,124,286**	**(41,674,783)**

The accompanying notes on pages 78 to 95 are an integral part of the Financial Statements

Consolidated Statement of Changes in Net Assets

FOR THE YEAR ENDED 31 DECEMBER 2021 (EXPRESSED IN US DOLLARS)	**31 DECEMBER 2021 ORDINARY SHARES**	**31 DECEMBER 2021 EXTENDED LIFE SHARES**	**31 DECEMBER 2021 NEW GLOBAL SHARES**	**31 DECEMBER 2021 AGGREGATED**
Net assets at the beginning of the year	**12,952,965**	**63,540,650**	**31,936,244**	**108,429,859**
Net investment (loss)/income	(173,210)	2,490,273	1,485,890	3,802,953
Net realised gain on investments, credit default swap, warrants and forward currency transactions	207,422	1,359,269	357,952	1,924,643
Net change in unrealised gain/(loss) on investments, credit default swap, warrants and forward currency transactions	947,129	7,061,760	(1,564,299)	6,444,590
Income taxes from net realised/unrealised gain/(loss) on investments	(46,473)	(959)	(468)	(47,900)
Net assets at the end of the year	**13,887,833**	**74,450,993**	**32,215,319**	**120,554,145**

FOR THE YEAR ENDED 31 DECEMBER 2020 (EXPRESSED IN US DOLLARS)	**31 DECEMBER 2020 ORDINARY SHARES**	**31 DECEMBER 2020 EXTENDED LIFE SHARES**	**31 DECEMBER 2020 NEW GLOBAL SHARES**	**31 DECEMBER 2020 AGGREGATED**
Net assets at the beginning of the year	**13,976,415**	**105,771,674**	**79,303,484**	**199,051,573**
Net investment (loss)/income	(299,794)	1,141,393	594,675	1,436,274
Net realised loss on investments, credit default swap, warrants and forward currency transactions	(6,838,452)	(33,800,902)	(23,523,784)	(64,163,138)
Net change in unrealised gain on investments, credit default swap, warrants and forward currency transactions	6,114,839	15,257,674	(313,260)	21,059,253
Income taxes from net realised/unrealised gain/(loss) on investments	(43)	(1,913)	(5,216)	(7,172)
Net cost of share buybacks	–	(1,857,098)	(2,017,495)	(3,874,593)
Distributions during the year	–	(22,970,178)	(22,102,160)	(45,072,338))
Net assets at the end of the year	**12,952,965**	**63,540,650**	**31,936,244**	**108,429,859**

The accompanying notes on pages 78 to 95 are an integral part of the Financial Statements

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020 (EXPRESSED IN US DOLLARS)	**31 DECEMBER 2021**	**31 DECEMBER 2020**
Cash flows from operating activities:		
Net increase/(decrease) in net assets resulting from operations	12,124,286	(41,674,783)
Adjustment to reconcile net increase/(decrease) in net assets resulting from operations to net cash flow provided by operations:		
Net realised (gain)/loss on investments, credit default swap, warrants, total return swap and forward currency transactions	(1,924,643)	64,163,138
Net change in unrealised gain on investments, credit default swap, warrants, total return swap and forward currency transactions	(6,444,590)	(21,059,253)
Accretion of discount on loans and bonds	60,158	(97,467)
Changes in interest receivable	(412,946)	448,274
Changes in receivables for investments sold	442,790	111,418
Changes in other receivables and prepayments	(41,946)	609,786
Changes in withholding tax receivable	(23,974)	(421,788)
Changes in payables, accrued expenses and other liabilities	(136,817)	(516,351)
Cash received on settled forward currency contracts and spot currency contracts	727,745	2,173,678
Capitalised payment in kind	(4,387,268)	(3,940,500)
Purchase of investments	(569,206)	(1,707,076)
Sale of investments	1,531,900	65,059,170
Purchase of short term investments[1]	–	(46,129,874)
Sale of short term investments[1]	803,247	39,950,463
Net cash provided by operating activities	**1,748,736**	**56,968,835**
Cash flows from financing activities:		
Cost of share buybacks	–	(3,874,593)
Shares redeemed during the year	–	(45,072,338)
Net cash used in financing activities	**–**	**(48,946,931)**
Net increase in cash, cash equivalents and restricted cash	**1,748,736**	**8,021,904**
Cash and cash equivalents at the beginning of the year	2,035,320	5,379,726
Restricted cash at the beginning of the year	11,600,000	430,000
Effect of exchange rate changes on cash and cash equivalents	(43,202)	(196,310)
Cash and cash equivalents at the end of the year	**4,370,854**	**2,035,320**
Restricted cash at the end of the year	**10,970,000**	**11,600,000**

Supplemental cash flow information

There were no reorganisations requiring disclosure in the year to 31 December 2021.

1 Short term investments are typically sold or converted to cash within 3 to 12 months.

The accompanying notes on pages 78 to 95 are an integral part of the Financial Statements

Consolidated Condensed Schedule of Investments (by financial instrument)

AT 31 DECEMBER 2021 (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	73,082,730	50,920,944	0.54	38.05	69.90	42.23
Private Equity	18,791,896	30,956,324	35.15	29.25	13.33	25.68
Private Note	32,766,007	13,642,841	3.54	14.53	7.24	11.32
Short term Investments						
US Treasury Bills	9,430,114	8,904,275	35.14	3.59	4.22	7.39
Total Investments	**134,070,747**	**104,424,384**	**74.37**	**85.42**	**94.69**	**86.62**
Ordinary Shares	7,848,086	10,328,077	74.37	–	–	8.57
Extended Life Shares	81,311,745	63,592,945	–	85.42	–	52.75
New Global Shares	44,910,916	30,503,362	–	–	94.69	25.30
	134,070,747	**104,424,384**	**74.37**	**85.42**	**94.69**	**86.62**
Credit Default Swap						
Ordinary Shares	(10,686)	(9,504)	(0.07)	–	–	–
Extended Life Shares	(27,097)	(24,099)	–	(0.03)	–	(0.02)
	(37,783)	**(33,603)**	**(0.07)**	**(0.03)**	**–**	**(0.02)**
Forward Currency Contracts						
Assets						
Ordinary Shares	–	98,226	0.71	–	–	0.08
Extended Life Shares	–	397,801	–	0.53	–	0.33
	–	**496,027**	**0.71**	**0.53**	**–**	**0.41**
Liabilities						
Ordinary Shares	–	(22,985)	(0.17)	–	–	(0.02)
Extended Life Shares	–	(63,215)	–	(0.08)	–	(0.05)
	–	**(86,200)**	**(0.17)**	**(0.08)**	**–**	**(0.07)**
Total return swap[2]						
Ordinary Shares	–	(244,356)	(1.76)	–	–	(0.20)
Extended Life Shares	–	(630,765)	–	(0.86)	–	(0.52)
	–	**(875,121)**	**(1.76)**	**(0.86)**	**–**	**(0.72)**

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. See Note 3.

The accompanying notes on pages 78 to 95 are an integral part of the Financial Statements

Consolidated Condensed Schedule of Investments (by financial instrument)

AT 31 DECEMBER 2020 (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	68,103,787	44,348,976	0.58	36.15	66.71	40.90
Private Equity	18,791,896	26,664,758	31.74	27.86	15.19	24.59
Private Note	33,002,300	15,060,365	4.61	19.09	7.30	13.89
Short term Investments						
US Treasury Bills	10,354,567	10,209,021	39.61	4.41	7.12	9.42
Total Investments	**130,252,550**	**96,283,120**	**76.54**	**87.51**	**96.32**	**88.80**
Ordinary Shares	7,905,282	9,913,802	76.54	–	–	9.14
Extended Life Shares	78,752,876	55,603,896	–	87.51	–	51.29
New Global Shares	43,594,392	30,765,422	–	–	96.32	28.37
	130,252,550	**96,283,120**	**76.54**	**87.51**	**96.32**	**88.80**
Credit Default Swap						
Ordinary Shares	(18,553)	(15,021)	(0.12)	–	–	(0.01)
Extended Life Shares	(48,523)	(39,285)	–	(0.06)	–	(0.04)
	(67,076)	**(54,306)**	**(0.12)**	**(0.06)**	**–**	**(0.05)**
Forward Currency Contracts						
Assets						
Ordinary Shares	–	181,051	1.40	–	–	0.17
Extended Life Shares	–	472,074	–	0.74	–	0.44
	–	**653,125**	**1.40**	**0.74**	**–**	**0.61**
Liabilities						
Ordinary Shares	–	(467,425)	(3.61)	–	–	(0.43)
Extended Life Shares	–	(1,512,340)	–	(2.38)	–	(1.39)
	–	**(1,979,765)**	**(3.61)**	**(2.38)**	**–**	**(1.82)**
Total return swap[2]						
Ordinary Shares	–	(341,368)	(2.64)	–	–	(0.31)
Extended Life Shares	–	(881,178)	–	(1.40)	–	(0.81)
	–	**(1,222,546)**	**(2.64)**	**(1.40)**	**–**	**(1.12)**

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. See Note 3.

The accompanying notes on pages 78 to 95 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 2021 (EXPRESSED IN US DOLLARS)	**COUNTRY**	**INDUSTRY**	**NOMINAL**	**COST**	**FAIR VALUE**	**ORDINARY SHARES (%)**[1]	**EXTENDED LIFE SHARES (%)**[1]	**NEW GLOBAL SHARES (%)**[1]	**TOTAL COMPANY (%)**[1]
Investments at fair value									
Dumas Shipping TL B *15.00% 31/08/2022 (Bank Debt Investments)*	Marshall Islands	Shipping	23,237,002	23,044,736	20,332,376	–	19.48	18.10	16.87
Dumas Shipping TL A *15.00% 31/08/2022 (Bank Debt Investments)*	Marshall Islands	Shipping	2,755,139	2,755,139	2,410,746	–	2.31	2.15	2.00
Package Holdings 1 *(Private Equity)*	Luxembourg	Containers and Packaging	11,108,610	–	15,261,579	30.71	12.45	–	12.66
Package Holdings 6 *(Private Equity)*	Luxembourg	Containers and Packaging	2,948,481	1,893,980	2,116,422	4.26	2.05	–	1.76
AB Zwolle T/L EUR 31/05/2022 *FRN*[2] *(Bank Debt Investments)*	Netherlands	Commercial Mortgage	18,823,096	13,840,967	10,552,973	–	6.28	18.24	8.75
US Treasury N/B 1.500% *15/02/2030 (US Treasury Bills)*	United States	United States	8,850,000	9,430,114	8,904,275	35.14	3.58	4.22	7.39
Buffalo Thunder Dev Auth 11.00% 12/09/22 SR: Regs *(Private Note)*	United States	Lodging & Casinos	14,001,965	11,641,233	7,000,982	–	6.27	7.24	5.81
TP Ferro Concesionaria T/L 1L *31/03/2016 (Bank Debt Investments)*	Spain	Surface Transport	18,787,735	18,531,522	4,273,082	–	2.88	6.61	3.54
TP Ferro Concesionaria TP Ferro TL-A (First-Lien) 25.00% *01/06/2022 (Bank Debt Investments)*	Spain	Surface Transport	1,812,476	1,812,476	1,812,476	–	1.64	2.81	1.50
TP Ferro Concesionaria TP Ferro 1L TL-B EUR (First-Lien) 25.00% *01/06/2022 (Bank Debt Investments)*	Spain	Surface Transport	364,913	423,341	414,979	–	1.64	0.64	0.34

The accompanying notes on pages 78 to 95 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 2021 (EXPRESSED IN US DOLLARS)	**COUNTRY**	**INDUSTRY**	**NOMINAL**	**COST**	**FAIR VALUE**	**ORDINARY SHARES (%)[1]**	**EXTENDED LIFE SHARES (%)[1]**	**NEW GLOBAL SHARES (%)[1]**	**TOTAL COMPANY (%)[1]**
Investments at fair value									
TP Ferro PIK 5A 4/20 25.00% *01/06/2022* *(Bank Debt Investments)*	Spain	Surface Transport	321,178	321,178	321,178	–	0.22	0.50	0.27
TP Ferro Concesionaria TP Ferro 1L T/L-C (First-Lien) *(Bank Debt Investments)*	Spain	Surface Transport	157,864	157,864	157,864	–	0.11	0.25	0.13
White Energy Holding Company LLC *(Private Equity)*	United States	Oil & Gas	367	9,174,989	9,119,950	–	8.74	8.10	7.57
ACA Fin Guaranty Corp 12-31/12/2022 Frn *(Private Note)*	United States	Financial Intermediaries	68,829,452	10,963,549	3,441,473	3.54	3.96	–	2.85
ACA Fin Gur Sur Non Vt 12-31/12/2022 Frn *(Private Note)*	United States	Financial Intermediaries	64,007,712	10,161,224	3,200,386	–	4.30	–	2.64
Hotel Puerta America PIK TL EUR 7.25% *09/01/2022* *(Bank Debt Investments)*	Spain	Lodging & Casinos	3,730,680	4,067,188	4,242,530	–	–	13.17	3.52
Hotel Puerta America *(Private Equity)*	Spain	Lodging & Casinos	934	3,013,332	587,355	–	–	1.82	0.49
Hotel Puerta America PIK Addon EUR 7.25% *09/01/2022* *(Bank Debt Investments)*	Spain	Lodging & Casinos	2,105,563	2,350,434	2,394,446	–	–	7.43	1.99
				123,583,266	**96,545,072**	**73.65**	**75.91**	**91.28**	**80.08**

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 Floating Rate Note (FRN) – variable coupon rate during the period as per contract notice.

The accompanying notes on pages 78 to 95 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 2020 (EXPRESSED IN US DOLLARS)	COUNTRY	INDUSTRY	NOMINAL	COST	FAIR VALUE	ORDINARY SHARES (%)[1]	EXTENDED LIFE SHARES (%)[1]	NEW GLOBAL SHARES (%)[1]	TOTAL COMPANY (%)[1]
Investments at fair value									
Dumas Shipping TL B *15.00% 31/08/2022* *(Bank Debt Investments)*	Marshall Islands	Shipping	20,015,014	19,812,305	11,081,139	–	12.44	9.95	10.22
Dumas Shipping TL A *15.00% 31/08/2022* *(Bank Debt Investments)*	Marshall Islands	Shipping	2,373,118	2,373,118	1,313,856	–	1.47	1.18	1.21
Dumas Shipping *(Private Equity)*	Marshall Islands	Shipping	349	1,003,803	–	–	–	–	–
Package Holdings 1 *(Private Equity)*	Luxembourg	Containers & Packaging	11,108,610	–	12,841,665	27.71	14.56	–	11.84
Package Holdings 6 *(Private Equity)*	Luxembourg	Containers & Packaging	2,948,481	1,893,980	1,780,718	3.84	2.02	–	1.64
AB Zwolle T/L EUR 31/05/2022 *FRN*[2] *(Bank Debt Investments)*	Netherlands	Commercial Mortgage	18,526,730	13,646,548	12,329,248	–	8.60	21.49	11.37
US Treasury N/B 1.500% 15/02/2030 *(US Treasury Bills)*	United States	United States	9,650,000	10,354,566	10,209,021	39.61	4.41	7.12	9.42
Buffalo Thunder Dev Auth 11.000% 12/09/22 SR: Regs *(Private Note)*	United States	Lodging & Casinos	14,001,965	11,641,233	7,000,982	–	7.35	7.30	6.46
TP Ferro Concesionaria TL 1L *(Bank Debt Investments)*	Spain	Surface Transport	18,787,735	18,531,522	6,896,320	–	5.45	10.76	6.36
TP Ferro Concesionaria TP Ferro TL-A (First-Lien) 25.00% *01/06/2022* *(Bank Debt Investments)*	Spain	Surface Transport	1,422,129	1,422,129	1,422,129	–	1.12	2.23	1.31

The accompanying notes on pages 78 to 95 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 2020 (EXPRESSED IN US DOLLARS)	COUNTRY	INDUSTRY	NOMINAL	COST	FAIR VALUE	ORDINARY SHARES (%)[1]	EXTENDED LIFE SHARES (%)[1]	NEW GLOBAL SHARES (%)[1]	TOTAL COMPANY (%)[1]
Investments at fair value									
TP Ferro Concesionaria TP Ferro 1L TL-B EUR (First-Lien) EUR 25.00% *01/06/2022* *(Bank Debt Investments)*	Spain	Surface Transport	286,335	329,920	350,345	–	0.28	0.55	0.32
TP Ferro PIK 5A 4/20 25.00% *01/06/2022* *(Bank Debt Investments)*	Spain	Surface Transport	252,179	252,179	252,179	–	0.20	0.39	0.23
TP Ferro Concesionaria TP Ferro 1L TL-C (First-Lien) 25.00% *01/06/2022* *(Bank Debt Investments)*	Spain	Surface Transport	123,865	123,865	123,865	–	0.10	0.19	0.11
White Energy Holding Company Llc *(Private Equity)*	United States	Oil & Gas	367	9,174,989	6,239,000	–	7.01	5.59	5.75
ACA Fin Guaranty Corp 12-31/12/2021 Frn *(Private Note)*	United States	Financial Intermediaries	69,599,357	11,086,183	4,175,961	4.61	5.63	–	3.85
ACA Fin Gur Sur Non Vt 12-31/12/2021 Frn *(Private Note)*	United States	Financial Intermediaries	64,723,682	10,274,884	3,883,421	–	6.11	–	3.58
Hotel Puerta America Pik TL EUR 7.25% 09/01/2022 *(Bank Debt Investments)*	Spain	Lodging & Casinos	3,728,985	4,065,113	4,562,599	–	–	14.29	4.21
Hotel Puerta America *(Private Equity)*	Spain	Lodging & Casinos	934	3,013,332	1,983,471	–	–	6.21	1.83
Hotel Puerta America Pik Addon EUR 7.25% *09/01/2022* *(Bank Debt Investments)*	Spain	Lodging & Casinos	1,482,704	1,609,295	1,814,163	–	–	5.68	1.68
				120,608,964	**88,260,082**	**75.77**	**76.75**	**92.93**	**81.39**

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 Floating Rate Note (FRN) – variable coupon rate during the period as per contract notice.

The accompanying notes on pages 78 to 95 are an integral part of the Financial Statements

Consolidated Condensed Schedule of Investments (by geography)

AT 31 DECEMBER 2021 (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						
Luxembourg	1,893,980	17,378,000	34.97	16.82	–	14.42
Marshall Islands	26,803,677	22,743,123	–	21.79	20.25	18.87
Netherlands	13,840,967	10,552,973	–	6.28	18.24	8.75
Spain	30,677,336	14,203,911	–	4.70	33.23	11.78
United States	51,424,673	30,642,102	4.26	32.25	18.75	25.41
Short term Investments						
US Treasury Bills	9,430,114	8,904,275	35.14	3.58	4.22	7.39
	134,070,747	**104,424,384**	**74.37**	**85.42**	**94.69**	**86.62**

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 78 to 95 are an integral part of the Financial Statements

Consolidated Condensed Schedule of Investments (by geography)

AT 31 DECEMBER 2020 (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						
Luxembourg	1,893,980	14,622,383	31.55	16.58	–	13.49
Marshall Islands	23,189,227	12,394,995	–	13.91	11.13	11.43
Netherlands	13,646,548	12,329,248	–	8.60	21.49	11.37
Spain	29,347,356	17,405,071	–	7.14	40.30	16.05
United States[2]	51,820,873	29,322,401	5.38	36.87	16.29	27.04
Short term Investments						
United States	10,354,566	10,209,022	39.61	4.41	7.12	9.42
	130,252,550	**96,283,120**	**76.54**	**87.51**	**96.32**	**88.80**

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 French Investments in the 2020 Financial Statements of Fair Value $3.8m are now categorised and included under United States.

The accompanying notes on pages 78 to 95 are an integral part of the Financial Statements

Consolidated Condensed Schedule of Investments (by sector)

AT 31 DECEMBER 2021 (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						
Auto Components	3,705,793	3,871,018	0.18	3.69	3.41	3.21
Building & Development	1,934,272	269,330	0.54	0.26	–	0.22
Commercial Mortgage	13,840,967	10,552,973	–	6.28	18.24	8.75
Containers and Packaging	1,893,980	17,378,000	34.97	16.82	–	14.42
Financial Intermediaries	21,124,773	6,641,859	3.54	8.26	–	5.51
Lodging & Casinos	24,915,800	17,964,276	–	11.29	29.67	14.90
Oil & Gas	9,174,989	9,119,950	–	8.74	8.10	7.57
Shipping	26,803,676	22,743,123	–	21.80	20.25	18.86
Surface Transport	21,246,383	6,979,580	–	4.70	10.80	5.79
Short term Investments						
US Treasury Bills	9,430,114	8,904,275	35.14	3.58	4.22	7.39
	134,070,747	**104,424,384**	**74.37**	**85.42**	**94.69**	**86.62**

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 78 to 95 are an integral part of the Financial Statements

Consolidated Condensed Schedule of Investments (by sector)

AT 31 DECEMBER 2020 (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						
Auto Components	3,705,793	3,819,904	0.19	4.27	3.39	3.52
Building & Development	1,934,272	269,330	0.58	0.31	–	0.25
Commercial Mortgage	13,646,548	12,329,248	–	8.60	21.49	11.37
Containers and Packaging	1,893,980	14,622,383	31.55	16.58	–	13.49
Financial Intermediaries	21,361,067	8,059,383	4.61	11.74	–	7.43
Lodging & Casinos	24,332,492	19,295,018	–	13.54	33.48	17.80
Oil & Gas	9,174,989	6,239,000	–	7.01	5.59	5.75
Shipping	23,189,227	12,394,995	–	13.91	11.13	11.43
Surface Transport	20,659,616	9,044,838	–	7.14	14.12	8.34
Short term Investments						
US Treasury Bills	10,354,566	10,209,021	39.61	4.41	7.12	9.42
	130,252,550	**96,283,120**	**76.54**	**87.51**	**96.32**	**88.80**

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 78 to 95 are an integral part of the Financial Statements

Notes to the Consolidated Financial Statements

NOTE 1 – ORGANISATION AND DESCRIPTION OF BUSINESS

NB Distressed Debt Investment Fund Limited (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

(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 Accounting Standards Codification ("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, total return swap and forward currency transactions in the Consolidated Statement of Operations.

The Board recognises that the Portfolios (the Ordinary Share Class; the Extended Life Share Class; and the New Global Share Class) 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 and partially-owned subsidiaries, whose accounting policies are consistent with those of the Company. The Consolidated Financial Statements include full consolidation of any owned subsidiaries, except where the effect on the Company's financial position and results of operations are immaterial. Transactions between the Company and the subsidiaries have been eliminated on consolidation.

Wholly-owned subsidiaries, London Wabash 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.

(b) Use of Estimates

The preparation of these Financial Statements in conformity with US GAAP requires that the Directors make estimates and assumptions (as mentioned in detail on note 2 (f) below) 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 and Restricted Cash

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 2021, the Company has cash balances in various currencies equating to $15,340,854 (Cost: $15,349,417) (31 December 2020: $13,635,320 (Cost: $13,785,955)) including cash and cash equivalents of $4,370,854 (31 December 2020: $2,035,320) as well as restricted cash of $10,970,000 (31 December 2020: $11,600,000). Restricted cash of $10,970,000 is collateral for the total return swap positions on the Consolidated Statement of Assets and Liabilities and are held by Bank of America Merrill Lynch. There was no restricted cash as at 31 December 2021 in relation to forward currency contracts. The amount of collateral will vary depending on the current fair value of the forward currency contracts and total return swap.

(d) Payables/Receivables on Investments Purchased/Sold

At 31 December 2021, 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, total return swap 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 2021 and 31 December 2020 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 pages 83 and 84.
- 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.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(f) Fair Value of Financial Instruments (continued)

- Forward currency contracts are revalued using the forward exchange rate prevailing at the Consolidated Statement of Assets and Liabilities date.
- Total Return Swaps are priced using Mark to market prices provided by a third party broker.

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 judgement 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 judgement 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 2021

(EXPRESSED IN US DOLLARS)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bank Debt Investments	–	3,738,963	47,181,981	50,920,944
Private Equity	–	9,119,950	21,836,374	30,956,324
Private Note	–	7,000,983	6,641,858	13,642,841
US Treasury Bills	8,904,275	–	–	8,904,275
Investments at fair value	**8,904,275**	**19,859,896**	**75,660,213**	**104,424,384**
Credit Default Swap	–	(33,603)	–	(33,603)
Total Return Swap	–	–	(875,121)	(875,121)
Forward Currency Contracts – Assets	–	496,027	–	496,027
Forward Currency Contracts – Liabilities	–	(86,200)	–	(86,200)
Total investments that are accounted for at fair value	**8,904,275**	**20,236,120**	**74,785,092**	**103,925,487**

FAIR VALUE OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2020

(EXPRESSED IN US DOLLARS)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bank Debt Investments	–	4,203,132	40,145,844	44,348,976
Private Equity	–	6,239,000	20,425,758	26,664,758
Private Notes	–	7,000,983	8,059,382	15,060,365
US Treasury Bills	10,209,021	–	–	10,209,021
Investments at fair value	**10,209,021**	**17,443,115**	**68,630,984**	**96,283,120**
Credit Default Swap	–	(54,306)	–	(54,306)
Total return swap	–	–	(1,222,546)	(1,222,546)
Forward Currency Contracts – Assets	–	653,125	–	653,125
Forward Currency Contracts – Liabilities	–	(1,979,765)	–	(1,979,765)
Total investments that are accounted for at fair value	**10,209,021**	**16,062,169**	**67,408,438**	**93,679,628**

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 31 December 2021. 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	Commercial Mortgage	10,552,973	Market Comparatives	Discount Rate	10%
Bank Debt Investments	Lodging & Casinos	6,636,976	Market Comparatives	Discount Rate	15%
Bank Debt Investments	Shipping	22,743,123	Market Information	Value Per Vessel	$13.5 million per vessel
Bank Debt Investments	Building & Development	269,329	Market Information	Unadjusted Broker Quote	N/A
Bank Debt Investments	Surface Transport	6,979,580	Market Information	Unadjusted Broker Quote	N/A
Private Equity	Auto Components	3,871,019	Market Information	EBITDA Multiple	4-5X
Private Equity	Containers and Packaging	17,378,000	Market Comparatives	EBITDA Multiple	11.75X
Private Equity	Lodging & Casinos	587,355	Market Comparatives	Discount Rate	15%
Private Note	Financial Intermediaries	6,641,858	Market Information	Discount Rate	20%
Total Return Swap	Surface Transport	(875,121)	Market Information	Unadjusted Broker Quote	N/A
Total		**74,785,092**			

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

(f) Fair Value of Financial Instruments (continued)

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 31 December 2020. 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	Commercial Mortgage	12,329,248	Market Comparatives	Discount Rate	10%
Bank Debt Investments	Lodging & Casinos	6,376,763	Market Comparatives	Discount Rate	15%
Bank Debt Investments	Shipping	12,394,995	Market Information	Value Per Vessel	$7.5 million per vessel
Bank Debt Investments	Surface Transport	9,044,838	Market Information	Unadjusted Broker Quote	N/A
Private Equity	Auto Components	3,819,904	Market Information	EBITDA Multiple	4-5X
Private Equity	Containers and Packaging	14,622,383	Market Comparatives	EBITDA Multiple/ Discount Rate	9X/ 20%
Private Equity	Lodging & Casinos	1,983,471	Market Comparatives	Discount Rate	15%
Private Equity	Shipping	–	Market Information	Value Per Vessel	$7.5 million per vessel
Private Note	Financial Intermediaries	8,059,382	Market Information	Unadjusted Broker Quote	N/A
Total Return Swap	Surface Transport	(1,222,546)	Market Information	Unadjusted Broker Quote	N/A
Total		**67,408,438**			

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 2021 and 31 December 2020 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.

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 2021 (EXPRESSED IN US DOLLARS)	**BANK DEBT INVESTMENTS**	**PRIVATE EQUITY**	**TRADE CLAIM**	**PRIVATE NOTE**	**TOTAL**
Balance, 31 December 2020	40,145,844	20,425,758	(1,222,546)	8,059,382	67,408,438
Purchases (includes purchases-in-kind)	5,128,408	–	–	–	5,128,408
Sales and distributions	–	–	–	(236,294)	(236,294)
Realised gain on sale of investments	463	–	–	–	463
Unrealised gain on investments	1,637,937	1,410,616	347,425	(1,181,230)	2,214,748
Transfers from level 2 into Level 3	269,329	–	–	–	269,329
Transfers from level 3 into Level 2	–	–	–	–	–
Balance, 31 December 2021	**47,181,981**	**21,836,374**	**(875,121)**	**6,641,858**	**74,785,092**
Change in unrealised gain/(loss) on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2021	**1,638,400**	**1,410,616**	**347,425**	**(1,181,230)**	**2,215,211**

The Company's policy is to recognise transfers into and out of Level 3 as of the actual date of the event or change in circumstances that caused the transfer. During the year the Company had no transfers out of Level 3 into Level 2 of fair value amounting to $Nil. The Company had two transfers out of Level 2 into Level 3 of fair value amounting to $269,329 as no 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 2020 (EXPRESSED IN US DOLLARS)	**BANK DEBT INVESTMENTS**	**PRIVATE EQUITY**	**TRADE CLAIM**	**PRIVATE NOTE**	**TOTAL**
Balance, 31 December 2019	33,737,207	27,340,522	12,149,475	11,223,671	84,450,875
Purchases	5,637,229	3,705,792	–	10,346	9,353,367
Sales and distributions	(32,662)	(563,490)	(10,963,563)	(3,900,503)	(15,460,218)
Realised gain on sale of investments	30,317	(10,084,280)	(2,068,527)	(7,346,911)	(19,469,401)
Unrealised gain on investments	(5,072,795)	6,266,214	(339,931)	(2,050,127)	(1,196,639)
Transfers from level 2 into Level 3	6,115,877	–	–	10,122,906	16,238,783
Transfers from level 3 into Level 2	(269,329)	(6,239,000)	–	–	(6,508,329)
Balance, 31 December 2020	**40,145,844**	**20,425,758**	**(1,222,546)**	**8,059,382**	**67,408,438**
Change in unrealised gain/(loss) on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2020	**(5,072,795)**	**6,266,214**	**(339,931)**	**(2,050,122)**	**(1,196,634)**

The Company's policy is to recognise transfers into and out of Level 3 as of the actual date of the event or change in circumstances that caused the transfer. During the year the Company had three transfers out of Level 3 into Level 2 of fair value amounting to $6,508,329 due to quoted prices being observable. The Company also had one transfer out of Level 2 into Level 3 of fair value amounting to $16,238,783 as no quoted prices were observable.

(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.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (continued)

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

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 2021, $60,158 (31 December 2020: $97,467) was recorded to reflect accretion of discount on loans and bonds during the year.

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.

Capitalised 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 and to provide a measure of protection against defaults of corporate or sovereign issuers. 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 swaps, total return swaps 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 total return swap is valued using a mark to market prices provided by a third-party broker.

(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 2021 or 31 December 2020. The Company is subject to examination for US Federal and state tax returns for calendar years 2018–2021.

During the year ended 31 December 2021, the Company recorded current income tax expense $47,900 (31 December 2020 income tax expense: $7,172). 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 2021 was $Nil (31 December 2020 deferred tax benefit: $Nil). The net total income tax benefit/expense from realised/unrealised gains/(losses) on investments for the year ended 31 December 2021 was $47,900 (31 December 2020 income tax expense: $7,172).

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 2021 (31 December 2020: one).

Total Return Swap

The Company entered into two fully funded total return swaps on 2 May 2011 and 18 April 2012. These swaps matured on 25 February 2020 and rolled over into a new swap agreement. New ISDA regulations enacted in 2019 require booking the total return swaps with cash collateral maintained vs fully funded swaps.

The new swap was booked on 02 March 2020 and will mature on 01 February 2022. The value of the swap, exclusive of related cash collateral, as at 31 December 2021 is ($875,121) (31 December 2020: ($1,222,546)) representing an unrealised gain of $347,425 in the year.

As at 31 December 2020 the net value of the swaps was $9,747,454 (comprised of restricted cash collateral of $10,970,000 and total return swap liability of $(1,222,546)). The underlying asset of the swaps is denominated in Brazilian Real and the foreign exchange exposure is hedged to offset any change in value in underlying asset due to the FX movements. As of 31 December 2021 the net value of the swap and related cash collateral was $10,094,879 (comprised of restricted cash collateral of $10,970,000 and total return swap liability of $(875,121), as reflected in the Consolidated Statement of Assets and Liabilities.

NOTE 3 – DERIVATIVES (continued)

Derivative activity

For the year ended 31 December 2021 and for the year ended 31 December 2020 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 2021	LONG EXPOSURE		SHORT EXPOSURE	
PRIMARY UNDERLYING RISK	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
Foreign currency exchange rate				
Forward currency contracts	$151,749,141	29	$147,352,146	20
Financial assets				
Credit default swap	$9,900,000	1	–	–
Total return swap	–	–	$10,960,348	2

31 DECEMBER 2020	LONG EXPOSURE		SHORT EXPOSURE	
PRIMARY UNDERLYING RISK	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
Foreign currency exchange rate				
Forward currency contracts	$197,834,461	91	$163,940,579	92
Financial assets				
Credit default swap	$9,400,000	1	–	–
Total return swap	–	–	$10,960,348	2

The following tables show, at 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020, the realised and unrealised gain and loss amounts included in the Consolidated Statement of Operations, categorised by primary underlying risk:

31 DECEMBER 2021 PRIMARY UNDERLYING RISK	DERIVATIVE ASSETS ($)	DERIVATIVE LIABILITIES ($)	REALISED GAIN (LOSS) ($)	NET CHANGE IN UNREALISED GAIN (LOSS) ($)
Foreign currency exchange rate				
Forward currency contracts	496,027	(86,200)	725,170	1,736,467
Credit				
Purchased protection				
Credit default swap	–	(33,603)	67,076	125,562
Total return swap	–	(875,121)	–	347,425

31 DECEMBER 2020 PRIMARY UNDERLYING RISK	DERIVATIVE ASSETS ($)	DERIVATIVE LIABILITIES ($)	REALISED GAIN (LOSS) ($)	NET CHANGE IN UNREALISED GAIN (LOSS) ($)
Foreign currency exchange rate				
Forward currency contracts	653,125	(1,979,765)	2,173,950	(435,860)
Credit				
Purchased protection				
Credit default swap	–	(54,306)	(76,482)	(143,343)
Total return swap		(1,222,546)	–	(1,222,546)
Equity price				
Warrants	–	–	(211,330)	752,802

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.

The Company is subject to enforceable master netting agreements with its counterparties of credit default swap, the total return swaps and foreign currency exchange contracts. 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.

Derivative activity

The following tables, at 31 December 2021 and 31 December 2020, 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 2021

(EXPRESSED IN US DOLLARS)				AMOUNTS NOT OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES		
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	FINANCIAL INSTRUMENTS (POLICY ELECTION)	FINANCIAL COLLATERAL RECEIVED[1]	NET AMOUNT
Forward Currency Contracts	496,027	–	496,027	(86,200)	–	409,827
Total	**496,027**	**–**	**496,027**	**(86,200)**	**–**	**409,827**

NOTE 3 – DERIVATIVES (continued)

Derivative activity (continued)

DESCRIPTION	GROSS AMOUNTS OF RECOGNISED LIABILITIES	GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES	NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES	AMOUNTS NOT OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES: FINANCIAL INSTRUMENTS (POLICY ELECTION)	AMOUNTS NOT OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES: FINANCIAL COLLATERAL RECEIVED[1]	NET AMOUNT
Forward Currency Contracts	(86,200)	–	(86,200)	86,200	–	–
Credit Default Swap	(33,603)	–	(33,603)	–	–	(33,603)
Total Return Swaps	(875,121)	–	(875,121)	–	875,121	–
Total	**(994,924)**	**–**	**(994,924)**	**86,200**	**875,121**	**(33,603)**

1 The amount netted off is a portion of the total collateral as per the Consolidated Statement of Assets and Liabilities.

The following tables, at 31 December 2020, 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 2020

(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	AMOUNTS NOT OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES: FINANCIAL INSTRUMENTS (POLICY ELECTION)	AMOUNTS NOT OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES: FINANCIAL COLLATERAL RECEIVED[1]	NET AMOUNT
Forward Currency Contracts	653,125	–	653,125	(653,125)	–	–
Total	**653,125**	**–**	**653,125**	**(653,125)**	**–**	**–**

DESCRIPTION	GROSS AMOUNTS OF RECOGNISED LIABILITIES	GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES	NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES	AMOUNTS NOT OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES: FINANCIAL INSTRUMENTS (POLICY ELECTION)	AMOUNTS NOT OFFSET IN THE STATEMENT OF ASSETS AND LIABILITIES: FINANCIAL COLLATERAL RECEIVED[1]	NET AMOUNT
Forward Currency Contracts	(1,979,765)	–	(1,979,765)	653,125	630,000	(696,640)
Credit Default Swap	(54,306)	–	(54,306)	–	–	(54,306)
Total Return Swaps	(1,222,546)	–	(1,222,546)	–	1,222,546	–
Total	**(3,256,617)**	**–**	**(3,256,617)**	**653,125**	**1,852,546**	**(750,946)**

1 The amount netted off is a portion of the total collateral as per the Consolidated Statement of Assets and Liabilities.

NOTE 4 – RISK FACTORS

The Company's investments are subject to various risk factors including market and credit risk, interest rate and foreign exchange risk, and the risks associated with investing in private securities. Investments in private securities and partnerships are illiquid, and there can be no assurances that the Company will be able to realise the value of such investments in a timely manner. Additionally, the Company's investments may be highly concentrated in certain industries. Non-U.S. dollar denominated investments may result in foreign exchange losses caused by devaluations and exchange rate fluctuations. In addition, consequences of political, social, economic, diplomatic changes or public health condition may have disruptive effects on market prices or fair valuations of foreign investments.

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 2021 and 31 December 2020 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 may invest a relatively large percentage of its assets in issuers located in a single country, a small number of countries, or a particular geographic region. As a result, the Company's performance may be closely aligned with the market, currency or economic, political or regulatory conditions and developments in those countries or that region, and could be more volatile than the performance of more geographically diversified investments. Refer to the Consolidated Condensed Schedules of Investments on pages 68 to 77 for concentration 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 and as a consequence 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.

NOTE 4 – RISK FACTORS (continued)

Other Risks

The outbreak of the novel coronavirus in many countries has, among other things, disrupted global travel and supply chains, and adversely impacted global commercial activity, the transportation industry and commodity prices in the energy sector. The impact of this virus has negatively affected and may continue to affect the economies of many nations, individual companies and the global securities and commodities markets, including liquidity and volatility. The development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse effect on global economic and market conditions. Such conditions (which may be across industries, sectors or geographies) have impacted and may continue to impact certain issuers of the securities held by the Company and in turn, may impact the financial performance of the Company.

The invasion of Ukraine is of concern and the Company has considered its potential impact on asset values, and while no direct impact has been identified, values are affected by its impact on the global economy.

The UN's latest Intergovernmental Panel on Climate Change (IPCC) report will be considered by the Board when undertaking Company related business.

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

The impact of these risks can have a substantial impact on the valuation and ultimately the realisation of assets.

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 consists of Ordinary Shares, Class A Shares and Extended Life Shares, all denominated in US dollars, and New Global Shares denominated in Pounds Sterling. 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 2021, the Company had the following number of shares in issue:

	31 DECEMBER 2021	31 DECEMBER 2020
Issued and fully paid up:		
Class A Shares	2	2
Ordinary Share Class of no par value (Nil in treasury; 2020: Nil)	15,382,770	15,382,770
Extended Life Share Class of no par value (Nil in treasury; 2020: Nil)	80,545,074	80,545,074
New Global Share Class of no par value (Nil in treasury; 2020: Nil)	41,116,617	41,116,617

Reconciliation of the number of shares in issue in each class (excluding Class A) at 31 December 2021:

	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	TOTAL
Balance at 31 December 2020	15,382,770	80,545,074	41,116,617	137,044,461
Distributions during the year	–	–	–	–
Buybacks (Shares repurchased)	–	–	–	–
Balance at 31 December 2021[1]	**15,382,770**	**80,545,074**	**41,116,617**	**137,044,461**

1 Balance of issued shares used to calculate NAV

Reconciliation of the number of shares in issue in each class (excluding Class A) at 31 December 2020:

	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	TOTAL
Balance at 31 December 2019	15,382,770	114,146,794	71,787,915	201,317,479
Distributions during the year	–	(29,939,898)	(27,635,465)	(57,575,363)
Buybacks (Shares repurchased)[1]	–	(3,661,822)	(3,035,833)	(6,697,655)
Balance at 31 December 2020[2]	**15,382,770**	**80,545,074**	**41,116,617**	**137,044,461**

1 Shares were repurchased and cancelled by the Company by way of redemption at discount with Jefferies International Limited, the Company's Corporate Broker.

2 Balance of issued 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 2021 and year ended 31 December 2020.

There were no compulsory partial redemptions during the year ended 31 December 2021.

2020	ORDINARY SHARE CLASS			EXTENDED LIFE SHARE CLASS			NEW GLOBAL SHARE CLASS		
	DISTRI-BUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRI-BUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRI-BUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT
19 March 2020	–	–	–	$4,986,260	5,434,023	$0.9176	–	–	–
18 May 2020	–	–	–	$7,491,958	9,536,606	$0.7856	$9,136,423	11,206,038	$0.8153
30 June 2020	–	–	–	$10,491,960	14,969,269	$0.7009	$12,965,737	16,429,427	$0.7892
	–	**–**	**–**	**$22,970,178**	**29,939,898**	**–**	**$22,102,160**	**27,635,465**	**–**

Buybacks

There were no shares repurchased and cancelled by the Company during the year ended 31 December 2021.

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 uninvested 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.

NOTE 6 – MATERIAL AGREEMENTS AND RELATED PARTY TRANSACTIONS (continued)

Investment Management Agreement ("IMA") (continued)

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 was 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.

Effective 18 March 2021, the Investment Manager had waived its entitlement to all fees from the Company.

For the year ended 31 December 2021, the management fee expense was $342,338 (31 December 2020: $1,952,064). At 31 December 2021, the management fee payable was $Nil (31 December 2020: $134,188).

Performance Fee

Effective 18 March 2021, the Investment Manager had waived its entitlement to a performance fee. The performance fee for Ordinary Shares, Extended Life Shares and New Global Shares (collectively the "Shares") only became payable once the Company had made aggregate distributions in cash to the shareholders of the Shares (which included 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 resulted in the shareholders having received a realised (cash-paid) IRR in respect of the Contributed Capital equal to Preferred Return, following which there would be a 100% catch up payable to the Manager until the Manager had 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 was an annualised 6%, for Extended Life Shares was an annualised 6% from 2010 to April 2013 and was 8% from April 2013 to date and for New Global Shares was an annualised 8%. For the purposes of financial reporting, the performance fee was recognised on an accrual basis.

No performance fees were paid or payable in respect of any of the classes for the year ended 31 December 2021 or 31 December 2020, nor would any be paid if the Company were to realise all of its assets at their carrying values 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 28 February 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 2021, the administration fee expense was $105,576 (31 December 2020: $123,097), the secretarial fee was $92,0821 of which $5,2511 was in relation to the administration of the ongoing buyback programme, (31 December 2020: $116,3141) and the loan administration and custody fee expense was $36,919 (31 December 2020: $55,840). At 31 December 2021, the administration fee payable is $8,4822 (31 December 2020: $6,908), the secretarial fee payable is $28,9862 (31 December 2020: $49,598) and the loan administration and custody fee payable is $11,0002 (31 December 2020: $2,311).

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 2021, the Directors' fees and travel expenses amounted to \$196,364[1] (31 December 2020: \$194,960). 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 2021.

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.

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 8 March 2022 are shown in the table below (no change from prior year):

DIRECTOR	NO. OF ORDINARY SHARES	NO. OF EXTENDED LIFE SHARES	NO. OF NEW GLOBAL SHARES	TOTAL NO. OF SHARES
John Hallam	–	73,753	49,450	123,203
Michael Holmberg	–	32,563	51,698	84,261
Christopher Legge	–	–	–	–
Stephen Vakil	–	–	26,974	26,974

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 2021**	**YEAR ENDED 31 DECEMBER 2021**	**YEAR ENDED 31 DECEMBER 2021**	**YEAR ENDED 31 DECEMBER 2020**	**YEAR ENDED 31 DECEMBER 2020**	**YEAR ENDED 31 DECEMBER 2020**
Net asset value per share at beginning of the year	**0.8420**	**0.7889**	**0.5682**	**0.9086**	**0.9266**	**0.8339**
Impact of share buybacks	–	–	–	–	0.0096	0.0063
Impact of share redemptions	–	–	–	–	(0.0029)	(0.0038)
Income/(loss) from investment operations[3]						
Net investment (loss)/income	(0.0113)	0.0309	0.0265	(0.0195)	0.0121	0.0080
Net realised and unrealised loss from investments and foreign exchange	0.0721	0.1045	(0.0162)	(0.0471)	(0.1565)	(0.2762)
Income/loss from investment operations	**0.0608**	**0.1354**	**0.0103**	**(0.0666)**	**(0.1444)**	**(0.2682)**
Net asset value per share at end of the year	**0.9028**	**0.9243**	**0.5785**	**0.8420**	**0.7889**	**0.5682**

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 2021**	**YEAR ENDED 31 DECEMBER 2021**	**YEAR ENDED 31 DECEMBER 2021**	**YEAR ENDED 31 DECEMBER 2020**	**YEAR ENDED 31 DECEMBER 2020**	**YEAR ENDED 31 DECEMBER 2020**
NAV Total Return before performance fee	7.22%	17.16%	1.81%	(7.33%)	(14.86%)	(31.86%)
Performance fee	–	–	–	–	–	–
NAV Total Return after performance fee including an income distribution by way of dividend	**7.22%**	**17.16%**	**1.81%**	**(7.33%)**	**(14.86%)**	**(31.86%)**

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 2021**	**YEAR ENDED 31 DECEMBER 2021**	**YEAR ENDED 31 DECEMBER 2021**	**YEAR ENDED 31 DECEMBER 2020**	**YEAR ENDED 31 DECEMBER 2020**	**YEAR ENDED 31 DECEMBER 2020**
Net investment income/(loss) before and after performance fees	(1.25%)	3.45%	4.51%	(2.55%)	1.52%	1.25%
Total expenses after performance fee	**(1.52%)**	**(1.35%)**	**(1.64%)**	**(2.89%)**	**(2.68%)**	**(2.76%)**

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 2021	13,887,833	0.9028	74,450,993	0.9243	23,784,796	0.5785
Deferred Tax adjustment	–	–	–	–		–
Valuation adjustments	–	–	–	–	–	–
Net assets per Consolidated Financial Statements	**13,887,833**	**0.9028**	**74,450,993**	**0.9243**	**23,784,796**	**0.5785**

	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 2020	12,945,021	0.8415	63,589,978	0.7895	22,938,029	0.5579
Deferred Tax adjustment	–	–	–	–	11,412	0.0003
Valuation adjustments	7,944	0.0005	(49,328)	0.0006	413,698	0.0100
Net assets per Consolidated Financial Statements	**12,952,965**	**0.8420**	**63,540,650**	**0.7889**	**23,363,139**	**0.5682**

NOTE 9 – SUBSEQUENT EVENTS

The Directors have evaluated subsequent events up to 22 April 2022, which is the date that the Financial Statements were available to be issued. Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can potentially adversely affect the assets, and thus the performance, of the Company. The Board continues to monitor this situation. There are no further items that require disclosure or adjustment to Financial Statements.

The Russian invasion of Ukraine post year end presents further geopolitical and market risk. We have considered the potential impact of this event on the asset values, and while no direct impact has been identified, values are affected by its impact on the global economy. The Company continues to monitor the situation.

Contact Details

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John Hallam *(Chairman)*
Michael Holmberg
Christopher Legge
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

Jefferies International 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

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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.