

NB DISTRESSED DEBT INVESTMENT FUND LIMITED
2019 ANNUAL REPORT

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



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, 2019 and 2018, 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 Investments Fund Limited as of December 31, 2019 and 2018, 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
April 14, 2020

Consolidated Statement of Assets and Liabilities

FOR THE YEAR ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

The accompanying notes on pages 15 to 33 are an integral part of the Financial Statements.

Consolidated Statement of Operations

FOR THE YEAR ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

The accompanying notes on pages 15 to 33 are an integral part of the Financial Statements.

Consolidated Statement of Changes in Net Assets

FOR THE YEAR ENDED 31 DECEMBER 2019

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

FOR THE YEAR ENDED 31 DECEMBER 2018

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

The accompanying notes on pages 15 to 33 are an integral part of the Financial Statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

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

The accompanying notes on pages 15 to 33 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by financial instrument)

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

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

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

The accompanying notes on pages 15 to 33 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by financial instrument)

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

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

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

The accompanying notes on pages 15 to 33 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments

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

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

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

The accompanying notes on pages 15 to 33 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments

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

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

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

The accompanying notes on pages 15 to 33 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by geography)

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

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

The accompanying notes on pages 15 to 33 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by geography)

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

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

The accompanying notes on pages 15 to 33 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by sector)

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

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

The accompanying notes on pages 15 to 33 are an integral part of the Financial Statements.

Consolidated Condensed Schedule of Investments (by sector)

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

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

The accompanying notes on pages 15 to 33 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 August 2018, Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Update ("ASU") 2018-13, Fair Value Measurement (Accounting Standards Codification ("ASC") 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this ASU modify the disclosure requirements on fair value measurements. Among the requirements, entities will be required to make additional disclosures about significant unobservable inputs in developing Level 3 fair value measurements and are permitted to remove disclosure of the amount and reason for transfers between Level 1 and Level 2. This ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. The Company has not elected early adoption for the removal of the transfers between Level 1 and Level 2 disclosure and is currently evaluating the impact that the remainder of the ASU will have on the Company's financial statements in future.

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

(a) Basis of Preparation

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

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

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

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

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

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

Wholly-owned subsidiaries, London Lux Masterco 1 S.a.r.l., London Lux Debtco 1 S.a.r.l. and London Lux Propco 1 S.a.r.l. are incorporated in Luxembourg.

Partially owned indirect subsidiaries NB Distressed Debt Aggregating Inc. and Chicago Aircraft Fund LLC are incorporated in Delaware and operate in the United States.

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

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(b) Use of Estimates

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

Actual results could differ significantly from these estimates.

(c) Cash and Cash Equivalents

The Company holds cash and cash equivalents in US Dollar and non-US Dollar denominated currencies with original maturities of less than 90 days that are both readily convertible to known amounts of cash and so near maturity that they represent an insignificant risk of change in value to be cash equivalents. As at 31 December 2019, the Company has cash balances in various currencies equating to \$5,809,726 (31 December 2018: \$7,596,274). These balances consisted of Pound Sterling: \$301,217 (31 December 2018: \$400,458), Euro: \$2,368,477 (31 December 2018: \$958,696), US Dollar: \$3,117,024 (31 December 2018: \$6,214,077), and Australian Dollar: \$23,008 (31 December 2018: \$23,043).

(d) Payables/Receivables on Investments Purchased/Sold

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

(e) Foreign Currency Translation

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

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

(f) Fair Value of Financial Instruments

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

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

Fair value is determined using available market information and appropriate valuation methodologies. Estimates of fair value of financial instruments without quoted market prices are subjective in nature and involve various assumptions and estimates that are matters of judgement. Accordingly, fair values are not necessarily indicative of the amounts that will be realised on disposal of financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value amounts.

The following estimates and assumptions were used at 31 December 2019 and 31 December 2018 to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents - The carrying value reasonably approximates fair value due to the short-term nature of these instruments.
- Receivables for investments sold - The carrying value reasonably approximates fair value as it reflects the value at which investments are sold to a willing buyer and the settlement period on their balances is short term.
- Interest receivables and other receivables and prepayments - The carrying value reasonably approximates fair value.
- Quoted investments are valued according to their bid price at the close of the relevant reporting date. Investments in private securities are priced at the bid price using a pricing service for private loans. If a price cannot be ascertained from the above sources, the Company will seek bid prices from third party broker/dealer quotes for the investments.
- Warrants are priced using the bid price provided by third party broker / dealer market quotes.
- In cases where no third party price is available, or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the investment, the Investment Manager determines the valuation based on its fair valuation policy. Further information on valuations is provided in Note 2 (g), "Investment transactions, investment income/expenses and valuation", on pages 22 and 23.

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 maximises the use of observable market data and minimises the use of unobservable inputs to establish a classification of fair value measurements for disclosure purposes.

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

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

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

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

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

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

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

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

FAIR VALUE OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2019

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

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(f) Fair Value of Financial Instruments (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2018

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

The following table summarises the significant unobservable inputs the Company used to value its investments categorised within Level 3 at 31 December 2019. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

TYPE	SECTOR	FAIR VALUE (\$)	PRIMARY VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE INPUT
Bank Debt Investments	Building & Development	269,656	Market Information	Unadjusted Broker Quote	N/A
Bank Debt Investments	Commercial Mortgage	12,810,493	Market Comparatives	Discount Rate	10%
Bank Debt Investments	Lodging & Casinos	3,983,830	Market Comparatives	EBITDA Multiple	13-14x
Bank Debt Investments	Shipping	15,208,846	Market Information	Value Per Vessel	\$9 million per vessel
Bank Debt Investments	Surface Transport	1,464,382	Market Information	Unadjusted Broker Quote	N/A
Private Equity	Air Transport	4,079	Market Information	Residual Value/ Cash Receivable	N/A
Private Equity	Auto Components	9,181,463	Market Information	EBITDA Multiple	6-7x
Private Equity	Containers and Packaging	6,115,253	Market Comparatives	EBITDA Multiple	10x
Private Equity	Lodging & Casinos	4,594,312	Market Comparatives	EBITDA Multiple	13-14x
Private Equity	Oil & Gas	6,509,399	Market Information	Unadjusted Broker Quote	N/A
Private Equity	Shipping	936,016	Market Information	Value Per Vessel	\$9 million per vessel
Private Note	Auto Components	11,008,124	Market Information	EBITDA Multiple	6-7x
Private Note	Utilities	215,547	Market Information	Unadjusted Broker Quote	N/A
Trade Claim	Surface Transport	12,149,475	Market Information	Unadjusted Broker Quote	N/A
Total		84,450,875			

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 2018. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

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

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

Level 3 assets are valued using single bid-side broker quotes or by good faith methods of the Investment Manager. For single broker quotes the Investment Manager uses unobservable inputs to assess the reasonableness of the broker quote. For good faith valuations, the Investment Manager directly uses unobservable inputs to produce valuations. The significant unobservable inputs used in Level 3 assets at 31 December 2019 and 31 December 2018 are outlined in the tables above.

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

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

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(f) Fair Value of Financial Instruments (continued)

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

FOR THE YEAR ENDED 31 DECEMBER 2019
(EXPRESSED IN US DOLLARS)

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

The Company's policy is to recognise transfers into and out of various levels as of the actual date of the event or change in circumstances that caused the transfer. During the year the Company had two transfers out of Level 1 into Level 2 of fair value amounting to \$153 due to only one quoted price being observable. The Company also had two transfers out of Level 2 into Level 1 of fair value amounting to \$20,318,615 as quoted prices were observable.

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
(AUDITED)
(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 on investments	(2,297,922)	(9,136,217)	(620,287)	(279,531)	(91,097)	210,243	(12,214,811)
Reclassification within level 3 categories	3,658,607	(3,658,607)	-	-	-	-	-
Transfers into or (out of) Level 3	(4,219,331)	(11,131,367)	-	-	198,825	(376,024)	(15,527,897)
Balance, 31 December 2018	38,201,360	45,511,526	-	12,081,316	199,745	7,056,781	103,050,728
Change in unrealised loss on investments included in Consolidated Statement of Operation for Level 3 investments held as of 31 December 2018	(2,603,732)	(5,075,649)	-	(279,532)	(8,624)	(411,107)	(8,378,644)

The Company's policy is to recognise transfers into and out of various levels as of the actual date of the event or change in circumstances that caused the transfer. During the year the Company had no transfers between Level 1 and Level 2 of the fair value hierarchy.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

The following criteria are considered when applicable:

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

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 conformity with US GAAP with changes in fair value recognised in the Consolidated Statement of Operations in each reporting period.

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

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

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

The Company also holds six warrants (2018: six warrants) which it prices based on the bid price provided by a third party broker/dealer quote.

(i) Taxation

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

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

There were no uncertain tax positions at 31 December 2019 or 31 December 2018. The Company is subject to examination for US Federal and state tax returns for calendar years 2015–2019.

During the year ended 31 December 2019, the Company recorded current income tax benefit from realised loss on investments of \$134,860 (31 December 2018 income tax expense: \$139,788). Deferred taxes are recorded to reflect the tax consequences of future years' differences between the tax basis of assets and their financial reporting basis. The deferred tax benefit recorded for the year ended 31 December 2019 was \$355,057 (31 December 2018 deferred tax expense: \$355,057). The net total income tax benefit from realised/unrealised gains/(losses) on investments for the year ended 31 December 2019 was \$220,197 (31 December 2018 income tax expense: \$494,845).

NOTE 3 – DERIVATIVES

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

Forward Contracts

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

Credit Default Swap

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

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

Derivative activity

For the year ended 31 December 2019 and for the year ended 31 December 2018 the volume of the Company's derivative activities based on their notional amounts and number of contracts, categorised by primary underlying risk, are as follows:

31 DECEMBER 2019			LONG EXPOSURE		SHORT EXPOSURE	
PRIMARY UNDERLYING RISK	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS	NOTIONAL AMOUNTS	NUMBER OF CONTRACTS
Foreign currency exchange rate						
Forward Currency Contracts	\$44,131,912	8			\$11,387,710	9
Financial assets						
Credit Default Swap	\$12,000,000	1			-	-
Total	\$56,131,912	9			\$11,387,710	9
Equity price						
Warrants	\$752,955	6			-	-
31 DECEMBER 2018						
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
Foreign currency exchange rate						
Forward Currency Contracts	\$45,863,164	9			\$9,976,010	4
Financial assets						
Credit Default Swap	\$12,000,000	1			-	-
Total	\$45,863,164	9			\$9,976,010	4
Equity price						
Warrants	\$ 752,955	6			-	-

NOTE 3 – DERIVATIVES (CONTINUED)

Derivative activity (continued)

The following tables show, at 31 December 2019 and 31 December 2018, the fair value amounts of derivative contracts included in the Consolidated Statement of Assets and Liabilities, categorised by primary underlying risk. Balances are presented on a gross basis prior to application of the impact of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into account the effects of master netting arrangements and, where applicable, have been adjusted by the application of cash collateral receivables and payables with its counterparties. The tables also identify, at 31 December 2019 and 31 December 2018, the realised and unrealised gain and loss amounts included in the Consolidated Statement of Operations, categorised by primary underlying risk:

31 DECEMBER 2019 PRIMARY UNDERLYING RISK	DERIVATIVE ASSETS (\$)	DERIVATIVE LIABILITIES (\$)	REALISED GAIN (LOSS) (\$)	NET CHANGE IN UNREALISED GAIN (LOSS) (\$)
Foreign currency exchange rate				
Forward currency contracts	-	(890,781)	2,591,545	(1,474,455)
Credit				
Purchased protection				
Credit Default Swap	-	(77,983)	(89,643)	(9,220)
Equity price				
Warrants	153	-	-	(200,511)
Total	153	(968,764)	2,501,902	(1,684,187)
31 DECEMBER 2018 PRIMARY UNDERLYING RISK	DERIVATIVE ASSETS (\$)	DERIVATIVE LIABILITIES (\$)	REALISED GAIN (LOSS) (\$)	NET CHANGE IN UNREALISED GAIN (LOSS) (\$)
Foreign currency exchange rate				
Forward currency contracts	587,558	(3,884)	3,417,058	424,647
Credit				
Purchased protection				
Credit default swap	-	(1,175)	(97,337)	31,183
Equity price				
Warrants	200,664	-	-	(6,422)
Total	788,222	(5,059)	3,319,721	449,408

Offsetting assets and liabilities

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

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

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

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

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

NOTE 3 – DERIVATIVES (CONTINUED)

Derivative activity (continued)

The Company is subject to enforceable master netting agreements with its counterparties of credit default swap with Bank of America Merrill Lynch of \$Nil (31 December 2018: \$Nil), and foreign currency exchange contracts with Royal Bank of Canada of (\$2,979) (31 December 2018: \$211,558), Societe Generale of (\$1861) (31 December 2018: (\$3,884)) and UBS AG of (\$885,939) (31 December 2018: \$376,000). These agreements govern the terms of certain transactions and reduce the counterparty risk associated with relevant transactions by specifying offsetting mechanisms and collateral posting arrangements at pre-arranged exposure levels. There were no new collateral arrangements during the year.

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

 31 DECEMBER 2019
 (EXPRESSED IN US DOLLARS)

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

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

 31 DECEMBER 2018
 (EXPRESSED IN US DOLLARS)

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

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

NOTE 4 – RISK FACTORS

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

Market Risk

Market risk is the potential for changes in the value of investments. Categories of market risk include, but are not limited to, interest rates. Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads. Details of the Company's investment Portfolio at 31 December 2019 and 31 December 2018 are disclosed in the Consolidated Condensed Schedule of Investments. Each separate investment exceeding 5% of net assets is disclosed separately.

Credit Risk

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

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

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

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

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

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

Liquidity Risk

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

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

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 Subscription Shares (each of which carry voting rights) or Capital Distribution Shares.

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

The Class A Shares are held by Carey Trustees Limited (the "Trustee"), pursuant to a purpose trust established under Guernsey law. Under the terms of the NBDDIF Purpose Trust Deed, the Trustee holds the Class A Shares for the purpose of exercising the right to receive notice of general meetings of the Company but the Trustee shall only have the right to attend and vote at general meetings of the Company when there are no other shares of the Company in issue.

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

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

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

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

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

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

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

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

NOTE 5 – SHARE CAPITAL (CONTINUED)

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

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

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

Distributions

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

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

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

Buybacks

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

NOTE 6 – MATERIAL AGREEMENTS AND RELATED PARTY TRANSACTIONS

Investment Management Agreement (“IMA”)

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

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

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

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

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

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

Performance Fee

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

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

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

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

Administration, Company Secretarial and Custody Agreements

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

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

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 2019, the administration fee expense was \$211,457 (31 December 2018: \$286,757), the secretarial fee was \$164,747¹ of which \$19,752 was in relation to the administration of the ongoing buyback programme, (31 December 2018: \$123,520) and the loan administration and custody fee expense was \$146,147 (31 December 2018: \$173,020²). At 31 December 2019, the administration fee payable is \$14,535² (31 December 2018: \$20,364²), the secretarial fee payable is \$86,256² (31 December 2018: \$123,520) and the loan administration and custody fee payable is \$11,779² (31 December 2018: \$17,500²).

Directors' Remuneration and Other Interests

The Directors are related parties and are remunerated for their services at a fee of \$45,000 plus £10,000 each per annum (\$60,000 plus £10,000 for the Chairman, \$50,000 plus £10,000 for the Chairman of the Audit Committee). For the year ended 31 December 2019, the Directors' fees and travel expenses amounted to \$253,482 (31 December 2018: \$249,552). Michael J. Holmberg, the non-independent Director, has waived the fees for his services as a Director. There were no other related interests for the year ended 31 December 2019.

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

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

NOTE 7 – FINANCIAL HIGHLIGHTS

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

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

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 2019	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018	YEAR ENDED 31 DECEMBER 2018	YEAR ENDED 31 DECEMBER 2018
NAV TOTAL RETURN ^{1 2}						
NAV Total Return before performance fee	(7.08%)	(3.83%)	(9.42%)	(11.66%)	(5.87%)	0.55%
Performance fee	-	-	-	-	-	-
NAV Total Return after performance fee including an income distribution by way of dividend	(7.08%)	(3.83%)	(9.42%)	(11.66%)	(5.87%)	0.55%

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

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

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

NOTE 8 – RECONCILIATION OF NET ASSET VALUE TO PUBLISHED NAV

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

	ORDINARY SHARE CLASS NET ASSETS (\$)	ORDINARY SHARE CLASS NAV PER SHARE (\$)	EXTENDED LIFE SHARE CLASS NET ASSETS (\$)	EXTENDED LIFE SHARE CLASS NAV PER SHARE (\$)	NEW GLOBAL SHARE CLASS NET ASSETS (£)	NEW GLOBAL SHARE CLASS NAV PER SHARE (£)
Published net assets at 31 December 2019	13,976,415	0.9086	105,771,674	0.9266	59,934,598	0.8349
Deferred Tax Adjustment	-	-	-	-	(71,816)	(0.0010)
Valuation adjustments	-	-	-	-	-	-
Net assets per Consolidated Financial Statements	13,976,415	0.9086	105,771,674	0.9266	59,862,782	0.8339
	ORDINARY SHARE CLASS NET ASSETS (\$)	ORDINARY SHARE CLASS NAV PER SHARE (\$)	EXTENDED LIFE SHARE CLASS NET ASSETS (\$)	EXTENDED LIFE SHARE CLASS NAV PER SHARE (\$)	NEW GLOBAL SHARE CLASS NET ASSETS (£)	NEW GLOBAL SHARE CLASS NAV PER SHARE (£)
Published net assets at 31 December 2018	22,983,960	0.9824	148,828,076	0.9658	76,511,273	0.9244
Deferred Tax Adjustment	(106,864)	(0.0046)	(275,713)	(0.0018)	(265,174)	(0.0032)
Valuation adjustments	(736)	-	(70,049)	(0.0005)	(50,421)	(0.0006)
Net assets per Consolidated Financial Statements	22,876,360	0.9778	148,482,314	0.9635	76,195,678	0.9206

NOTE 9 – SUBSEQUENT EVENTS

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

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

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

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

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

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