

NB DISTRESSED DEBT INVESTMENT FUND LIMITED  
2018 ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018



KPMG LLP  
Aon Center  
Suite 5500  
200 E. Randolph Street  
Chicago, IL 60601-6436

## Independent Auditors' Report

The Board of Directors and Shareholders  
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 statement of assets and liabilities, including the consolidated condensed schedule of investments, as of December 31, 2018 and 2017, 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 audits 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, 2018 and 2017, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

**KPMG LLP**

Chicago, Illinois  
March 27, 2019

## Consolidated Statement of Assets and Liabilities

FOR THE YEAR ENDED 31 DECEMBER 2018 AND 31 DECEMBER 2017

(EXPRESSED IN US DOLLARS EXCEPT WHERE STATED OTHERWISE)	31 DECEMBER 2018	31 DECEMBER 2017
<b>Assets</b>		
Investments at fair value (2018: cost of \$329,777,268; 2017: cost of \$370,742,695)	256,655,356	314,800,289
Forward currency contracts	587,558	257,290
Warrants (2018: cost of \$752,955; 2017: cost of \$752,955)	200,664	287,087
Cash and cash equivalents	7,596,274	23,824,956
	<b>265,039,852</b>	<b>339,169,622</b>
<b>Other assets</b>		
Interest receivables	267,711	1,466,010
Receivables for investments sold	780,712	2,293,513
Other receivables and prepayments	377,496	1,453,086
Federal tax receivable	2,913,342	3,086,623
<b>Total assets</b>	<b>269,379,113</b>	<b>347,468,854</b>
<b>Liabilities</b>		
Payables for investments purchased	-	7,760,428
Credit default swap (2018: cost of \$32,357; 2017: cost of \$Nil)	1,175	-
Forward currency contracts	3,884	98,264
Accrued expenses and other liabilities	277,315	501,135
Income distribution payable	-	6,038,502
Payables to Investment Manager and affiliates	340,193	412,050
Deferred tax liability	355,057	-
<b>Total liabilities</b>	<b>977,624</b>	<b>14,810,379</b>
<b>Net assets</b>	<b>268,401,489</b>	<b>332,658,475</b>
<b>Net assets attributable to Ordinary Shares (shares 2018: 23,395,578; 2017: 26,714,397)</b>	<b>22,876,360</b>	<b>29,641,938</b>
<b>Net asset value per Ordinary Share</b>	<b>0.9778</b>	<b>1.1096</b>
<b>Net assets attributable to Extended Life Shares (shares 2018: 154,104,598; 2017: 173,302,953)</b>	<b>148,482,314</b>	<b>180,009,723</b>
<b>Net asset value per Extended Life Share</b>	<b>0.9635</b>	<b>1.0387</b>
<b>Net assets attributable to New Global Shares (shares 2018: 82,770,361; 2017: 98,733,585)</b>	<b>£76,195,678</b>	<b>£90,930,929</b>
<b>Net asset value per New Global Share</b>	<b>£0.9206</b>	<b>£0.9210</b>
<b>Net assets attributable to New Global Shares (USD equivalent)</b>	<b>97,042,815</b>	<b>123,006,814</b>
<b>Net asset value per New Global Share (USD equivalent)</b>	<b>1.1724</b>	<b>1.2458</b>

The Financial Statements were approved and authorised for issue by the Board of Directors on 27 March 2019, and signed on its behalf by:

John Hallam  
Chairman

Christopher Legge  
Director

The accompanying notes are an integral part of the Financial Statements.

## Consolidated Statement of Operations

FOR THE YEAR ENDED 31 DECEMBER 2018 AND 31 DECEMBER 2017

(EXPRESSED IN US DOLLARS)	31 DECEMBER 2018	31 DECEMBER 2017
<b>Income</b>		
Interest income	7,646,090	9,960,630
Dividend income net of withholding tax (2018:54,588; 2017: nil)	329,875	82,546
	<b>7,975,965</b>	<b>10,043,176</b>
<b>Expenses</b>		
Investment management fee	4,699,872	5,301,564
Professional and other expenses	1,602,026	1,054,931
Administration fee	286,757	322,796
Loan administration and custody fees	173,020	216,042
Directors' fees and expenses	249,552	249,534
	<b>7,011,227</b>	<b>7,144,867</b>
<b>Net investment (loss)/income</b>	<b>964,738</b>	<b>2,898,309</b>
<b>Realised and unrealised (loss)/gain from investments and foreign exchange</b>		
Net realised (loss)/gain on investments, credit default swap, warrants and forward currency transactions	(1,010,425)	18,614,764
Non cash loss on investment restructuring transactions	-	(233,473)
Net change in unrealised gain on investments, credit default swap, warrants and forward currency transactions	(16,411,670)	1,049,843
Income taxes from net realised/unrealised gain on investments	(494,845)	221,390
	<b>(17,916,940)</b>	<b>19,652,524</b>
<b>Realised and unrealised (loss)/gain from investments and foreign exchange</b>	<b>(17,916,940)</b>	<b>19,652,524</b>
<b>Net (decrease)/increase in net assets resulting from operations</b>	<b>(16,952,202)</b>	<b>22,550,833</b>

The accompanying notes are an integral part of the Financial Statements.

## Consolidated Statement of Changes in Net Assets

## FOR THE YEAR ENDED 31 DECEMBER 2018

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

## FOR THE YEAR ENDED 31 DECEMBER 2017

(EXPRESSED IN US DOLLARS)	31 DECEMBER 2017 ORDINARY SHARES	31 DECEMBER 2017 EXTENDED LIFE SHARES	31 DECEMBER 2017 NEW GLOBAL SHARES	31 DECEMBER 2017 AGGREGATED
<b>Net assets at the beginning of the year</b>	<b>37,271,106</b>	<b>216,628,260</b>	<b>117,035,165</b>	<b>370,934,531</b>
Net investment income	(206,679)	2,274,990	829,998	2,898,309
Net realised gain on investments, credit default swap and forward currency transactions	2,269,917	14,522,802	1,822,045	18,614,764
Non cash gain/(loss) on investment restructuring transactions	291,086	180,502	(705,061)	(233,473)
Net change in unrealised gain/ (loss) on investments, credit default swap, warrants and forward currency transactions	(178,688)	(6,032,183)	7,260,714	1,049,843
Income taxes from net realised/unrealised gains on investments	53,119	136,951	31,320	221,390
Dividends	(374,002)	(4,247,515)	(1,415,706)	(6,037,223)
Net cost of share buybacks	-	(1,736,311)	(1,851,661)	(3,587,972)
Shares redeemed during the year	(9,483,921)	(41,717,773)	-	(51,201,694)
<b>Net assets at the end of the year</b>	<b>29,641,938</b>	<b>180,009,723</b>	<b>123,006,814</b>	<b>332,658,475</b>

The accompanying notes are an integral part of the Financial Statements.

## FINANCIAL STATEMENTS | Consolidated Statement of Cash Flows

### Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018 AND 31 DECEMBER 2017

(EXPRESSED IN US DOLLARS)	31 DECEMBER 2018	31 DECEMBER 2017
<b>Cash flows from operating activities:</b>		
Net (decrease)/increase in net assets resulting from operations	(16,952,202)	22,550,833
<i>Adjustment to reconcile net decrease in net assets resulting from operations to net cash flow provided by operations:</i>		
Net realised loss/(gain) on investments, credit default swap, warrants and forward currency transactions	1,010,425	(18,614,764)
Non cash loss on investment restructuring transactions	-	233,473
Non cash interest received on investments	(202,503)	(122,239)
Net change in unrealised gain on investments, credit default swap, warrants and forward currency transactions	16,411,670	(1,049,843)
Accretion of discount on loans and bonds	(771,909)	(703,393)
Changes in interest receivable	1,198,299	(463,443)
Changes in receivables for investments sold	1,512,801	2,399,977
Changes in other receivables and prepayments	1,075,590	(291,097)
Change in Federal Tax receivable	173,281	-
Change in deferred taxes	355,057	(99,549)
Changes in payables for investments purchased	(7,760,428)	(1,746,953)
Changes in payables, accrued expenses and other liabilities	(295,677)	(4,111)
Cash received/(paid) on settled forward currency contracts and spot currency contracts	2,482,813	(3,351,275)
Purchase of investments	(5,333,129)	(18,023,084)
Sale of investments	44,571,054	51,510,975
Net sale of short term investments	8,102	8,050,317
<b>Net cash provided by operating activities</b>	<b>37,483,244</b>	<b>40,275,824</b>
<b>Cash flows from financing activities:</b>		
Net cost of share buybacks	(1,332,551)	(3,587,972)
Shares redeemed during the year	(43,106,475)	(51,201,694)
Dividends paid	(8,904,260)	-
<b>Net cash used in financing activities</b>	<b>(53,343,286)</b>	<b>(54,789,666)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(15,860,042)</b>	<b>(14,513,842)</b>
Cash and cash equivalents at the beginning of the year	23,824,956	38,615,044
Effect of exchange rate changes on cash and cash equivalents	(368,640)	(276,246)
<b>Cash and cash equivalents at the end of the year</b>	<b>7,596,274</b>	<b>23,824,956</b>

#### Supplemental cash flow information

\$Nil (31 December 2017: \$24,020,641) related to the value of non-cash investment transactions, including reorganisations and exchanges and is excluded from purchases of and proceeds from sales of investments. Net tax paid during the year was \$Nil (31 December 2017: \$121,840).

The accompanying notes are an integral part of the Financial Statements.

## Consolidated Condensed Schedule of Investments (by financial instrument)

AT 31 DECEMBER 2018 (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%) <sup>1</sup>	EXTENDED LIFE SHARES (%) <sup>1</sup>	NEW GLOBAL SHARES (%) <sup>1</sup>	TOTAL COMPANY (%) <sup>1</sup>
<b>Portfolio of Distressed Investments</b>						
Bank Debt Investments	90,219,466	54,152,197	1.82	20.24	24.41	20.18
Private Equity	100,143,233	98,416,195	38.65	33.21	41.47	36.66
Private Note	61,431,337	41,865,849	13.56	19.14	10.66	15.60
Public Equity	64,951,143	50,139,798	20.51	17.23	20.48	18.68
Trade Claim <sup>2</sup>	13,032,089	12,081,316	14.75	5.86	0.00	4.50
	<b>329,777,268</b>	<b>256,655,356</b>	<b>89.29</b>	<b>95.68</b>	<b>97.02</b>	<b>95.62</b>
<b>Total Investments</b>						
	<b>329,777,268</b>	<b>256,655,356</b>	<b>89.29</b>	<b>95.68</b>	<b>97.02</b>	<b>95.62</b>
<b>Ordinary Shares</b>						
	25,932,255	20,427,220	89.29	-	-	7.61
<b>Extended Life Shares</b>						
	191,384,472	142,072,933	-	95.68	-	52.93
<b>New Global Shares</b>						
	112,460,541	94,155,203	-	-	97.02	35.08
	<b>329,777,268</b>	<b>256,655,356</b>	<b>89.29</b>	<b>95.68</b>	<b>97.02</b>	<b>95.62</b>
<b>Credit Default Swap</b>						
Ordinary Shares	(9,168)	(333)	-	-	-	-
Extended Life Shares	(23,189)	(842)	-	-	-	-
	<b>(32,357)</b>	<b>(1,175)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Forward Currency Contracts</b>						
Ordinary Shares	-	125,152	0.55	-	-	0.05
Extended Life Shares	-	458,522	-	0.31	-	0.17
	-	<b>583,674</b>	<b>0.55</b>	<b>0.31</b>	-	<b>0.22</b>
<b>Warrants</b>						
Extended Life Shares	478,733	143,332	-	0.10	-	0.05
New Global Shares	274,222	57,332	-	-	0.06	0.02
	<b>752,955</b>	<b>200,664</b>	<b>-</b>	<b>0.10</b>	<b>0.06</b>	<b>0.07</b>

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

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

The accompanying notes are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by financial instrument)

AT 31 DECEMBER 2017 (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%) <sup>1</sup>	EXTENDED LIFE SHARES (%) <sup>1</sup>	NEW GLOBAL SHARES (%) <sup>1</sup>	TOTAL COMPANY (%) <sup>1</sup>
<b>Portfolio of Distressed Investments</b>						
Bank Debt Investments	118,293,825	83,508,629	13.37	24.44	28.90	25.10
Private Equity	111,913,489	108,691,513	34.78	30.46	35.40	32.67
Private Equity: Real Estate Development	-	620,287	0.58	0.25	-	0.19
Private Note	59,431,556	41,271,822	10.59	15.62	8.15	12.41
Public Bond	3,053,000	2,272,000	-	0.91	0.52	0.68
Public Equity	65,018,736	66,075,191	21.84	17.73	22.52	19.85
Trade Claim <sup>2</sup>	13,032,089	12,360,847	11.66	4.95	-	3.72
	<b>370,742,695</b>	<b>314,800,289</b>	<b>92.82</b>	<b>94.36</b>	<b>95.49</b>	<b>94.62</b>
<b>Total Investments</b>						
	<b>370,742,695</b>	<b>314,800,289</b>	<b>92.82</b>	<b>94.36</b>	<b>95.49</b>	<b>94.62</b>
<b>Forward Currency Contracts</b>						
Ordinary Shares	-	77,176	0.26	-	-	0.02
Extended Life Shares	-	81,850	-	0.05	-	0.03
	-	<b>159,026</b>	<b>0.26</b>	<b>0.05</b>	-	<b>0.05</b>
<b>Warrants</b>						
Extended Life Shares	478,733	197,638	-	0.11	-	0.06
New Global Shares	274,222	89,449	-	-	0.07	0.03
	<b>752,955</b>	<b>287,087</b>	-	<b>0.11</b>	<b>0.07</b>	<b>0.09</b>

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

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

The accompanying notes are an integral part of the Financial Statements.



## Consolidated Condensed Schedule of Investments

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

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

31 DECEMBER 2017 (EXPRESSED IN US DOLLARS)	COUNTRY	INDUSTRY	NOMINAL	COST	FAIR VALUE	ORDINARY SHARES (%) <sup>1</sup>	EXTENDED LIFE SHARES (%) <sup>1</sup>	NEW GLOBAL SHARES (%) <sup>1</sup>	TOTAL COMPANY (%) <sup>1</sup>
<b>Securities</b>									
Harko LLC	United States	Lodging & Casinos	2,517,756	34,067,954	32,076,211	22.16	9.41	6.97	9.66
Five Point Holdings LLC (formerly known as Newhall Holding Company, LLC)	United States	Building & Development	1,720,599	23,945,425	24,277,652	14.78	7.18	5.67	7.30
Twin River Worldwide Holdings	United States	Lodging & Casinos	211,702	6,777,499	22,202,247	-	- <sup>2</sup>	12.64	6.67
Exide Technologies 11% 30/04/2022	United States	Auto Components	8,316,371	7,290,956	7,484,734	0.16	2.95	1.73	2.24
Exide Technologies 7.000% 30/04/2025 SR:AI CVT	United States	Auto Components	14,667,341	12,427,684	9,020,415	2.40	3.13	2.17	2.70
Exide Technologies 7.25% 30/04/2025 SR:AI	United States	Auto Components	6,557,610	5,963,964	6,688,762	4.65	1.04	2.80	2.01
				90,473,482	101,750,021	44.15	23.71	31.98	30.58

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

2 Twin River Worldwide Holdings accounted for 3.70% of Extended Life Shares Net Assets in 2017 which was below the 5% threshold for disclosure.

The accompanying notes are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by geography)

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

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

The accompanying notes are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by geography)

AT 31 DECEMBER 2017 (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%) <sup>1</sup>	EXTENDED LIFE SHARES (%) <sup>1</sup>	NEW GLOBAL SHARES (%) <sup>1</sup>	TOTAL COMPANY (%) <sup>1</sup>
<b>Geographic diversity of Portfolios</b>						
<b>Portfolio of Distressed Investments</b>						
Australia	18,554,191	17,652,774	11.21	4.76	4.68	5.31
Brazil	13,032,089	12,360,847	11.66	4.95	-	3.72
Denmark	14,207,442	9,899,862	-	2.58	4.27	2.98
Germany	-	1,476,112	1.39	0.59	-	0.44
Greece	357,242	280,404	0.26	0.11	-	0.08
Luxembourg	1,893,980	12,858,961	12.12	5.15	-	3.87
Marshall Islands	15,997,340	16,493,553	-	6.53	3.85	4.96
Netherlands	13,646,547	13,470,497	-	3.32	6.10	4.05
Spain	35,993,209	24,920,519	-	3.10	15.72	7.50
United States	257,060,655	205,386,760	56.18	63.27	60.87	61.71
	<b>370,742,695</b>	<b>314,800,289</b>	<b>92.82</b>	<b>94.36</b>	<b>95.49</b>	<b>94.62</b>

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

The accompanying notes are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by sector)

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

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

The accompanying notes are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by sector)

AT 31 DECEMBER 2017 (EXPRESSED IN US DOLLARS)	COST	FAIR VALUE	ORDINARY SHARES (%) <sup>1</sup>	EXTENDED LIFE SHARES (%) <sup>1</sup>	NEW GLOBAL SHARES (%) <sup>1</sup>	TOTAL COMPANY (%) <sup>1</sup>
<b>Industry diversity of Portfolios</b>						
<b>Portfolio of Distressed Investments</b>						
Air Transport	631,151	541,827	0.51	0.22	-	0.16
Auto Components	27,367,990	23,360,850	7.27	7.18	6.73	7.02
Building & Development	25,893,453	24,548,897	15.03	7.29	5.67	7.38
Chemicals & Plastics	1,525,664	1,450,002	-	-	1.18	0.44
Commercial Mortgage	13,646,548	14,284,947	-	3.77	6.10	4.29
Containers & Packaging	1,893,980	12,858,961	12.12	5.15	-	3.87
Financial Intermediaries	21,464,317	12,484,917	3.12	6.42	-	3.75
Forest Products	-	1,476,112	1.39	0.59	-	0.44
Lodging & Casinos	82,358,287	89,201,164	22.18	21.03	36.43	26.79
Nonferrous Metals/Minerals	20,100,461	14,740,275	-	4.50	5.39	4.43
Oil & Gas	28,121,742	27,869,619	-	9.25	9.11	8.38
Real Estate Development	-	620,287	0.58	0.25	-	0.19
Shipping	38,144,150	36,992,077	0.87	11.76	12.65	11.13
Surface Transportation	32,525,287	20,321,759	11.66	7.16	3.23	6.11
Utilities	77,069,665	34,048,595	18.09	9.79	9.00	10.24
	<b>370,742,695</b>	<b>314,800,289</b>	<b>92.82</b>	<b>94.36</b>	<b>95.49</b>	<b>94.62</b>

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

The accompanying notes are an integral part of the Financial Statements.

### NOTE 1 – ORGANISATION AND DESCRIPTION OF BUSINESS

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

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

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

### NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

In March 2017, FASB issued Accounting Standard Update ("ASU") 2017-08, Receivables – Non-refundable Fees and Other Costs (Subtopic 310-20) – Premium Amortisation on Purchased Callable Debt Securities. The amendments in this ASU require that certain callable debt securities held at a premium be amortised to the earliest call date. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. The standard is not expected to have a significant impact on the Company's financial statements.

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

#### (a) Basis of Preparation

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

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

The Financial Statements include the results of the Company and its wholly-owned subsidiaries.

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

Wholly-owned subsidiaries, London Lake Michigan LP, 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 2018, London Lake Erie (Global) LP and London Lake Erie LP were dissolved on 31 March 2018. Furthermore, London Washington LLC, London Jackson LLC, and London Randolph Holdco LLC were dissolved on 19 June 2018 and London Tides Holdco LLC and London Washington Holdco LLC were dissolved on 19 December 2018.

### NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

#### (b) Use of Estimates

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

Actual results could differ significantly from these estimates.

#### (c) Cash and Cash Equivalents

The Company holds cash and cash equivalents in US Dollar and non-US Dollar denominated currencies with original maturities of less than 90 days that are both readily convertible to known amounts of cash and so near maturity that they represent an insignificant risk of change in value to be cash equivalents. As at 31 December 2018, the Company has cash balances in various currencies equating to \$7,596,274 (31 December 2017: \$23,824,956). These balances consisted of Pound Sterling: \$400,458 (31 December 2017: \$3,429,128), Euro: \$958,696 (31 December 2017: \$875,586), US Dollar: \$6,214,077 (31 December 2017: \$19,165,424), and Australian Dollar: \$23,043 (31 December 2017: \$354,818).

#### (d) Payables/Receivables on Investments Purchased/Sold

At 31 December 2018, the amount payable/receivable on investments purchased/sold represents amounts due for investments purchased/sold that have been contracted for but not settled on the Consolidated Statement of Assets and Liabilities date.

#### (e) Foreign Currency Translation

Assets and liabilities denominated in foreign currency are translated into US Dollars at the currency exchange rates on the date of valuation. On initial recognition, foreign currency sales and purchases transactions are recorded and translated at the spot exchange rate at the transaction date and for all other transactions, the average rate is applied. Non-monetary assets and liabilities are translated at the historic exchange rate.

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

#### (f) Fair Value of Financial Instruments

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

Fair value prices are estimates made at a discrete point in time, based on relevant market data, information about the financial instruments, and other factors.

Fair value is determined using available market information and appropriate valuation methodologies. Estimates of fair value of financial instruments without quoted market prices are subjective in nature and involve various assumptions and estimates that are matters of judgement. Accordingly fair values are not necessarily indicative of the amounts 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 2018 and 31 December 2017 to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents - The carrying value reasonably approximates fair value due to the short-term nature of these instruments.
- Receivables for investments sold - The carrying value reasonably approximates fair value as it reflects the value at which investments are sold to a willing buyer and the settlement period on their balances is short term.
- Interest receivables and other receivables and prepayments - The carrying value reasonably approximates fair value.
- Quoted investments are valued according to their bid price at the close of the relevant reporting date. Investments in private securities are priced at the bid price using a pricing service for private loans. If a price cannot be ascertained from the above sources, the Company will seek bid prices from third party broker/dealer quotes for the investments.
- Warrants are priced using the bid price provided by third party broker / dealer market quotes.
- In cases where no third party price is available, or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the investment, the Investment Manager determines the valuation based on its fair valuation policy. Further information on valuations is provided in Note 2 (g), "Investment transactions, investment income/expenses and valuation", on pages 77 and 78.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(f) Fair Value of Financial Instruments (continued)

- Payables for investments purchased - The carrying value reasonably approximates fair value as they reflect the value at which investments are purchased from a willing seller and the settlement period on their balances is short term.
- Payables to Investment Manager and affiliates and accrued expenses and other liabilities - The carrying value reasonably approximates fair value.
- Forward currency contracts are revalued using the forward exchange rate prevailing at the Consolidated Statement of Assets and Liabilities date.

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

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as the risk inherent in a particular valuation technique used to measure fair value using a pricing model and/or the risk inherent in the inputs for the valuation technique. Inputs may be observable or unobservable.

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

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

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

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

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

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

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

FAIR VALUE OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2018

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



## NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

## (f) Fair Value of Financial Instruments (continued)

## FAIR VALUE OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2017

(EXPRESSED IN US DOLLARS)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bank Debt Investments	-	34,205,399	49,303,230	83,508,629
Private Equity	-	39,264,153	69,427,360	108,691,513
Private Equity: Real Estate Development	-	-	620,287	620,287
Private Note	-	34,310,812	6,961,010	41,271,822
Public Bond	-	2,272,000	-	2,272,000
Public Equity	66,075,191	-	-	66,075,191
Trade Claim	-	-	12,360,847	12,360,847
Warrants	-	195,070	92,017	287,087
Forward currency contracts	-	159,026	-	159,026
<b>Total investments that are accounted for at fair value</b>	<b>66,075,191</b>	<b>110,406,460</b>	<b>138,764,751</b>	<b>315,246,402</b>

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 31 December 2018. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

TYPE	SECTOR	FAIR VALUE (\$)	PRIMARY VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE INPUT	WEIGHTED AVERAGE
Bank Debt Investments	Building & Development	271,244	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Commercial Mortgage	13,427,379	Market Comparables	Discount Rate	10%	N/A
Bank Debt Investments	Forest Products	1,220,949	Market Comparables	Discount Rate	10%	N/A
Bank Debt Investments	Lodging & Casinos	3,910,371	Market Comparables	EBITDA Multiple	14x	N/A
Bank Debt Investments	Oil & Gas	1,292,077	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Shipping	16,642,897	Market Information	Value of Shipping Vessels	\$9.75 million per vessel	N/A
Bank Debt Investments	Surface Transport	1,076,443	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Utilities	360,000	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Air Transport	4,079	Residual Value	Residual Value/ Cash Receivable	N/A	N/A
Private Equity	Auto Components	212,465	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Commercial Mortgage	714,675	Residual Value	Recovery Estimate	63%	N/A
Private Equity	Containers & Packaging	5,451,450	Market Information	EBITDA Multiple	10x	N/A
Private Equity	Lodging & Casinos	3,323,041	Market Comparables	EBITDA Multiple	14x	N/A
Private Equity	Lodging & Casinos	34,065,244	Market Comparables	Land value per acre	\$2.2 million	N/A
Private Equity	Oil & Gas	400,312	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Shipping	1,340,260	Market Information	Value Per Vessel	\$9.75 million	N/A
Private Note	Auto Components	6,662,269	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Note	Utilities	394,512	Market Information	Unadjusted Broker Quote	N/A	N/A
Trade Claim	Surface Transport	12,081,316	Market Information	Unadjusted Broker Quote	N/A	N/A
Warrants	Oil & Gas	199,745	Market Information	Unadjusted Broker Quote	N/A	N/A
<b>Total</b>		<b>103,050,728</b>				

## NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

## (f) Fair Value of Financial Instruments (continued)

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 31 December 2017. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

TYPE	SECTOR	FAIR VALUE (\$)	PRIMARY VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE INPUT	WEIGHTED AVERAGE
Bank Debt Investments	Air Transport	537,748	Market Information	Value of remaining Aircraft	\$12.3m	N/A
Bank Debt Investments	Building & Development	271,244	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Commercial Mortgage	13,470,496	Discount Rate	15% discount rate on loan payments	N/A	N/A
Bank Debt Investments	Forest Products	1,476,111	Market Comparables	10% liquidity discount	N/A	N/A
Bank Debt Investments	Lodging & Casinos	9,480,319	Market Comparables	EBITDA Multiple	13.5	N/A
Bank Debt Investments	Shipping	15,206,399	Market Information	Value of Shipping Vessels	\$9.5m per vessel	N/A
Bank Debt Investments	Surface Transport	7,960,913	Market Information	Unadjusted Broker Quote	N/A	N/A
Bank Debt Investments	Utilities	900,000	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Air Transport	4,079	Discounted Cash Flow (DCF)	Residual Value/ Cash Receivable	N/A	N/A
Private Equity	Auto Components	166,939	Discounted Cash Flow (DCF)	Residual Value/ Cash Receivable	N/A	N/A
Private Equity	Commercial Mortgage	814,450	Residual Value	Litigation Reserves	71% recovery value	N/A
Private Equity	Containers & Packaging	12,858,962	Market Information	Discount Rate	5%	N/A
Private Equity	Lodging & Casinos	7,479,289	Market Comparables	EBITDA Multiple	8.0x	N/A
Private Equity	Lodging & Casinos	32,076,211	Market Comparables	Land value per acre	\$2.1m per acre	N/A
Private Equity	Nonferrous Metals/Minerals	14,740,276	Market Information	Unadjusted Broker Quote	N/A	N/A
Private Equity	Shipping	1,287,154	Market Information	Value of Shipping Vessels	\$9.5m per vessel	N/A
Private Equity: Real Estate Development	Real Estate Development	620,287	Market Comparables	Price per square foot	\$324 per sq. foot	N/A
Private Note	Auto Components	6,688,762	Purchase Price	Weighted Average Valuation	N/A	N/A
Private Note	Utilities	272,248	Market Information	Unadjusted Broker Quote	N/A	N/A
Trade Claim	Surface Transport	12,360,847	Market Information	Unadjusted Broker Quote	N/A	N/A
Warrants	Oil & Gas	45,367	Market Comparables	Unadjusted Broker Quote	N/A	N/A
Warrants	Shipping	46,650	Market Information	Unadjusted Broker Quote	N/A	N/A
<b>Total</b>		<b>138,764,751</b>				

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

Level 3 assets are valued using single bid-side broker quotes or by good faith methods of the Investment Manager. For single broker quotes the Investment Manager uses unobservable inputs to assess the reasonableness of the broker quote. For good faith valuations, the Investment Manager directly uses unobservable inputs to produce valuations. The significant unobservable inputs used in Level 3 assets at 31 December 2018 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.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(f) Fair Value of Financial Instruments (continued)

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

FOR THE YEAR ENDED 31 DECEMBER 2018  
(EXPRESSED IN US DOLLARS)

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

The Company's policy is to recognise transfers into and out of various levels as of the actual date of the event or change in circumstances that caused the transfer. During the year the Company had zero transfers between Level 1 and Level 2 of the fair value hierarchy.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(f) Fair Value of Financial Instruments (continued)

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

FOR THE YEAR ENDED 31 DECEMBER 2017  
(EXPRESSED IN US DOLLARS)

	BANK DEBT INVESTMENTS	PRIVATE BOND	PRIVATE EQUITY	PRIVATE EQUITY: REAL ESTATE DEVELOPMENT	TRADE CLAIM	WARRANTS	PRIVATE NOTE	TOTAL
Balance, 31 December 2016	49,769,191	600,972	93,095,948	3,600,871	11,979,270	283,130	12,147,487	171,476,869
Purchases	3,705,632	-	7,514,142	-	-	-	5,969,791	17,189,565
Sales and distributions	(7,514,023)	-	(42,332,636)	(2,987,227)	-	-	-	(52,833,886)
Restructuring transactions	3,822,012	-	2,104,422	-	-	-	-	5,926,434
Gain on non-cash investment transactions	-	-	1,041,626	-	-	-	-	1,041,626
Realised gain/(loss) on sale of investments	46,367	-	33,023,319	401,310	-	-	-	33,470,996
Unrealised (loss)/gain on investments	3,971,074	-	(9,263,813)	(394,667)	381,577	(42,713)	724,565	(4,623,977)
Reclassification within level 3 categories	-	(600,972)	-	-	-	-	600,972	-
Transfers into or (out of) Level 3	(4,497,023)	-	(15,755,648)	-	-	(148,400)	(12,481,805)	(32,882,876)
<b>Balance, 31 December 2017</b>	<b>49,303,230</b>	<b>-</b>	<b>69,427,360</b>	<b>620,287</b>	<b>12,360,847</b>	<b>92,017</b>	<b>6,961,010</b>	<b>138,764,751</b>
Change in unrealised (loss)/gain on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2017	4,935,830	-	3,007,216	(85,737)	381,577	(119,791)	387,135	8,506,230

The Company's policy is to recognise transfers into and out of various levels as of the actual date of the event or change in circumstances that caused the transfer. During the year the Company had seven transfers between Level 1 and Level 2 of the fair value hierarchy.

### NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

Investment transactions are accounted for on a trade-date basis. Upon sale or maturity, the difference between the consideration received and the cost of the investment is recognised as a realised gain or loss. The cost is determined based on the average cost method. All transactions relating to the restructuring of current investments are recorded at the date of such restructuring. The difference between the fair value of the new consideration received and the cost of the original investment is recognised as a realised gain or loss. Unrealised gains and losses on an investment are the difference between the cost if purchased during the period or fair value at the previous year end and the fair value at the current period end. Unrealised gains and losses are included in the Consolidated Statement of Operations.

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

For the year ended 31 December 2018, \$771,909 (31 December 2017: \$703,393) was recorded to reflect accretion of discount on loans and bonds during the year.

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

Payment-in-kind ("PIK") interest is computed at the contractual rate specified in the loan agreement for any portion of the interest which may be added to the principal balance of a loan rather than paid in cash by the obligator on the scheduled interest payment date. PIK interest is periodically added to the principal balance of the loan and recorded as interest income. The Investment Manager places a receivable on non-accrual status when the collection of principal or interest is deemed doubtful. The amount of interest income recorded, plus initial costs of underlying PIK interest is reviewed periodically to ensure that these do not exceed fair value of those assets.

The Company carries investments on its Consolidated Statement of Assets and Liabilities at fair value in accordance with US GAAP, with changes in fair value recognised in the Consolidated Statement of Operations in each reporting period. Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

Quoted investments are valued according to their bid price at the close of the relevant reporting date. Investments in private securities are priced at the bid price using a pricing service for private loans.

If a price cannot be ascertained from the above sources the Company will seek bid prices from third party broker/dealer quotes for the investments. The Investment Manager believes that bid price is the best estimate of fair value and is in line with the valuation policy adopted by the Company.

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

The following criteria are considered when applicable:

- The valuation of other securities by the same issuer for which market quotations are available;
- The reasons for absence of market quotations;
- The soundness of the security, its interest yield, the date of maturity, the credit standing of the issue and the current general interest rates;
- Any recent sales prices and/or bid and ask quotations for the security;
- The value of similar securities of issuers in the same or similar industries for which market quotations are available;

### NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

- The economic outlook of the industry;
- The issuer's position in the industry;
- The financial statements of the issuer; and
- The nature and duration of any restriction on disposition of the security.

#### (h) Derivative Contracts

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

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

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

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

The Company also holds six warrants (2017: six warrants) which it prices based on the bid price provided by a third party broker/dealer quote.

#### (i) Taxation

The Company is not subject to income taxes in Guernsey; however it may be subject to taxes imposed by other countries on income it derives from investments.

Such taxes are reflected in the Consolidated Statement of Operations. In accordance with US GAAP, management is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognised is measured as the largest amount of benefit that is greater than fifty percent likely of being realised upon ultimate settlement. De-recognition of a tax benefit previously recognised could result in the Company recording a tax liability that would reduce net assets. US GAAP also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities.

There were no uncertain tax positions at 31 December 2018 or 31 December 2017. The Company is subject to examination for US Federal and state tax returns for calendar years 2015–2018.

During the year ended 31 December 2018, the Company recorded current income tax expense from realised gain/loss on investments of \$139,788 (31 December 2017: \$3,208,466 income tax expense). 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 expense for the year ended 31 December 2018 is equal to \$355,057 (31 December 2017: \$2,987,074 deferred income tax benefit). The net total income tax expense from realised/unrealised gains/(losses) on investments for the year ended 31 December 2018 was \$494,845 (31 December 2017 income tax expense: \$221,390).

## NOTE 3 – DERIVATIVES

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

**Forward Contracts**

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

**Credit Default Swap**

The Company uses credit default swap agreements on corporate or sovereign issues to provide a measure of protection against defaults of the issuers (i.e., to reduce risk where a Company owns or has exposure to the referenced obligation) from time to time.

There was one credit default swap position, Brazil CDS (Government), held at 31 December 2018 which was entered into on 10 January 2018. There was no credit default swap held at 31 December 2017.

**Derivative activity**

For the year ended 31 December 2018 and 31 December 2017 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 2018			LONG EXPOSURE		SHORT EXPOSURE	
PRIMARY UNDERLYING RISK	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
<b>Foreign currency exchange rate</b>						
Forward currency contracts	45,863,164	9			9,976,010	4
<b>Total</b>	<b>45,863,164</b>	<b>9</b>			<b>9,976,010</b>	<b>4</b>
<b>Equity price</b>						
Warrants	752,955	6			-	-

  

31 DECEMBER 2017			LONG EXPOSURE		SHORT EXPOSURE	
PRIMARY UNDERLYING RISK	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
<b>Foreign currency exchange rate</b>						
Forward currency contracts	\$61,249,519	9			\$5,643,647	12
<b>Total</b>	<b>\$61,249,519</b>	<b>9</b>			<b>\$5,643,647</b>	<b>12</b>
<b>Equity price</b>						
Warrants	\$239,443	6			-	-

The following tables show, at 31 December 2018 and 31 December 2017, the fair value amounts of derivative contracts included in the Consolidated Statement of Assets and Liabilities, categorised by primary underlying risk. Balances are presented on a gross basis prior to application of the impact of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into account the effects of master netting arrangements and, where applicable, have been adjusted by the application of cash collateral receivables and payables with its counterparties. The tables also identify, at 31 December 2018 and 31 December 2017, the realised and unrealised gain and loss amounts included in the Consolidated Statement of Operations, categorised by primary underlying risk:

## NOTE 3 – DERIVATIVES (CONTINUED)

## Derivative activity (continued)

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

31 DECEMBER 2017 PRIMARY UNDERLYING RISK	DERIVATIVE ASSETS (\$)	DERIVATIVE LIABILITIES (\$)	REALISED GAIN (LOSS) (\$)	UNREALISED GAIN (LOSS) (\$)
<b>Foreign currency exchange rate</b>				
Forward currency contracts	257,290	(98,264)	(3,585,616)	(1,600,477)
<b>Credit</b>				
Purchased protection				
Credit default swap	-	-	(78,385)	(13,753)
<b>Equity price</b>				
Warrants	287,087	-	-	(192,893)
<b>Total</b>	<b>544,377</b>	<b>(98,264)</b>	<b>(3,664,001)</b>	<b>(1,807,123)</b>

## Offsetting assets and liabilities

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

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

The Company is required to disclose the impact of offsetting assets and liabilities presented in the Consolidated Statement of Assets and Liabilities to enable users of the Financial Statements to evaluate the effect or potential effect of netting arrangements on its financial position for recognised assets and liabilities.

These recognised assets and liabilities include financial instruments and derivative contracts that are either subject to an enforceable master netting arrangement or similar agreement or meet the following right of set-off criteria:

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



## NOTE 3 – DERIVATIVES (CONTINUED)

## Derivative activity (continued)

The Company is subject to enforceable master netting agreements with its counterparties of credit default swap with Bank of America Merrill Lynch of \$Nil (31 December 2017: \$Nil), and foreign currency exchange contracts with Royal Bank of Canada of \$211,558 (31 December 2017: (\$98,264)), Societe Generale of (\$3,884) (31 December 2017: \$80,919) and UBS AG of \$376,000 (31 December 2017: \$176,371). 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, at 31 December 2018 and 31 December 2017, show the gross and net derivatives assets and liabilities by contract type and amount for those derivatives contracts for which netting is permissible.

## 31 DECEMBER 2018

(EXPRESSED IN US DOLLARS)

DESCRIPTION	GROSS AMOUNTS OF RECOGNISED ASSETS	GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES	NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
Forward Currency Contracts	628,158	(40,600)	587,558
Warrant	200,664	-	200,664
<b>Total</b>	<b>828,822</b>	<b>(40,600)</b>	<b>788,222</b>

DESCRIPTION	GROSS AMOUNTS OF RECOGNISED LIABILITIES	GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES	NET AMOUNTS OF RECOGNISED LIABILITIES PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
Forward Currency Contracts	(44,484)	40,600	(3,884)
Credit Default Swap	(1,175)	-	(1,175)
<b>Total</b>	<b>(45,659)</b>	<b>40,600</b>	<b>(5,059)</b>

## 31 DECEMBER 2017

(EXPRESSED IN US DOLLARS)

DESCRIPTION	GROSS AMOUNTS OF RECOGNISED ASSETS	GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES	NET AMOUNTS OF RECOGNISED ASSETS PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
Forward Currency Contracts	261,024	(3,734)	257,290
Warrant	287,087	-	287,087
<b>Total</b>	<b>548,111</b>	<b>(3,734)</b>	<b>544,377</b>

DESCRIPTION	GROSS AMOUNTS OF RECOGNISED LIABILITIES	GROSS AMOUNTS OFFSET IN THE STATEMENTS OF ASSETS AND LIABILITIES	NET AMOUNTS OF RECOGNISED LIABILITIES PRESENTED IN THE CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
Forward Currency Contracts	(101,998)	3,734	(98,264)
<b>Total</b>	<b>(101,998)</b>	<b>3,734</b>	<b>(98,264)</b>

### NOTE 4 – RISK FACTORS

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

#### *Market Risk*

Market risk is the potential for changes in the value of investments. Categories of market risk include, but are not limited to interest rates. Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads. Details of the Company's investment Portfolio at 31 December 2018 and 31 December 2017 are disclosed in the Consolidated Condensed Schedule of Investments. Each separate investment exceeding 5% of net assets is disclosed separately.

#### *Credit Risk*

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

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

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

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

Generally, these contracts can be closed out at the discretion of the Investment Manager and are governed by the futures and options clearing agreements signed with the future commission merchants ("FCMs"). FCMs have capital requirements intended to assure that they have sufficient capital to protect their customers in the event of any inadequacy in customer funds arising from the default of one or more customers, adverse market conditions, or for any other reason.

The credit risk relating to derivatives is detailed further in Note 3.

#### *Liquidity Risk*

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

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

NOTE 4 – RISK FACTORS (CONTINUED)

*Other Risks*

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

NOTE 5 – SHARE CAPITAL

The Company's authorised share capital consists of:

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

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

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

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

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

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

At 31 December 2018, the Company had the following number of shares in issue:

	31 DECEMBER 2018	31 DECEMBER 2017
Issued and fully paid up:		
Class A Shares	2	2
Ordinary Share Class of no par value (Nil in treasury; 2017: Nil)	23,395,578	26,714,397
Extended Life Share Class of no par value (Nil in treasury; 2017: Nil)	154,104,598	173,302,953
New Global Share Class of no par value (Nil in treasury; 2017: Nil)	82,770,361	98,733,585

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

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

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

## NOTE 5 – SHARE CAPITAL (CONTINUED)

Reconciliation of the number of shares in issue in each class at 31 December 2017:

	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	NEW GLOBAL TREASURY SHARES	TOTAL
Balance at 31 December 2016	35,218,587	215,873,854	100,575,785	10,210,000	361,878,226
Shares redeemed during the year	(8,504,190)	(40,663,033)	-	-	(49,167,223)
Buybacks (Shares repurchased)	-	(1,907,868)	(1,842,200)	1,842,200	(1,907,868)
Treasury shares cancelled during the year	-	-	-	(12,052,200)	(12,052,200)
Balance at 31 December 2017	<b>26,714,397</b>	<b>173,302,953</b>	<b>98,733,585</b>	-	<b>298,750,935</b>

## Distributions

Set out below are details of the capital returns by way of compulsory partial redemptions approved during the year ended 31 December 2018 and 31 December 2017.

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

2017	ORDINARY SHARE CLASS			EXTENDED LIFE SHARE CLASS			NEW GLOBAL SHARE CLASS		
	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT	DISTRIBUTION AMOUNT	NUMBER OF SHARES	PER SHARE AMOUNT
22 February 2017	-	-	-	\$10,491,943	10,427,294	\$1.0062	-	-	-
23 June 2017	-	-	-	\$16,491,940	16,232,224	\$1.0160	-	-	-
4 September 2017	\$6,491,959	5,861,814	1.1075	\$10,491,946	10,030,541	\$1.0460	-	-	-
13 November 2017	\$2,991,962	2,642,376	1.1323	\$4,241,944	3,972,974	\$1.0677	-	-	-
	<b>\$9,483,921</b>	<b>8,504,190</b>	-	<b>\$41,717,773</b>	<b>40,663,033</b>	-	-	-	-

## Buybacks

Under the authority granted to the Directors at the 2017 and 2018 AGMs, between 1 January 2018 and 31 December 2018, 1,220,000 Extended Life Shares were repurchased and cancelled by the Company for gross consideration of \$1,146,430 and 165,000 New Global Shares were repurchased and cancelled by the Company for gross consideration of \$186,121.

NOTE 6 – MATERIAL AGREEMENTS AND RELATED PARTY TRANSACTIONS

Investment Management Agreement (“IMA”)

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

On 17 July 2014, the Company, the Manager and the AIFM made certain classificatory amendments to their contractual arrangements for the purposes of the AIFM Directive. The Sub-Investment Management Agreement was terminated on 17 July 2014 and Neuberger Berman Investment Advisers LLC (formerly Neuberger Berman Fixed Income LLC), which was the Sub-Investment Manager, was appointed as the AIFM per the amended and restated IMA dated 17 July 2014. Under this agreement, the AIFM is responsible for risk management and day-to-day discretionary management of the Company's Portfolios (including un-invested cash). The risk management and discretionary portfolio management functions are performed independently of each other within the AIFM structure. The AIFM is not required to, and generally will not, submit individual investment decisions for approval by the Board. The Manager, Neuberger Berman Europe Limited, was appointed under the same IMA to provide, amongst other things, certain administrative services to the Company. On 31 December 2017 the Company entered into an Amendment Agreement amending the IMA.

Per the IMA and in relation to the Ordinary Shares and Extended Life Shares, the Manager is entitled to a management fee, which shall accrue daily, and be payable monthly in arrears, at a rate of 0.125% per month of the respective NAVs of the Ordinary Share and Extended Life Share classes. Soft commissions are not used.

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

For the year ended 31 December 2018, the management fee expense was \$4,699,872 (31 December 2017: \$5,301,564). At 31 December 2018, the management fee payable was \$340,193 (31 December 2017: \$412,050).

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

Performance Fee

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

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

No performance fees were paid or payable in respect of any of the classes for the year ending 31 December 2018 or 31 December 2017, nor would any be paid if the company were to realise all its assets at the year end.

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

Administration, Company Secretarial and Custody Agreements

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

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

## NOTE 6 – MATERIAL AGREEMENTS AND RELATED PARTY TRANSACTIONS (CONTINUED)

## Administration, Company Secretarial and Custody Agreements (continued)

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

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

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

For the year ended 31 December 2018, the administration fee expense was \$286,757 (31 December 2017: \$322,796), the secretarial fee was \$123,520<sup>1</sup> of which \$3,608 was in relation to the administration of the ongoing buyback programme, (31 December 2017: \$192,383) and the loan administration and custody fee expense was \$173,020 (31 December 2017: \$216,042). At 31 December 2018, the administration fee payable is \$20,364<sup>2</sup> (31 December 2017: \$24,688<sup>2</sup>), the secretarial fee payable is \$123,520<sup>2</sup> (31 December 2017: \$66,586<sup>2</sup>) and the loan administration and custody fee payable is \$17,500<sup>2</sup> (31 December 2017: \$54,844<sup>2</sup>).

## Directors' Remuneration and Other Interests

The Directors are related parties and are remunerated for their services at a fee of \$45,000 plus £10,000 each per annum (\$60,000 plus £10,000 for the Chairman, \$50,000 plus £10,000 for the Chairman of the Audit Committee). For the year ended 31 December 2018, the Directors' fees and travel expenses amounted to \$249,552 (31 December 2017: \$249,534). Michael J. Holmberg, the non-independent Director, has waived the fees for his services as a Director. There were no other related interests for the year ended 31 December 2018.

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

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

## NOTE 7 – FINANCIAL HIGHLIGHTS

	ORDINARY SHARES (\$) YEAR ENDED 31 DECEMBER 2018	EXTENDED LIFE SHARES (\$) YEAR ENDED 31 DECEMBER 2018	NEW GLOBAL SHARES (£) YEAR ENDED 31 DECEMBER 2018	ORDINARY SHARES (\$) YEAR ENDED 31 DECEMBER 2017	EXTENDED LIFE SHARES (\$) YEAR ENDED 31 DECEMBER 2017	NEW GLOBAL SHARES (£) YEAR ENDED 31 DECEMBER 2017
<b>PER SHARE OPERATING PERFORMANCE</b>						
Net asset value per share at beginning of the year	1.1096	1.0387	0.9210	1.0583	1.0035	0.9417
Impact of share buybacks	-	0.0004	0.0002	-	0.0012	0.0029
Distributions	(0.0024)	(0.0142)	(0.0055)	(0.0140)	(0.0245)	(0.0106)
<b>Income/(loss) from investment operations<sup>3</sup></b>						
Net investment (loss)/ income	(0.0109)	0.0078	0.0001	(0.0063)	0.0118	0.0081
Net realised and unrealised (loss)/gain from investments and foreign exchange	(0.1185)	(0.0692)	0.0048	0.0716	0.0467	(0.0211)
<b>Total income/(loss) from investment operations</b>	<b>(0.1294)</b>	<b>(0.0614)</b>	<b>0.0049</b>	<b>0.0653</b>	<b>0.0585</b>	<b>(0.0130)</b>
Net asset value per share at end of the year	0.9778	0.9635	0.9206	1.1096	1.0387	0.9210

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

## FINANCIAL STATEMENTS | Notes to the Consolidated Financial Statements

### NOTE 7 – FINANCIAL HIGHLIGHTS (CONTINUED)

	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES
	YEAR ENDED 31 DECEMBER 2018	YEAR ENDED 31 DECEMBER 2018	YEAR ENDED 31 DECEMBER 2018	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2017
<b>NAV TOTAL RETURN <sup>1,2</sup></b>						
NAV Total Return before performance fee	(11.66%)	(5.87%)	0.55%	6.17%	5.95%	(1.07%)
Performance fee	-	-	-	-	-	-
<b>NAV Total Return after performance fee including an income distribution by way of dividend</b>	<b>(11.66%)</b>	<b>(5.87%)</b>	<b>0.55%</b>	<b>6.17%</b>	<b>5.95%</b>	<b>(1.07%)</b>

1 NAV Total Return is calculated for the Ordinary Shares, Extended Life Shares and New Global Shares only and is calculated based on movement in the NAV, and does not reflect any movement in the market value of the shares. A shareholder's return may vary from these returns based on participation in new issues, the timing of capital transactions etc. It assumes that all income distributions of the Company, paid by way of dividend, were reinvested, without transaction costs. Class A shares are not presented as they are not profit participating shares.

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

	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES	ORDINARY SHARES	EXTENDED LIFE SHARES	NEW GLOBAL SHARES
	YEAR ENDED 31 DECEMBER 2018	YEAR ENDED 31 DECEMBER 2018	YEAR ENDED 31 DECEMBER 2018	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2017	YEAR ENDED 31 DECEMBER 2017
<b>RATIOS TO AVERAGE NET ASSETS</b>						
Net investment income before and after performance fee	(1.00%)	0.74%	(0.04%)	(0.58%)	1.14%	0.70%
<b>Total expenses after performance fee</b>	<b>(2.01%)</b>	<b>(2.16%)</b>	<b>(2.38%)</b>	<b>(2.06%)</b>	<b>(2.03%)</b>	<b>(1.96%)</b>

### NOTE 8 – RECONCILIATION OF NET ASSET VALUE TO PUBLISHED NAV

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

	ORDINARY SHARE CLASS NET ASSETS (\$)	ORDINARY SHARE CLASS NAV PER SHARE (\$)	EXTENDED LIFE SHARE CLASS NET ASSETS (\$)	EXTENDED LIFE SHARE CLASS NAV PER SHARE (\$)	NEW GLOBAL SHARE CLASS NET ASSETS (£)	NEW GLOBAL SHARE CLASS NAV PER SHARE (£)
Published net assets at 31 December 2018	22,983,960	0.9824	148,828,076	0.9658	76,511,273	0.9244
Deferred Tax Adjustment	(106,864)	(0.0046)	(275,713)	(0.0018)	(265,174)	(0.0032)
Valuation adjustments	(736)	-	(70,049)	(0.0005)	(50,421)	(0.0006)
<b>Net assets per Consolidated Financial Statements</b>	<b>22,876,360</b>	<b>0.9778</b>	<b>148,482,314</b>	<b>0.9635</b>	<b>76,195,678</b>	<b>0.9206</b>
	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 2017	29,411,826	1.1010	179,277,706	1.0345	90,854,307	0.9202
Valuation adjustments	230,112	0.0086	732,017	0.0042	76,622	0.0008
<b>Net assets per Consolidated Financial Statements</b>	<b>29,641,938</b>	<b>1.1096</b>	<b>180,009,723</b>	<b>1.0387</b>	<b>90,930,929</b>	<b>0.9210</b>

NOTE 9 – SUBSEQUENT EVENTS

In February 2019, the underlying property owned by a Lodging & Casino investment was sold resulting in total proceeds of \$7.0m for NBDD, \$18.1m for NBDX and \$9.2m for NBDG.

On 18 March 2019, the Company declared a capital distribution by way of partial redemption for the holders of NBDD, NBDX and NBDG shares. The Board approved capital distributions of \$8.0m for the holders of NBDD shares, \$20.0m for the holders of NBDX shares and £6.5m for the holders of NBDG payable on 15 April 2019.

During the period from 31 December 2018 to 22 March 2019, being the last practicable date prior to publication of this report, the Company repurchased for immediate cancellation 905,000 NBDX shares and 200,000 NBDG shares for respective gross consideration of \$796,573 and £161,657.