NB Distressed Debt Investment Fund Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2015

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Directors, Shareholders and
NB Distressed Debt Investment Fund Limited:

We have audited the accompanying consolidated financial statements of NB Distressed Debt Investment Fund Limited, which comprise the consolidated statements of assets and liabilities, including the consolidated condensed schedules of investments, as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NB Distressed Debt Investment Fund Limited as of December 31, 2015 and 2014, and the results of its operations, changes in net assets, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Chicago, Illinois
April 25, 2016

Consolidated Statement of Assets and Liabilities

As at 31 December 2015 and 31 December 2014

(Expressed in US Dollars)

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

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

Consolidated Statement of Operations

31 December 2015 and 31 December 2014
(Expressed in US Dollars)

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

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

Consolidated Statement of Changes in Net Assets

31 December 2015
(Expressed in US Dollars)

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

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

Consolidated Statement of Changes in Net Assets (continued)

31 December 2014
(Expressed in US Dollars)

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

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

Consolidated Statement of Cash Flows

31 December 2015 and 31 December 2014
(Expressed in US Dollars)

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

Supplemental non-cash flow operating activities

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

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

Consolidated Condensed Schedule of Investments

As at 31 December 2015

(Expressed in US Dollars)

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

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

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

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

Consolidated Condensed Schedule of Investments (continued)

As at 31 December 2014
(Expressed in US Dollars)

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

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

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

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

Consolidated Condensed Schedule of Investments (continued)

As at 31 December 2015 and 31 December 2014
(Expressed in US Dollars)

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

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

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

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

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

Consolidated Condensed Schedule of Investments (continued)

As at 31 December 2015
(Expressed in US Dollars)

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

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

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

Consolidated Condensed Schedule of Investments (continued)

As at 31 December 2014
(Expressed in US Dollars)

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

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

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

Consolidated Condensed Schedule of Investments (continued)

As at 31 December 2015
(Expressed in US Dollars)

		Cost	Fair Value	Ordinary Shares % (i)	Extended Life Shares % (i)	New Global Shares % (i)	Total Company % (i)
Industry diversity of Portfolios							
Portfolio of Distressed Investments							
Air Transport	$	7,219,919	8,141,822	2.89	2.00	0.99	1.85
Building & Development		25,206,230	28,255,599	10.30	6.10	5.30	6.41
Chemicals & Plastics		1,525,664	713,964	-	-	0.62	0.16
Commercial Mortgage		33,630,470	36,821,722	2.30	10.81	5.44	8.35
Containers & Packaging		1,131,456	7,765,960	3.97	2.07	-	1.76
Financial Intermediaries		40,691,941	26,226,694	5.90	8.49	-	5.95
Forest Products		3,839,631	3,540,645	1.81	0.94	-	0.80
Industrials		18,777,343	14,825,074	1.38	3.60	3.74	3.36
Lodging & Casinos		81,259,283	68,957,816	12.74	14.11	20.58	15.64
Nonferrous Metals/Minerals		18,417,593	14,154,056	-	3.35	4.40	3.21
Oil & Gas		50,068,849	18,148,995	-	3.86	6.66	4.12
Real Estate Development		2,793,046	4,787,223	2.45	1.27	-	1.09
Real Estate Investment Trusts		9,008,143	9,908,536	5.06	2.64	-	2.25
Shipping		55,087,895	35,816,608	0.27	8.43	11.14	8.12
Surface Transport		40,494,663	22,092,009	4.74	3.74	8.11	5.01
Utilities		109,150,313	75,104,474	24.55	16.97	13.62	17.04
Temporary Investments							
UK Treasury Bills		7,611,375	7,369,014	-	-	6.38	1.67
US Treasury Bills		37,881,401	37,881,521	17.72	10.42	-	8.59
	$	**543,795,215**	**420,511,732**	**96.08**	**98.80**	**86.98**	**95.38**

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

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

Consolidated Condensed Schedule of Investments (continued)

As at 31 December 2014
(Expressed in US Dollars)

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

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

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

Notes to the Consolidated Financial Statements

NOTE 1 – DESCRIPTION OF BUSINESS

The Company is a closed-ended investment company registered and incorporated in Guernsey under the Companies (Guernsey) Law, 2008 (as amended, the "Companies Law"), on 20 April 2010, with registration number 51774. The Company's shares were admitted to the Specialist Fund Segment of the London Stock Exchange and to the Channel Islands Securities Exchange on 10 June 2010.

The Company's investment objective is to provide investors with attractive risk-adjusted returns through long-biased, opportunistic stressed, distressed and special situation credit-related investments while seeking to limit downside risk.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recent Standards and Pronouncements

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

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

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

Basis of Preparation

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

Notes to the Consolidated Financial Statements (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation

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

Wholly owned subsidiaries, London Adams LLC, London Dearborn LLC, London Granite Ridge LLC, London Jackson LLC, London Madison LLC, London Mayslake LLC, London Randolph LLC, London Wabash LLC, London Washington LLC, London Tides LLC, London Randolph Holdco LLC, London Washington Holdco LLC, London Jackson Holdco LLC, London Tides Holdco LLC, London Wacker LLC, London Granite Ridge (Global) LLC, London Madison (Global) LLC and London Dearborn (Global) LLC are incorporated in Delaware and operate in the United States.

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

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

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

Reclassifications

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

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires that the Directors make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Such estimates and associated assumptions are generally based on historical experience and various other factors that are believed to be reasonable under the circumstances, and form the basis of making the judgements about attributing values of assets and liabilities that are not readily apparent from other sources.

Actual results may vary from such accounting estimates in amounts that may have a material impact on the financial statements of the Company.

Valuation of Investments accounting policy and Note 6 ‘Fair Valuation of Financial Instruments’ discloses further detail on the use of estimates.

Revenue Recognition

Interest earned on debt instruments is accounted for, net of applicable withholding taxes and it is recognised as income over the terms of the loans and bonds. Discounts received or premiums paid in connection with the acquisition of loans and bonds are amortised into interest income using the effective interest method over the contractual life of the related loan and bond. If a loan is repaid prior to maturity, the recognition of the fees and costs is accelerated as appropriate. The Company raises a provision when the collection of interest is deemed doubtful.

Payment-in-kind (“PIK”) interest is computed at the contractual rate specified in the loan agreement for any portion of the interest which may be added to the principal balance of a loan rather than paid in cash by the obligator on the scheduled interest payment date. PIK interest is periodically added to the principal balance of the loan and recorded as interest income. The Investment Manager places a receivable on non-accrual status when the collection of principal or interest is deemed doubtful.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

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

Cash and Cash Equivalents

The Company's cash and cash equivalents comprise cash on hand and demand deposits and highly liquid investments with original maturities of less than 90 days that are both readily convertible to known amounts of cash and so near maturity that they represent insignificant risk of changes in value.

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

Valuation of Investments

The Company carries investments on its Consolidated Statement of Assets and Liabilities at fair value in accordance with US GAAP, with changes in fair value recognised within the Consolidated Statement of Operations in each reporting period. Quoted investments are valued according to their bid price at the close of the relevant reporting date. Investments in private securities are priced at the bid price using a pricing service for private loans. If a price cannot be ascertained from the above sources the Company will seek bid prices from third party broker/dealer quotes for the investments. The Investment Manager believes that bid price is the best estimate of fair value and is in line with the valuation policy adopted by the Company.

In cases where no third party price is available, or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the investment, the Administrator will value such investments with the input of the Investment Manager who will determine the valuation based on its fair valuation policy. As part of the investment fair valuation policy, the Investment Manager prepares a fair valuation memorandum for each investment presenting the methodology and assumptions used to derive the price. This analysis is presented to the Investment Manager's Valuation Committee for approval.

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

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

- Valuation of other securities by the same issuer for which market quotations are available;
- Reasons for absence of market quotations;
- The soundness of the security, its interest yield, the date of maturity, the credit standing of the issue and the current general interest rates;
- Recent sales prices and/or bid and ask quotations for the security;
- Value of similar securities of issuers in the same or similar industries for which market quotations are available;
- Economic outlook of the industry;
- Issuer's position in the industry;
- Valuation utilising the net asset valuations provided by the underlying private investment companies/partnerships as a practical expedient;
- The financial statements of the issuer; and
- The nature and duration of any restriction on disposition of the security.

Derivative Financial Instruments

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

Notes to the Consolidated Financial Statements (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments (continued)

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

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

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

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

Realised and Unrealised Gains and Losses on Investments

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

All transactions relating to the reorganisation of current investments are recorded at the date of such reorganisation. The difference between the fair value of the new consideration received and the cost of the original investment is recognised as a realised gain or loss.

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

Operating Expenses

Operating expenses are recognised on an accruals basis. Operating expenses include amounts directly or indirectly incurred by the Company as part of its operations. Each share class will bear its respective pro rata share based on its respective NAVs of the ongoing costs and expenses of the Company. Each share class will also bear all costs and expenses of the Company determined by the Directors to be attributable solely to it.

Performance Fee

Performance fee amounts (see note 3) are computed and accrued daily in accordance with the terms of the agreements.

Currency Translation

Monetary assets and liabilities denominated in a currency other than US Dollar are translated into US Dollar equivalents using spot rates at the period end date. On initial recognition foreign currency sales and purchases transactions are recorded and translated at the spot exchange rate at the transaction date and for all other transactions the average rate is applied. Non-monetary assets and liabilities are translated at the historic exchange rate.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currency Translation (continued)

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

Payables on Investments Purchased

At 31 December 2015 the amount payable on investments purchased represents amounts due for investments purchased that have been contracted for but not settled on the Consolidated Statement of Assets and Liabilities date.

Issuance/buybacks cost

In line with the Prospectus the expenses incurred for the initial placing of the Extended Life Share Class in 2013 and the New Global Share Class in 2014 were capped at 2% of the Gross Issue Proceeds. These expenses include placing fees and commissions; registration, listing and admission fees; the cost of settlement and escrow arrangements; printing, advertising and distribution costs; legal fees, and any other applicable expenses incurred in connection with the offering of shares. All such expenses are charged to capital, reducing the issue proceeds received.

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

Income Taxes

The Company is not subject to income taxes in Guernsey; however it may be subject to taxes imposed by other countries on income it derives from investments. Such taxes are reflected in the Consolidated Statement of Operations. In accordance with US GAAP, management is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognised is measured as the largest amount of benefit that is greater than fifty percent likely of being realised upon ultimate settlement. De-recognition of a tax benefit previously recognised could result in the Company recording a tax liability that would reduce net assets. This pronouncement also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. There were no uncertain tax positions as at 31 December 2015 or 31 December 2014. The Company is subject to examination for US Federal and state tax returns for calendar years 2011 – 2015.

During the year ended 31 December 2015, the Company recorded current income tax from realised/unrealised gain on investments of $2,859,945 (31 December 2014: $1,489,765). Deferred taxes are recorded to reflect the tax consequences of future years' differences between the tax basis of assets and their financial reporting basis. The amount of deferred tax (benefit)/expense for the year ended 31 December 2015 is equal to ($1,579,637) (31 December 2014: $2,801,740). Total income tax from realised/unrealised gain on investments for the year ended 31 December 2015 was $1,280,308 (31 December 2014: $4,291,505).

NOTE 3 – MATERIAL AGREEMENTS AND RELATED PARTIES

Investment Management Agreement

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

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

Notes to the Consolidated Financial Statements (continued)

NOTE 3 – MATERIAL AGREEMENTS AND RELATED PARTIES (CONTINUED)

Investment Management Agreement (continued)

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

Per the Investment Management Agreement dated 17 July 2014 and in relation to the Ordinary Shares and Extended Life Shares, the Manager is entitled to a management fee, which shall accrue daily, and be payable monthly in arrears, at a rate of 0.125 percent per month of the Company's NAV. Soft commissions are not used.

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

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

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

Performance Fees

In addition, the Manager is entitled to a performance fee. The performance fee for Ordinary Shares, Extended Life Shares and New Global Shares (collectively the “Shares”) will only become payable once the Company has made aggregate distributions in cash to the shareholders of the Shares (which shall include the aggregate price of all Shares repurchased or redeemed by the Company) equal to the aggregate gross proceeds of issuing Shares (the “Contributed Capital”) plus such amounts as will result in the shareholders having received a realised (cash-paid) IRR in respect of the Contributed Capital equal to Preferred Return, following which there will be a 100 percent catch up to the Manager until the Manager has received 20 percent of all amounts in excess of Contributed Capital distributed to the shareholders and paid to the Manager as a performance fee with, thereafter, all amounts distributed by the Company 20:80 between the Manager’s performance fee and the cash distributed to shareholders.

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

NOTE 3 – MATERIAL AGREEMENTS AND RELATED PARTIES (CONTINUED)

Administration, Company Secretarial and Custody Agreements

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

The Sub-Administrator is responsible for the day-to-day administration of the Company (including but not limited to the calculation and publication of the estimated daily NAV).

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

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

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

For the period from 1 January 2015 to 28 February 2015 the BNPP was entitled to a fee of 0.02 percent of net asset value for transactions on the U.S. Market and Euroclear; and 0.04 per cent of net asset value for transactions in unlisted equities, based on their market value subject to a minimum annual fee of £20,000. The loan administration fee was 0.08 percent per annum of the average market value of the loan assets with a minimum annual fee of £75,000 in respect of portfolio and loan administration.

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

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

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

Directors' Remuneration and Other Interests

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

Other Interests

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

Notes to the Consolidated Financial Statements (continued)

NOTE 4 – DERIVATIVES

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

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

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

As a result a relatively small foreign currency exchange rates movement may result in substantial losses to the Company. Credit risk is where the financial condition of an issuer of a security or instrument may cause it to default or become unable to pay interest or principal due on the security. Any trading counterparty to a derivative contract may default on their obligations.

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

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

The Company can be either a seller or buyer of protection when entering into a credit default swap agreement. If the Company is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Company will either receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

Until a credit event occurs recovery values are determined by market makers considering either industry standard recovery rates or entity specific factors and considerations. Either as a seller of protection or a buyer of protection of a credit default swap agreement the Company's maximum risk of loss from counterparty risk is the fair value of the agreement.

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

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

Notes to the Consolidated Financial Statements (continued)

NOTE 4 – DERIVATIVES (CONTINUED)

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

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

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

31 December 2015

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

31 December 2014

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

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

Notes to the Consolidated Financial Statements (continued)

NOTE 4 – DERIVATIVES (CONTINUED)

31 December 2015

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

31 December 2014

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

Offsetting assets and liabilities

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

NOTE 4 – DERIVATIVES (CONTINUED)

Offsetting assets and liabilities (continued)

31 December 2015

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

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

31 December 2014

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

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

NOTE 5 – UNFUNDED LOAN COMMITMENTS

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

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value is determined using available market information and appropriate valuation methodologies. Estimates of fair value of financial instruments without quoted market prices are subjective in nature and involve various assumptions and estimates that are matters of judgement.

Notes to the Consolidated Financial Statements (continued)

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Accordingly fair values are not necessarily indicative of the amounts realised on disposition of financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value amounts.

The following estimates and assumptions were used at 31 December 2015 and 31 December 2014 to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents - The carrying value reasonably approximates fair value due to the short-term nature of these instruments.
- Receivables for investments sold - The carrying value reasonably approximates fair value as it reflects the value at which investments are sold to a willing buyer and the settlement period on their balances is short term.
- Interest receivables and Other receivables and prepayments - The carrying value reasonably approximates fair value.
- Quoted investments are valued according to their bid price at the close of the relevant reporting date. Investments in private securities are priced at the bid price using a pricing service for private loans. If a price cannot be ascertained from the above sources, the Company will seek bid prices from third party broker/dealer quotes for the investments.
- Warrants are priced using third party market quotes.
- In cases where no third party price is available, or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the investment, the Investment Manager determines the valuation based on its fair valuation policy.
- Payables for investments purchased - The carrying value reasonably approximates fair value as they reflect the value at which investments are purchased from a willing seller and the settlement period on their balances is short term.
- Payables to Investment Manager and affiliates and Accrued expenses and other liabilities - The carrying value reasonably approximates fair value.
- Forward currency contracts are revalued using the forward exchange rate prevailing at the Consolidated Statement of Assets and Liabilities date.
- Investments in private investment companies/partnerships are valued utilising the net asset valuations provided by the underlying private investment companies/partnerships as a practical expedient. The Company applies the practical expedient consistently in its Portfolios unless it is probable that the Company will sell a portion of an investment at an amount different from the net asset valuation.

The Company categorises its investments as follows based on the inputs used in valuation techniques:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2: Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly; and

Level 3: Significant unobservable inputs.

Notes to the Consolidated Financial Statements (continued)

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Further to using the above inputs in investment valuations, the Company employs the net asset valuation policy approved by the board of directors that is consistent with ASC 820-10. The sources of inputs are evaluated in line with the Company's valuation policy. This includes any markets in which the Company's investments are trading, or any markets in which securities with similar attributes are trading, in determining fair value. The Company's valuation policy considers the fact that unobservable inputs must be used to determine the fair value of investments where there is not a readily available market valuation.

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

Investments at Fair Value as at 31 December 2015				
	Level 1	**Level 2**	**Level 3**	**Total**
Bank Debt Investments	-	42,189,405	72,644,678	114,834,083
Investment Partnership	-	-	6,307,236	6,307,236
Private Bond	-	20,338,524	-	20,338,524
Private Equity	-	56,800,455	105,127,348	161,927,803
Private Equity: Real Estate Development	-	-	4,787,223	4,787,223
Private Note	-	21,302,871	-	21,302,871
Public Bond	-	7,254,764	-	7,254,764
Public Equity	29,241,385	-	-	29,241,385
Trade Claim	-	-	9,267,308	9,267,308
UK Treasury Bills	-	7,369,014	-	7,369,014
US Treasury Bills	-	37,881,521	-	37,881,521
Warrants	-	-	210,523	210,523
Credit Default Swaps	-	58,892	-	58,892
Forward currency contracts	-	453,177	-	453,177
Total investments that are accounted for at fair value	**29,241,385**	**193,648,623**	**198,344,316**	**421,234,324**

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

Investments at Fair Value as at 31 December 2014				
	Level 1	**Level 2**	**Level 3**	**Total**
Bank Debt Investments	-	99,737,403	104,896,647	204,634,050
Commercial Mortgage	-	-	4,219,287	4,219,287
Fixed Rate Bonds	-	1,081,300	-	1,081,300
Investment Partnership	-	-	44,865,563	44,865,563
Ownership in Senior Living Facility	-	-	13,665,456	13,665,456
Private Equity	-	78,909,997	99,711,073	178,621,070
Private Equity: Real Estate Development	-	-	20,263,099	20,263,099
Private Note	-	-	31,950,069	31,950,069
Private Placement Bonds	-	-	3,063,979	3,063,979
Public Equity	32,853,494	-	-	32,853,494
Public Note	-	16,563,822	-	16,563,822
Trade Claim	-	-	10,859,649	10,859,649
UK Treasury Bills	-	46,734,769	-	46,734,769
U.S.Treasury Bills	-	22,999,693	-	22,999,693
Credit Default Swaps	-	(23,055)	-	(23,055)
Forward currency contracts	-	1,923,298	-	1,923,298
Total investments that are accounted for at fair value	**32,853,494**	**267,927,227**	**333,494,822**	**634,275,543**

Notes to the Consolidated Financial Statements (continued)

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 31 December 2015. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

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

Notes to the Consolidated Financial Statements (continued)

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 31 December 2014. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

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

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Changes in any of the above inputs may positively or adversely impact the fair value of the relevant investments.

Level 3 assets are valued using single bid-side broker quotes or by good faith methods of the Investment Manager. For single broker quotes the Investment Manager uses unobservable inputs to assess the reasonableness of the broker quote. For good faith valuations, the Investment Manager directly uses unobservable inputs to produce valuations. The significant unobservable inputs used in Level 3 assets are outlined in the table on the previous page.

These inputs vary by asset class. For example, real estate asset valuations may utilise discounted cash flow models using an average value per square foot and appropriate discount rate. Other assets may be based on analysis of the liquidation of the underlying assets. In general, increases/(decreases) to per unit valuation inputs such as value per square foot, will result in increases/(decreases) to investment value.

Similarly, increases/(decreases) of asset realisation inputs (liquidation estimate, letter of intent, etc.) will also result in increases/(decreases) in value. In situations where discounted cash flow models are used, increasing/(decreasing) discount rates or increasing/(decreasing) weighted average life, in isolation, will generally result in decreased/(increased) valuations.

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

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a reconciliation of opening and closing balances of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs:

For the year ended 31 December 2015

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

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

The Company's policy is to recognise transfers into and out of various levels as of the actual date of the event or change in circumstances that caused the transfer. During the year the Company did not have any transfers between level 1 and level 2 of the fair value hierarchy.

Notes to the Consolidated Financial Statements (continued)

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a reconciliation of opening and closing balances of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs:

For the year ended 31 December 2014

	Bank Debt Investments	Private Equity	Private Equity: Real Estate Development	Private Placement Bonds	Investment Partnership	Trade Claim	Private Note
Balance, 31 December 2013	$ **64,504,795**	$ **59,160,083**	$ **45,067,302**	$ **7,855,963**	$ **51,996,494**	$ **10,601,910**	$ **21,089,387**
Purchases	101,521,530	9,079,077	-	-	-	-	-
Sales and distributions	(26,104,279)	-	(27,663,800)	(7,119,143)	(1,715,279)	-	-
Restructuring assets	(27,670,065)	27,670,065	-	-	-	-	-
Non cash gain on restructuring	9,070,140	-	-	330,834	-	-	-
Realised gain/(loss) on sale of investments	4,027,862	(8,836)	2,147,260	811,971	13,810,661	-	-
Unrealised gain/(loss) on investments	(20,378,427)	3,810,684	712,337	1,184,354	(19,226,313)	257,739	(764,568)
Transfers into or (out of) level 3	(74,909)	-	-	-	-	-	11,625,250
Balance, 31 December 2014	$ **104,896,647**	$ **99,711,073**	$ **20,263,099**	$ **3,063,979**	$ **44,865,563**	$ **10,859,649**	$ **31,950,069**
Change in unrealised gain/(loss) on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2014	$ **(15,963,977)**	$ **3,810,684**	$ **712,337**	$ **(775,651)**	$ **(19,219,068)**	$ **257,738**	$ **(764,568)**

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

The Company's policy is to recognise transfers into and out of various levels as of the actual date of the event or change in circumstances that caused the transfer. During the year the Company did not have any transfers between level 1 and level 2 of the fair value hierarchy.

Notes to the Consolidated Financial Statements (continued)

NOTE 7 – RISKS

The Company is subject to various risks, including, but not limited to, market risk, credit risk and liquidity risk. The Investment Manager monitors and seeks to manage these risks on an ongoing basis. While the Investment Manager generally seeks to hedge certain portfolio risks, the Investment Manager is not required and may not attempt to hedge all market or other risks in the portfolio, and it may decide only to partially hedge certain risks.

Market Risk

Market risk is the potential for changes in the value of investments. Categories of market risk include, but are not limited to interest rates. Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads. Details of the Company's investment portfolio at 31 December 2015 and 31 December 2014 are disclosed in the condensed consolidated schedule of investments. Each separate investment exceeding 5% of net assets is disclosed separately.

Credit Risk

The Company may invest in a range of corporate and other bonds and other credit sensitive securities. Until such investments are sold or are paid in full at maturity, the Company is exposed to credit risk relating to whether the issuer will meet its obligations when the securities come due. Distressed debt securities by nature are securities in companies which are in default or are heading into default and will expose the Company to a higher than normal amount of credit risk.

The Company maintains positions in a variety of securities, derivative financial instruments and cash and cash equivalents in accordance with its investment strategy and guidelines. The Company's trading activities expose the Company to counterparty credit risk from brokers, dealers and other financial institutions (collectively, "counterparties") with which it transacts business. "Counterparty credit risk" is the risk that a counterparty to a trade will fail to meet an obligation that it has entered into with the Company, resulting in a financial loss to the Company. The Company's policy with respect to counterparty credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out by the Investment Manager.

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

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

Notes to the Consolidated Financial Statements (continued)

NOTE 7 – RISKS (CONTINUED)

Credit Risk (continued)

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

Liquidity Risk

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

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

Other Risks

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

NOTE 8 – SHARE CAPITAL

The Company's share capital consists of:

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

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

The Class A Shares are held by the Trustee pursuant to a purpose trust established under Guernsey law. Under the terms of the Trust Deed, the Trustee holds the Class A Shares for the purpose of exercising the rights conferred by such shares in the manner it considers, in its absolute discretion, to be in the best interests of the Company's shareholders as a whole.

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

Following this meeting and with the Ordinary Shareholders approval of the extension, a new Class, NBDX, was created and the Extended Life Shares were issued to 72% of initial Investors who elected to convert their Ordinary Shares to Extended Life Shares. The rest of investors remain invested on the basis of the current investment period.

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

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

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

Notes to the Consolidated Financial Statements (continued)

NOTE 8 – SHARE CAPITAL (CONTINUED)

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

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

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

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

	Ordinary Shares	Extended Life Shares	New Global Shares	New Global Treasury Shares	Total
Balance as at 31 December 2013	124,160,471	352,088,814	-	-	476,249,285
Shares issued during the period	-	-	110,785,785	-	110,785,785
Shares redeemed during the year	(49,148,606)	(20,170,958)	-	-	(69,319,564)
Balance as at 31 December 2014	75,011,865	331,917,856	110,785,785	-	517,715,506

NOTE 9 – FINANCIAL HIGHLIGHTS

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

Notes to the Consolidated Financial Statements (continued)

NOTE 9 – FINANCIAL HIGHLIGHTS (CONTINUED)

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

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

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

*****Total return is calculated for the Ordinary Shares, Extended Life Shares and New Global Shares only and is calculated based on movement in the NAV, and does not reflect any movement in the market value. An Ordinary shareholder's return may vary from these returns based on participation in new issues, the timing of capital transactions etc. Class A shares are not presented as they are not profit participating shares.

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

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

(iii) These ratios have been annualised to be comparable across share classes.

Notes to the Consolidated Financial Statements (continued)

NOTE 10 – RECONCILIATION OF NET ASSET VALUE TO PUBLISHED NAV

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

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

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

NOTE 11 - SUBSEQUENT EVENTS

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

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

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

Notes to the Consolidated Financial Statements (continued)

NOTE 11 - SUBSEQUENT EVENTS (continued)

Share Buybacks

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

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

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

	13 April 2016
New Global Shares	6,497,000

Capital Return

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

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

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