Twentyfour Select Monthly Income Fund Limited

Report and Audited Financial Statements

For the year ended 30 September 2016

TwentyFour Select Monthly Income Fund Limited

CONTENTS

CORPORATE INFORMATION

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Thomas Emch
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SUMMARY INFORMATION

The Company
TwentyFour Select Monthly Income Fund Limited (the "Company") was incorporated with limited liability in Guernsey, as a closed-ended investment company on 12 February 2014. The Company's shares were listed with a Premium Listing on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange ("LSE") on 10 March 2014.

Investment Objective and Investment Policy
The Company's investment objective is to generate attractive risk adjusted returns, principally through income distributions.

The Company's investment policy is to invest in a diversified portfolio of credit securities.

The portfolio can be comprised of any category of credit security, including, without prejudice to the generality of the foregoing, bank capital, corporate bonds, high yield bonds, leveraged loans, payment-in kind notes and asset backed securities. The portfolio will include securities of a less liquid nature. The portfolio will be dynamically managed by TwentyFour Asset Management LLP (the "Portfolio Manager") and, in particular, will not be subject to any geographical restrictions.

The Company maintains a portfolio diversified by issuer; the portfolio comprises at least 50 Credit Securities. No more than 5% of the portfolio value will be invested in any single Credit Security or issuer of Credit Securities, tested at the time of making or adding to an investment in the relevant Credit Security. Uninvested cash, surplus capital or assets may be invested on a temporary basis in:

- Cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a "single A" or higher credit rating as determined by any internationally recognised rating agency which, may or may not be registered in the EU; and

- Any "government and public securities" as defined for the purposes of the Financial Conduct Authority (the "FCA") Rules.

Efficient portfolio management techniques are employed by the Company, such as currency hedging, interest rate hedging and the use of derivatives to manage key risks such as interest rate sensitivity and to mitigate market volatility. The Company's currency hedging policy will only be used for efficient portfolio management and not to attempt to enhance investment returns.

The Company will not employ gearing or derivatives for investment purposes. The Company may use borrowing for short-term liquidity purposes, which could be achieved through its loan facility or other types of collateralised borrowing instruments including repurchase transactions and stock lending. The Articles restrict the borrowings of the Company to 10% of the Company's Net Asset Value ("NAV") at the time of drawdown.

At launch the Company had a target net total return on the original issue price of between 8% and 10% per annum. This comprised a target dividend payment of 6p and a target capital return of 2p-4p both based on the original issue amount of 100p. There is no guarantee that this can or will be achieved, particularly given the recent low interest rate environment. As such the total return generated has been lower than initially anticipated, although the 6p dividend per annum has consistently been met and the Portfolio Manager is confident that this dividend target will be maintained in the coming year. Refer to note 19 to the Financial Statements for details of the Company's dividend policy.

SUMMARY INFORMATION continued

Shareholder Information

Maitland Institutional Services Limited ("Maitland") *(formerly Phoenix Fund Services (UK) Limited)* is responsible for calculating the NAV per share of the Company. Maitland delegated this responsibility to Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") however Maitland still performs an oversight function. The unaudited NAV per Ordinary Share will be calculated as at the close of business on every Wednesday that is also a business day and the last business day of every month and will be announced by a Regulatory Information Service the following business day.

Financial Highlights

	30.09.16	**30.09.15**
Total Net Assets	£136,821,841	£134,560,344
Net Asset Value per Share	89.97p	92.59p
Share price	92.00p	96.63p
Premium to NAV	2.27%	4.36%
Dividends declared during the year	6.85p	6.53p
Dividends paid during the year	6.53p	7.07p

As at 16 January 2017, the premium had moved to 3.13%. The estimated NAV per share and share price stood at 91.15p and 94.00p, respectively.

Ongoing Charges

Ongoing charges for the year ended 30 September 2016 of 1.21% (30 September 2015: 1.19%) have been calculated in accordance with the Association of Investment Companies (the "AIC") recommended methodology.

CHAIR'S STATEMENT
for the year ended 30 September 2016

The twelve month period to 30 September 2016 was a dramatic period for investors with surprising political events, contradictory economic data and idiosyncratic corporate events which led to some highly diverse periods of market sentiment. As a result some investors retreated to cash and asset price volatility was heightened.

In the final quarterly tender of the year, circa. 26m shares were tendered. The majority of the tendered shares came from a large shareholder for whom the investment was sub-scale. The Portfolio Manager undertook a roadshow to visit existing shareholders (and other potential investors), with the Company's broker, to explain the opportunity currently offered by the Company. The response was very positive, with demand exceeding the number of shares that were tendered, resulting in applicants being scaled back to approximately 54% of demand. This was a very encouraging result for the Company and its mandate.

By the close of the year the number of shares in issue had increased from 149,335,881 at the start of the 12 months to 152,079,151. The Company's NAV decreased by 2.62p and paid dividends totalled 6.53p, creating a NAV total return of 3.91p.

The challenging market conditions, particularly in the first half of the year, resulted in a period of high mark-to-market volatility for the Company during the early months of 2016 but prices saw a sharp recovery over the summer as central bank support created a strong technical backdrop for asset prices. The investment composition of the Company continues to meet an acceptable level of diversity and target yield, and the Company has achieved the target gross monthly dividend of 0.5p per share. The Company's policy is to pay a fixed 0.5p per share dividend on a monthly basis, with any excess income paid out in the month following the Company's year-end, which for this year is 1.35p per share.

The Portfolio Manager and the Company's Board continue to adhere to a strict discipline of only accepting new share issuance to meet investor demand and only when there are suitable investment opportunities. For the year in question the opportunities were scarcer than previous periods as credit spreads were slowly squeezed in Europe. Yield is becoming a scarce commodity and this is likely to become more of an issue as the central bank activity continues into 2017.

Mark-to-market performance is expected to continue to be relatively volatile over the coming months, as the market is faced with a number of significant political uncertainties, which could weigh on market sentiment. However, the strong technical back-drop is expected to remain and the demand for yield is expected to continue. The Portfolio Manager is confident that the assets in the portfolio will perform and that there remain sufficient opportunities to offset the re-investment risk over the medium term. The Portfolio Manager continually stress tests the portfolio and remains confident that the dividend policy is maintainable over the medium term.

Claire Whittet
Chair
18 January 2017

PORTFOLIO MANAGER'S REPORT
for the year ended 30 September 2016

Economic Background
The twelve month period to 30 September 2016 was dominated by central bank activity as market sentiment threatened to be overwhelmed by a mixture of weak economic fundamentals and political uncertainty.

The market started the period with a reasonably upbeat tone as the market interpreted weak US payrolls being too low to allow the Federal Open Market Committee ("FOMC") to hike rates at the October meeting, but this was short lived as the minutes inferred that the Federal Reserve ("Fed") members saw enough domestic consumer demand to potentially warrant its first rate rise, setting a negative tone as we approached the year end. The European Central Bank ("ECB") became more dovish, leading to strong market speculation of further support at the Governing Council meeting in December. The mood wasn't helped as the recently appointed Portuguese government were ousted by a left-wing coalition led by Antonio Costa, leading to initial fears of anti-Eurozone policies and a reversal of austerity measures.

In the USA the high yield ("HY") sector took the brunt of the negative sentiment as a combination of lower oil prices and the prospect of higher Fed Funds Rate increased the expectation of a spike in the default rate. The negative tone continued with the cancellation of a large $2.45bn + €760m dual tranche deal for Veritas (a large telecom operator) followed by the announcement that Abengoa (a leading Spanish engineering/infrastructure group) had filed for creditor protection while it looked to secure additional capital.

Although the end of the year is usually quiet, December 2015 proved to be a dramatic and challenging month for investors. As expected the ECB cut the depo-rate to minus 30bp and extended the asset purchase programme out to May 2017 but this was seen as insufficient by market participants. The FOMC hiked Fed Funds Rate to 0.25-0.50% although the following rhetoric from Janet Yellen was relatively dovish, and the large outflows from US high yield bond funds gathered pace with some managers unable to meet the outflow requests (due to poor market liquidity). The downward spiral continued with Brent crude oil down 17% in the month, taking 2015 losses to an eye-watering 44% which had the obvious knock-on effect in the energy sector of US HY bonds. In Europe the political turmoil continued with Spanish elections providing an inconclusive result and the Bank of Portugal astonishingly deciding that one of its leading banks, Novo Banco, should have a bail-in of senior debt and to resolve this it would transfer 5 out of 52 bonds to the "bad bank", against the concept of *pari passu*. Legal action was lodged by investors and the reputation of Portugal's Central Bank was severely impaired. The Company had exposure to one of the 5 bonds and legal action has been pursued (see details in Performance Review).

January 2016 was the most sombre start to a year that we can recall; the weakness in oil prices continued with West Texas Intermediate ("WTI") crude testing new lows of $28.50 p/barrel. China released Q4 2015 GDP numbers of 6.8% which, even though this was only 0.1% below consensus, sent the markets into decline with concerns of a hard-landing for the world's second largest economy. At the first 2016 meeting of the FOMC, Janet Yellen mentioned the Fed had concerns about the global economic outlook and kept rates on hold. The Bank of Japan ("BoJ") then shocked the market by moving domestic interest rates into negative territory while the ECB kept interest rates on hold but said they would 'possibly reconsider' their policy stance in March. In the UK, Mark Carney added to the dovish central bank rhetoric by ruling out any imminent rise in UK rates saying "the world is weaker and UK growth has slowed" during a speech at Queen Mary University in January 2016.

PORTFOLIO MANAGER'S REPORT continued
for the year ended 30 September 2016

Economic Background continued

In February, the 'rolling bear' sentiment switched its attention to the banking sector as Deutsche Bank and then Credit Suisse announced sobering results, leading some commentators to question the solvency of the banking system. Speculation that Deutsche Bank ("DB") would be the first bank not to pay AT1 coupons (denied by DB management) was enough to result in heavy contagion spreading throughout the whole bank hybrid sector, regardless of the credit quality of the borrower. Asset Backed Securities ("ABS"), particularly collateralised loan obligations ("CLOs"), also endured sharp price declines in the month as comments from a couple of investment banks announced their departure from the sector, leading to a strong technical headwind for the ABS sector.

Slowly but surely a combination of relative value buyers and professional short-covering reversed the generic selling pressure, helped by a reasonable 2015 results season for corporates where revenue growth was benign but bottom line profit generally beat expectations and there were no signs of any impending solvency crisis in European banking.

The political influence continued with the announcement that the UK referendum was to take place on 23 June 2016, which had an immediate negative impact on Sterling and Sterling assets. In March the market received a welcome boost with the ECB announcing a raft of stimuli that exceeded all expectations with 10bp cut in the deposit facility to -40bp, a €20bn per month increase in the asset purchase program (including Investment Grade ("IG") non-bank corporates), and a new series of four targeted longer-term refinancing operations ("TLTRO") each with a 4-yr maturity. Unsurprisingly this new facility, ensuring banks unlimited liquidity support through to March 2021, with borrowing rates potentially as low as the deposit facility rate, resulted in a significant relief rally in subordinated bank paper across the whole Euro-region.

In the build up to the UK referendum the polls were all pointing to the UK staying in the EU; as such the result to leave was a major surprise to many, including market participants. Understandably Sterling took the brunt of the early selling pressure, falling over 10% against its major trading partners. Credit followed suit with the iTraxx crossover index widening over 150bps in early trading on 24 June 2016. However, strong words from Mark Carney that the Bank of England ("BoE") would intervene to stabilise markets helped to stem the panic and with the assumption that the exit vote would delay any Fed hikes together with the ongoing ECB stimulus, credit spreads soon began to reverse their widening.

The July meeting of the Monetary Policy Committee ("MPC") was considered too soon after the referendum for any significant changes but Mark Carney made amends by delivering a round of stimuli that surprised even the most expectant of investors. A cut in the base rate to 0.25%, a £60bn increase in Gilt purchases to £435bn, a £10bn corporate bond purchase programme and a bank 'term-funding scheme' (which provides funding for banks at levels close to base rates) added considerable weight to the already strong technical supporting markets. In addition Carney announced the likelihood of rates being cut further in the year to just 0.10% which did little for Sterling but resulted in a strong fixed income rally (particularly Gilts and Investment Grade ("IG") corps). The aftermath of the UK referendum remains the major political distraction for the UK (and EU) with even the UK government warning of two years of potential turmoil, following the signing of Article 50 in Q1 2017.

PORTFOLIO MANAGER'S REPORT continued

for the year ended 30 September 2016

Economic Background continued

The ECB did little over the summer but the bank stress tests were released which, with the exception of just two smaller lenders, the results were viewed as a positive signal for the European banking sector and put to bed any lasting predictions of a potential solvency crisis looming. Short covering followed and spreads tightened as a result. However, the market bears were given a lifeline following an announcement that the US Department of Justice claimed $14bn against Deutsche Bank in settlement of misdemeanours in the German lender's US mortgage unit, which some commentators saw as a threat to the solvency of Europe's largest investment bank. While it seems obvious that the final settlement figure will be substantially below the initial $14bn being claimed, the headline number led to significant falls in the value of Deutsche Bank shares with the contagion being felt across the whole financial sector.

In the US Janet Yellen continued a dovish stance highlighting that 'global economic and financial developments continue to pose risks'. More latterly the US economic data has been mixed with poor ISM Manufacturing data for August (49.4 vs. expected 52.0) and weaker than expected Non-Farm-Payrolls of 151,000 (180k was expected) pushing back expectations of the next Fed Fund hike to December at the earliest, and the so called "Dot Plot" rate estimates lowered, with the Fed only expecting two hikes in 2017 (down from three).

Performance Review

The Company's aim is to produce an attractive level of income, with an aim of generating a minimum monthly income of 0.5p, with any excess income annually distributed to investors. This is a high conviction strategy based on relative value bonds in the credit markets, with an emphasis on the securities that exhibit a degree of liquidity premium assets that are primarily buy-to-hold.

The 12-months in question have been particularly challenging for higher beta credit, particularly the period of mid-Dec to mid-February. As mentioned in the commentary above, significant macro-economic events and political changes have created wild swings in market sentiment. The considerable support shown by the ECB and more latterly the BoE have had a dramatic effect on government bonds and IG-credit but this should begin to have a similar effect on higher beta product as the contagion effect trickles along the credit curve. The main drag on the annual performance came from the first 4-months of the year, with the initial 6-weeks of January being the key period, with the general 'rolling bear' market sentiment that gripped the market. Fears of an impending bank solvency crisis was never in the Portfolio Manager's base case scenario but a sharp decline in Additional Tier 1 ("AT1") prices during this period had a significant impact on the NAV. As an illustration one of the largest portfolio positions was in COVBS 6.375% 19-49 (3% portfolio allocation) which declined from a price of 97.375 at the end of December-15 to 84.50 in mid-February (representing a 13% price decline) – this bond steadily recovered throughout the rest of the year to close at 95.00. There were similar price actions across the whole of the AT1 sector (which was circa. 18% of the total portfolio) but the Portfolio Manager refused to capitulate these positions, recognising their relative value. Similarly there were some significant volatile swings in the prices for the European CLO sector around the same period, as a number of large banks announced their withdrawal from the sector. Despite no change in the fundamental credit quality these holdings impacted the NAV during the first half of the year and have taken a considerable period to fully recover 2015 levels. Also during that period, the Novo Banco bonds that were transferred to Banco Espírito Santo ("BES") saw a price decline from 93.50 to 22.00 following the news of the transfer. The portfolio held circa. 1.5% thereby impacting the total NAV by just over 1%; the Company has joined a syndicate of asset management companies pursuing a legal action to restore the bonds' standing or receive full compensation from the Portuguese Central Bank – the action is ongoing.

The period has been challenging for higher beta credit, particularly for the period from mid-December to mid-February.

Due to the challenging market conditions the NAV decreased by 2.62p during the period, however, declared dividends during the period of 6.85p exceeded the 6.00p target.

PORTFOLIO MANAGER'S REPORT continued

for the year ended 30 September 2016

Foreign Exchange Accounting

The Company's policy is to hedge foreign currency risk. The currency markets experienced significant volatility during the year, with the EUR/GBP rate finishing higher by over 17%, in part due to the referendum outcome in June which saw almost a 9% move on the day. Large currency moves were also felt in the USD/GBP rate, which similarly saw a movement during the period of 17%. Exposure to Euro denominated assets represented 54% of the Portfolio at the end of the period. The Company also had exposure to US Dollar, Swedish Krona and Swiss Franc denominated assets during the year. All currency exposures are hedged back to Sterling to minimise any currency risk.

The net foreign currency gain on the portfolio (recorded within net gain/(loss) on financial assets at fair value through profit or loss) and the net foreign currency losses on the forward currency contracts (included within net foreign currency (loss)/gain) are recognised in accordance with the hedging policy and IFRS, within the Statement of Comprehensive Income.

Investment Outlook

The Company was established to take advantage of the liquidity premium that exists in the non-government sectors of the fixed income universe, whilst only hedging excessive duration risk. However, with the ongoing central bank support the Portfolio Manager currently considers that interest rate hedging is an unnecessary drag on performance and hence there are no interest rate positions held by the Company in the current year.

Since the launch of the Company in early 2014 credit spreads in the key sectors of CLOs, subordinated financials and high yield corporates continue to trade wider. However, with the ongoing central bank stimulus from the ECB and BoE the Portfolio Manager is convinced that spreads will eventually tighten in line with 2014 levels, although they appreciate that there are likely to be some periods of volatility along the way. There are a number of uncertainties that face markets, suggesting that the coming 12 months will have its challenges but central bank activity will continue to create strong technical support. The Portfolio Manager sees this as an ongoing opportunity to add credit exposure during the periods of market stress, which alleviates the concerns of re-investment risk during this low interest rate environment. The turnover of the Company during the period was relatively unchanged and in line with previous periods, with any issuance of shares able to be invested in a reasonable timeframe and in line with the Company's objectives. The Portfolio Manager has no concerns on the overall liquidity of the Company, while acknowledging there are still opportunities to be found in more relatively illiquid securities, and that there are no significant changes to default rate expectations.

The Portfolio Manager considers the medium outlook with a degree of caution as there are a number of uncertain macro and political events that could create periods of market uncertainty. The US election, Italian Constitutional Referendum and the UK signing of Article 50 all have the potential to destabilise markets, and there are elections this year in Germany, France, Netherlands and Hungary which will also be closely watched. This could result in some mark-to-market volatility but the PM is confident that the underlying credits will, over the longer-term, generate attractive returns in an environment where yield is becoming an ever more scarce resource.

TwentyFour Asset Management LLP
18 January 2017

TOP TWENTY HOLDINGS

As at 30 September 2016

	Nominal/ Shares	Credit Security Sector	Fair Value * £	Percentage of Net Asset Value
Nationwide Bldg Society 10.25 29/06/2049	30,000	Banks	3,919,821	2.86
Coventry Bldg Society 6.375 29/12/2049	3,540,000	Banks	3,364,887	2.46
Santander UK Group 10.375 31/12/2049	2,000,000	Banks	3,274,973	2.39
Avoca CLO 11X F 15/07/2027	4,000,000	ABS	2,958,734	2.16
Shawbrook Group 8.5 28/10/2025	2,800,000	Banks	2,856,000	2.09
Bank of Ireland 7.375 29/12/2049	3,400,000	Banks	2,823,775	2.06
Jubilee CDO BV 2014-12X F 15/07/2027	3,950,000	ABS	2,723,905	1.99
Capital Bridging Finance 1 MEZZ 05/07/2018	2,500,000	ABS	2,512,500	1.84
Intralot Capital Luxembourg SA 6 15/05/2021	2,800,000	High Yield	2,402,328	1.76
SC Germany Consumer 2015-1 E 13/12/2028	2,500,000	ABS	2,260,435	1.65
Aquilae CLO 1X E 22/12/2016	2,800,000	ABS	2,211,938	1.62
Credit Suisse Group AG 7.5 29/12/49	2,800,000	Financial	2,201,309	1.61
Keystone Financing 9.5 15/10/2019	2,100,000	High Yield	2,186,730	1.60
Herbert Park BV Series 1X E 20/10/2026	3,000,000	ABS	2,142,082	1.57
Ethias SA 5 14/01/2026	2,900,000	Insurance	2,063,458	1.51
Barclays PLC 7.875 29/12/2049	2,065,000	Banks	2,025,972	1.48
GHD Bondco PLC 7 15/04/2020	2,000,000	High Yield	2,003,200	1.46
Aldermore Group 11.875 29/12/2049	1,900,000	Banks	1,998,563	1.46
Synlab Unsecured Bondco PLC 8.25 01/07/2023	2,000,000	High Yield	1,849,209	1.35
Avoca CLO 13A F 16/12/2027	2,500,000	ABS	1,838,395	1.34
Total			49,618,214	36.26

* Fair value is 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.

The full portfolio listing as at 30 September 2016 can be obtained from the Administrator on request.

BOARD MEMBERS

Biographical details of the Directors are as follows:

Claire Whittet - (Chair) (age 61)
Ms Whittet is a resident of Guernsey and has nearly 40 years' experience in the banking industry. Until May 2016, she was Managing Director and Co-Head of Rothschild Bank International Ltd and a Director of Rothschild Bank (CI) Ltd and is now a Non-Executive Director of Rothschild Bank International Ltd. She joined Rothschild as a Director in 2003 having begun her career at the Bank of Scotland where she was for 19 years in a variety of personal and corporate finance roles. Subsequently, Ms Whittet joined Bank of Bermuda and was Global Head of Private Client Credit before joining Rothschild.

Ms Whittet is a Non-Executive Director of 4 other listed, Guernsey registered funds.

Ms Whittet holds an MA from Edinburgh University, is a member of the Chartered Institute of Bankers in Scotland, a member of the Chartered Insurance Institute, a Chartered Banker, a member of the Institute of Directors and holds the Institute of Directors Diploma in Company Direction. Ms Whittet was appointed to the Board on 12 February 2014.

Christopher F. L. Legge - (Non-executive Director) (age 61)
Mr Legge is a Guernsey resident and worked for Ernst & Young in Guernsey from 1983 to 2003. Having joined the firm as an audit manager in 1983, he was appointed a partner in 1986 and managing partner in 1998. From 1990 to 1998, he was head of Audit and Accountancy and was responsible for the audits of a number of banking, insurance, investment fund, property fund and other financial services clients. He also had responsibility for the firm's training, quality control and compliance functions. He was appointed managing partner for the Channel Islands region in 2000 and merged the business with Ernst & Young LLP in the United Kingdom. He retired from Ernst & Young in 2003.

Mr Legge currently holds a number of non-executive directorships in the financial services sector and also chairs the Audit Committees of several UK listed companies. He is an FCA and holds a BA (Hons) in Economics from the University of Manchester. Mr Legge was appointed to the Board on 12 February 2014.

Thomas H. Emch - (Non-executive Director) (age 73)
Mr Emch is an independent Board member and consultant. He graduated from the University of Zurich (lic.oec.publ.) and IMD (PED) in Lausanne. During his professional career he successively was European Treasurer of Litton International, SVP of Banque Paribas Suisse, EVP of Lombard Odier & Co. and CEO of Royal Bank of Canada (Suisse), a position he held for 11 years until his retirement in 1999. Throughout his banking career, he served on the Boards of numerous companies and professional associations in Switzerland and abroad. Mr Emch was appointed to the Board on 12 February 2014.

Ian Martin - (Non-executive Director) (age 53)
Ian Martin has over 30 years' experience in finance gathered in a variety of multi asset investment focused roles in the UK, Hong Kong, Switzerland and Uruguay. More recently he was the CIO and Head of Asset Management and Research at Lloyds Bank in Geneva and then Head of Bespoke Portfolio Management and Advisory for key clients in UBP Bank in Geneva. Previous roles have included senior roles in equity derivatives and trading as well as CIO and Managing Director of a Fund of Hedge fund company in the UK. Currently he is a Director of Bedlam Family Office. Mr Martin was appointed to the Board on 15 July 2014.

DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES LISTED ON RECOGNISED EXCHANGES

The following summarises the Directors' directorships in other public listed companies:

Company Name	Stock Exchange
Claire Whittet (Chair)	
BH Macro Limited	London, Bermuda and Dubai
Eurocastle Investment Limited	Amsterdam
International Public Partnerships Limited	London
Riverstone Energy Limited	London
Christopher Legge	
Ashmore Global Opportunities Limited	London
John Laing Environmental Assets Group Limited	London
Sherborne Investors (Guernsey) B Limited	London
Third Point Offshore Investors Limited	London

DIRECTORS' REPORT

The Directors present their Annual Report and Audited Financial Statements for the year ended 30 September 2016.

Business Review

The Company
TwentyFour Select Monthly Income Fund Limited (the "Company") was incorporated with limited liability in Guernsey, as a closed-ended investment company on 12 February 2014. The Company's Shares were listed with a Premium Listing on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the LSE on 10 March 2014.

Investment Objective and Policy
The investment objective and policy is set out in the Summary Information on page 3.

Discount/Premium to Net Asset Value
The Board monitors and manages the level of the share price discount/premium to NAV. In managing this, the Company can operate a share buyback facility whereby it may purchase, subject to various terms as set out in its Articles and in accordance with The Companies (Guernsey) Law, 2008, up to 14.99% of the Company's Ordinary Redeemable Shares in issue immediately following Admission for trading in the LSE.

The Company also offers investors a Quarterly Tender, contingent on certain factors, to provide Shareholders with a quarterly opportunity to submit Ordinary Shares for placing or repurchase by the Company at a price representing a discount of no more than 2% to the then prevailing NAV. For additional information refer to note 16 to the Financial Statements.

Shareholder Information
Shareholder information is set out in the Summary Information on page 3.

Going Concern
The Directors believe that, having considered the Company's investment objective (see Summary Information on page 3), financial risk management (see note 16 to the Financial Statements) and in view of the Company's holding in cash and cash equivalents, the liquidity of investments and the income deriving from those investments, the Company has adequate financial resources and suitable management arrangements in place to continue as a going concern for at least twelve months from the date of approval of the financial statements.

Viability Statement
Under the UK Corporate Governance Code, the Board is required to make a "viability statement" which considers the Company's current position and principal risks and uncertainties combined with an assessment of the prospects of the Company in order to be able to state that they have a reasonable expectation that the Company will be able to continue in operation over the period of their assessment. The Board considers that three years is an appropriate period to assess the viability of the Company given the uncertainty of the investment world and the strategy period. In selecting this period the Board considered the environment within which the Company operates and the risks associated with the Company.

The Company's prospects are driven by its business model and strategy. The Company's aim is to provide investors with an attractive level of income and a focus on capital preservation in uncertain times, by investing in less liquid, high yielding credit securities.

The Board confirms they have performed a robust assessment of the principal risks facing the Company and the Board's assessment of the Company over the three year period has been made with reference to the Company's current position and prospects, the Company's strategy, and the Board's risk appetite having considered each of the Company's principal risks and uncertainties summarised on pages 21 to 24.

DIRECTORS' REPORT continued

Viability Statement (continued)
The Board has also considered the Company's cash flows and income flows, its likely ability to pay dividends and the portfolio analysis, including but not limited to liquidity analysis, foreign exchange analysis, credit analysis and valuation analysis. The analysis has taken the form of stress tests on the Company as well as cash flow modelling based on a range of different market scenarios. All of the foregoing have been considered against the background of the Company's dividend target.

Key assumptions considered by the Board in relation to the viability of the Company are as follows:

Dividend Target
The ongoing viability of the Company and the validity of the going concern basis depend on the Company meeting its dividend target annually during the three-year period. In the event that the Company does not meet the dividend target as disclosed in note 19 to the Financial Statements, the Directors will convene a general meeting in accordance with the Continuation Vote requirements set out in note 16 to the Financial Statements.

Quarterly Tenders
The Company has incorporated into its structure a mechanism for a quarterly tender to reduce the risk of Ordinary Shares trading at a discount to NAV. It is anticipated that the Company will tender on a quarterly basis for up to 20% of the Ordinary Shares in issue as at the relevant Quarter Record Date, subject to an aggregate limit of 50% of the Ordinary Shares in issue in any twelve month period ending on the relevant Quarter Record Date. In the event that quarterly tender applications, on any tender submission deadline, exceed the 50% limit, the Directors will convene a General Meeting in accordance with the Continuation Vote requirements set out in note 16 to the Financial Statements. The quarterly tenders will be at the discretion of the Board. Ordinary Shares trading at a discount to NAV over a long period of time may impact the viability of the Company.

The Board having considered the analysis above, have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 30 September 2019.

Results
The results for the year are set out in the Statement of Comprehensive Income. The Directors paid income distributions of £10,314,251 for the year ended 30 September 2016, a breakdown of which can be found in note 19 to the Financial Statements. The 30 September 2016 distribution which was declared on 12 October 2016 was paid on 31 October 2016.

Distributions made with respect to any income period comprise (a) the total income of the portfolio for the period, and (b) an additional amount paid out of capital to reflect any additional income in the course of any share subscriptions that took place during the period. Including additional income in this way ensures that the income yield of the shares is not diluted as a consequence of the issue of new shares during an income period and (c) any income on the foreign exchange contracts caused by the libor differentials between each foreign exchange currency pair.

Key Performance Indicators ("KPIs")
At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. Below are the main KPIs which have been identified by the Board for determining the progress of the Company:

- Net Asset Value;
- Share Price;
- Discount/Premium;
- Ongoing Charges; and
- Monthly Dividends.

A record of these measures is disclosed on page 4.

DIRECTORS' REPORT continued

Portfolio Manager
The portfolio management fee is payable to the Portfolio Manager, TwentyFour Asset Management LLP, monthly in arrears at a rate of 0.75% per annum of the lower of NAV, which is calculated weekly on each valuation day and on the last business day of each month, or market capitalisation of each class of share. For additional information refer to note 14 to the Financial Statements.

The Board considers that the interests of Shareholders, as a whole, are best served by the ongoing appointment of the Portfolio Manager to achieve the Company's investment objectives.

Alternative Investment Fund Manager ("AIFM")
Alternative investment fund management services are provided by Maitland Institutional Services Limited ("Maitland") (formerly Phoenix Fund Services (UK) Limited). The AIFM fee is payable quarterly in arrears at a rate of 0.07% of the NAV of the Company below £50 million, 0.05% on Net Assets between £50 million and £100 million and 0.03% on Net Assets in excess of £100 million. For additional information refer to note 15 to the Financial Statements.

Custodian and Depositary
Custody and Depositary services are provided by Northern Trust (Guernsey) Limited. The terms of the Depositary agreement allow Northern Trust (Guernsey) Limited to receive professional fees for services rendered. The Depositary agreement includes custodian duties. For additional information refer to note 15 to the Financial Statements.

Directors
The Directors of the Company during the year and at the date of this Report are set out on page 2.

Directors' and Other Interests
The Directors of the Company held the following Ordinary Shares beneficially:

	30.09.16 Shares	**30.09.15 Shares**
Claire Whittet	25,000	25,000
Christopher Legge	50,000	50,000
Thomas Emch	25,000	25,000
Ian Martin	35,000	25,000

Corporate Governance
The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment company in order to comply with the principles of the UK Corporate Governance Code (the "UK Code"). The Company is also required to comply with the Code of Corporate Governance (the "GFSC Code") issued by the Guernsey Financial Services Commission.

The UK Listing Authority requires all UK premium listing companies to disclose how they have complied with the provisions of the UK Code. This Corporate Governance Statement, together with the Going Concern Statement, Viability Statement and the Statement of Directors' Responsibilities set out on pages 26 to 27, indicates how the Company has complied with the principles of good governance of the UK Code and its requirements on Internal Control.

DIRECTORS' REPORT continued

Corporate Governance continued
The Company is a member of the AIC and by complying with the AIC Code of Corporate Governance (the "AIC Code") is deemed to comply with both the UK Code and the GFSC Code.

The Board has considered the principles and recommendations of the AIC Code, by reference to the guidance notes provided by the AIC Guide, and consider that reporting against these will provide better information to shareholders. To ensure ongoing compliance with these principles the Board reviews a report from the Corporate Secretary at each quarterly meeting, identifying how the Company is in compliance and identifying any changes that might be necessary.

The AIC Code and the AIC Guide are available on the AIC's website, www.theaic.co.uk. The UK Code is available in the Financial Reporting Council's website, www.frc.org.uk.

Throughout the year ended 30 September 2016, the Company has complied with the recommendations of the AIC Code and thus the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- the role of the Chief Executive;
- Executive Directors' remuneration;
- Annually assessing the need for an internal audit function;
- the whistle blowing policy;
- Senior Independent Director;
- Remuneration Committee; and
- Nomination Committee.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. The Company has therefore not reported further in respect of these provisions. The Directors are all non-executive and the Company does not have employees, hence no Chief Executive or whistle-blowing policy is required for the Company. The key service-providers all have whistleblowing policies in place. The Board is satisfied that any relevant issues can be properly considered by the Board. The Board as a whole fulfills the function of a Nomination and Remuneration Committee.

Details of compliance with the AIC Code are noted below and in the succeeding pages. There have been no other instances of non-compliance, other than those noted above.

Role, Composition and Independence of the Board
The Board is the Company's governing body and has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business and meeting the appropriate interests of shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring protection of investors. A summary of the Board's responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- risk assessment and management including reporting compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Board's responsibilities for the Annual Report and Audited Financial Statements are set out in the Statement of Directors' Responsibilities on pages 26 to 27.

DIRECTORS' REPORT continued

Corporate Governance continued

Role, Composition and Independence of the Board continued
The Board currently consists of four non-executive Directors, all of whom are considered to be independent of the Portfolio Manager and as prescribed by the Listing Rules.

The Board does not consider it appropriate to appoint a Senior Independent Director because they are all deemed to be independent by the Company. The Board considers it has the appropriate balance of diverse skills and experience, independence and knowledge of the Company and the wider sector, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making. The Chair is responsible for leadership of the Board and ensuring its effectiveness.

Chair
The Chair is Claire Whittet. The Chair of the Board must be independent for the purposes of Chapter 15 of the Listing Rules. Claire Whittet is considered independent because she:

- has no current or historical employment with the Portfolio Manager; and
- has no current directorships in any other investment funds managed by the Portfolio Manager.

Biographies for all the Directors can be found on page 11.

The Board needs to ensure that the Annual Report and Audited Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In seeking to achieve this, the Directors have set out the Company's investment objective and policy and have explained how the Board and its delegated Committees operate and how the Directors review the risk environment within which the Company operates and set appropriate risk controls. Furthermore, throughout the Annual Report and Audited Financial Statements the Board has sought to provide further information to enable shareholders to have a fair, balanced and understandable view.

The Board has contractually delegated responsibility for the management of its investment portfolio, the arrangement of custodial and depositary services and the provision of accounting and company secretarial services.

The Board is responsible for the appointment and monitoring of all service providers to the Company.

The Directors are kept fully informed of investment and financial controls and other matters by all services providers that are relevant to the business of the Company and should be brought to the attention of the Directors.

The Company has adopted a policy that the composition of the Board of Directors, which is required by the Company's Articles to comprise of at least two persons, is at all times such that a majority of the Directors are independent of the Portfolio Manager and any company in the same group as the Portfolio Manager; the Chair of the Board of Directors is free from any conflicts of interest and is independent of the Portfolio Manager and of any company in the same group as the Portfolio Manager; and that no more than one director, partner, employee or professional adviser to the Portfolio Manager or any company in the same group as the Portfolio Manager may be a Director of the Company at any one time.

DIRECTORS' REPORT continued

Corporate Governance continued

Role, Composition and Independence of the Board continued
The Board has a breadth of experience relevant to the Company and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new director appointment to the Board, consideration will be given as to whether an induction process is appropriate.

The Board has also given careful consideration to the recommendations of the Davies Review. The Board has reviewed its composition and believes that the current appointments provide an appropriate range of skills, experience and diversity. In order to maintain its diversity, the Board is committed to continuing its implementation of the recommendations of the Davies Review as part of its succession planning over future years.

Directors' Attendance at Meetings
The Board holds quarterly Board meetings, to discuss general management, structure, finance, corporate governance, marketing, risk management, compliance, asset allocation and gearing, contracts and performance. The quarterly Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance, compliance and controls but these meetings are also supplemented by communication and discussions throughout the year.

A representative from each of the Portfolio Manager, AIFM, Administrator, Custodian and Depositary and Corporate Broker attends each Board meeting either in person or by telephone thus enabling the Board to fully discuss and review the Company's operation and performance. Each Director has direct access to the Portfolio Manager and Company Secretary and may, at the expense of the Company, seek independent professional advice on any matter.

Both appointment and removal of these parties is to be agreed by the Board as a whole.

The Audit Committee meets at least twice a year, Management Engagement Committee meets at least once a year, a dividend meeting is held monthly and there are additional meetings covering the Quarterly Tender as and when necessary. In addition, ad hoc meetings of the Board to review specific items between the regular scheduled quarterly meetings can be arranged. Between formal meetings there is regular contact with the Portfolio Manager, AIFM, Administrator, Custodian and Depositary and the Corporate Broker.

Attendance at the Board, Audit and Management Engagement Committee meetings during the year was as follows:

	Board Meetings		Audit Committee Meetings		Management Engagement Committee Meetings		Ad hoc Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Claire Whittet	4	4	3	3	1	1	15	11
Christopher Legge	4	4	3	3	1	1	15	15
Thomas Emch	4	4	3	3	1	1	15	11
Ian Martin	4	4	3	3	1	1	15	12

At the Board meetings the Directors review the management of the Company's assets and liabilities and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Company's affairs.

DIRECTORS' REPORT continued

Corporate Governance continued

Election of Directors
The election of Directors is set out in the Directors' Remuneration Report on pages 28 to 29.

Board Performance and Training
The Board undertook an annual self-evaluation and Chair evaluation and discussed the results in September 2016. The Board assessed and discussed their composition and balance of skills, board processes, information flows, any areas for additional training, board dynamics, accountability and their effectiveness. There were no material findings from this evaluation. The Board will commission an external evaluation in the first half of 2017.

On appointment to the Board, the Directors were offered relevant training and induction. Training is an on-going matter as is discussion on the overall strategy of the Company and the Board has met with the Portfolio Manager during the year to discuss these matters. Such meetings will be an on-going occurrence.

Retirement by Rotation
Under the terms of their appointment, each Director is required to retire by rotation and be subject to re-election at least every three years. The Directors are also required to seek re-election if they have already served for more than nine years. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a director of the Company becoming effective. All Directors have agreed to stand for re-election annually.

Board Committees and their Activities

Terms of Reference
All Terms of Reference of the Board's Committees are available from the Administrator upon request.

Management Engagement Committee
The Board has established a Management Engagement Committee with formal duties and responsibilities. The Management Engagement Committee commits to meeting at least once a year and comprises the entire Board with Thomas Emch appointed as Chair. These duties and responsibilities include the regular review of the performance of and contractual arrangements with the Portfolio Manager and other service providers and the preparation of the Committee's annual opinion as to the Portfolio Manager's services.

The Management Engagement Committee carried out its review of the performance and capabilities of the Portfolio Manager at its meeting during the year and the Board recommended the continued appointment of TwentyFour Asset Management LLP as Portfolio Manager as it is in the interest of shareholders.

DIRECTORS' REPORT continued

Corporate Governance continued

Audit Committee
An Audit Committee has been established consisting of all Directors with Christopher Legge appointed as Chair. The terms of reference of the Audit Committee provide that the committee shall be responsible, amongst other things, for reviewing the Interim and Annual Financial Statements, considering the appointment and independence of external auditors, discussing with the external auditors the scope of the audit and reviewing the Company's compliance with the AIC Code.

Further details on the Audit Committee can be found in the Audit Committee Report on page 30.

Nomination Committee
There is no separate Nomination Committee. The Board as a whole fulfils the function of a Nomination Committee. Any proposal for a new Director will be discussed and approved by all members of the Board.

Remuneration Committee
In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a separate Remuneration Committee as anticipated or recommended by the AIC Code. The Board as a whole fulfils the functions of the Remuneration Committee, although the Board has included a separate Remuneration Report on pages 28 to 29 of these Financial Statements.

International Tax Reporting
For purposes of the US Foreign Account Tax Compliance Act, the Company registered with the US Internal Revenue Service ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI"), received a Global Intermediary Identification Number (E5XSVA.99999.SL.831), and can be found on the IRS FFI list.

The Common Reporting Standard ("CRS") is a global standard for the automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development ("OECD"), which has been adopted in Guernsey and which came into effect on 1 January 2016. The CRS has replaced the inter-governmental agreement between the UK and Guernsey to improve international tax compliance that had previously applied in respect of 2014 and 2015.

The Board ensures that the Company is compliant with Guernsey regulations and guidance in this regard.

Strategy
The strategy for the Company is to capture the illiquidity premium that is associated with 'off the run' bond issues in the secondary markets. As part of the general search for high conviction, relative value securities the Portfolio Manager continually came across interesting investment opportunities but too often these bonds did not offer sufficient liquidity to use in the typical daily mark-to-market UCITs funds, however they are suitable for closed ended vehicles. By remaining highly selective and without conceding on underlying credit quality, the strategy expects to generate a minimum monthly distribution of 0.5p per share, with all excess income being distributed to investors at the year-end of the Company.

DIRECTORS' REPORT continued

Corporate Governance continued

Internal Controls
The Board is ultimately responsible for establishing and maintaining the Company's system of internal financial and operating control and for maintaining and reviewing its effectiveness. The Company's risk matrix continues to be the core element of the Company's risk management process in establishing the Company's system of internal financial and reporting control. The risk matrix is prepared and maintained by the Board which initially identifies the risks facing the Company and then collectively assesses the likelihood of each risk, the impact of those risks and the strength of the controls operating over each risk. The system of internal financial and operating control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Audited Financial Statements and is reviewed by the Board and is in accordance with the AIC Code.

The AIC Code requires Directors to conduct at least annually a review of the Company's system of internal financial and operating control, covering all controls, including financial, operational, compliance and risk management. The Board has evaluated the systems of internal controls of the Company. In particular, it has prepared a process for identifying and evaluating the significant risks affecting the Company and the policies by which these risks are managed. The Board also considers whether the appointment of an internal auditor is required and has determined that there is no requirement for a direct internal audit function.

The Board has delegated the day to day responsibilities for the management of the Company's investment portfolio, the provision of depositary services and administration, registrar and corporate secretarial functions including the independent calculation of the Company's NAV and the production of the Annual Report and Financial Statements which are independently audited.

Formal contractual agreements have been put in place between the Company and providers of these services. Even though the Board has delegated responsibility for these functions, it retains accountability for these functions and is responsible for the systems of internal control. At each quarterly Board meeting, compliance reports are provided by the Administrator, Company Secretary, Portfolio Manager, AIFM and Depositary. The Board also receives confirmation from the Administrator of its accreditation under its Service Organisation Controls 1 report.

The Company's risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit Committee at its quarterly meetings and annually by the Board. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed. Principal Risks and Uncertainties are set out below.

Principal Risks and Uncertainties
The Board is responsible for the Company's system of internal financial and reporting controls and for reviewing its effectiveness. The Board is satisfied that by using the Company's risk matrix as its core element in establishing the Company's system, internal financial and reporting controls while monitoring the investment limits and restrictions set out in the Company's investment objective and policy, that the Board has carried out a robust assessment of the principal risks and uncertainties facing the Company.

DIRECTORS' REPORT continued

Corporate Governance continued

Principal Risks and Uncertainties continued

The principal risks which have been identified and the steps which are taken by the Board to mitigate them are as follows:

Market risk

The underlying investments comprised in the Portfolio are subject to market risk. The Company is therefore at risk that market events may affect performance and in particular may affect the value of the Company's investments which are valued on a marked to market basis. Market risk is the risk associated with changes in market prices, including spreads, economic uncertainty, changes in laws and political (national and international) circumstances such as the recent UK vote to leave the EU. While the Company, through its investments in Credit Securities, intends to hold a diversified Portfolio of assets, any of these factors including specific market events, such as the global financial crisis, levels of sovereign debt and UK's vote to leave the EU, may have a material impact which could be materially detrimental to the performance of the Company's investments. The UK's vote to leave the EU has introduced new uncertainties and instability into the financial markets. As the process of a major country leaving the EU has no precedent, the Board and the Portfolio Manager expect an ongoing period of market uncertainty as the implications are processed.

Under extreme market conditions the portfolio may not benefit from diversification. For additional information refer to Note 16 to the Financial Statements.

Liquidity risk

Investments made by the Company may be illiquid and this may limit the ability of the Company to realise its investments and in turn pay dividends to Shareholders or buy back Ordinary Shares under the Quarterly Tenders or in the market. Substantially all of the assets of the Company are invested in Credit Securities. There may be no active market in the Company's interests in Credit Securities and the Company may be required to provide liquidity to fund Tender Requests or repay borrowings. The Company does not have redemption rights in relation to any of its investments. As a consequence, the value of the Company's investments may be materially adversely affected. For additional information refer to note 16 to the Financial Statements.

Credit risk

The Company may not achieve the Dividend Target and investors may not get back the full value of their investment because the Company invests in Credit Securities issued by other companies, trusts or other investment vehicles which, compared to bonds issued or guaranteed by governments, are generally exposed to greater risk of default in the repayment of the capital provided to the issuer or interest payments due to the Company. The amount of credit risk is indicated by the issuer's credit rating which is assigned by one or more internationally recognised rating agencies. This does not amount to a guarantee of the issuer's creditworthiness but generally provides a good indicator of the likelihood of default. Securities which have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated securities. There is a risk that an internationally recognised rating agency may assign incorrect or inappropriate credit ratings to issuers. Issuers often issue securities which are ranked in order of seniority which, in the event of default, would be reflected in the priority in which investors might be paid back.

The level of defaults in the Portfolio and the losses suffered on such defaults may increase in the event of adverse financial or credit market conditions.

In the event of a default of a Credit Security, the Company's right to recover will depend on the ability of the Company to exercise any rights that it has against the borrower under the insolvency legislation of the jurisdiction in which the borrower is incorporated. As a creditor, the Company's level of protection and rights of enforcement may therefore vary significantly from one country to another, may change over time and may be subject to rights and protections which the relevant borrower or its other creditors might be entitled to exercise. Refer to Investment Objective and Policy on page 3 for information regarding investment restrictions currently in place in order to manage credit risk. For additional information refer to note 16 to the Financial Statements.

DIRECTORS' REPORT continued

Corporate Governance continued

Principal Risks and Uncertainties continued

Foreign currency risk
The Company is exposed to foreign currency risk through its investments denominated in currencies other than Sterling. The Company's share capital is denominated in Sterling and its expenses are incurred in Sterling. The Company's Financial Statements are maintained and presented in Sterling. At year end, of the foreign currency investments, approximately 54% are in Euros and 7% are in US dollars. Amongst other factors affecting the foreign exchange markets, events in the Eurozone may have an impact upon the value of the Euro which in turn will impact the value of the Company's Euro denominated investments. The Company manages its exposure to currency movements by using spot and forward foreign exchange contracts, which are rolled forward periodically. For additional information refer to note 16 to the Financial Statements.

Reinvestment risk
Quantitative easing resulted in lower yields across all fixed income products and tightening credit spreads. This could pose a challenge for the Portfolio Manager when it comes to reinvesting any monies that result from portfolio asset redemptions and income payments. The Portfolio Manager has recognised this potential challenge and performed ongoing cashflow analysis on the current portfolio; encouragingly the redemptions and expected income payments over the coming 12 months do not pose a significant challenge. Trying to predict market conditions years ahead is notoriously difficult, however the Portfolio Manager recognises there may be a requirement to be more opportunistic in terms of timing for new investments i.e. aim to reinvest when the market is most volatile and also to remain vigilant to requests for issuance of new shares. For further information refer to note 16 to the Financial Statements.

Other Risks and Uncertainties
The Board has identified the following other risks and uncertainties along with steps taken to mitigate them:

Operational risks
The Company is exposed to the risk arising from any failures of systems and controls in the operations of the Portfolio Manager, Administrator, AIFM and the Custodian and Depositary amongst others. The Board and its Audit Committee regularly review reports from the Portfolio Manager, the AIFM, Administrator and Custodian and Depositary on their internal controls. The Administrator will report to the Portfolio Manager any valuation issues which will be brought to the Board for final approval as required.

Accounting, legal and regulatory risks
The Company is exposed to the risk that it may fail to maintain accurate accounting records, fail to comply with requirements of its Admission document and fail to meet listing obligations. The accounting records prepared by the Administrator are reviewed by the Portfolio Manager. The Portfolio Manager, Administrator, AIFM, Custodian and Depositary and Corporate Broker provide regular updates to the Board on compliance with the Admission document and changes in regulation. Changes in legal or regulatory environment can have a major impact on some classes of debt. The Portfolio Manager monitors this and takes appropriate action.

Income recognition risk
The Board considers income recognition as another risk and uncertainty of the Company. The Portfolio Manager estimates the remaining life of the security and its likely terminal value, which has an impact on the effective interest rate of the Credit Securities which in turn impacts the calculation of interest income. The Board asked the Audit Committee to consider this risk with work undertaken by the Audit Committee as discussed on pages 30 to 32. As a result of this work, the Board is satisfied that income is appropriately stated in all material aspects in the Financial Statements.

DIRECTORS' REPORT continued

Corporate Governance continued

Other Risks and Uncertainties continued

Cyber security risks
The Company is exposed to the risk arising from a successful cyber-attack through its service providers. The Company's service providers provide regular updates to the Board on any cyber security issues and how they are mitigating this risk. The Board is satisfied that the Company's service providers have the relevant controls in place to mitigate this risk.

Shareholder Engagement
The Board welcomes shareholders' views and places great importance on communication with its shareholders. Shareholders wishing to meet with the Chair and other Board members should contact the Company's Administrator.

The Portfolio Manager and Listing Sponsor maintain a regular dialogue with institutional shareholders, the feedback from which is reported to the Board.

The Company's Annual General Meeting ("AGM") provides a forum for shareholders to meet and discuss issues of the Company and shareholders with the opportunity to vote on the resolutions as specified in the Notice of AGM. The Notice of the AGM and the results are released to the LSE in the form of an announcement.

In addition, the Company maintains a website which contains comprehensive information, including links to regulatory announcements, share price information, financial reports, investment objective and investor contacts.

Significant Shareholdings
Shareholders with holdings of more than 3.0% of the Shares of the Company at 16 January 2017 were as follows:

	Number of shares	Percentage of issued share capital
Nortrust Nominees Limited	23,999,733	15.53%
The Bank of New York (Nominees) Limited	20,546,332	13.29%
Platform Securities Nominees Limited	13,559,533	8.77%
Pershing Nominees Limited	13,059,501	8.45%
State Street Nominees Limited	11,096,881	7.18%
Ferlim Nominees Limited	8,088,556	5.23%
W B Nominees Limited	7,132,160	4.61%
Rock (Nominees) Limited	6,788,268	4.39%
Vidacos Nominees Limited	5,515,242	3.57%
HSBC Global Custody Nominee (UK) Limited	4,941,184	3.20%
Smith & Williamson Nominees Limited	4,657,300	3.01%

Those invested directly or indirectly in 3.0% or more of the issued share capital of the Company will have the same voting rights as other holders of the Shares.

DIRECTORS' REPORT continued

Corporate Governance continued

Independent Auditors

A resolution for the reappointment of PricewaterhouseCoopers CI LLP will be proposed at the forthcoming AGM.

Signed on behalf of the Board of Directors on 18 January 2017 by:

Claire Whittet	Christopher Legge
Chair	Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Audited Financial Statements in accordance with applicable Guernsey law and regulations.

Guernsey Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") and applicable law.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with these requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors are responsible for the oversight of the maintenance and integrity of the corporate and financial information in relation to the Company website; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF DIRECTORS' RESPONSIBILITIES continued

The Directors confirm that to the best of their knowledge

(a) The Financial Statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at and for the year ended 30 September 2016.

(b) The Annual Report includes information detailed in the Chair's Statement, Portfolio Manager's Report, Directors' Report, Directors' Remuneration Report, Audit Committee Report, Alternative Investment Fund Manager's Report and Depositary Statement provides a fair review of the information required by:

(i) DTR 4.1.8 and DTR 4.1.9 of the Disclosure and Transparency Rules, being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and

(ii) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

In the opinion of the Board, the Financial Statements taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's position and performance, business model and strategy.

By order of the Board,

Claire Whittet	Christopher Legge
Chair	Director

18 January 2017

DIRECTORS' REMUNERATION REPORT

The Directors' remuneration report has been prepared in accordance with the UK Code as issued by the UK Listing Authority. An ordinary resolution for the approval of the annual remuneration report was put to the shareholders at the AGM held on 7 July 2016.

Remuneration policy
The Company's policy in regard to Directors' remuneration is to ensure that the Company maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of shareholders.

The Directors do not consider it necessary for the Company to establish a separate Remuneration Committee. All of the matters recommended by the UK Code that would be delegated to such a committee are considered by the Board as a whole.

It is the responsibility of the Board as a whole to determine and approve the Directors' remuneration, following a recommendation from the Chair who will have given the matter proper consideration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Chair's remuneration is decided separately and is approved by the Board as a whole.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company.

Remuneration
The Directors of the Company are remunerated for their services at such a rate as the Directors determine, provided that the aggregate amount of such fees does not exceed £150,000 per annum.

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No Directors have been paid additional remuneration by the Company outside their normal Director's fees and expenses.

In the year ended 30 September 2016 the Directors received the following annual remuneration in the form of Directors' fees:

Claire Whittet (Chair of the Board)	£35,000
Christopher Legge (Audit Committee Chairman)	£32,500
Thomas Emch	£30,000
Ian Martin	£30,000
Total	£127,500

With effect from 1 October 2015, the Directors' fees increased by £5,000 each. The remuneration policy set out above is the one applied for the year ended 30 September 2016 and is not expected to change in the foreseeable future.

Appropriate Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The Directors were appointed as non-executive Directors by letters issued in February and July 2014. Each Director's appointment letter provides that, upon the termination of his/her appointment, that he/she must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation.

DIRECTORS' REMUNERATION REPORT continued

There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for six months or more; (c) unanimous written request of the other Directors; and (d) an ordinary resolution of the Company.

Under the terms of their appointment, each Director is required to retire by rotation and be subject to re-election at least every three years but have opted for annual re-election. The Directors are required to seek re-election if they have already served for more than nine years. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a director of the Company becoming effective.

The amounts payable to Directors shown in note 14 to the Financial Statements are for services as non-executive Directors.

No Director has a service contract with the Company, nor are any such contracts proposed.

Signed on behalf of the Board of Directors on 18 January 2017 by:

Claire Whittet Chair	Christopher Legge Director

AUDIT COMMITTEE REPORT

On the following pages, we present the Audit Committee's Report, setting out the responsibilities of the Audit Committee and its key activities for the year ended 30 September 2016.

The Audit Committee has scrutinised the appropriateness of the Company's system of risk management and internal financial and operating controls, the robustness and integrity of the Company's financial reporting, along with the external audit process. The Audit Committee has devoted time to ensuring that controls and processes have been properly established, documented and implemented.

During the course of the year, the information that the Audit Committee has received has been timely and clear and has enabled the Committee to discharge its duties effectively.

The Audit Committee is supportive of the latest UK Code recommendations and other corporate governance organisations such as the AIC, and believes that the revised AIC Code allows the Audit Committee to further strengthen its role as a key independent oversight Committee.

Role and responsibilities
The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities. This includes reviewing the financial reports and other financial information and any significant financial judgement contained therein, before publication.

In addition, the Audit Committee reviews the systems of internal financial and operating controls on a continuing basis that the Administrator, Portfolio Manager, AIFM, and Custodian and Depositary and the Board have established with respect to finance, accounting, risk management, compliance, fraud and audit. The Audit Committee also reviews the accounting and financial reporting processes, along with reviewing the roles, independence and effectiveness of the external auditor.

The ultimate responsibility for reviewing and approving the Annual and Interim Financial Statements remain with the Board.

The Audit Committee's full terms of reference can be obtained by contacting the Company's Administrator.

Risk management and internal control
The Board, as a whole, consider the nature and extent of the Company's risk management framework and the risk profile that is acceptable in order to achieve the Company's strategic objectives. As a result, it is considered that the Board has fulfilled its obligations under the AIC Code.

The Audit Committee continues to be responsible for reviewing the adequacy and effectiveness of the Company's on-going risk management systems and processes. Its system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit Committee through reports received from the Portfolio Manager, AIFM and Custodian and Depositary, along with those from the Administrator and external auditor.

Fraud, Bribery and Corruption
The Board has relied on the overarching requirement placed on the service providers under the relevant agreements to comply with applicable law, including anti-bribery laws. A review of the service provider policies took place at the Management Engagement Committee Meeting on 1 July 2016. The Board receives confirmation from all service providers that there has been no fraud, bribery or corruption.

AUDIT COMMITTEE REPORT continued

Financial reporting and significant financial issues

The Audit Committee assesses whether suitable accounting policies have been adopted and whether the Portfolio Manager has made appropriate estimates and judgements. The Audit Committee reviews accounting papers prepared by the Portfolio Manager and Administrator which provides details on the main financial reporting judgements.

The Audit Committee also reviews reports by the external auditors which highlight any issues with respect to the work undertaken on the audit.

The significant issues considered during the year by the Audit Committee in relation to the Financial Statements and how they were addressed are detailed below:

(i) Valuation of investments:
The Company's investments had a fair value of £127,968,371 as at 30 September 2016 (30 September 2015: £128,802,069) and represent a substantial portion of net assets of the Company. As such this is the largest factor in relation to the consideration of the Financial Statements. These investments are valued in accordance with the Accounting Policies set out in note 2 and note 3 to the Financial Statements. The Audit Committee considered the valuation of the investments held by the Company as at 30 September 2016 to be reasonable based on information provided by the Portfolio Manager, AIFM, Administrator, Custodian and Depositary on their processes for the valuation of these investments.

(ii) Income Recognition:
The Audit Committee considered the calculation of income from investments recorded in the Financial Statements as at 30 September 2016. As disclosed in note 3(ii)(b) of the Notes to the Financial Statements, the estimated life of Credit Securities is determined by the Portfolio Manager, impacting the effective interest rate of the Credit Securities which in turn impacts the calculation of income from investments. The Audit Committee has reviewed the Portfolio Manager's process for determining the expected life of the Company's investments and found it to be reasonable based on the explanations provided and information obtained from the Portfolio Manager. The Audit Committee was therefore satisfied that income was appropriately stated in all material aspects in the Financial Statements.

Following a review of the presentations and reports from the Portfolio Manager and Administrator and consulting where necessary with the external auditor, the Audit Committee is satisfied that the Financial Statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Audit Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

The Company's reporting currency is Sterling while a significant proportion of the investments owned are denominated in foreign currencies. The Company operates a hedging strategy designed to mitigate the impact of foreign currency rate changes on the performance of the Company. The Audit Committee has used information from the Administrator and Portfolio Manager to satisfy itself concerning the effectiveness of the hedging process, as well as to confirm that realised and unrealised foreign currency gains and losses have been correctly recorded.

At the request of the Audit Committee, the Administrator confirmed that it was not aware of any material misstatements including matters relating to Financial Statement presentation. At the Audit Committee meeting to review the Annual Report and Audited Financial Statements, the Audit Committee received and reviewed a report on the audit from the external auditors. On the basis of its review of this report, the Audit Committee is satisfied that the external auditor has fulfilled its responsibilities with diligence and professional scepticism. The Audit Committee advised the Board that these Annual Financial Statements, taken as a whole, are fair, balanced and understandable.

AUDIT COMMITTEE REPORT continued

Financial reporting and significant financial issues continued
The Audit Committee is satisfied that the judgements made by the Portfolio Manager and Administrator are reasonable, and that appropriate disclosures have been included in the Financial Statements.

External auditors
The Audit Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditors. PricewaterhouseCoopers CI LLP ("PwC") were appointed as the first auditors of the Company. During the year the Audit Committee received and reviewed audit plans and reports from the external auditors. It is standard practice for the external auditors to meet privately with the Audit Committee without the Portfolio Manager and other service providers being present at each Audit Committee meeting.

To assess the effectiveness of the external audit process, the auditors were asked to articulate the steps that they have taken to ensure objectivity and independence, including where the auditor provides non-audit services. The Audit Committee monitors the auditors' performance, behaviour and effectiveness during the exercise of their duties, which informs the decision to recommend reappointment on an annual basis.

The Company generally does not utilise external auditors for internal audit purposes, secondments or valuation advice. Services which are in the nature of audit, such as tax compliance, private letter rulings, accounting advice and disclosure advice are normally permitted but will be pre-approved by the Audit Committee.

The following table summarises the remuneration paid to PwC and to other PwC member firms for audit and non-audit services during the year ended 30 September 2016 and for the period ended 30 September 2015.

	Year ended 30.09.16	Year ended 30.09.15
PricewaterhouseCoopers CI LLP - Assurance work	**£**	**£**
- Annual audit of the Company	47,500	45,700
- Annual audit of the Company - additional scope	-	11,000
- Interim review	16,000	22,500
PricewaterhouseCoopers CI LLP - Non assurance work		
- Tax consulting and compliance services	15,000	3,000

For any questions on the activities of the Audit Committee not addressed in the foregoing, a member of the Audit Committee remains available to attend each AGM to respond to such questions.

The Audit Committee Report was approved by the Audit Committee on 18 January 2017 and signed on behalf by:

Christopher Legge
Chairman, Audit Committee

ALTERNATIVE INVESTMENT MANAGER'S REPORT

Maitland Institutional Services Limited (formerly Phoenix Fund Services (UK) Limited) acts as the Alternative Investment Fund Manager ("AIFM") of TwentyFour Select Monthly Income Fund Limited (the "Company" or the "AIF") providing portfolio management and risk management services to the Company.

The AIFM has delegated the following of its alternative investment fund management functions:

- It has delegated the portfolio management function for listed investments to TwentyFour Asset Management LLP.
- It has delegated the portfolio management function for unlisted investments to TwentyFour Asset Management LLP.

The AIFM is required by the Alternative Investment Fund Managers Directive 2011, 61/EU (the "AIFM Directive") and all applicable rules and regulations implementing the AIFM Directive in the UK (the "AIFM" Rules):

- to make the annual report available to investors and to ensure that the annual report is prepared in accordance with applicable accounting standards, the Company's articles of incorporation and the AIFM Rules and that the annual report is audited in accordance with International Standards on Auditing;
- be responsible for the proper valuation of the Company's assets, the calculation of the Company's net asset value and the publication of the Company's net asset value;
- to make available to the Company's shareholders, a description of all fees, charges and expenses and the amounts thereof, which have been directly or indirectly borne by them; and
- ensure that the Company's shareholders have the ability to tender their share in the capital of the Company in a manner consistent with the principle of fair treatment of investors under the AIFM Rules and in accordance with the Company's redemption policy and its obligations.

The AIFM is required to ensure that the annual report contains a report that includes a fair and balanced review of the activities and performance of the Company, containing also a description of the principal risks and investment or economic uncertainties that the Company might face.

AIFM Remuneration

Under the AIFM Directive, acting as the AIFM, Maitland Institutional Services Limited is required to disclose how those whose actions have a material impact on the Company are remunerated.

Due to the nature of the activities conducted by Maitland Institutional Services Limited, it has deemed itself as a lower risk firm in accordance with SYSC 19B and the Remuneration Code. The only employees at Maitland Institutional Services Limited permitted to have a material impact on the risk profile of the AIF are the Board and the Head of Risk and Compliance.

The delegated Investment Manager, TwentyFour Asset Management LLP, is subject to regulatory requirements that are broadly equivalent to those detailed in the AIFM Directive, which include the Capital Requirements Directive or Markets in Financial Instruments Directive. While a portion of the remuneration paid by the Investment Manager is variable and based, in part, on the performance of the investment portfolio, the investment discretion of the Investment Manager is strictly controlled within certain pre-defined parameters as detailed in the prospectus of the Company.

ALTERNATIVE INVESTMENT MANAGER'S REPORT continued

AIFM Remuneration continued

Under the AIFM Directive, the AIFM is required to stipulate how much it pays to its staff, in relation to fixed and variable remuneration and how much, in relation to the Company, is firstly attributed to all staff and those that are deemed, under the directive, to have an impact on the risk profile of the Company. Maitland Institutional Services Ltd does not pay any form of variable remuneration.

September 16	Number of Beneficiaries	Total remuneration paid	Fixed remuneration
Total remuneration paid by the AIFM during the year for work performed on the AIF	60	£69,204	£69,204
Remuneration paid to employees of the AIFM who have a material impact on the risk profile of the AIF	5	£12,457	£12,457

In so far as the AIFM is aware:

- there is no relevant audit information of which the Company's auditors or the Company's board of directors are unaware; and
- the AIFM has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditors are aware of that information.

We hereby certify that this report is made on behalf of the AIFM, Maitland Institutional Services Limited.

R.W. Leedham
D.Jones
Directors
Maitland Institutional Services Limited
18 January 2017

DEPOSITARY STATEMENT

for the year ended 30 September 2016

Report of the Depositary to the Shareholders

Northern Trust (Guernsey) Limited has been appointed as Depositary to TwentyFour Select Monthly Income Fund Limited (the "Company") in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the "AIFM Directive").

We have enquired into the conduct of Maitland Institutional Services Limited (the "AIFM") and the Company for the year ended 30 September 2016, in our capacity as Depositary to the Company.

This report including the review provided below has been prepared for and solely for the Shareholders in the Company. We do not, in giving this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 (collectively the "AIFMD legislation") and The Authorised Closed Ended Investment Scheme Rules 2008.

Amongst these obligations is the requirement to enquire into the conduct of the AIFM and the Company and their delegates in each annual accounting period.

Our report shall state whether, in our view, the Company has been managed in that period in accordance with the AIFMD legislation. It is the overall responsibility of the AIFM and the Company to comply with these provisions. If the AIFM, the Company or their delegates have not so complied, we as the Depositary will state why this is the case and outline the steps which we have taken to rectify the situation.

The Depositary and its affiliates is or may be involved in other financial and professional activities which may on occasion cause a conflict of interest with its roles with respect to the Company. The Depositary will take reasonable care to ensure that the performance of its duties will not be impaired by any such involvement and that any conflicts which may arise will be resolved fairly and any transactions between the Depositary and its affiliates and the Company shall be carried out as if effected on normal commercial terms negotiated at arm's length and in the best interests of Shareholders.

Basis of Depositary Review

The Depositary conducts such reviews as it, in its reasonable discretion, considers necessary in order to comply with its obligations and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the constitutional documentation and the appropriate regulations. Such reviews vary based on the type of Fund, the assets in which a Fund invests and the processes used, or experts required, in order to value such assets.

Review

In our view, the Company has been managed during the period, in all material respects:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional document; and by the AIFMD legislation; and

(ii) otherwise in accordance with the provisions of the constitutional document; and the AIFMD legislation.

For and on behalf of
Northern Trust (Guernsey) Limited
18 January 2017

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF TWENTYFOUR SELECT MONTHLY INCOME FUND LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of TwentyFour Select Monthly Income Fund Limited (the "Company") which comprise the Statement of Financial Position as of 30 September 2016 and the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of Guernsey law. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the 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 financial statements give a true and fair view of the financial position of the Company as of 30 September 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Report on other Legal and Regulatory Requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information is as per the table of contents.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT continued

TO THE SHAREHOLDERS OF TWENTYFOUR SELECT MONTHLY INCOME FUND LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters which we are required to review under the Listing Rules:

- the Directors' statement set out on page 13 in relation to going concern. As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern;

- the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the Directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit;

- the part of the Corporate Governance Statement relating to the Company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review; and

- certain elements of the report to shareholders by the Board on Directors' remuneration.

Evelyn Brady
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands
18 January 2017

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2016

	Notes	Year ended 30.09.16 £	Year ended 30.09.15 £
Income			
Interest income		10,810,286	9,711,733
Net foreign currency (loss)/gain	8	(11,251,978)	3,544,710
Net gain/(loss) on financial assets at fair value through profit or loss	9	7,938,726	(9,914,061)
Total income		7,497,034	3,342,382
Expenses			
Portfolio management fees	14	(995,849)	(998,154)
Directors' fees	14	(127,500)	(112,842)
Administration fees	15	(101,667)	(101,544)
AIFM management fees	15	(68,036)	(76,175)
Audit fee		(58,500)	(45,700)
Custody fees	15	(16,368)	(15,953)
Broker fees	15	(50,000)	(50,000)
Depositary fees	15	(25,000)	(23,183)
Other expenses		(163,206)	(164,751)
Total expenses		(1,606,126)	(1,588,302)
Total comprehensive income for the year		5,890,908	1,754,080
Earnings per Ordinary Share - Basic & Diluted	4	0.039	0.013

All items in the above statement derive from continuing operations.

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

STATEMENT OF FINANCIAL POSITION

as at 30 September 2016

Assets	Notes	30.09.16 £	30.09.15 £
Current assets			
Financial assets at fair value through profit and loss			
- Investments	9	127,968,371	128,802,069
- Derivative assets: Forward currency contracts	17	-	480,209
Amounts due from broker		1,132,190	1,233,420
Other receivables	10	2,477,965	2,794,811
Cash and cash equivalents		8,039,495	4,532,345
Total current assets		139,618,021	137,842,854
Liabilities			
Current liabilities			
Amounts due to broker		2,297,691	1,889,571
Other payables	11	219,031	245,140
Financial liabilities at fair value through profit and loss			
- Derivative liabilities: Forward currency contracts	17	279,458	1,147,799
Total current liabilities		2,796,180	3,282,510
Total net assets		136,821,841	134,560,344
Equity			
Share capital account	12	148,691,163	142,609,447
Other reserves		(11,869,322)	(8,049,103)
Total equity		136,821,841	134,560,344
Ordinary Shares in issue	12	152,079,151	145,335,881
Net Asset Value per Ordinary Share (pence)	6	89.97	92.59

The Financial Statements on pages 38 to 71 were approved by the Board of Directors on 18 January 2017 and signed on its behalf by:

Claire Whittet
Chair

Christopher Legge
Director

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2016

	Share Capital Account £	Other Reserves £	Total £
Balance at 01 October 2015	142,609,447	(8,049,103)	134,560,344
Reissue of treasury shares	6,193,760	-	6,193,760
Share issue costs	(62,197)	-	(62,197)
Income equalisation on new issues	(49,847)	49,847	-
Distributions paid	-	(9,760,974)	(9,760,974)
Total comprehensive income for the year	-	5,890,908	5,890,908
Balance at 30 September 2016	148,691,163	(11,869,322)	136,821,841

	Share Capital Account £	Other Reserves £	Total £
Balance at 01 October 2014	123,434,794	(240,328)	123,194,466
Issue of shares	16,075,985	-	16,075,985
Shares issued for repurchase	13,451,019	-	13,451,019
Purchase of own shares to hold in treasury	(13,451,019)	-	(13,451,019)
Reissue of treasury shares	3,551,432	-	3,551,432
Share issue costs	(339,085)	-	(339,085)
Income equalisation on new issues	(113,679)	113,679	-
Distributions paid	-	(9,676,534)	(9,676,534)
Total comprehensive income for the year	-	1,754,080	1,754,080
Balance at 30 September 2015	142,609,447	(8,049,103)	134,560,344

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

STATEMENT OF CASH FLOWS
for the year ended 30 September 2016

	Notes	Year ended 30.09.16 £	Year ended 30.09.15 £
Cash flows used in operating activities			
Total comprehensive income for the year		5,890,908	1,754,080
Adjustments for:			
Net (gain)/loss on investments		(7,938,726)	9,914,061
Amortisation adjustment under effective interest rate method	9	(1,087,382)	(639,168)
Unrealised (gain)/loss on derivatives	8	(388,127)	2,172,266
Decrease/(increase) in other receivables	10	316,846	(529,278)
Decrease in other payables	11	(26,109)	(7,903)
Purchase of investments		(75,295,581)	(89,423,264)
Sale of investments		85,664,732	66,767,578
Net cash generated from/(used in) operating activities		7,136,561	(9,991,628)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	12	-	16,075,985
Payment for shares redeemed to hold in treasury	12	-	3,551,432
Proceeds from re-issuance of treasury shares	12	6,193,760	-
Share issue costs	12	(62,197)	(339,085)
Dividend distribution	19	(9,760,974)	(9,676,534)
Net cash (outflow)/inflow from financing activities		(3,629,411)	9,611,798
Increase/(decrease) in cash and cash equivalents		3,507,150	(379,830)
Cash and cash equivalents at beginning of year		4,532,345	4,912,175
Cash and cash equivalents at end of year		8,039,495	4,532,345

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2016

1. General Information

TwentyFour Select Monthly Income Fund Limited (the "Company") was incorporated with limited liability in Guernsey, as a closed-ended investment company on 12 February 2014. The Company's Shares were listed with a Premium Listing on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange ("LSE") on 10 March 2014.

The investment objective and policy is set out in the Summary Information on page 3.

The Portfolio Manager of the Company is TwentyFour Asset Management LLP (the "Portfolio Manager").

2. Principal Accounting Policies

a) Basis of preparation and Statement of compliance

The Financial Statements have been prepared in accordance with International Reporting Financial Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are in compliance with the Companies (Guernsey) Law, 2008.

b) Presentation of information

The Financial Statements have been prepared on a going concern basis under the historical cost convention adjusted to take account of the revaluation of the Company's financial assets and liabilities at fair value through profit or loss.

c) Standards, amendments and interpretations issued but not yet effective

At the reporting date of these Financial Statements, the following standards, interpretations and amendments, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IFRS 9 Financial Instruments (Effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (Effective 1 January 2018)
- IFRS 7 Financial Instruments: Disclosures (Effective 1 January 2016)
- IAS 1 Disclosure Initiative (Effective 1 January 2016)

The Directors anticipate that the adoption of these standards effective in a future period will not have a material impact on the financial statements of the Company, other than IFRS 9. The Company is currently evaluating the potential effect of IFRS 9.

IFRS 9 'Financial Instruments' amends IAS 39. IFRS 9 specifies how an entity should classify and measure financial assets, including some hybrid contracts. The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. This classification includes financial assets initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; subsequently measured at amortised costs or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

The standard also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification.

No new accounting standards were effected or adopted during the year having an effect on the financial statements.

2. Principal Accounting Policies continued

d) Financial assets at fair value through profit or loss

Classification

The Company classifies its investments in credit securities and derivatives as financial assets at fair value through profit or loss.

This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

(i) Financial assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are categorised as held for trading. The Company does not classify any derivatives as hedges in a designated hedging relationship and therefore does not apply hedge accounting.

(ii) Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy.

The Company's policy requires the Portfolio Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date, the date on which the Company commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

The Company may invest in any category of credit security, including, without prejudice to the generality of the foregoing, bank capital, corporate bonds, high yield bonds, leveraged loans, payment-in-kind notes and asset backed securities.

The Company records any principal repayments as they arise and realises a gain or loss in the net gains on financial assets at fair value through profit or loss in the Statement of Comprehensive Income in the period in which they occur.

The interest income arising on these Credit Securities is recognised on a time-proportionate basis using the effective interest rate method and shown within income in the Statement of Comprehensive Income.

Fair value estimation

Fair value is 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. Investments in Credit Securities are fair valued in accordance with either i) or ii) below and the change in fair value, if any, is recorded as net gains/(losses) on financial assets/(liabilities) at fair value through profit or loss in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

2. Principal Accounting Policies continued

d) Financial assets at fair value through profit or loss continued

Fair value estimation continued

i) Credit Securities traded or dealt on an active market or exchange

Credit Securities that are traded or dealt on an active market or exchange are valued by reference to their quoted mid-market price as at the close of trading on the reporting date as the Directors deem the mid-market price to be a reasonable approximation of an exit price.

ii) Credit Securities not traded or dealt on an active market or exchange

Credit Securities which are not traded or dealt on active markets or exchanges are valued by reference to their mid-price, as at the close of business on the reporting date as determined by an independent price vendor. If a price cannot be obtained from an independent price vendor, or where the Portfolio Manager determines that the provided price is not an accurate representation of the fair value of the Credit Security, the Portfolio Manager will source mid-price quotes at the close of business on the reporting date from independent third party brokers/dealers for the relevant security. If no mid-price is available then a bid-price will be used.

In cases where no third party price is available (either from an independent price vendor or independent third party brokers/dealers), or where the Portfolio Manager determines that the provided price is not an accurate representation of the fair value of the Credit Security, the Portfolio Manager will determine the valuation based on the Portfolio Manager's valuation policy. This may include the use of a comparable arm's length transaction, reference to other securities that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Over-the-counter derivative contracts such as Interest Rate Swaps are valued on a weekly basis. This may be done using reference to data supplied from an independent data source or an alternative vendor as deemed suitable by the Directors. Where data from an independent data source is not available, the valuation may be done by using the counterparty's valuation provided that the valuation is approved or verified by a party who is approved for the purpose by the Directors and who is independent of the counterparty.

Forward foreign currency contracts

Forward foreign currency contracts are derivative contracts and as such are recognised at fair value on the date on which they are entered into and subsequently measured at their fair value. Fair value is determined by rates in active currency markets. All forward foreign currency contracts are carried as assets when fair value is positive and as liabilities when fair value is negative. Gains and losses on forward currency contracts are recognised as part of net foreign currency gains in the Statement of Comprehensive Income.

Interest rate swaps

Interest rate swaps are derivative contracts and as such are recognised at fair value on the date on which they are entered into and subsequently measured at their fair value. Fair value is determined by rates provided by brokers. All interest rate swaps are carried as assets when fair value is positive and as liabilities when fair value is negative. Gains and losses on interest rate swaps are recognised as part of net gains and losses on financial assets at fair value through profit or loss in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

2. Principal Accounting Policies continued

d) Financial assets at fair value through profit or loss continued

Impairment
Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the Statement of Comprehensive Income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's effective interest rate.

e) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Derivatives are not settled on a net basis and therefore derivative assets and liabilities are shown gross.

f) Amounts due from and due to brokers
Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

g) Income
Interest income is recognised on a time-proportionate basis using the effective interest rate method. Discounts received or premiums paid in connection with the acquisition of Credit Securities are amortised into interest income using the effective interest rate method over the expected life of the related security.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Portfolio Manager estimates cash flows considering the expected life of the financial instrument, including future credit losses and deferred interest payments. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate and all other premiums or discounts.

h) Cash and cash equivalents
Cash and cash equivalents comprises deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are included in current liabilities in the Statement of Financial Position.

i) Share capital
Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares are shown in equity as a deduction, net of tax, from the proceeds and disclosed in the Statement of Changes in Equity.

Repurchased Tendered Shares are treated as a distribution of capital and deducted from the Share Capital account.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

2. Principal Accounting Policies continued

j) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using Sterling, the currency of the primary economic environment in which the Company operates (the "functional currency"). The Financial Statements are presented in Sterling, which is the Company's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Statement of Financial Position date.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income.

k) Transaction costs

Transaction costs on financial assets at fair value through profit or loss include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the Statement of Comprehensive Income.

l) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The Directors are of the opinion that the Company is engaged in a single segment of business, being investments in Credit Securities. The Directors manage the business in this way. For additional information refer to note 18.

m) Expenses

All expenses are included in the Statement of Comprehensive Income on an accruals basis and are recognised through profit or loss in the Statement of Comprehensive Income.

n) Other receivables

Other receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

o) Other payables

Other payables are obligations to pay for services that have been acquired in the ordinary course of business. Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

p) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as liabilities in the Company's financial statements and disclosed in the Statement of Changes in Equity in the period in which the dividends are approved by the Board.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

2. Principal Accounting Policies continued

q) Income equalisation on new issues
In order to ensure there are no dilutive effects on earnings per share for current shareholders when issuing new shares, a transfer is made between share capital and income to reflect that amount of income included in the purchase price of the new shares.

r) Treasury Shares
The Company has the right to issue and purchase up to 14.99% of the total number of its own shares, as disclosed in note 12.

Shares held in Treasury are excluded from calculations when determining Earnings per Ordinary Share or Net Asset Value per Ordinary Share as detailed in notes 4 and 6.

3. Significant accounting judgements, estimates and assumptions
The preparation of the Company's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(i) Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Financial Statements:

Functional currency
As disclosed in note 2(j), the Company's functional currency is Sterling. Sterling is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. Dividends are also paid to its investors in Sterling. The Directors believe that Sterling best represents the functional currency.

(ii) Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising which are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) Fair value of securities not quoted in active markets
The Company carries its investments in Credit Securities at fair value, with changes in value being recognised in the Statement of Comprehensive Income. In cases where prices of Credit Securities are not quoted in an active market, the Portfolio Manager will obtain prices determined at the close of business on the reporting date from an independent price vendor. The Portfolio Manager exercises its judgement on the quality of the independent price vendor and information provided. If a price cannot be obtained from an independent price vendor or where the Portfolio Manager determines that the provided price is not an accurate representation of the fair value of the Credit Security, the Portfolio Manager will source prices from independent third party brokers or dealers for the relevant security, which may be indicative rather than tradable.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

3. Significant accounting judgements, estimates and assumptions continued

(ii) Estimates and assumptions continued

(a) Fair value of securities not quoted in active markets continued

Where no third party price is available, or where the Portfolio Manager determines that the third party quote is not an accurate representation of the fair value, the Portfolio Manager will determine the valuation based on the Portfolio Manager's valuation policy. This may include the use of a comparable arm's length transaction, reference to other securities that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. No Credit Securities were priced by the Portfolio Manager during the year or any previous year.

(b) Estimated life of Credit Securities

In determining the estimated life of the Credit Securities held by the Company, the Portfolio Manager estimates the remaining life of the security with respect to expected prepayment rates, default rates and loss rates together with other information available in the market underlying the security. The estimated life of the Credit Securities, as determined by the Portfolio Manager, impacts the effective interest rate of the Credit Securities which in turn impacts the calculation of income as discussed in note 2(g).

(c) Determination of observable inputs

As discussed in note 17, when determining the levels of investments within the fair value hierarchy, the determination of what constitutes ‘observable’ requires significant judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

4. Earnings per Ordinary Share - Basic & Diluted

The earnings per Ordinary Share - Basic and Diluted of 3.9p (30 September 2015: 1.3p) has been calculated based on the weighted average number of Ordinary Shares of 149,767,982 (30 September 2015: 138,712,320) and a net gain for the year of £5,890,908 (30 September 2015: £1,754,080).

5. Income on equalisation of new issues

In order to ensure there were no dilutive effects on earnings per share for current shareholders when issuing new shares, earnings have been calculated in respect of the accrued income at the time of purchase and a transfer has been made from share capital to income to reflect this. The transfer for the year amounted to £49,847 (30 September 2015: £113,679).

6. Net Asset Value per Ordinary Share

The net asset value of each Share of 89.97p (30 September 2015: £92.59p) is determined by dividing the net assets of the Company attributed to the Shares of £136,821,841 (30 September 2015: £134,560,344) by the number of Shares in issue at 30 September 2016 of 152,079,151 (30 September 2015: 145,335,881).

7. Taxation

The Company has been granted Exempt Status under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 to income tax in Guernsey. Its liability for Guernsey taxation is limited to an annual fee of £1,200 (30 September 2015: £1,200).

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

8. Net foreign currency (losses)/gains

	Year ended 30.09.16 £	Year ended 30.09.15 £
Movement in net unrealised gain/(loss) on forward currency contracts	388,127	(2,172,266)
Realised (loss)/gain on forward currency contracts	(11,954,408)	5,657,181
Realised currency gain/(loss) on receivables/payables	304,581	(17,758)
Unrealised income exchange gain on receivables/payables	9,722	77,553
	(11,251,978)	3,544,710

9. Investments

	Year ended 30.09.16 £	Year ended 30.09.15 £
Financial assets at fair value through profit and loss:		
Unlisted Investments:		
Opening amortised cost	139,639,982	122,539,767
Purchases at cost	75,703,701	88,769,362
Proceeds on sale/principal repayment	(85,563,502)	(68,000,998)
Amortisation adjustment under effective interest rate method	1,087,382	639,168
Realised gain on sale/principal repayment	3,162,474	1,461,103
Realised loss on sale/principal repayment	(5,926,052)	(5,768,420)
Closing amortised cost	128,103,985	139,639,982
Unrealised gain on investments	8,171,289	1,659,469
Unrealised loss on investments	(8,306,903)	(12,497,382)
Fair value	127,968,371	128,802,069
Realised gain on sale/principal repayment	3,162,474	1,461,103
Realised loss on sale/principal repayment	(5,926,052)	(5,768,420)
Increase in unrealised gain	6,511,825	759,440
Decrease/(increase) in unrealised loss	4,190,479	(6,366,184)
Net gain/(loss) on financial assets at fair value through profit or loss	7,938,726	(9,914,061)

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2016

10. Other receivables

	As at 30.09.16 £	As at 30.09.15 £
Interest income receivable	2,348,525	2,672,409
Prepaid expenses	14,413	15,175
Dividends receivable	115,027	107,227
	2,477,965	2,794,811

11. Other payables

	As at 30.09.16 £	As at 30.09.15 £
Portfolio management fees payable	84,266	92,094
Directors' fees payable	31,875	26,875
Administration fees payable	25,705	26,050
AIFM management fees payable	17,706	18,369
Audit fees payable	47,500	45,700
General expenses payable	8,806	32,838
Depositary fees payable	2,049	2,260
Custody fees payable	1,124	954
	219,031	245,140

12. Share Capital

Authorised Share Capital

The Directors may issue an unlimited number of Ordinary Shares at no par value and an unlimited number of Ordinary Shares with a par value.

Issued Share Capital

	As at 30.09.16 £	As at 30.09.15 £
Ordinary Shares		
Share Capital at the beginning of the year	142,609,447	123,434,794
Issue of shares	-	29,527,004
Share issue costs	(62,197)	(339,085)
Purchase of own shares into treasury	-	(13,451,019)
Re-issuance of treasury shares	6,193,760	3,551,432
Income equalisation on new issues	(49,847)	(113,679)
Total Share Capital at the end of the year	148,691,163	142,609,447

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

12. Share Capital continued

Issued Share Capital continued

	30.09.16 £	30.09.15 £
Treasury Shares		
Share Capital at the beginning of the year	9,899,587	-
Purchased shares	-	13,451,019
Re-issued shares	(6,193,760)	(3,551,432)
Total Treasury Shares at the end of the year	3,705,827	9,899,587

Reconciliation of number of Shares

	30.09.16 Shares	30.09.15 Shares
Ordinary Shares		
Shares at the beginning of the year	145,335,881	125,185,881
Issue of shares	-	30,723,887
Purchase of own shares into treasury	-	(14,173,887)
Re-issuance of treasury shares	6,743,270	3,600,000
Total Shares in issue at the end of the year	152,079,151	145,335,881

The Ordinary Shares carry the following rights:

a) the Ordinary Shares carry the right to receive all income of the Company attributable to the Ordinary Shares.

b) the Shareholders present in person or by proxy or present by a duly authorised representative at a general meeting has, on a show of hands, one vote and, on a poll, one vote for each Share held.

Reconciliation of number of Treasury Shares

	30.09.16 Shares	30.09.15 Shares
Treasury Shares		
Shares at the beginning of the year	10,573,887	-
Purchase of own shares to hold in treasury	-	14,173,887
Reissue of treasury shares	(6,743,270)	(3,600,000)
Total Shares held in treasury at the end of the year	3,830,617	10,573,887

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

12. Share Capital continued

The Company has the right to issue and purchase up to 14.99% of the total number of its own shares at £0.01 each, to be classed as Treasury Shares and may cancel those Shares or hold any such Shares as Treasury Shares, provided that the number of Shares held as Treasury Shares shall not at any time exceed 10% of the total number of Shares of that class in issue at that time or such amount as provided in the Companies Law.

On 13 February 2015 the Company purchased 14,173,887 Ordinary Shares of £0.01 at a price of 94.90p to be held in treasury. The total amount paid to purchase these shares was £13,451,019 and has been deducted from the shareholders' equity. The Company has the right to re-issue these shares at a later date. All shares issued were fully paid. During the year 6,743,270 (30 September 2015: 3,600,000) treasury shares were re-issued for a total consideration of £6,193,760 (30 September 2015: £3,551,432).

Shares held in Treasury are excluded from calculations when determining Earnings per Ordinary Share or Net Asset Value per Ordinary Share as detailed in notes 4 and 6.

13. Analysis of Financial Assets and Liabilities by Measurement Basis as per Statement of Financial Position

	Financial assets at fair value through profit and loss	Loans and receivables	Total
	£	£	£
30 September 2016			
Financial Assets			
Financial assets at fair value through profit and loss			
-Investments			
-Bonds	83,880,600	-	83,880,600
-Asset backed securities	44,087,771	-	44,087,771
Amounts due from broker	-	1,132,190	1,132,190
Other receivables (excluding prepaid expenses)	-	2,463,552	2,463,552
Cash and cash equivalents	-	8,039,495	8,039,495
	127,968,371	11,635,237	139,603,608

13. Analysis of Financial Assets and Liabilities by Measurement Basis as per Statement of Financial Position continued

	Financial liabilities at fair value through profit and loss	Other financial liabilities	Total
	£	£	£
30 September 2016			
Financial Liabilities			
Amounts due to broker	-	2,297,691	2,297,691
Other payables	-	219,031	219,031
Financial liabilities at fair value through profit and loss			
-Derivative liabilities: Forward currency contracts	279,458	-	279,458
	279,458	2,516,722	2,796,180

	Financial assets at fair value through profit and loss	Loans and receivables	Total
	£	£	£
30 September 2015			
Financial Assets			
Financial assets at fair value through profit and loss			
-Investments			
-Bonds	94,262,743	-	94,262,743
-Asset backed securities	35,378,946	-	35,378,946
-Interest rate swaps	(839,620)	-	(839,620)
-Derivative assets: Forward currency contracts	480,209	-	480,209
Amounts due from broker	-	1,233,420	1,233,420
Other receivables (excluding prepaid expenses)	-	2,779,636	2,779,636
Cash and cash equivalents	-	4,532,345	4,532,345
	129,282,278	8,545,401	137,827,679

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2016

13. Analysis of Financial Assets and Liabilities by Measurement Basis as per Statement of Financial Position continued

	Financial liabilities at fair value through profit and loss	Other financial liabilities	Total
	£	£	£
30 September 2015			
Financial Liabilities			
Amounts due to broker	-	1,889,571	1,889,571
Other payables	-	245,140	245,140
Financial liabilities at fair value through profit and loss			
-Derivative liabilities: Forward currency contracts	1,147,799	-	1,147,799
	1,147,799	2,134,711	3,282,510

14. Related Parties

a) Directors' Remuneration & Expenses

The Directors of the Company are remunerated for their services at such a rate as the Directors determine. The aggregate fees of the Directors will not exceed £150,000.

The Directors' fees for the year and the outstanding fees at year end are as follows.

	Year ended 30.09.16	Year ended 30.09.15
	£	£
Claire Whittet (Chair of the Board)	35,000	30,000
Christopher Legge (Audit Committee Chairman)	32,500	27,500
Thomas Emch	30,000	25,000
Ian Martin	30,000	30,342
Total Directors' fees	127,500	112,842

	As at 30.09.16	As at 30.09.15
	£	£
Directors' fee payable (note 11)	31,875	26,875

The fees paid to Mr Martin for the year ended 30 September 2015 included unrecorded 2014 fees of £5,342 that was expensed in 2015.

With effect from 1 October 2015, the Directors' fees increased by £5,000 each.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

14. Related Parties continued

b) Shares held by related parties
The Directors of the Company held the following shares beneficially:

	30.09.16 Shares	30.09.15 Shares
Claire Whittet	25,000	25,000
Christopher Legge	50,000	50,000
Thomas Emch	25,000	25,000
Ian Martin	35,000	25,000

Directors are entitled to receive the dividends on any shares held by them during the period. Dividends declared by the Company are set out in note 19.

As at 30 September 2016, the Portfolio Manager held no Shares (30 September 2016: no Shares) of the Issued Share Capital. Partners and employees of the Portfolio Manager increased their holdings during the year, and held 1,535,826 (30 September 2015: 883,227), which is 1.01% (30 September 2015: 0.61%) of the Issued Share Capital.

c) Portfolio Manager
The portfolio management fee is payable to the Portfolio Manager, TwentyFour Asset Management LLP, monthly in arrears at a rate of 0.75% per annum of the lower of NAV, which is calculated weekly on each valuation day, or market capitalisation of each class of shares. Total investment management fees for the year amounted to £995,849 (30 September 2015: £998,154) of which £84,266 (30 September 2015: £92,094) is payable at year end. The Portfolio Management Agreement dated 17 February 2014 remains in force until determined by the Company or the Portfolio Manager giving the other party not less than twelve months' notice in writing. Under certain circumstances, the Company or the Portfolio Manager is entitled to immediately terminate the agreement in writing.

The Portfolio Manager is also entitled to a commission of 0.175% of the aggregate gross offering proceeds plus any applicable VAT in relation to any issue of new Shares, following admission, in consideration of marketing services that it provides to the Company. During the year, the Portfolio Manager received £8,589 (30 September 2015: £34,348) in commission.

On 30 April 2015, the Portfolio Manager entered into a strategic partnership with Vontobel Asset Management, however the strategic partnership has had no impact on the Portfolio Manager's management activities or fees.

15. Material Agreements

a) Alternative Investment Fund Manager ("AIFM")
The Company's AIFM is Maitland Institutional Services Limited *(formerly Phoenix Fund Services (UK) Limited)*. In consideration for the services provided by the AIFM under the AIFM Agreement the AIFM is entitled to receive from the Company a minimum fee of £20,000 per annum and fees payable quarterly in arrears at a rate of 0.07% of the Net Asset Value of the Company below £50 million, 0.05% on Net Assets between £50 million and £100 million and 0.03% on Net Assets in excess of £100 million. During the year, AIFM fees of £68,036 (30 September 2015: £76,175) were charged to the Company, of which £17,706 (30 September 2015: £18,369) remained payable at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

15. Material Agreements continued

b) Administrator and Secretary

Administration fees are payable to Northern Trust International Fund Administration Services (Guernsey) Limited monthly in arrears at a rate of 0.06% of the Net Asset Value of the Company below £100 million, 0.05% on Net Assets between £100 million and £200 million and 0.04% on Net Assets in excess of £200 million as at the last business day of the month subject to a minimum of £75,000 for each year. In addition, an annual fee of £25,000 will be charged for corporate governance and company secretarial services. During the year, administration and secretarial fees of £101,667 (30 September 2015: £101,544) were charged to the Company, of which £25,705 (30 September 2015: £26,050) remained payable at the end of the year.

c) Broker

For its services as the Company's broker, Numis Securities Limited (the "Broker") is entitled to receive a retainer fee of £50,000 per annum and also a commission of 1% on all tap issues. During the year, the Broker received £49,081 (30 September 2015: £196,274) in commission, which is charged as a cost of issuance.

d) Depositary

Depositary's fees are payable to Northern Trust (Guernsey) Limited monthly in arrears at a rate of 0.0175% of the NAV of the Company below £100 million, 0.0150% on Net Assets between £100 million and £200 million and 0.0125% on Net Assets in excess of £200 million as at the last business day of the month subject to a minimum of £25,000 for each year. During the year, depositary fees of £25,000 (30 September 2015: £23,183) were charged to the Company, of which £2,049 (30 September 2015: £2,260) remained payable at the end of the year.

The Depositary is also entitled to a Global Custody fee of a minimum of £8,500 per annum plus transaction fees. Total Global Custody fees and charges for the year amounted to £16,368 (30 September 2015: £15,953) of which £1,124 (30 September 2015: £954) is due and payable at the end of the year.

16. Financial Risk Management

The Company's activities expose it to a variety of financial risks: Market risk (including price risk and reinvestment risk), interest rate risk, credit risk, liquidity risk, foreign currency risk and capital risk.

The Company's financial instruments include financial assets/liabilities at fair value through profit or loss, cash and cash equivalents, amounts due to/from broker, other receivables and other payables. The main risks arising from the Company's financial instruments are market price risk, interest rate risk, credit risk, liquidity risk and currency risk. The techniques and instruments utilised for the purposes of efficient portfolio management are those which are reasonably believed by the Board to be economically appropriate to the efficient management of the Company.

Market risk

Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and price risk. The Company's strategy on the management of market risk is driven by the Company's investment objective. The Company's investment objective is to generate attractive risk adjusted returns principally through investment in Credit Securities.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

16. Financial Risk Management continued

Market risk continued
(i) Price risk
The underlying investments comprised in the portfolio are subject to price risk. The Company is therefore at risk that market events may affect performance and in particular may affect the value of the Company's investments which are valued on a mark to market and mark to model basis. Price risk is risk associated with changes in market prices or rates, including interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, national and international political circumstances. The Company's policy is to manage price risk by holding a diversified portfolio of assets, through its investments in Credit Securities.

The Company's policy also stipulates that at purchase no more than 5% of the Portfolio value can be exposed to any single Credit Security or issuer of Credit Securities.

The price of a Credit Security can be affected by a number of factors, including: (i) changes in the market's perception of the underlying assets backing the security; (ii) economic and political factors such as interest rates and levels of unemployment and taxation which can have an impact on the arrears, foreclosures and losses incurred with respect to the pool of assets backing the security; (iii) changes in the market's perception of the adequacy of credit support built into the security's structure to protect against losses caused by arrears and foreclosures; (iv) changes in the perceived creditworthiness of the originator of the security or any other third parties to the transaction; (v) the speed at which mortgages or loans within the pool are repaid by the underlying borrowers (whether voluntary or due to arrears or foreclosures).

(ii) Reinvestment risk
Reinvestment risk is the risk that future coupons from a bond will not be reinvested at the prevailing interest rate when the bond was initially purchased.

A key determinant of a bond's yield is the price at which it is purchased and, therefore, when the market price of bonds generally increases, the yield of bonds purchased generally decreases. As such, the overall yield of the portfolio, and therefore the level of dividends payable to Shareholders, would fall to the extent that the market prices of Credit Securities generally rise and the proceeds of Credit Securities held by the Company that mature or are sold are not able to be reinvested in Credit Securities with a yield comparable to that of the portfolio as a whole.

Price sensitivity analysis
The following details the Company's sensitivity to movement in market prices. The analysis is based on a 10% and 5% (30 September 2015: 5%) increase or decrease in market prices. This represents management's best estimate of a reasonable possible shift in market prices, having regard to historical volatility.

At 30 September 2016, if the market prices had been 10% and 5% (30 September 2015: 5%) higher with all other variables held constant, the increase in the net assets attributable to equity Shareholders would have been £12,796,837 and £6,398,419 respectively (30 September 2015: £6,440,103). The total comprehensive income for the year would have also increased by £12,796,837 and £6,398,419 (30 September 2015: £6,440,103). An equal change in the opposite direction would have decreased the net assets attributable to equity Shareholders and total comprehensive income respectively.

Actual trading results may differ from the above sensitivity analysis and those differences may be material.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

16. Financial Risk Management continued

Interest rate risk continued
The tables below summarise the Company's exposure to interest rate risk:

	Floating rate	Fixed rate	Non-interest bearing	Total
As at 30 September 2016	£	£	£	£
Investments	48,625,988	79,342,383	-	127,968,371
Amounts due from broker	-	-	1,132,190	1,132,190
Other receivables	-	-	2,477,965	2,477,965
Cash and cash equivalents	8,039,495	-	-	8,039,495
Derivative liabilities: Forward currency contracts	-	-	(279,458)	(279,458)
Amounts due to broker	-	-	(2,297,691)	(2,297,691)
Other payables	-	-	(219,031)	(219,031)
Net current assets	56,665,483	79,342,383	813,975	136,821,841
As at 30 September 2015				
Investments	45,203,982	83,598,087	-	128,802,069
Amounts due from broker	-	-	1,233,420	1,233,420
Other receivables	-	-	2,794,811	2,794,811
Cash and cash equivalents	4,532,345	-	-	4,532,345
Derivative assets: Forward currency contracts	-	-	480,209	480,209
Derivative liabilities: Forward currency contracts	-	-	(1,147,799)	(1,147,799)
Amounts due to broker	-	-	(1,889,571)	(1,889,571)
Other payables	-	-	(245,140)	(245,140)
Net current assets	49,736,327	83,598,087	1,225,930	134,560,344

The Company holds fixed rate and floating rate financial instruments which, based on current portfolio duration, have low exposure to fair value interest rate risk as, when the short-term interest rates increase, the interest rate on a floating rate note will increase. The maximum time to re-fix interest rates is six months and therefore the Company has low interest rate risk and, as such it is not deemed necessary to perform sensitivity analysis over interest rate risk. As at 30 September 2016, 65% of the Company was invested in fixed rate securities, however overall duration of the Company was 2.9 years. The value of Credit securities may be affected by interest rate movements. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates, however the underlying cash positions will not be affected.

The Company's continuing position in relation to interest rate risk is monitored on a weekly basis by the Portfolio Manager as part of its review of the weekly Net Asset Value calculations prepared by the Company's Administrator.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

16. Financial Risk Management continued

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a credit policy in place and the exposure to credit risk is monitored on an on-going basis.

The main concentration of credit risk to which the Company is exposed arises from the Company's investments in Credit Securities. The Company is also exposed to counterparty credit risk on forwards, cash and cash equivalents, amounts due from brokers and other receivable balances.

The Company's policy is to manage this risk by maintaining a portfolio diversified by issuer. While the prospectus permits no more than 5% of the portfolio value to be invested in any single Credit Security or issuer of Credit Securities, the Portfolio Manager operates to stricter exposures dependent on the credit rating of each single Credit Security or issuer of Credit Securities.

Portfolio of debt securities by ratings category using the highest rating assigned by Standard and Poor's ("S&P"), Moody's Analytics ("Moody's") or Fitch Ratings ("Fitch"):

	30.09.16	**30.09.15**
BBB	0.00%	0.78%
BBB-	4.55%	4.81%
BB+	10.89%	15.99%
BB	10.58%	4.27%
BB-	4.93%	7.21%
B+	6.44%	6.31%
B	28.01%	27.87%
B-	10.52%	9.50%
CCC+	4.86%	12.26%
CCC	0.00%	0.74%
CCC-	0.13%	0.00%
CC	1.41%	0.96%
Not Rated	17.68%	9.30%
	100.00%	100.00%

To further understand credit risk, the Portfolio Manager undertakes extensive due diligence procedures on investments in Credit Securities and monitors the on-going investment in these securities.

The Company manages its counterparty exposure in respect of cash and cash equivalents and forwards by investing with counterparties with a "single A" or higher credit rating. The majority of cash is currently placed with The Northern Trust Company. The Company is subject to credit risk to the extent that this institution may be unable to return this cash. The Northern Trust Company is a wholly owned subsidiary of The Northern Trust Corporation. The Northern Trust Corporation is publicly traded and a constituent of S&P 500. The Northern Trust Corporation has a credit rating of A+ from Standard & Poor's and A2 from Moody's.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

16. Financial Risk Management continued

Credit risk continued
The Company's maximum credit exposure is limited to the carrying amount of financial assets recognised as at the statement of financial position date, as summarised below:

	30.09.16	30.09.15
	£	£
Investments	127,968,371	128,802,069
Amounts due from broker	1,132,190	1,233,420
Cash and cash equivalents	8,039,495	4,532,345
Derivative assets: Forward currency contracts	-	480,209
Other receivables	2,477,965	2,794,811
	139,618,021	137,842,854

Investments in Credit Securities that are not backed by mortgages present certain risks that are not presented by mortgage-backed securities ("MBS"). Primarily, these securities may not have the benefit of the same security interest in the related collateral. Therefore, there is a possibility that recoveries on defaulted collateral may not, in some cases, be available to support payments on these securities. The risk of investing in these types of Credit Securities is ultimately dependent upon payment of the underlying debt by the debtor.

Liquidity risk
Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Investments made by the Company in Credit Securities may be relatively illiquid and this may limit the ability of the Company to realise its investments. Investments in Credit Securities may also have no active market and the Company also has no redemption rights in respect of these investments. The Company has the ability to borrow to ensure sufficient cash flows.

The Portfolio Manager considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. Cash flows from trade and other receivables are all contractually due within twelve months.

The Portfolio Manager shall maintain a liquidity management policy to monitor the liquidity risk of the Company.

Shareholders have no right to have their shares redeemed or repurchased by the Company, except as detailed under the Capital Risk Management (Quarterly Tenders) section of this note. Shareholders wishing to release their investment in the Company are therefore required to dispose of their shares on the market.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

16. Financial Risk Management continued

Liquidity risk continued

The table below analyses the Company's liabilities into relevant maturity groupings based on the maturities at the statement of financial position date. The amounts in the table are the undiscounted net cash flows on the financial liabilities:

	Up to 1 month	1-6 months	6-12 months	Total
As at 30 September 2016	**£**	**£**	**£**	**£**
Amounts due to broker	(2,297,691)	-	-	(2,297,691)
Derivative liabilities: Forward currency contracts	-	(279,458)	-	(279,458)
Other payables	(171,531)	(47,500)	-	(219,031)
Total	(2,469,222)	(326,958)	-	(2,796,180)
As at 30 September 2015				
Amounts due to broker	(1,889,571)	-	-	(1,889,571)
Derivative liabilities: Forward currency contracts	(1,147,799)	-	-	(1,147,799)
Other payables	(199,440)	(45,700)	-	(245,140)
Total	(3,236,810)	(45,700)	-	(3,282,510)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company invests predominantly in non-Sterling assets while its Shares are denominated in Sterling, its expenses are incurred in Sterling and its presentational currency is Sterling. Therefore the Statement of Financial Position may be significantly affected by movements in the exchange rate between foreign currencies and Sterling. The Company manages the exposure to currency movements by using spot and forward foreign exchange contracts, rolling forward on a periodic basis.

At year end, the Company had two (30 September 2015: sixteen) open forward currency contracts and nil (30 September 2015: five) open spot currency contracts.

Open forward currency contracts

	Contract values	Outstanding contracts	Mark to market	Unrealised gains/(losses)
	30.09.16	**30.09.16**	**30.09.16**	**30.09.16**
	Currency	£	£	£
Two Sterling forward foreign currency contracts totalling:				
1 EUR forward foreign currency contract	(79,187,520)	(68,278,647)	(68,552,759)	(274,112)
1 USD forward foreign currency contract	(12,087,442)	(9,294,879)	(9,300,225)	(5,346)
				(279,458)

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

16. Financial Risk Management continued

Foreign currency risk continued

Open forward currency contracts continued

	Contract values	Outstanding contracts	Mark to market	Unrealised gains/(losses)
	30.09.15	**30.09.15**	**30.09.15**	**30.09.15**
	Currency	£	£	£
Sixteen Sterling forward foreign currency contracts totalling:				
2 CHF forward foreign currency contracts	(8,550,000)	(5,790,367)	(5,779,563)	10,804
3 EUR forward foreign currency contracts	(89,400,000)	(66,323,609)	(65,914,740)	408,869
2 USD forward foreign currency contracts	4,400,000	2,876,274	2,904,770	28,496
				448,169
4 EUR forward foreign currency contracts	(96,400,000)	(70,494,957)	(71,038,466)	(543,509)
2 SEK forward foreign currency contracts	(17,750,000)	(1,376,568)	(1,397,625)	(21,057)
2 USD forward foreign currency contracts	(31,000,000)	(20,265,914)	(20,466,453)	(200,539)
1 CHF forward foreign currency contract	(200,000)	(132,901)	(135,128)	(2,227)
				(767,332)

Open spot currency contracts

	Contract values	Outstanding contracts	Mark to market	Unrealised gains/(losses)
	30.09.15	**30.09.15**	**30.09.15**	**30.09.15**
	Currency	£	£	£
Five Sterling spot currency contracts totalling:				
1 EUR spot currency contract	(1,800,000)	(1,328,850)	(1,326,457)	2,393
1 SEK spot currency contract	8,800,000	687,022	692,679	5,657
1 USD spot currency contract	13,300,000	8,756,337	8,780,327	23,990
				32,040
1 EUR spot currency contract	93,800,000	69,496,420	69,123,125	(373,295)
1 CHF spot currency contract	4,400,000	2,980,020	2,972,848	(7,172)
				(380,467)

16. Financial Risk Management continued

Foreign currency risk continued

As at 30 September 2016 and 2015 the Company held the following assets and liabilities denominated in currencies other than Pound Sterling:

	30.09.16	30.09.15
	£	£
Investments	77,113,129	77,667,796
Cash and cash equivalents	1,646,323	2,253,255
Other receivables	1,271,578	2,852,506
Less: Amounts due to broker	(1,297,691)	-
Less: Open forward currency contracts	(77,852,985)	(161,827,206)
Add: Open spot currency contracts	-	80,242,525
	880,354	1,188,876

The table below summarises the sensitivity of the Company's assets and liabilities to changes in foreign exchange movements between Euro and Sterling as at 30 September 2016 and 2015. The analysis is based on the assumption that the relevant foreign exchange rate increased/decreased by the percentage disclosed in the table, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

	30.09.16	30.09.15
	£	£
Impact on Statement of Comprehensive Income and Equity in response to a:		
- 10% (30.09.15: 5%) increase in EUR/GBP	(25,230)	(41,367)
- 10% (30.09.15: 5%) decrease in EUR/GBP	123,352	115,958
Impact on Statement of Changes in Equity in response to a:		
- 10% (30.09.15: 5%) increase in EUR/GBP	(25,230)	(41,367)
- 10% (30.09.15: 5%) decrease in EUR/GBP	123,352	115,958

Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while following the Company's stated investment policy. The capital structure of the Company consists of Shareholders' equity, which comprises share capital and other reserves. To maintain or adjust the capital structure, the Company may return capital to Shareholders or issue new Shares. There are no regulatory requirements to return capital to Shareholders.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

16. Financial Risk Management continued

Capital risk management continued

(i) Quarterly Tenders
With the objective of minimising the risk of the Ordinary Shares trading at a discount to NAV and to assist in the narrowing of any discount at which the Ordinary Shares may trade from time to time, the Company has incorporated into its structure a mechanism (a "Quarterly Tender"), contingent on certain factors as described below, which can be exercised at the discretion of the Directors, to provide Shareholders with a quarterly opportunity to submit Ordinary Shares for placing or repurchase by the Company at a price representing a discount of no more than 2% to the then prevailing NAV.

Upon confirmation of the number of Tender Requests made in respect of each Quarter Record Date, the Company intends first, through its corporate broker acting on a reasonable endeavours basis, to seek to satisfy Tender Requests by placing the Tendered Shares with investors in the secondary market.

Second, subject to the Tender Restrictions, the Company intends to repurchase for cancellation any Tendered Shares not placed in the secondary market.

It is anticipated that the Company will tender on a quarterly basis for up to 20% of the Ordinary Shares in issue as at the relevant Quarter Record Date, subject to an aggregate limit of 50% of the Ordinary Shares in issue in any twelve month period ending on the relevant Quarter Record Date.

(ii)Share buybacks
The Company has been granted the authority to make market purchases of up to a maximum of 14.99% of the aggregate number of Ordinary Redeemable Shares in issue immediately following Admission at a price not exceeding the higher of (i) 5% above the average of the mid-market values of the Ordinary Redeemable Shares for the 5 business days before the purchase is made or, (ii) the higher of the price of the last independent trade and the highest current investment bid for the Ordinary Redeemable Shares.

In deciding whether to make any such purchases the Directors will have regard to what they believe to be in the best interests of Shareholders as a whole, to the applicable legal requirements and any other requirements in its Articles. The making and timing of any buybacks will be at the absolute discretion of the Board and not at the option of the Shareholders, and is expressly subject to the Company having sufficient surplus cash resources available (excluding borrowed moneys).

The Listing Rules prohibit the Company from conducting any share buybacks during close periods immediately preceding the publication of annual and interim results.

(iii) Continuation votes
In the event that:

(i) the Dividend Target, as disclosed in note 19, is not met; or

(ii) on any Tender Submission Deadline, applications for the Company to repurchase 50% or more of the Company's issued Ordinary Shares, calculated as at the relevant Quarter Record Date, are received by the Company,

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

16. Financial Risk Management continued

Capital risk management continued
(iii) Continuation votes continued
A General Meeting will be convened at which the Directors will propose an Ordinary Resolution that the Company should continue as an investment company. If any such Ordinary Resolution is not passed, the Directors shall draw up proposals for the voluntary liquidation, unitisation, reorganisation or reconstruction of the Company for submission to the members of the Company at a General Meeting to be convened by the Directors for a date not more than 6 months after the date of the meeting at which such Ordinary Resolution was not passed.

17. Fair Value Measurement
All assets and liabilities are carried at fair value or at carrying value which equates to fair value.

IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices including interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates) or other market corroborated inputs (level 2).
(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value as at 30 September 2016.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Financial assets at fair value				
through profit or loss				
-Investments				
-Bonds	-	38,924,491	44,956,109	83,880,600
-Asset backed securities	-	33,298,000	10,789,771	44,087,771
Total assets as at 30 September 2016	-	72,222,491	55,745,880	127,968,371
Liabilities				
Financial liabilities at fair value				
through profit or loss				
-Derivative liabilities: Forward currency				
contracts	-	279,458	-	279,458
Total liabilities as at 30 September 2016	-	279,458	-	279,458

17. Fair Value Measurement continued

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value as 30 September 2015.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Financial assets at fair value				
through profit or loss				
-Investments				
-Bonds	-	26,900,396	67,362,346	94,262,743
-Interest rate swaps	-	-	(839,620)	(839,620)
-Asset backed securities	-	27,406,306	7,972,641	35,378,946
-Derivative assets: Forward currency				
contracts	-	480,209	-	480,209
Total assets as at 30 September 2015	-	54,786,911	74,495,367	129,282,278
Liabilities				
Financial liabilities at fair value				
through profit or loss				
-Derivative liabilities: Forward currency				
contracts	-	1,147,799	-	1,147,799
Total liabilities as at 30 September 2015	-	1,147,799	-	1,147,799

Credit Securities which have a value based on quoted market prices in active markets are classified in level 1. At the end of the year, no Credit Securities held by the Company are classified as level 1.

Credit Securities which are not traded or dealt on organised markets or exchanges are classified in level 2 or level 3. Credit securities priced at cost are classified as level 3. Credit securities with prices obtained from independent price vendors, where the Portfolio Manager is able to assess whether the observable inputs used for their modelling of prices is accurate and the Portfolio Manager has the ability to challenge these vendors with further observable inputs, are classified as level 2. Prices obtained from vendors who are not easily challengeable or transparent in showing their assumptions for the method of pricing these assets, are classified as level 3. Credit Securities priced at an average of two vendors' prices are classified as level 3.

Where the Portfolio Manager determines that the price obtained from an independent price vendor is not an accurate representation of the fair value of the Credit Security, the Portfolio Manager may source prices from third party broker or dealer quotes and if the price represents a reliable and an observable price, the Credit Security is classified in level 2. Any broker quote that is over 20 days old is considered stale and is classified as level 3.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2016

17. Fair Value Measurement continued

There were no transfers between level 1 and 2 during the year, however transfers from level 3 to level 2 occurred based on the Portfolio Manager's ability to obtain a reliable and observable price as detailed above.

During the year the level classification policy employed by the Portfolio Manager was updated following an exercise undertaken to assess the transparency offered by third party price vendors, which has enabled the Portfolio Manager to determine the appropriate classification between level 2 and level 3 with greater precision.

As such the comparative period level three information has been restated to account for a reclassification from level 3 to level 2 amounting to £47,829,924, such that the comparative levelling table is comparable and in line with the Company's enhanced levelling assessment.

Due to the inputs into the valuation of Credit Securities classified as level 3 not being available or visible to the Company, no meaningful sensitivity on inputs can be performed.

The following table presents the movement in level 3 instruments for the year ended 30 September 2016 by class of financial instrument.

	Preferred Stock	Bonds	Interest Rate Swaps	Asset backed securities	Total
	£	£	£	£	£
Opening balance	-	67,362,346	(839,620)	7,972,641	74,495,367
Net (sales)/purchases	-	(17,159,353)	1,076,632	(779,707)	(16,862,428)
Net realised gain/(loss) for the year	-	391,035	(1,076,632)	(331,193)	(1,016,790)
Net unrealised gain for the year	-	165,750	839,620	912,547	1,917,917
Transfer into Level 3	-	11,184,039	-	5,619,998	16,804,037
Transfer out of Level 3	-	(16,987,708)	-	(2,604,515)	(19,592,223)
Closing balance	-	44,956,109	-	10,789,771	55,745,880

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

17. Fair Value Measurement continued

The following table presents the movement in level 3 instruments for the year ended 30 September 2015 by class of financial instrument.

	Preferred Stock	Bonds	Interest Rate Swaps	Asset backed securities	Total
	£	£	£	£	£
Opening balance	2,895,000	49,692,194	(252,574)	10,988,865	63,323,485
Net purchases	-	20,131,811	-	5,096,290	25,228,101
Investment reclassification	(2,895,000)	2,895,000	-	-	-
Net realised (loss)/gain for the year	-	(326,034)	-	12,357	(313,677)
Net unrealised (loss)/gain for the year	-	(1,510,989)	(587,046)	24,123	(2,073,912)
Transfer into Level 3	-	6,660,081	-	1,653,589	8,313,670
Transfer out of Level 3	-	(10,179,717)	-	(9,802,583)	(19,982,300)
Closing balance	-	67,362,346	(839,620)	7,972,641	74,495,367

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 30 September 2016 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
30 September 2016	£	£	£	£
Assets				
Amounts due from broker	-	1,132,190	-	1,132,190
Other receivables	-	2,477,965	-	2,477,965
Cash and cash equivalents	8,039,495	-	-	8,039,495
Total	**8,039,495**	**3,610,155**	**-**	**11,649,650**
Liabilities				
Amounts due to broker	-	2,297,691	-	2,297,691
Other payables	-	219,031	-	219,031
Total	**-**	**2,516,722**	**-**	**2,516,722**

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

17. Fair Value Measurement continued

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 30 September 2015 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
30 September 2015	**£**	**£**	**£**	**£**
Assets				
Amounts due from broker	-	1,233,420	-	1,233,420
Other receivables	-	2,794,811	-	2,794,811
Cash and cash equivalents	4,532,345	-	-	4,532,345
Total	**4,532,345**	**4,028,231**	**-**	**8,560,576**
Liabilities				
Amounts due to broker	-	1,889,571	-	1,889,571
Other payables	-	245,140	-	245,140
Total	**-**	**2,134,711**	**-**	**2,134,711**

The assets and liabilities included in the above tables are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents include deposits held with banks.

Amounts due to brokers and other payables represent the contractual amounts and obligations due by the Company for settlement of trades and expenses. Amounts due from brokers and other receivables represent the contractual amounts and rights due to the Company for settlement of trades and income.

18. Segmental Reporting

The Board is responsible for reviewing the Company's entire portfolio and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis.

The Company invests in a diversified portfolio of Credit Securities. The fair value of the major financial instruments held by the Company and the equivalent percentages of the total value of the Company are reported in the Top Twenty Holdings.

Revenue earned is reported separately on the face of the Statement of Comprehensive Income as investment income being interest income received from Credit Securities.

19. Dividend Policy

The Board intends to distribute an amount at least equal to the value of the Company's net income arising each financial year to the holders of Ordinary Shares. However, there is no guarantee that the dividend target of 6.0 pence per Ordinary Share for each financial year will be met or that the Company will make any distributions at all.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

19. Dividend Policy continued

Distributions made with respect to any income period comprise (a) the accrued income of the portfolio for the period (for these purposes, the Company's income will include the interest payable by the Credit Securities in the Portfolio and amortisation of any discount or premium to par at which a Credit Security is purchased over its remaining expected life), and (b) an additional amount to reflect any income purchased in the course of any share subscriptions that took place during the period. Including purchased income in this way ensures that the income yield of the shares is not diluted as a consequence of the issue of new shares during an income period and (c) any gain / (loss) on the foreign exchange contracts caused by the libor differentials between each foreign exchange currency pair.

The Board expects that dividends will constitute the principal element of the return to the holders of Ordinary Shares.

The Company declared the following dividends in respect of the distributable profit for the year ended 30 September 2016:

Period to	Dividend rate per Share (pence)	Net dividend paid - Income (£)	Ex-dividend date	Record date	Pay date
31 October 2015	0.50	744,179	19 November 2015	20 November 2015	30 November 2015
30 November 2015	0.50	744,179	17 December 2015	18 December 2015	31 December 2015
31 December 2015	0.50	744,179	21 January 2016	22 January 2016	29 January 2016
31 January 2016	0.50	744,179	18 February 2016	19 February 2016	29 February 2016
29 February 2016	0.50	746,679	17 March 2016	18 March 2016	31 March 2016
31 March 2016	0.50	754,146	16 April 2016	17 April 2016	30 April 2016
30 April 2016	0.50	754,146	19 May 2016	20 May 2015	31 May 2016
31 May 2016	0.50	754,146	16 June 2016	17 June 2016	30 June 2016
30 June 2016	0.50	754,146	21 July 2016	22 July 2016	29 July 2016
31 July 2016	0.50	754,146	18 August 2016	19 August 2016	28 August 2016
31 August 2016	0.50	764,146	15 September 2016	16 September 2016	30 September 2016
30 September 2016	1.35	2,055,980	20 October 2016	21 October 2016	31 October 2016

Under the Companies (Guernsey) Law, 2008, the Company can distribute dividends from capital and revenue reserves, subject to the net asset and solvency test. The net asset and solvency test considers whether a company is able to pay its debts when they fall due, and whether the value of a company's assets is greater than its liabilities. The Board confirms that the Company passed the net asset and solvency test for each dividend paid.

20. Ultimate Controlling Party

In the opinion of the Directors on the basis of shareholdings advised to them, the Company has no ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2016

21. Subsequent Events

These Financial Statements were approved for issuance by the Board on 18 January 2017. Subsequent events have been evaluated until this date.

Subsequent to the year end and up to the date of the Annual Report and Audited Financial Statements, the following events took place:

Dividend declarations

Declaration date	Dividend rate per Share (pence)
12 October 2016	1.35
10 November 2016	0.50
8 December 2016	0.50
11 January 2017	0.50

Re-issuance of Treasury Shares

Date of Re-issue	Shares	£
6 October 2016	2,500,000	2,294,500

As at the date of approval for issuance of the Annual Report and Audited Financial Statements, the Company had 154,579,151 Ordinary shares in issue and 1,330,617 held in treasury.

TwentyFour
ASSET MANAGEMENT

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